



CITY OF LAGUNA HILLS CITY COUNCIL/PLANNING AGENCY

REGULAR MEETING AGENDA Tuesday, April 25, 2017 – 7:00 PM (Closed Session at 6:00 PM when scheduled)

Don Sedgwick, Mayor

**Melody Carruth, Mayor Pro Tempore
Janine Heft, Council Member**

**Dore J. Gilbert, M.D., Council Member
Barbara D. Kogerman, Council Member**

Location: City Council Chamber, 24035 El Toro Road, Laguna Hills, CA 92653

Any person wishing to address the City Council/Planning Agency on any matter, whether or not it appears on this Agenda, is asked to complete a pink "Request to Speak" form available on the table at the back of the Chamber. The completed form is to be submitted to the City Clerk prior to an individual being heard by the City Council/Planning Agency. Completion of the form is voluntary. All persons may attend the meeting regardless of whether this form is completed.

Members of the public wishing to address the City Council can do so during the Public Comments portion of the Agenda with a time limitation of three minutes per person, an overall time limit of ten minutes for any one subject, and a total time limit of thirty minutes for Public Comments. If you are commenting on an Agenda item, your comments will be heard at the time that item is scheduled on the Agenda. If you are addressing the City Council on an item not listed on the Agenda, the City Council is prohibited by law from discussing or taking any action on that item.

GENERAL BUSINESS-CONVENING AT 7:00 P.M.

CALL TO ORDER

Resolution No. 96-04-09-1 established rules of decorum for public meetings held by the City of Laguna Hills. Resolution No. 96-04-09-1 is available on the table at the back of the City Council Chamber.

PLEDGE OF ALLEGIANCE: COUNCIL MEMBER HEFT

ROLL CALL OF CITY COUNCIL MEMBERS

CLOSED SESSION REPORT

1. PRESENTATIONS AND PROCLAMATIONS**1.1 Laguna Hills High School Student Liaison**

Recommendation: That the City Council receive an update from Laguna Hills High School Student Liaison Sherwin Afshar.

1.2 Eagle Scout Project to Install Quarter Mile Markers on the Oso Parkway Multi-Use Trail

Recommendation: That the City Council approve Eagle Scout Candidate Parker Siedel's project to install quarter mile markers on the Oso Parkway multi-use trail.

1.3 Certificate of Recognition - Team Niko

Recommendation: That the City Council present a Certificate of Recognition to Team Niko, and proclaim May 5, 2017, as Cinco de Niko Day.

1.4 Certificate of Recognition - Strength in Support

Recommendation: That the City Council present a Certificate of Recognition to Strength in Support.

2. PUBLIC COMMENTS

This is the time to address the City Council on any matter not listed on this Agenda that is within the subject matter jurisdiction of the City Council. Public Comments are limited to three minutes per person, an overall time limit of ten minutes for any one subject, and a total time limit of thirty minutes.

3. CONSENT CALENDAR

All matters listed under "CONSENT CALENDAR" are considered to be routine and will be enacted by one motion approving the recommendation listed on the Agenda. There will be no separate discussion unless Members of the City Council or Staff request specific items be removed from the Consent Calendar.

3.1 Waive reading in full of all Ordinances and Resolutions on the Agenda

Recommendation: That the City Council waive reading in full of all Ordinances and Resolutions on the Agenda and declare that said titles which appear on the Public Agenda shall be determined to have been read by title and further reading waived.

3.2 Approval of Minutes for April 11, 2017, Regular Meeting

Recommendation: That the City Council approve the Minutes for the April 11, 2017, Regular Meeting.

3.3 Approval of Warrant Register for Period ended April 25, 2017

Recommendation: That the City Council approve the Warrant Register in the amount of \$1,033,504.33.

3.4 Garage Clean-Up and Paper Shredding Post Event Report

Recommendation: That the City Council receive and file the report.

3.5 Progress Payment No. 1 for Arterial Pavement Management Project Street Rehabilitation, CIP No. 175

Recommendation: That the City Council Approve Progress Payment No. 1, in the Net Amount of \$752,230.37, to Hardy & Harper Inc., for the Arterial Pavement Management Project Street Rehabilitation, CIP No. 175.

3.6 Third Quarter Financial and Treasurer's Report for Fiscal Year 2016/2017

Recommendation: That the City Council receive and file the Third Quarter Financial and Treasurer's Report for Fiscal Year 2016/2017.

3.7 Proposed Lease with Carolyn Behrens, an Individual, for 24031 El Toro Road, Suite 330, Laguna Hills, California

Recommendation: That the City Council approve the lease with Carolyn Behrens, an individual, for 24031 El Toro Road, Suite 330, Laguna Hills, California, and authorize the City Manager to execute the Lease.

3.8 Moulton Niguel Water District's Request for Support of Divestment in the Coastal Treatment Plant

Recommendation: That the City Council adopt a Resolution entitled: "A Resolution of the City Council of the City of Laguna Hills, California, in support of Moulton Niguel Water District's request for an open discussion to resolve financing of Coastal Treatment Plant."

3.9 Authorization to Amend the Professional Services Agreement with White Nelson Diehl Evans LLP to Perform Independent Auditing and Accounting Services for an Additional Two Fiscal Years: Fiscal Year 2016/2017 and Fiscal Year 2017/2018

Recommendation: That the City Council approve and authorize the Mayor to sign proposed Amendment No. 1 to the Professional Services Agreement with White Nelson Diehl Evans LLP, to amend the scope of work to include auditing and accounting services for the City's Annual Financial Report for an additional two fiscal years: Fiscal Year 2016/2017 and Fiscal Year 2017/2018.

3.10 Civic Center Third Quarter Financial Report for Fiscal Year 2016/2017

Recommendation: That the City Council receive and file the report.

3.11 Second Reading and Adoption of Ordinance Amending Title 9 of the Laguna Hills Municipal Code (Zoning and Subdivisions) Amending Table 9-11.050 Hospitality Overlay Zone Development Standards Related to Maximum Density, Changing from a Floor Area Ratio (FAR) of 1.0 to a FAR of 1.1

Recommendation: That the City Council adopt an Ordinance entitled: "An Ordinance of the City of Laguna Hills, California, approving Zone Text Amendment No. 10-16-3672, amending Title 9 of the Laguna Hills Municipal Code (Zoning and Subdivisions) Amending Table 9-11.050 Hospitality Overlay Zone Development Standards related to Maximum Density, changing from a Floor Area Ratio (FAR) of 1.0 to a FAR of 1.1."

3.12 Second Reading and Adoption of an Ordinance Amending Chapters 9-103 and 9-04 of Title 9 of the Laguna Hills Municipal Code to Permit the Limited Personal Cultivation of Marijuana Inside a Person's Private Residence and Inside an Accessory Structure to a Person's Private Residence in Accordance with State Law

Recommendation: That the City Council adopt an Ordinance entitled: "An Ordinance of the City of Laguna Hills, California, adopting Zoning Text Amendment No. 2-17-3793 amending Chapters 9-103 (Marijuana Businesses) and 9-04 (Definitions) of Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code to Permit the Limited Personal Cultivation of Marijuana inside a Person's Private Residence and inside an Accessory Structure to a Person's Private Residence in accordance with State law."

ITEMS REMOVED FROM THE CONSENT CALENDAR**4. PLANNING AGENCY****4.1 ROLL CALL OF PLANNING AGENCY MEMBERS****4.2 PUBLIC COMMENTS**

This is the time to address the Planning Agency on any matter not listed on this Agenda that is within the subject matter jurisdiction of the Planning Agency. Public Comments are limited to three minutes per person, an overall time limit of ten minutes for any one subject, and a total time limit of thirty minutes.

4.3 APPROVAL OF MINUTES FOR APRIL 11, 2017, REGULAR MEETING**4.3.1 Approval of Minutes for April 11, 2017, Regular Meeting**

Recommendation: That the Planning Agency approve the Minutes for the April 11, 2017, Regular Meeting.

4.4 ADMINISTRATIVE REPORTS**4.5 PLANNING AGENCY PUBLIC HEARINGS****PLANNING AGENCY ADJOURNMENT****5. CITY COUNCIL PUBLIC HEARINGS****6. ADMINISTRATIVE REPORTS****6.1. City Manager****7. MATTERS AGENDIZED AND PRESENTED BY CITY COUNCIL MEMBERS****8. CITY COUNCIL MEMBER COMMENTS****ADJOURNMENT**

The next Regular Meeting of the City Council/Planning Agency will be May 9, 2017, in the City Council Chamber, located at 24035 El Toro Road, Laguna Hills, California.

CERTIFICATION

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, do hereby certify that a copy of the foregoing Agenda was posted at Laguna Hills City Hall, Laguna Hills Community Center, and the Courtyard at La Paz Center on April 21, 2017, by 5:00 pm.



City Clerk

April 21, 2017

Date

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, you should contact the office of the City Clerk at (949) 707-2635. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to assure accessibility to this meeting.

Materials related to an item on this Agenda submitted to the City Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office at 24035 El Toro Road, Laguna Hills, California, during normal business hours.

City Council Members receive no additional compensation or stipend as a result of simultaneously convening meetings of the Laguna Hills Planning Agency.



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 25, 2017
TO: Mayor and Council Members
FROM: David Reynolds
Deputy City Manager
ISSUE: Eagle Scout Project to Install Quarter Mile Markers on the Oso Parkway Multi-Use Trail

RECOMMENDATION: That the City Council approve Eagle Scout Candidate Parker Siedel's project to install quarter mile markers on the Oso Parkway multi-use trail.

SUMMARY:

Eagle Scout Candidate Parker Siedel will present his proposed Eagle Scout project to the City Council to install quarter mile markers on the Oso Parkway multi-use trail. The project area is 1.79 miles long. Mr. Siedel's Eagle Scout Service Plan is attached to this staff report for reference. Staff will require Mr. Siedel to apply for a no fee encroachment permit for his project for the purpose of confirming the placement of the markers and their construction.

ATTACHMENTS:

- Parker Seidel Eagle Scout Project Proposal



Eagle Scout Service Project Plan



BOY SCOUTS OF AMERICA®

Eagle Scout candidate's name Brandon Parker Seidel

Eagle Scout Service Project Name Mile Markers on Oso Multi-Use Trail

Planned start date _____ **Planned completion date** _____

Eagle Scout requirement 5 says you must "plan" and "develop" your service project. Though this project plan is a tool for your use, and is not approved or signed, it is important in helping to show you have done the required planning and development. You should take this project plan with you to your Eagle Scout board of review. Note that you are not required to provide more details than are necessary for the accomplishment of your project.

A Scout who is prepared will complete the project plan, and then before he begins carrying out his project, he will ask a project coach to review it with him. The council or district representative who approved your proposal may have agreed to serve as your project coach, or someone else may be designated to take this important role. A project coach's involvement and review of your project plan is optional, but it can help you avoid many problems or mistakes. This can also improve your chances of passing the Eagle Scout board of review.

You should also show your project plan to your beneficiary prior to carrying out your project. This will help ensure your plans agree with the beneficiary's expectations. Remember, the project beneficiary has the authority to require and approve a project plan. Be sure to read "Navigating the Eagle Scout Service Project" at the end of this workbook.

Contact Information

Eagle Scout candidates should know who is involved, but contact information may be more important to unit leaders and others in case they want to talk to one another. While it is recognized that not all the information will be needed for every project, Scouts are expected to provide as much as reasonably possible. Approval representatives must understand, however, that doing so is not part of the service project requirement.

Eagle Scout Candidate

Name: Brandon Parker Seidel		Birth date: 7/1/1999	
Email address: parkerseidel7@yahoo.com		BSA PID number*:	
Address: 26781 Devonshire Rd	City: Laguna Hills	State: CA	Zip: 92653
Preferred telephone(s): 949-633-0320		Life board of review date: 2/9/2014	

* BSA PID No., found on the BSA membership card

Current Unit Information

Check one: ☒ Troop ☐ Team ☐ Crew ☐ Ship	Unit Number: 776
Name of District: El Camino Real	Name of Council: Orange County
Unit Leader Check one: ☐ Scoutmaster ☐ Varsity Coach ☐ Crew Advisor ☐ Skipper	
Name: Jay Mortensen	Preferred telephone(s): 949-346-4000
Address: 25571 La Mirada	City: Laguna Hills State: CA Zip: 92653
Email address: jaymortensen@gmail.com	

Unit Committee Chair

Name: Chad Anselmo	Preferred telephone(s): 949-302-6944
Address: 24912 Hendon St	City: Laguna Hills State: CA Zip: 92654
Email address: chad.anselmo@gmail.com	

Unit Advancement Coordinator (If your unit has one)

Name: Chad Anselmo	Preferred telephone(s): 949-302-6944
Address: 24912 Hendon St	City: Laguna Hills State: CA Zip: 92654
Email address: chad.anselmo@gmail.com	

Project Beneficiary (Name of religious institution, school, or community)

Name: City of Laguna Hills	Preferred telephone(s): 949-707-2620
Address: 24035 EL Toro Road	City: Laguna Hills State: CA Zip: 92653
Email address: csands@lagunahillsca.gov	

Project Beneficiary Representative (Name of contact person for the project beneficiary)

Name:	Preferred telephone(s):
Address:	City: State: Zip:
Email address:	

Your Council Service Center

Contact name: Orange County	Preferred telephone(s): 1-714-546-4990
Address: 1211 East Dyer Road	City: Santa Ana State: CA Zip: 92705

Council or District Project Approval Representative

(Your unit leader, unit advancement coordinator, or council or district advancement chair may help you learn who this will be.)

Name: Rich Paddock	Preferred telephone(s): 949-370-8172
Address:	City: Laguna Hills State: CA Zip:
Email address: richpaddock@cox.net	

Project Coach (Your council or district project approval representative may help you learn who this will be.)

Name: James Goodfellow	Preferred telephone(s): 949-951-2607
Address: 25122 De Salle	City: Laguna Hills State: CA Zip: 92653
Email address: Jgoodfellow35@gmail.com	

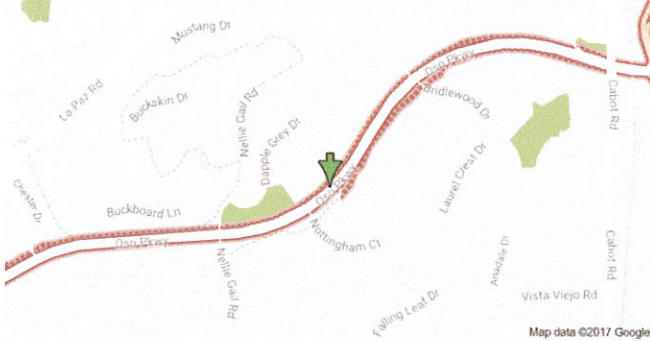
Project Description and Benefit

Briefly describe your project.

We will be building quarter mile markers for a total of 1.79 miles on the Oso multi-Use trail in Laguna Hills.

Attach sketches or "before" photographs if these will help others visualize the project.

Please click below to add images (JPEG, JPG, BMP, GIF, TIF, PNG, etc.)



Listed above is a picture of where the trail is located, and also where we would add the mile markers.

This is an example of something similar we are going to be doing on the the Oso Multi-Use trail.

Tell how your project will be helpful to the beneficiary. Why is it needed?

This project will be helpful to the beneficiary because it will inform anyone who is walking on the trail how long they have walked or how long the entire trail is in total. This project is needed because it will benefit a lot of people who like to time their mile or half a mile while they are exercising, and in addition it helps make the park look more professional.

When do you plan to begin carrying out your project? Mid May 2017

When do you think your project will be completed? End of May 2017

Giving Leadership

Approximately how many people will be needed to help on your project? 15

Where will you recruit them (unit members, friends, neighbors, family, others)? Explain:

Boy Scout troop 776, my family, my church, Friends at school,

What do you think will be most difficult about leading them?

I think the most difficult part about leading them is making sure that they are paying attention and following directions. Also making sure that we are doing the job the right way without any problems.

Materials

Materials are things that become part of the finished project, such as lumber, nails, and paint.

What types of materials, if any, will you need? You do not need a detailed list or exact quantities, but you must show you have a reasonable idea of what is required. For example, for lumber, include basic dimensions such as 2 x 4 or 4 x 4.

Nails, Support Stakes, Posts, Concrete, Mileage Markers

Supplies

Supplies are things you use up, such as food and refreshments, gasoline, masking tape, tarps, safety supplies, and garbage bags.

What kinds of supplies, if any, will you need? You do not need a detailed list or exact quantities, but you must show you have a reasonable idea of what is required.

Gloves, Safety glasses, containers with water,

Tools

Include tools, and also equipment, that will be borrowed, rented, or purchased.

What tools or equipment, if any, will you need? You do not need a detailed list, but you must show you have a reasonable idea of what is required.

Measuring Wheel, Post hole digger, Shovel, Buckets, Hammer, digging bar

Other Needs

Items that don't fit the above categories; for example, parking or postage, or services such as printing or pouring concrete, etc.

What other needs do you think you might encounter?

Food for participants, city approval

Permits and Permissions

Note that property owners should obtain and pay for permits.

Will permissions or permits (such as building permits) be required for your project? Who will obtain them? How long will it take?

We will apply to the city of Laguna Hills

Preliminary Cost Estimate

You do not need exact costs yet. Reviewers will just want to see if you can reasonably expect to raise enough money to cover an initial estimate of expenses. Include the value of donated material, supplies, tools, and other items. It is not necessary to include the value of tools or other items that will be loaned at no cost. Note that if your project requires a fundraising application, you do not need to submit it with your proposal.

Enter estimated expenses below:
(Include sales tax if applicable)

Fundraising: Explain how you will raise the money to pay for the total costs. If you intend to seek donations of actual materials, supplies, etc., then explain how you plan to do that, too.

Materials:	\$495.00
Supplies:	\$50.00
Tools:	
Other:	
Total costs:	\$545.00

Project Phases

Think of your project in terms of phases, and list what they might be. The first may be to prepare your project plan. Other phases might include fundraising, preparation, execution, and reporting. You may have as many phases as you want, but it is not necessary to become overly complicated; brief, one line descriptions are sufficient.

1. Buy Materials
2. Cut posts to lengths and chamfer edges
3. Gather tools and workers
4. Use wheel measuring device to locate holes
5. Dig holes
6. Set posts in cement and brace
7. Remove braces after three days
8. Apply markers to post

We will handle transportation with Alan Short's truck which will be able to help carry materials, supplies, and tools to the trail without any trouble. Also my family and I will be able to pick up anyone who doesn't have a ride to the trail so that nobody will be left behind. No Activity Plan is needed.

1.2.a

Safety Issues

The Guide to Safe Scouting is an important resource in considering safety issues.

Describe the hazards and safety concerns you and your helpers should be aware of.

- Working along Oso Parkway will require safety instructions to the volunteers.
- Put safety tape at both ends, closing the trail during the work period.

Project Planning

You do not have to list every step, but it must be enough to show you have a reasonable idea of how to prepare your plan.

List some action steps you will take to prepare your project plan. For example "Complete a more detailed set of drawings."

- Obtain approval and instructions required by the city parks department
- Ensure proper measurements that is accordance with city requirements

Candidate's Promise* Sign below before you seek the other approvals for your proposal.

On my honor as a Scout, I have read this entire workbook, including the "Message to Scouts and Parents or Guardians" on page 5. I promise to be the leader of this project, and to do my best to carry it out for the maximum benefit to the religious institution, school, or community I have chosen as beneficiary.

Signed Parker Seidel

Date 4/8/17

* Remember: Do not begin any work on your project, or raise any money, or obtain any materials, until your project proposal has been approved.

Unit Leader Approval*

I have reviewed this proposal and discussed it with the candidate. I believe it provides impact worthy of an Eagle Scout service project, and will involve planning, development, and leadership. I am comfortable the Scout understands what to do, and how to lead the effort. I will see that the project is monitored, and that adults or others present will not overshadow him.

Signed

Date

Name (Printed)

Unit Committee Approval*

This Eagle Scout candidate is a Life Scout, and registered in our unit. I have reviewed this proposal, I am comfortable the project is feasible, and I will do everything I can to see that our unit measures up to the level of support we have agreed to provide (if any). I certify that I have been authorized by our unit committee to provide its approval for this proposal.

Signed

Date

Name (Printed)

Beneficiary Approval*

This service project will provide significant benefit, and we will do all we can to see it through. We realize funding on our part is not required, but we have informed the Scout of the financial support (if any) that we have agreed to. We understand any fund raising he conducts will be in our name and that funds left over will come to us if we are allowed to accept them. We will provide receipts to donors as required.

Our Eagle candidate has provided us a copy of "Navigating the Eagle Scout Service Project, Information for Project Beneficiaries."

☐ Yes

☐ No

Signed

Date

Name (Printed)

Council or District Approval

I have read topics 9.0.2.0 through 9.0.2.15, regarding the Eagle Scout service project, in the *Guide to Advancement*, No. 33088. I agree on my honor to apply the procedures as written, and in compliance with the policy on "Unauthorized Changes to Advancement." Accordingly, I approve this proposal. I will encourage the candidate to prepare a project plan and further encourage him to share it with a project coach who has been designated for him.

Signed

Date

Name (Printed)

While it makes sense to obtain approvals in the order they appear, there shall be no required sequence for the order of obtaining those approvals marked with an asterisk (). Council or district approval, however, must come after the others.

Proposal Page E

Brandon Parker Seidel

Attachment: Parker Seidel Eagle Scout Project Proposal (1275 : Eagle Scout Project Trail Markers)

Logistics

Check with your council service center to determine if a Tour and Activity Plan is required.

How will you handle transportation of materials, supplies, tools, and helpers? Will you need a Tour and Activity Plan?



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 25, 2017
TO: Mayor and Council Members
FROM: Cindy Sands
Admin. Assistant to City Manager
ISSUE: Certificate of Recognition - Team Niko

RECOMMENDATION: That the City Council present a Certificate of Recognition to Team Niko, and proclaim May 5, 2017, as Cinco de Niko Day.

SUMMARY:

Team Niko is a non-profit organization whose mission is to provide help to organizations such as CHOC Hospital and The Leukemia Lymphoma Society to find a cure for childhood leukemia. Team Niko provides “Good to go Backpacks” to children that have been diagnosed with leukemia with the essentials necessary for their journey. The City of Laguna Hills would like to recognize Team Niko for their service and contribution to the community, and issue a Proclamation declaring May 5, 2017, as “Cinco de Niko” day in celebration of Nikolai Greco’s last chemo treatment after a long 3-½ year battle with leukemia.

ATTACHMENTS:

- Cert of Recog Team Niko
- 042517 Proclamation - Cinco de Niko Day



CITY OF LAGUNA HILLS

CERTIFICATE OF RECOGNITION

PRESENTED TO

TEAM NIKO

WHEREAS, *Team Niko is a non-profit organization whose Mission Statement is "Partnering to Find a Cure for Childhood Leukemia;" and*

WHEREAS, *Team Niko's mission is to provide help to organizations such as CHOC Hospital and The Leukemia Lymphoma Society to find a cure for childhood leukemia; and*

WHEREAS, *Team Niko's purpose is to provide help to newly diagnosed patients with essentials for their journey ahead by providing a "Good to go Backpack" to children that have been diagnosed with leukemia to use for appointments and hospital stays; and*

WHEREAS, *in 2016 Team Niko delivered 180 backpacks containing toiletries, snacks, toys, games, blankets, and other necessities to patients in Orange County and have delivered 100 so far this year.*

NOW, THEREFORE, *I, Don Sedgwick, Mayor, on behalf of the City Council of the City of Laguna Hills, California, hereby wish to recognize Team Niko for their service to the community and this great cause.*

Dated this 25th day of April 2017.

DON SEDGWICK, MAYOR



CITY OF LAGUNA HILLS

PROCLAMATION

May 5, 2017

"Cinco de Niko Day"

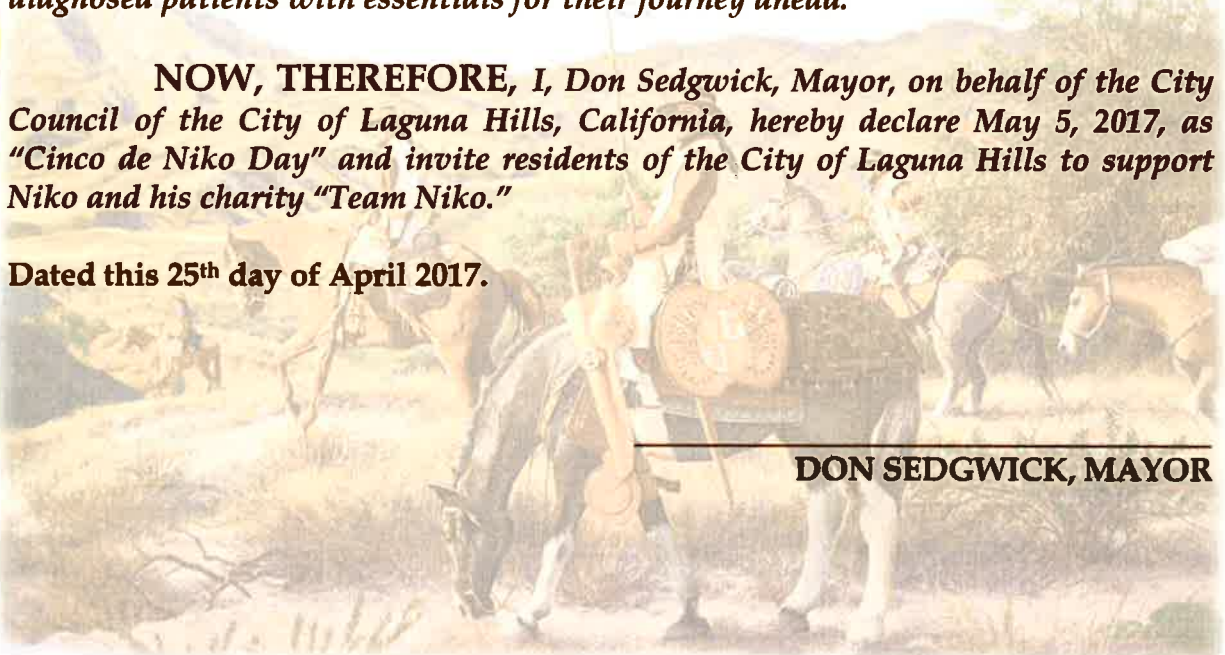
WHEREAS, in celebration of Niko Greco's last chemotherapy treatment following a long 3-1/2 year battle with leukemia; and

WHEREAS, during his journey the family formed "Team Niko," a non-profit organization partnering to find a cure for childhood leukemia; and

WHEREAS, Team Niko provides "Good to go Backpacks" to newly diagnosed patients with essentials for their journey ahead.

NOW, THEREFORE, I, Don Sedgwick, Mayor, on behalf of the City Council of the City of Laguna Hills, California, hereby declare May 5, 2017, as "Cinco de Niko Day" and invite residents of the City of Laguna Hills to support Niko and his charity "Team Niko."

Dated this 25th day of April 2017.



DON SEDGWICK, MAYOR



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 25, 2017
TO: Mayor and Council Members
FROM: Cindy Sands
Admin. Assistant to City Manager
ISSUE: Certificate of Recognition - Strength in Support

RECOMMENDATION: That the City Council present a Certificate of Recognition to Strength in Support.

SUMMARY:

Strength in Support is a non-profit organization located in Laguna Hills that serves all military and their family members, including active, non-active, reserve, guard, or veteran from any branch of the military to address their challenges in a supportive manner.

The City of Laguna Hills would thereby like to recognize Strength in Support for their service to the veteran community.

ATTACHMENTS:

- Cert of Recog Strength in Support



CITY OF LAGUNA HILLS

CERTIFICATE OF RECOGNITION

PRESENTED TO

STRENGTH IN SUPPORT

WHEREAS, *Strength in Support is a non-profit organization located in Laguna Hills, California, that serves all military and family members, including active, non-active, reserve, guard, or veteran, from any branch of the military to address their challenges in a supportive manner; and*

WHEREAS, *Strength in Support's mission is to provide mental health services to military personnel, veterans, and their families, including individual and family therapy, mentorship, and education to address all areas of our heroes well-being; and*

WHEREAS, *Strength in Support's vision is for every service man, service woman, veteran and their family members to have the mental health services, resources, and support they have earned, deserve, and need.*

NOW, THEREFORE, *I, Don Sedgwick, Mayor, on behalf of the City Council of the City of Laguna Hills, California, hereby recognize and thank Strength in Support for their service to the veteran community.*

Dated this 25th day of April 2017.

DON SEDGWICK, MAYOR



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 25, 2017
TO: Mayor and Council Members
FROM: Cindy Sands
Admin. Assistant to City Manager
ISSUE: Approval of Minutes for April 11, 2017, Regular Meeting

RECOMMENDATION: That the City Council approve the Minutes for the April 11, 2017, Regular Meeting.

ATTACHMENTS:

- 170411 CC Minutes

**CITY OF LAGUNA HILLS
CITY COUNCIL/PLANNING AGENCY**

**REGULAR MEETING
MINUTES
Tuesday, April 11, 2017**

GENERAL BUSINESS - CONVENING AT 7:00 PM

CALL TO ORDER

The meeting was called to order at 7:00 p.m. by Mayor Pro Tempore Melody Carruth.

PLEDGE OF ALLEGIANCE: COUNCIL MEMBER GILBERT

ROLL CALL OF CITY COUNCIL MEMBERS

Attendee Name	Title	Status	Arrived
Don Sedgwick	Mayor	Absent	
Melody Carruth	Mayor Pro Tempore	Present	
Dore J. Gilbert, M.D.	Council Member	Present	
Janine Heft	Council Member	Present	
Barbara D. Kogerman	Council Member	Present	

CLOSED SESSION REPORT

There was no Closed Session Report.

1. PRESENTATIONS AND PROCLAMATIONS

1.1 Laguna Hills High School Student Liaison

Recommendation: That the City Council receive an oral report from Laguna Hills High School Student Liaison Sherwin Afshar.

1.2 Recognition of Sydney Fredette, Disneyland® Resort Dreamers & Doers Honoree

Recommendation: That Mayor Pro Tempore Carruth present a Certificate of Recognition to Sydney Fredette. Disney Ambassador Alexa Garcia also spoke in recognition of Ms. Fredette's achievements.

2. PUBLIC COMMENTS

There were no Public Comments.

3. CONSENT CALENDAR

Motion to approve the Consent Calendar, with Council Member Kogerman removing Item No. 3.5 and Item No. 3.8:

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Dore J. Gilbert, M.D., Council Member
SECONDER:	Janine Heft, Council Member
AYES:	Melody Carruth, Mayor Pro Tempore; Dore J. Gilbert, M.D., Council Member; Janine Heft, Council Member; Barbara D. Kogerman; Council Member
ABSENT:	Don Sedgwick, Mayor

3.1 Waive Reading in Full of all Ordinances and Resolutions on the Agenda

Recommendation: That the City Council waive reading in full of all Ordinances and Resolutions on the Agenda and declare that said titles which appear on the Public Agenda shall be determined to have been read by title and further reading waived.

3.2 Approval of Minutes for March 11, 2017, Adjourned Regular Meeting

Recommendation: That the City Council approve the Minutes of the March 11, 2017, Adjourned Regular Meeting.

3.3 Approval of Minutes for March 14, 2017, Regular Meeting

Recommendation: That the City Council approve the Minutes of the March 14, 2017, Regular Meeting.

3.4 Approval of Warrant Register for Period Ended April 11, 2017

Recommendation: That the City Council approve the Warrant Register in the amount of \$1,160,054.80.

3.6 Progress Payment No. 2 for Cabot Road Bioswale Project, CIP No. 410-A

Recommendation: That the City Council approve Progress Payment No. 2, in the net amount of \$63,464.08, to Wright Construction Engineering Corporation, and Approve Contract Change Order No. 1, for the Cabot Road Bioswale Project, CIP No. 410-A.

3.7 Letter of Support for Inside the Outdoors' Application for OC Waste & Recycling Grant Funds

Recommendation: That the City Council authorize the Mayor to sign a letter of support for Inside the Outdoors to include in its application for the Regional Recycling and Waste Diversion Grant Program sponsored by OC Waste and Recycling.

3.9 2017 Fourth of July Celebration and Fireworks Agreement

Recommendation: That the City Council: (1) Receive and file the 2017 Fourth of July Celebration pre-event report; (2) Approve the Fireworks Display Agreement between Fireworks and Stage FX America, Inc., and the City of Laguna Hills for 2017; and (3) Authorize the City Manager to execute the Agreement.

3.10 2016 General Plan Annual Report

Recommendation: That the City Council receive the report and direct staff to forward the 2016 General Plan Annual Report and Annual Element Progress Report-Housing Implementation to the State of California.

3.11 Subdivision Improvement Agreement with MGP Fund X Laguna Hills, LLC, for the Five Lagunas Project Related to Avenida de la Carlota Parkway Improvements and Tract No. 18035

Recommendation: That the City Council approve the Subdivision Improvement Agreement with MGP Fund X Laguna Hills, LLC, for the Five Lagunas Project and authorize the Mayor to execute the Agreement upon satisfactory submittal of Surety Instruments, as required, and in a form approved by the City Attorney and City Engineer.

3.12 2017 Volunteer Connection Day and Document Shredding Pre-Event Report and Arbor Day Recognition

Recommendation: That the City Council receive and file the report and authorize the Mayor to sign the attached Arbor Day Proclamation as required by the Arbor Day Foundation for Tree City USA certification.

3.13 Cooperative Agreement for General Traffic Signal Synchronization - Alicia Parkway

Recommendation: That the City Council approve the Cooperative Agreement for General Traffic Signal Synchronization with the State of California for Alicia Parkway and authorize the City Manager to execute the Agreement.

3.14 Submission of an Aerial Waste Waiver to the San Diego Regional Water Quality Control Board

Recommendation: That the City Council: (1) Direct staff to submit an Aerial Waste Waiver to the San Diego Regional Water Quality Control Board for pollutant discharges from the City's Fourth of July Fireworks Display; and (2) Adopt a Categorical Exemption.

3.15 Periodic Review of Development Agreement No. 12-11-2137 (Ordinance No. 2012-4) Between the City of Laguna Hills and Laguna Hills Investment Company: Oakbrook Village Shopping Center Mixed Use Project

Recommendation: That the City Council: (1) Receive and file a report demonstrating the property owner's good faith compliance with the terms and conditions of the Development Agreement; and (2) Find and determine that the Laguna Hills Investment Company has complied in good faith with the terms and conditions of the Development Agreement for the 12-month period of January 2016 to January 2017.

ITEMS REMOVED FROM THE CONSENT CALENDAR**3.5 2017 Weed Abatement Program**

Council Member Kogerman pulled Item No. 3.5 from the Consent Calendar to request additional information.

Recommendation: That the City Council adopt Resolution No. 2017-04-11-1, A Resolution of the City Council of the City of Laguna Hills, California, Declaring Weeds and Rubbish on Specified Private Property to be a Public Nuisance, Commencing Public Proceedings, and Setting a Public Hearing for May 9, 2017.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Barbara D. Kogerman, Council Member
SECONDER:	Dore J. Gilbert, M.D., Council Member
AYES:	Melody Carruth, Mayor Pro Tempore; Dore J. Gilbert, M.D., Council Member; Janine Heft, Council Member; Barbara D. Kogerman, Council Member
ABSENT:	Don Sedgwick, Mayor

3.8 2017 Memorial Day Event and Marine Tribute Banners

Council Member Kogerman pulled Item No. 3.8 from the Consent Calendar to note that adjustments may be made to the Event Budget as a few non-profit organizations were entitled to the non-profit rate of \$150 and may have been charged the commercial rate.

Recommendation: That the City Council: (1) Receive and file the pre-event planning report; and (2) Approve the installation of 3/5 Marine Battalion Tribute Banners as recommended by staff in this report.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Barbara D. Kogerman, Council Member
SECONDER:	Dore J. Gilbert, M.D., Council Member
AYES:	Melody Carruth, Mayor Pro Tempore; Dore J. Gilbert, M.D., Council Member; Janine Heft, Council Member; Barbara D. Kogerman, Council Member
ABSENT:	Don Sedgwick, Mayor

4. PLANNING AGENCY

Mayor Pro Tempore Carruth recessed the City Council meeting and acting in the capacity of Vice Chair, called the Regular Meeting of the Planning Agency of the City of Laguna Hills, California, to order at 7:16 p.m.

4.1 ROLL CALL OF PLANNING AGENCY MEMBERS

Attendee Name	Title	Status	Arrived
Don Sedgwick	Chair	Absent	
Melody Carruth	Vice Chair	Present	
Dore J. Gilbert, M.D.	Agency Member	Present	
Janine Heft	Agency Member	Present	
Barbara D. Kogerman	Agency Member	Present	

4.2 PUBLIC COMMENTS

There were no Public Comments.

4.3 APPROVAL OF MINUTES FOR MARCH 14, 2017, REGULAR MEETING

4.3.1 Approval of Minutes for March 14, 2017, Regular Meeting

Recommendation: That the Planning Agency approve the Minutes of the March 14, 2017, Regular Meeting.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Dore J. Gilbert, M.D., Agency Member
SECONDER:	Barbara D. Kogerman, Agency Member
AYES:	Melody Carruth, Vice Chair; Dore J. Gilbert, M.D., Agency Member; Janine Heft, Agency Member; Barbara D. Kogerman, Agency Member
ABSENT:	Don Sedgwick, Chair

4.4 ADMINISTRATIVE REPORTS

There were no Administrative Reports.

4.5 PLANNING AGENCY PUBLIC HEARINGS

There were no Planning Agency Public Hearings.

PLANNING AGENCY ADJOURNMENT

Mayor Pro Tempore Carruth reconvened the City Council meeting at 7:17 p.m. All Council Members were present with the exception of Mayor Sedgwick.

5. CITY COUNCIL PUBLIC HEARINGS

5.1 Zoning Text Amendment No. 2-17-3793 - an Amendment to Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, to Permit the Limited Personal Cultivation of Marijuana Inside a Person's Private Residence and Inside an Accessory Structure to a Person's Private Residence in Accordance with Proposition 64.

Senior Planner Wu reviewed the information provided in the Staff Report and provided a brief PowerPoint presentation. Council Members requested additional information from City Attorney Simonian regarding Proposition 64 and this Amendment.

Mayor Pro Tempore Carruth reopened the Public Hearing.

Dave Wheeler, a resident of Laguna Hills, expressed his concerns regarding this Amendment.

Mayor Pro Tempore Carruth closed the Public Hearing.

Council Members, City Attorney Simonian, and staff engaged in a brief discussion regarding Proposition 64.

Recommendation: That the City Council: (1) Reopen and Conduct the Public Hearing; and (2) Introduce for First Reading, read by title only, and waive further reading of an Ordinance entitled: "An Ordinance of the City of Laguna Hills, California, adopting Zoning Text Amendment No. 2-17-3793 amending Chapters 9-103 (Marijuana Businesses) and 9-04 (Definitions) of Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code to permit the limited personal cultivation of marijuana inside a person's private residence and inside an accessory structure to a person's private residence in accordance with State law."

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Barbara D. Kogerman, Council Member
SECONDER:	Janine Heft, Council Member
AYES:	Melody Carruth, Mayor Pro Tempore; Dore J. Gilbert, M.D., Council Member; Janine Heft, Council Member; Barbara D. Kogerman, Council Member
ABSENT:	Don Sedgwick, Mayor

City Council directed staff to return in the future with a Staff Report that would provide information regarding a regulatory scheme and permit and inspection program for the limited personal cultivation of marijuana, within and at a person's private residence, once sufficient time has passed to collect the necessary data and evaluate similar programs being implemented in other South County jurisdictions.

5.2 General Plan Amendment and Zoning Code Text Amendment No. GPA/ZTA-10-16-3672 – a Minor Amendment to the City of Laguna Hills General Plan Land Use Element and Development Code Increasing the Maximum Floor Area Ratio (FAR) in the Hospitality Overlay Zone from 1.0 to a Maximum of 1.1, and Consideration of an Addendum to a Previously Adopted Negative Declaration.

Senior Planner Wu reviewed the information provided in the Staff Report and provided a brief PowerPoint presentation.

Mayor Pro Tempore Carruth reopened the Public Hearing, and upon seeing no one rise, closed the Public Hearing.

Recommendation: That the City Council: (1) Reopen the Public Hearing for General Plan Amendment/Zone Text Amendment No. 10-16-3672 which was opened and continued at the March 14, 2017 City Council Meeting; and (2) Consider "Addendum No. 1 to the 2014 Negative Declaration for the City of Laguna Hills Hospitality Overlay Zone" along with the 2014 Negative Declaration for the Hospitality Overlay Zone, and find that no additional environmental documentation is required under the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Sections 21166 and CEQA Guidelines Sections 15162 and 15164; and adopt Resolution No. 2017-04-11-2, A Resolution of the City Council of the City of Laguna Hills, California, adopting an Addendum (Addendum No. 1) to a previously adopted Negative Declaration for Case No. GPAZTA-10-16-3672, General Plan and Development Code Amendments making modifications to the Maximum Floor Area Ratio (FAR) for the Hospitality Overlay Zone District.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Dore J. Gilbert, M.D., Council Member
SECONDER:	Janine Heft, Council Member
AYES:	Melody Carruth, Mayor Pro Tempore; Dore J. Gilbert, M.D., Council Member; Janine Heft, Council Member; Barbara D. Kogerman, Council Member
ABSENT:	Don Sedgwick, Mayor

Adopt Resolution No. 2017-04-11-3, A Resolution of the City Council of the City of Laguna Hills, California, approving General Plan Amendment No. 10-16-3672, an Amendment to the General Plan Land Use Element increasing allowable development intensity for Hotel Uses in the Freeway Commercial and Mixed Use General Plan Land Use Designations from a maximum of 1.0 Floor Area Ratio (FAR) to 1.1 FAR; and

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Melody Carruth, Mayor Pro Tempore
SECONDER:	Dore J. Gilbert, M.D., Council Member
AYES:	Melody Carruth, Mayor Pro Tempore; Dore J. Gilbert, M.D., Council Member; Janine Heft, Council Member; Barbara D. Kogerman, Council Member
ABSENT:	Don Sedgwick, Mayor

Introduce for First Reading, read by title only, and waive further reading, an Ordinance entitled: "An Ordinance of the City of Laguna Hills, California, approving Zone Text Amendment No. 10-16-3672, amending Title 9 of the Laguna

Hills Municipal Code (Zoning and Subdivisions) amending Table 9-11.050 Hospitality Overlay Zone Development Standards related to Maximum Density, changing from a Floor Area Ratio (FAR) of 1.0 to a FAR of 1.1.”

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Melody Carruth, Mayor Pro Tempore
SECONDER:	Dore J. Gilbert, M.D., Council Member
AYES:	Melody Carruth, Mayor Pro Tempore; Dore J. Gilbert, M.D., Council Member; Janine Heft, Council Member; Barbara D. Kogerman, Council Member
ABSENT:	Don Sedgwick, Mayor

6. ADMINISTRATIVE REPORTS

6.1 City Manager

The City Manager gave no Administrative Reports.

7. MATTERS AGENDIZED AND PRESENTED BY CITY COUNCIL MEMBERS

There were no matters agendized and presented by City Council Members and Mayor.

8. CITY COUNCIL MEMBER COMMENTS

Council Member Kogerman

Council Member Kogerman announced that the Taj Mahal Medical Center recently won awards for The Outstanding Building of the Year, Medical Office Building category, and has advanced to the International competition. The BOMA Outstanding Building of the Year Award is the most prestigious award in commercial real estate.

Council Member Kogerman reported that “It’s time to clean out your garage” this Saturday, April 15, 2017, from 8:00 a.m. to 12:00 p.m. The City of Laguna Hills, CR&R Environmental Services, Goodwill, and Paper Depot are available at a drop-off location at Laguna Hills High School.

Council Member Kogerman reported that she attended the ACC-OC Housing Infrastructure Tour on Friday, April 7, 2017, and stated it was a very informative tour. Council Member Kogerman suggested that Council Members and staff meet with the Apartment Association to tour apartment sites within the City. She also distributed a “Myths vs. Facts” sheet to Council.

Council Member Heft

Council Member Heft reported that she has been very busy this last month getting involved, she visited both Aliso Viejo and Mission Viejo City Councils and just completed a five-week course offered by ACC-OC – “Public Policy Making Academy I.”

Council Member Heft also reported that she attended The Crystal Apple Awards on Wednesday, March 22, 2017, and stated it was a wonderful evening. Council Member Heft, along with Mayor Pro Tempore Carruth, met with managers of the Villages at Nellie Gail. She also attended the Orange County District Attorney’s 9th Annual Victims’ Rights Rally hosted by District Attorney Tony Rackauckas. Council Member Heft also commented on the ACC-OC Housing Infrastructure Tour she attended with Council Member Kogerman.

Mayor Pro Tempore Carruth

Mayor Pro Tempore Carruth thanked staff for organizing the Volunteer Connection Day to be held on Saturday, April 15, 2017, from 9:00 a.m. – 12:00 p.m.

Mayor Pro Tempore Carruth also reported that she attended the 4th Annual NowRuz Festival, the Persian New Year, on Sunday, March 26, 2017, and stated it was a great event.

ADJOURNMENT

There being no further business before the City Council at this session, Mayor Pro Tempore Carruth declared the meeting adjourned at 8:03 p.m.

Melissa Au-Yeung, City Clerk

ATTEST:

Don Sedgwick, Mayor

Approved at meeting of April 25, 2017.



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 25, 2017
TO: Mayor and Council Members
FROM: Donald J. White
Assistant City Manager
ISSUE: Approval of Warrant Register for Period Ended April 25, 2017

RECOMMENDATION: That the City Council approve the Warrant Register in the amount of \$1,033,504.33.

ATTACHMENTS:

- Warrant Register 42517



City of Laguna Hills City Council Meeting Agenda Staff Report

DATE: APRIL 25, 2017
TO: MAYOR AND COUNCIL MEMBERS
FROM: DONALD J. WHITE, ASSISTANT CITY MANAGER
ISSUE: APPROVAL OF WARRANT REGISTER FOR PERIOD ENDED
APRIL 25, 2017.

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE THE WARRANT REGISTER IN THE AMOUNT OF \$1,033,504.33.

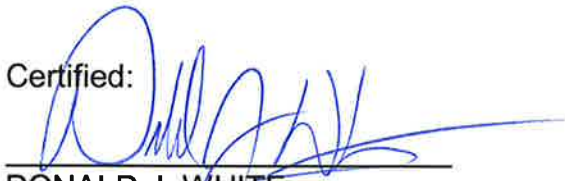
SUMMARY:

In accordance with Government Code Section 37202, the attached Warrant Register reflects the disbursements of the City of Laguna Hills for the period reported thereon. The Assistant City Manager certifies and attests to its accuracy and the availability of funds for the payment thereof. These warrants are hereby submitted to the City Council for approval of payment.

Prepared by:

JANICE MATEO REYES
Finance Manager

Certified:



DONALD J. WHITE
Assistant City Manager

April 25, 2017

DATE

FISCAL IMPACT:

The warrant register total is \$1,033,504.33.

ATTACHMENTS:

1. Warrant Register

Attachment: Warrant Register 42517 (1270 : Approval of Warrant Register for Period Ended April 25, 2017)

Check Register Report

Warrant Register 04/25/17

3.3.a

Date: 04/13/2017

Time: 2:45 pm

CITY OF LAGUNA HILLS

BANK: UNION BANK- GENERAL

Page:

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
UNION BANK- GENERAL Checks							
8812558	04/06/2017	Printed		Z-CS-0008	AVILES, LAURA PINCKARD	Refund, Fac Dep, V#2004032.002	500.0
8812559	04/06/2017	Printed		C-1146	CYBERSOURCE CORPORATION	Gateway Expense, Mar '17	29.0
8812560	04/06/2017	Printed		E-0504	EL TORO WATER DISTRICT	Water Usage, Public Svcs, Feb	3,821.0
8812561	04/06/2017	Printed		Z-CS-0009	LAGUNA HILLS HIGH SCHOOL	Refund, Fac Dep, #V2004033.002	500.0
8812562	04/06/2017	Printed		Z-CD-0016	LAN YING FU	Refund, Permit Fees, C# 55686	425.0
8812563	04/06/2017	Printed		Z-CD-0017	LANDMARK CUSTOM LANDSCAPING	Refund, Pool Bond, CR# 54682	500.0
8812564	04/06/2017	Printed		M-1302	MOULTON NIGUEL WATER DISTRICT	Water Usage, CC, Pub Svcs	12,873.0
8812565	04/06/2017	Printed		Z-CD-0018	PREMIER POOLS ORANGE COUNTY	Refund, Pool Bond, CR# 54580	500.0
8812566	04/06/2017	Printed		S-1902	SAN DIEGO GAS & ELECTRIC	ST Lites, TC & Comm Ctr, Mar	43,591.2
8812567	04/06/2017	Printed		S-1904	SOUTHERN CALIFORNIA EDISON	ST Lites, TC, Mar '17	3,106.9
8812568	04/13/2017	Printed		A-0363	ACCELA, INC.	Agenda Software, Apr '17	1,512.0
8812569	04/13/2017	Printed		A-0138	ALL CITY MANAGEMENT, INC.	Crossing Guard Svc, 3/12-3/25	4,029.6
8812570	04/13/2017	Printed		A-0360	ARC DOCUMENT SOLUTIONS, LLC	Printing Services, Engineering	80.3
8812571	04/13/2017	Printed		Z-CS-0013	ARMENTA, VIOLETA	Refund, Fac Dep, V#2004046.002	250.0
8812572	04/13/2017	Printed		A-0331	AT&T MOBILITY	Wireless Service, Mar '17	64.0
8812573	04/13/2017	Printed		B-0276	BANK OF AMERICA	Departmental Expenditure, Mar	10,793.5
8812574	04/13/2017	Printed		Z-PS-0003	BUSTAMANTE, ALEX	Refund, Citation # LH105819	37.0
8812575	04/13/2017	Printed		C-0412	C&D ELECTRIC, INC.	Park Repairs, Pub Svcs, Mar 17	1,630.9
8812576	04/13/2017	Printed		C-1133	CALIFORNIA YELLOW CAB	Senior Mobility Program, Mar	2,713.2
8812577	04/13/2017	Printed		S-2162	CARLSEN, SANDY	Mileage Reimb., Jan - Mar '17	38.5
8812578	04/13/2017	Printed		C-1022	CDW GOVERNMENT, INC.	Computer Hardware,	172.5
8812579	04/13/2017	Printed		C-1139	COMPLETE OFFICE OF CALIFORNIA	Computer, Office&Operating Sup	554.7
8812580	04/13/2017	Printed		C-1176	COMPUTER SERVICE CO.	Traffic Sig. Maint, Mar '17	4,745.6
8812581	04/13/2017	Printed		C-0023	COX COMMUNICATION	T-1 Line CH, WiFi Com Ctr	968.3
8812582	04/13/2017	Printed		Z-CS-0010	CRONMILLER, COURTNEY	Refund, Fac Dep, V#2004037.002	500.0
8812583	04/13/2017	Printed		C-1146	CYBERSOURCE CORPORATION	Gateway Expense, Feb '17	29.0
8812584	04/13/2017	Printed		D-0561	DOCU-TRUST	Offsite Data Storage, Mar '17	75.0
8812585	04/13/2017	Printed		E-0554	ECONOMICS, INC.	Prof Svcs, Recycling Program	3,708.9
8812586	04/13/2017	Printed		E-0587	EMC DESIGN	City Views, Summer Issue	3,515.0
8812587	04/13/2017	Printed		C-1190	FINGERPRINT ID (AFIS) LAW ENF.	Fingerprint ID System, Apr '17	848.1
8812588	04/13/2017	Printed		H-0803	HARDY & HARPER INC.	Progress Payment #1, CIP# 175	752,230.3
8812589	04/13/2017	Printed		H-0829	HARTZOG & CRABILL, INC.	Traf Signal Mgmt, & CIP #168	4,842.5
8812590	04/13/2017	Printed		H-0955	HR GREEN CALIFORNIA, INC.	Plan Chk, Bldg&Safety, Jan '17	37,835.7
8812591	04/13/2017	Printed		J-1057	JAMEY CLARK, INC.	Graffiti Removal, Mar '17	89.3
8812592	04/13/2017	Printed		J-1071	JCTEES.COM CORPORATION	Special Events, Gen Gov	431.2
8812593	04/13/2017	Printed		K-1126	KNIGHT, LORNA ANGELA	Contract Inst Svcs, Yoga	68.6
8812594	04/13/2017	Printed		L-1206	LAGUNA HILLS HIGH SCHOOL	Public Safety Grant, LHHS 2017	4,000.0
8812595	04/13/2017	Printed		L-1240	LEAGUE OF CAL CITIES	Road Needs Assessment	400.0
8812596	04/13/2017	Printed		Z-CS-0011	MC GERVEY, EILEEN	Refund, Fac Dep, V#2004039.002	500.0
8812597	04/13/2017	Printed		M-1529	MERCURY DISPOSAL SYSTEM, INC.	Battery & Lightbulb Recycle	302.4
8812598	04/13/2017	Printed		M-1388	MOBILE MINI, INC.	Storage Rental, CC, 3/28-4/24	82.9
8812599	04/13/2017	Printed		Z-CS-0012	NATIONAL CHARITY LEAGUE	Refund, Fac Dep, V#2004042.002	55.0
8812600	04/13/2017	Printed		N-1474	NIEVES LANDSCAPE, INC.	Monthly and Misc Landscape, Apr	81,296.7
8812602	04/13/2017	Printed		O-1546	OFFICE SOLUTIONS	Office/Operating Supplies	1,057.6
8812603	04/13/2017	Printed		O-1575	ORANGE COUNTY REGISTER-FREEDOM	Legal Advertising, Mar '17	841.2
8812604	04/13/2017	Printed		P-1828	PARSONS, ROSS	Program Expense, Umpire Fees	150.0
8812605	04/13/2017	Printed		R-1830	RALPHS GROCERY COMPANY	Program Expense, CS, Mar	7.8
8812606	04/13/2017	Printed		R-1943	RAMIREZ, CHRISTINA	Mileage Reimb., Admin, Feb-Mar	17.8
8812607	04/13/2017	Printed		Z-CD-0019	RETAIL DESIGN COLLABORATIVE	Refund, Fire Fees, CR# 53183	870.1
8812608	04/13/2017	Printed		R-1939	REYES, JANICE MATEO	Petty Cash Replenishment, Apr	1,251.0
8812609	04/13/2017	Printed		R-1946	RK ENGINEERING GROUP, INC.	Traffic Study, Community Dev.	7,910.0
8812610	04/13/2017	Printed		R-1813	RPW SERVICES, INC.	Rodent Control, Pub Svcs, Mar	1,560.0
8812611	04/13/2017	Printed		S-2212	SHARPS COMPLIANCE, INC.	Hazardous Waste Supplies, Mar	699.52

Attachment: Warrant Register 42517 (1270 : Approval of Warrant Register for Period Ended April 25, 2017)

Check Register Report

Warrant Register 04/25/17

3.3.a

Date: 04/13/2017

Time: 2:45 pm

Page:

CITY OF LAGUNA HILLS

BANK: UNION BANK- GENERAL

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
UNION BANK- GENERAL Checks							
8812612	04/13/2017	Printed		S-2253	SOCAL OFFICE	Lease-Copier, CC, Apr '17	1,165.8
8812613	04/13/2017	Printed		S-2250	TECHNOLOGIES-LEAS		
8812614	04/13/2017	Printed		S-1980	SPARKLETT'S	Operating Supplies, CH, Mar '17	193.2
8812615	04/13/2017	Printed		S-2209	STATE DEPARTMENT OF JUSTICE	Pre-employment Fingerprinting	32.0
8812616	04/13/2017	Printed		S-2201	STUDIO TWO BLACK DIAMOND	Printing Services, Apr '17	150.8
8812617	04/13/2017	Printed		T-2696	SUNSET PROPERTY SERVICES	Street Sweeping, Mar '17	10,200.6
8812618	04/13/2017	Printed		U-2165	TCS NETWORK CONSULTING, INC.	Computer Hardware, CS	13,813.5
8812619	04/13/2017	Printed		V-2249	UNDERGROUND SERVICE ALERT	Street Maintenance, Mar '17	64.5
8812620	04/13/2017	Printed		U-2166	US BANK VOYAGER FLEET SYS	Vehicle Fuel, Mar '17	1,359.4
8812621	04/13/2017	Printed		V-2224	UTILITY COST MANAGEMENT LLC	Prof Services, Utility Savings	65.7
8812622	04/13/2017	Printed		V-2251	VERIZON WIRELESS	Communication Expense, Mar '17	1,004.4
8812623	04/13/2017	Printed		W-2337	VIZUAL SYMPHONY, INC.	Maintenance, Audio Vizual	2,750.0
8812624	04/13/2017	Printed		W-2302	WEST COAST ARBORISTS, INC.	Tree Trimming, Mar '17	2,568.7
8812625	04/13/2017	Printed		W-2377	WEST PUBLISHING CORPORATION	Subscription, City Clk, Mar	207.2
8812626	04/13/2017	Printed		X-2400	WILLDAN ENGINEERING	Professional Svcs, 5 Lagunas	450.0
					XEROX CORPORATION	Copier Lease & Usage, Mar '17	864.9

Total Checks: 68

Checks Total (excluding void checks): 1,033,504.3

Total Payments: 68

Bank Total (excluding void checks): 1,033,504.3

Total Payments: 68

Grand Total (excluding void checks): 1,033,504.3

Attachment: Warrant Register 42517 (1270 : Approval of Warrant Register for Period Ended April 25, 2017)



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 25, 2017
TO: Mayor and Council Members
FROM: David Reynolds
Deputy City Manager
ISSUE: Garage Clean-Up and Paper Shredding Post Event Report

RECOMMENDATION: That the City Council receive and file the report.

SUMMARY:

The Garage Clean-Up and Document Shredding event was held at the Laguna Hills High School parking lot on Saturday, April 15, 2017. The City Views Spring 2017 advertisement for this event is attached to this staff report for reference. CR&R Environmental Services (CR&R) was present to collect bulky items and trash, and Paper Depot was present to shred documents on-site. Staff estimates that from 9 a.m. to 12 p.m. approximately 300 to 350 cars drove through the parking lot lines to discard their materials and to shred documents. This event was a product of Council Member Kogerman's idea to provide a one-day collection service to Laguna Hills residents to facilitate the cleaning of their garages, and thereby making more room for their cars.

Unfortunately, Goodwill Industries did not dispatch any trucks to this event to collect e-waste material or donated items because of scheduling miscommunications between Goodwill Industries and City staff. Goodwill Industries was to provide the e-waste collection service for this event and several residents that were first in line were instructed to bring their e-waste items to the Goodwill Industries facility located off of El Toro Road. However, CR&R staff present at the event were able to confirm with headquarters that the collection of e-waste was permitted by CR&R and the collection of e-waste items began about 45 minutes into the event. Any items that residents desired to donate were not accepted and residents were directed to drop off these items at the Goodwill Industries facility located off of El Toro Road.

Garage Clean-Up Event

April 25, 2017

Page 2

The majority of residents that came to this event brought bulky items, electronic waste, and trash to discard. CR&R came equipped with 25 personnel, fifteen (15) 40 cubic yard roll-off boxes, two front-loader trucks, and smaller bins for CFL and battery recycling. Twelve (12) of the fifteen (15) roll-off boxes were filled to capacity. The total volume collected by CR&R was not available at the time of the writing of this report; however, staff will provide this information to the City Council at the April 25, 2017, meeting.

In regards to the paper shredding service, Paper Depot shredded 11,440 pounds (or 5.72 tons) of paper. For comparative purposes, the shredding event the City hosted last year collected 6,140 pounds of paper material. In addition, approximately 400 pounds of boxes and miscellaneous material were collected for recycling.

Based on the overall volume of material collected at this event, staff believes that the event was very successful.

ATTACHMENTS:

- Event Advertisement
- Pictures of Event

CITY OF LAGUNA HILLS

GARAGE CLEAN-UP AND PAPER SHREDDING EVENT

"IT'S TIME TO CLEAN OUT YOUR GARAGES"

The City of Laguna Hills, CR&R Environmental Services, Goodwill and Paper Depot will be available at drop-off location at Laguna Hills High School, to collect your bulky items, trash and any items you would like to donate (No Limits). In addition, an on-site document shredding service will be available (No Limits). This event is for Laguna Hills residents only and residents must show proof of residency, photo ID and/or utility bill must be presented.

Saturday, April 15, 2017

8:00 am to 12:00 pm

 **Laguna Hills High School**

25401 Paseo de Valencia

(Enter from Hawk Highway & Paseo de Valencia)

PROHIBITED ITEMS:

Chemicals, Hazardous Waste, Storage Drums, Trees, Tree Stumps, Cars/Engines, Rock/Asphalt, Concrete



The Paper Depot
Established 1981



Goodwill
Southern
California

CR&R
INCORPORATED

environmental service



ITEMS ACCEPTED:

E-WASTE: Televisions, Computers, Microwaves, Printers, Copiers, Fax Machines

FURNITURE: Sofa Beds, Couches, Tables, Chairs, Mattresses, Box Springs, Patio Furniture

U-WASTE: Household Batteries, Fluorescent Lights, Lights

LARGE APPLIANCES: Washers, Dryers, Refrigerators, Stoves, Water Heaters, Dish Washers, Air Conditioner

YARD WASTE: Clippings, Trimmings, Branches

OTHER ITEMS: Bicycles, Lawn Mowers, Suitcases, Barbeques, Swing Sets, Tools, Toys, Tires, Trash

Documents and Papers to Shred: NO LIMITS!

DONATED ITEMS: Ensure that donation items are in **Good Condition**, such that you would use the items yourself, if you were in need

Sort your donatable items from Recycle or Refuse prior to coming to drop off site

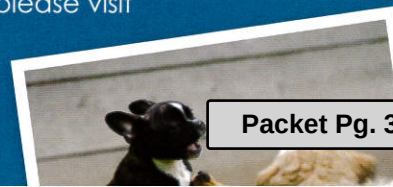


Attachment: Event Advertisement (1276 : Garage Clean-Up Event)

New Animal Care and Sheltering Services Contract

The City of Laguna Hills is excited to announce a new partnership with the City of Mission Viejo to provide excellent, high quality animal care and sheltering services, which began on **January 1, 2017**. Mission Viejo Animal Services provides a pro-human animal shelter, 24-hour response to emergency calls, pet adoption, low cost vaccination clinics, animal licensing, volunteer opportunities, community outreach and events, and many other important services.

At the intersection of Marguerite Parkway and Hillcrest, just behind Saddleback College, the Mission Viejo Animal Services Center is just over six miles away from the Laguna Hills Community Center. It's located at 28095 Hillcrest, Mission Viejo, CA 92692. For more general information related to the shelter, such as hours of operation and pet adoption resources, please visit <http://cmvas.org>.



Packet Pg. 36



Attachment: Pictures of Event (1276 : Garage Clean-Up Event)



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 25, 2017
TO: Mayor and Council Members
FROM: Kenneth H. Rosenfield P.E.
Director of Public Services/City Engineer
ISSUE: Progress Payment No. 1 for Arterial Pavement Management Project
Street Rehabilitation, CIP No. 175

RECOMMENDATION: That the City Council Approve Progress Payment No. 1, in the Net Amount of \$752,230.37, to Hardy & Harper Inc., for the Arterial Pavement Management Project Street Rehabilitation, CIP No. 175.

SUMMARY:

Work on the Arterial Pavement Management Project Street Rehabilitation, CIP No. 175, began on March 6, 2017, and is being performed by Hardy & Harper, Inc. Work performed in March included mobilization, clearing and grubbing, traffic control, remove and replace asphalt concrete, curb and gutter, sidewalk, access ramps, catch basin lids, cross gutters, and asphalt concrete overlay. The contractor has submitted the first progress payment request for approval.

BACKGROUND:

A routine monthly action for capital improvement projects is the submission, review, and approval of the contractor's invoice. Procedurally, field staff verifies the contractor's quantities and matches them with the submitted invoice. The unit prices and total costs of the project are confirmed by the office staff and a progress payment is then processed. A five-percent (5%) retention is withheld from each payment to assure final performance of the work. The contractor for this project, Hardy & Harper, Inc., has submitted the first progress payment for the subject project as follows:

Progress Payment No. 1 for Arterial Pavement Management Project Street Rehabilitation, CIP No. 175

April 25, 2017

Page 2

ITEM #	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	\$ AMOUNT
1A	Mobilization	1	LS	\$49,000.00	\$49,000.00
2A	Traffic control	.4	LS	\$39,000.00	\$15,600.00
3A	Water quality control	.4	LS	\$3,000.00	\$1,200.00
4A	Clearing and grubbing	.4	LS	\$24,000.00	\$9,600.00
Alicia Parkway – Aliso Hills to Westerly City Limits					
1B	Remove and replace AC 8"	3,106	SF	\$5.20	\$16,151.20
2B	0.15' AC cold plane	191,105	SF	\$0.14	\$26,754.70
3B	0.20' AC overlay	2,625.10	TN	\$62.00	\$162,756.20
4B	Access ramp	8	EA	\$3,900.00	\$31,200.00
6B	Remove and replace sidewalk	1,271	SF	\$8.00	\$10,168.00
7B	Remove and replace 8" curb and gutter	16	LF	\$50.00	\$800.00
Paseo de Valencia – La Paz Road to Cabot Road					
4C	Access ramp	8	EA	\$3,900.00	\$31,200.00
6C	Remove and replace sidewalk	1,997	SF	\$8.00	\$15,976.00
7C	Remove and replace 8" curb and gutter	213	LF	\$50.00	\$10,650.00
12C	Remove and replace cross gutter	1,277	SF	\$16.00	\$20,432.00
13C	Remove and replace catch basin lid	148	SF	\$100.00	\$14,800.00
Los Alisos Boulevard – Paseo de Valencia to Easterly City Limits					
1D	Remove and replace AC 8"	2,123	SF	\$5.20	\$11,039.60
2D	0.15' AC cold plane	201,408	SF	\$0.14	\$28,197.12
4D	Access ramp	10	EA	\$3,900.00	\$39,000.00
6D	Remove and replace sidewalk	301	SF	\$8.00	\$2,408.00
Cabot Road – Rapid Falls Road to City Limits and Oso Parkway to City Limits					
1E	Remove and replace AC 8"	13,538	SF	\$5.20	\$70,397.60

Progress Payment No. 1 for Arterial Pavement Management Project Street Rehabilitation, CIP No. 175

April 25, 2017

Page 3

ITEM #	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	\$ AMOUNT
2E	0.15' AC cold plane	162,813	SF	\$0.14	\$22,793.82
3E	0.20' AC overlay	2,291.60	TN	\$62.00	\$142,079.20
4E	Access ramp	4	EA	\$3,900.00	\$15,600.00
6E	Remove and replace sidewalk	936	SF	\$8.00	\$7,488.00
7E	Remove and replace 8" curb and gutter	67	LF	\$50.00	\$3,350.00
12E	Subdrain with cleanout	420	LF	\$79.00	\$33,180.00

TOTAL TO DATE	\$791,821.44	
LESS PRIOR BILLING	\$0.00	
TOTAL THIS PERIOD	791,821.44	791,821.44
LESS 5% RETENTION		\$(39,591.07)
DUE		\$752,230.37

FISCAL IMPACT:

The progress payment is within the Capital Improvement Program Budget for the Arterial Pavement Management Project Street Rehabilitation, CIP No. 175.



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 25, 2017
TO: Mayor and Council Members
FROM: Janice Reyes
Finance Manager
ISSUE: Third Quarter Financial and Treasurer's Report for Fiscal Year 2016/2017

RECOMMENDATION: That the City Council receive and file the Third Quarter Financial and Treasurer's Report for Fiscal Year 2016/2017.

SUMMARY:

Attached to this report is the City of Laguna Hills Quarterly Financial Report for Third Quarter Fiscal Year 2016/2017. The information presented in the report provides the City Council and the public with the results of the City's financial activity for the 2016/2017 Fiscal Year through March 31, 2017. The total fund balance for all governmental funds at the end of the third quarter for Fiscal Year 2016/2017 is \$9,221,929. The report states that there are no material deviations or significant variances to report at this time. The Quarterly Financial Report also contains a condensed Treasurer's Investment Report as of March 31, 2017, on Page 6. The City's total portfolio of \$9,901,397 at the end of the third quarter for all funds is invested in authorized securities. The City's Investment Policy approved by City Council Resolution is the prevailing guideline in managing investments.

ATTACHMENTS:

- FY16-17 Quarter3 Complete



CITY OF LAGUNA HILLS

Quarterly Financial Report

Third Quarter FY 2016/17

The following unaudited financial information summarizes the City's overall financial activity for the current fiscal year through March 31, 2017. Financial analysis for this report is provided for the General Fund, Capital Improvement Program, Debt Service, and other City governmental funds, and is intended to provide the City Council and the public with a summary overview of the City's general fiscal condition through March 31, 2017.

A Summary of Funding Sources and Uses for the nine months ended March 31, 2017 is presented in the table below. As of March 31, 2017, the City received roughly 57% of its revenue projection and 64% of its projected total funding uses.

Summary of Funding Sources & Uses For the 9 months ended March 31, 2017

	YTD Actual (million)	Budget (million)	YTD % of Budget
<i>Funding Sources</i>	\$ 14.0	\$ 24.7	57%
<i>Funding Uses</i>	16.9	26.4	64%
<i>Net Change</i>	(\$2.9)	(\$1.7)	

REPORT VARIANCES

The Comparative Statement of Operations for Governmental Funds, on page 3, shows the detail of the YTD actual financial activity in relation to the Amended Budget. Interpreting the information presented herein requires consideration of the cash flow fluctuations of revenues and expenditures. Financial data is reported on a cash basis, meaning expenditures are reported when payments are made and revenues are reported when payment is received. There are a number of revenue and expenditures items that would show significant deviation if a straight-line comparison was applied. In this approach, one would expect line items to approximate 75% of budget by the end of the third quarter. However, the timing of many revenue and expenditure transactions do not occur at uniform times or at equal intervals over the course of the fiscal year. Consequently, although the third quarter represents 75% of the fiscal year, not all line items will be at 75% of the budget. Thus, the YTD as a percentage of budget shown in this report does not necessarily indicate material deviations or budget variances. With this perspective in mind, given anticipated payment schedules and past trends, there are no significant budget variances to report at this time.

FUND BALANCE

Included in this pamphlet, on page 5, is a snapshot of the City's fund balance as of March 31, 2017. At the end of the third quarter of the current fiscal year, the City's total fund balance for its governmental funds stood at \$9,221,929. An abridged balance sheet, which summarizes the City's assets and liabilities, is included on page 4 and reconciles the fund balance at quarter end. City-managed short-term idle funds, as well as debt service funds, are invested in approved securities.

Funding Sources

The City's total funding sources comprise of general fund revenues, special fund revenues, and other financing sources. At the end of the third quarter, total funding sources were approximately \$14.0 million, or 57% of budget.

GENERAL FUND REVENUES

General Fund Revenues are utilized primarily to finance the City's general governmental activities. At quarter end, general fund revenues totaled \$12,109,888 or 58% of budget. Receipts of Property Taxes came in at \$5,954,393, or 60% of budget. Intergovernmental Revenues, which includes sales tax revenue, were \$3,511,991, or 57% of budget. The recording of these revenue sources comply with GASB 34, which addresses the timing of recognition of non-exchange transactions, e.g. taxes and fines. Revenues from non-exchange transactions, such as property and sales tax, received in the first two months of this fiscal year were accrued in the prior fiscal year. Franchise fees from utility companies and transient occupancy tax comprise Franchise Taxes, which came in at \$1,168,137, or 44% of budget. The receipts lag at least a quarter and no accrual was made at quarter end. Revenues from Licenses & Permits, \$679,295, and Charges for Services, \$632,859, are dependent upon development activities and came in at 94% and 54% of budget, respectively. Fines and Forfeitures, which includes parking and vehicle fines, ended the quarter at 63% of budget, at \$163,213.

SPECIAL REVENUES AND GRANTS

Many of the Special Revenue funding sources are tied in with the City's Capital Improvement Plan. The receipts of funding sources for certain capital projects typically lag behind the spending on the projects, as the claims are applied for during construction or after project-completion. At the end of the third quarter, special revenues receipts totaled \$1,855,601, or 51% of budget.

OTHER FUNDING SOURCES

In accordance with GAAP, not all increases in governmental fund financial resources can be classified as revenue. Certain increases instead are reported as other financing sources, such as sales of general capital assets, proceeds of general long-term debt, and financial inflows from other funds.

Funding Uses

The City's total funding uses consist of the City's Operating Expenditures, outlay for Capital Improvement projects, debt charges and expenditures for grant related programs. At the end of the third quarter, total funding uses were approximately \$16.9 million, which was 64% of budget.

OPERATING EXPENDITURES

At the end of the third quarter, operating expenditures totaled roughly \$13.8 million, which represents 70% of the total operating budget. While total operating expenditures came in below 75% of budget, the spending level for Non-Departmental came in higher, at 81% of its budget, due to annual insurance premiums paid in full at the onset of the fiscal year, as well as annual IT related maintenance contracts.

CAPITAL IMPROVEMENT PLAN (CIP)

The FY 16/17 CIP Budget was amended to include carry-over appropriations from the prior fiscal year of roughly \$1.2 million. The budget was also amended to account for the deferral of \$980,000

originally budgeted in FY 16/17 for the Alix Parkway Median Landscape Rehabilitation and the addition of \$440,000 in capital contributions towards the Mission Viejo Animal Shelter Improvements. Other amendments to the FY 16/17 CIP Budget include the reduction of \$179,067 for the Annual Street Maintenance and a reduction of \$25,000 for capital improvements at the Community Center Sports Complex.

Capital Improvement Program For the 9 Months Ended, March 31, 2017	
Streets, Signals & Lighting	\$ 35,64
Streetscape	26,52
Flood Control & Water Quality	229,88
Parks	502,76
Public Facilities	227,56
Trails & Open Space	
Total	\$ 1,022,37

CITY OF LAGUNA HILLS
COMPARATIVE STATEMENT OF OPERATION - GOVERNMENTAL FUNDS
FOR THE 9 MONTHS ENDED, MARCH 31, 2017

	FY 2016/17			FY 2015/16		
	Y-T-D ACTUAL	AMENDED BUDGET	YTD % of BUDGET	Y-T-D ACTUAL	AMENDED BUDGET	YTD % of BUDGET
FUNDING SOURCES						
General Fund Revenues						
Property Taxes	\$ 5,954,393	\$ 9,973,907	60%	\$ 5,700,979	\$ 9,662,081	59%
Intergovernmental Revenues	3,511,991	6,201,744	57%	2,661,193	6,307,000	42%
Franchise Taxes	1,168,137	2,657,170	44%	1,255,585	2,598,700	48%
Licenses and Permits	679,295	725,000	94%	677,089	700,000	97%
Charges for Current Services	632,859	1,163,640	54%	841,121	1,131,985	74%
Fines & Forfeitures	163,213	260,000	63%	179,538	260,000	69%
Total General Fund Revenues	12,109,888	20,981,461	58%	11,315,505	20,659,766	55%
Special Revenue Funds						
Gas Tax Fund	387,525	753,305	51%	429,210	736,729	58%
Measure M2 Fair Share	509,285	622,250	82%	380,381	587,490	65%
Measure M - Competitive	-	545,000	0%	42,405	2,092,000	2%
AB 2766 Fund	19,040	-	-	18,604	-	-
CDBG	43,056	70,000	62%	-	70,380	0%
CARITS	157,000	-	-	-	133,000	0%
Developer Traffic Impact Fees	97,850	-	-	-	-	-
Water Conservation	-	-	-	-	320,000	0%
Beverage Recycling Fund	-	-	-	-	26,233	0%
CR&R Recycling Fees	2,000	14,454	14%	22,000	22,000	100%
C&D Forfeited Deposits	38,559	65,846	59%	50,843	54,806	93%
Senior Mobility Program	23,565	110,328	21%	24,436	28,776	85%
Public Art Fund	304,990	-	-	-	-	-
Grants and Contributions	157,000	1,389,150	11%	-	422,000	0%
Law Enforcement Grants	115,731	100,000	116%	108,053	100,000	108%
Total Special Revenue Funding	1,855,601	3,670,333	51%	1,075,931	4,593,414	23%
Other Funding Sources						
Interest Income	43,963	-	-	23,025	-	-
Distribution from Enterprise Fund	-	75,000	0%	-	50,000	0%
Total Other Funding Sources	43,963	75,000	59%	23,025	50,000	46%
TOTAL FUNDING SOURCES	\$ 14,009,451	\$ 24,726,794	57%	\$ 12,414,461	\$ 25,303,180	49%
FUNDING USES						
Operating Expenditures						
General Government	\$ 1,868,747	2,754,308	68%	\$ 1,771,273	\$ 2,694,512	66%
Non-Departmental	696,407	863,664	81%	451,801	680,763	66%
Community Development	942,692	1,450,827	65%	758,649	1,396,218	54%
Public Services	2,885,992	4,479,727	64%	2,906,140	4,300,900	68%
Community Services	1,412,824	2,051,365	69%	1,377,690	2,015,498	68%
Police Services	6,012,073	8,032,544	75%	5,013,079	7,496,195	67%
Total Operating Expenditures	13,818,735	19,632,435	70%	12,278,632	18,584,086	66%
Capital Improvement Program	1,022,373	4,716,792	22%	1,936,539	5,194,739	37%
Other Funding Uses						
Debt Charges	1,801,428	1,799,387	100%	1,803,428	1,801,387	100%
Use of Reserves	30,831	-	-	394,845	250,000	158%
Distribution to Enterprise Fund	-	50,000	0%	100,000	60,030	167%
Special Revenue Fund Expenditures						
CDBG Fund Expenditures	43,056	70,000	62%	-	70,380	0%
Senior Mobility Program	21,178	110,328	19%	25,557	28,776	89%
Beverage Recycling	-	80,300	0%	-	26,233	0%
CR&R Recycling Fund	2,000	-	-	25,000	22,000	114%
Forfeited C&D Deposits	39,895	-	-	10,320	54,806	19%
Grants & Contributions	157,000	-	-	-	-	-
Law Enforcement Fund Expenditures	-	-	-	1,826	-	-
Total Other Funding Uses	2,095,387	2,110,015	99%	2,360,977	2,313,612	102%
TOTAL FUNDING USES	\$ 16,936,495	\$ 26,459,242	64%	\$ 16,576,147	\$ 26,092,437	64%
NET CHANGE IN FUND BALANCE	\$ (2,927,044)	\$ (1,732,448)		\$ (4,161,686)	\$ (789,257)	

Attachment: FY16-17 Quarter3 Complete (1267 : FY 2016/17 Third Quarter Financial Report)

CITY OF LAGUNA HILLS
ABRIDGED BALANCE SHEET - GOVERNMENTAL FUNDS (UNAUDITED)
MARCH 31, 2017

ASSETS

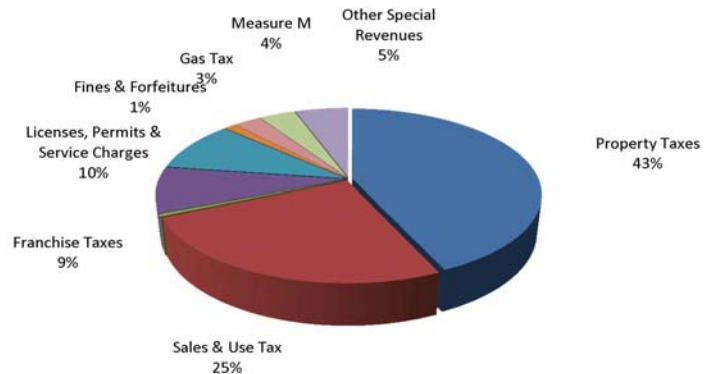
Cash and investments	\$ 9,773,298
Receivables:	
Accounts	125,400
Interest	17,382
Due from other governments	32
Prepaid items	17,610
Total assets	\$ 9,933,721

LIABILITIES AND FUND BALANCES

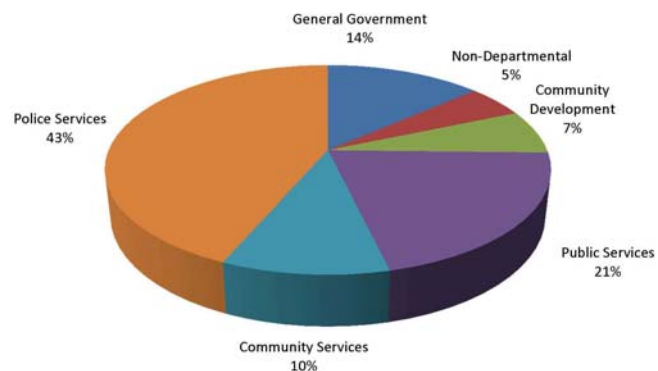
Liabilities:	
Accounts payable	\$ 228,143
Refundable deposits to contractors	475,840
Deferred revenue	678
Trust accounts	7,131
Total liabilities	711,792
Fund balances:	9,221,929
Total liabilities and fund balances	\$ 9,933,721

REVENUES -

**General Fund &
Special Revenue Funds
FY 2016/17,
As of 03/31/17**



**OPERATING
EXPENDITURES
FY 2016/17,
As of 03/31/17**



CITY OF LAGUNA HILLS

GOVERNMENTAL FUNDS

STATEMENT OF WORKING FUNDS (UNAUDITED)

AS OF MARCH 31, 2017

Fund Balance

General Fund	\$ 8,099,293
Gas Tax	623,702
AB 2766 Fund	70,442
CARITS	1,088,273
Water Conservation	325,716
Senior Mobility Program	69,819
Beverage Recycling	34,707
C&D Forfeited Deposits	126,825
AB 939 Surcharge Grant	51
Public Art Fund	(227,254)
Law Enforcement Special Revenue Funds	574
Grants & Contributions	127,743
Debt Service	1,809,083
Total Beginning Fund Balance, as of July 1, 2016	12,148,973

Net Change in Fund Balance, as of March 31, 2017	(2,927,044)
--	-------------

Total Fund Balance, as of March 31, 2017	\$ 9,221,929
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Disposition of Working Funds

Total Cash and Demand Deposits	\$ 946,459
Total Investments	8,826,839
Total Cash and Investments	9,773,298
Receivables Net of Liabilities	(551,368)

Total Fund Balance, as of March 31, 2017	\$ 9,221,929
---	---------------------

The Quarter End Financial Management Report for the Third Quarter of Fiscal Year 2016-17 is hereby submitted. The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. To the best of our knowledge and belief, the above information is reported in a manner that presents fairly the financial position and results of operation of the Governmental Funds of the City of Laguna Hills as of March 31, 2017.

Respectfully submitted,

original signed

April 18, 2017

Janice M. Reyes
Finance Manager

Date

Attachment: FY16-17 Quarter3 Complete (1267 : FY 2016/17 Third Quarter Financial Report)

TREASURER'S INVESTMENT REPORT - ALL FUNDS (CONDENSED)
FOR THE 3RD QUARTER ENDED MARCH 31, 2017

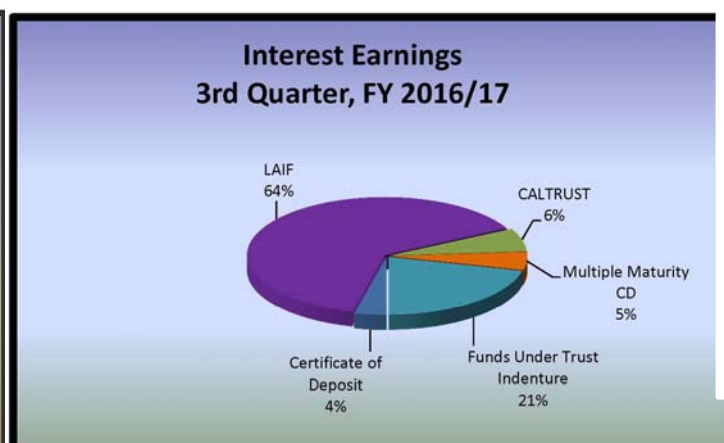
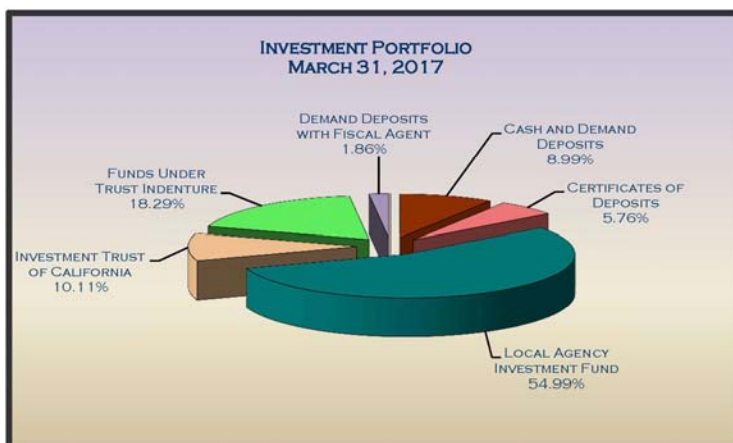
Cash and Investments by Type	Beginning Book Value	Deposits	Withdrawals	Ending Book Value	3rd Qtr Interest Income
Cash on Hand	\$ 1,750	\$ -	\$ -	\$ 1,750	\$ -
Demand Deposits	3,014,113	6,137,105	8,262,697	888,520	-
Certificates of Deposits	750,000	-	250,000	500,000	650
Multiple Maturity Certificates of Deposits	70,502	-	-	70,502	869
State Treasurer's Investment Fund	5,436,371	507,991	500,000	5,444,362	10,958
Investment Trust of California	-	1,000,643	-	1,000,643	1,117
Funds Under Trust Indenture	1,808,342	1,582,874	1,579,884	1,811,331	3,635
Demand Deposits with Fiscal Agent	233,352	362,499	411,563	184,288	-
Deposits in Escrow	-	-	-	-	-
TOTAL	\$ 11,314,430	\$ 9,591,112	\$ 11,004,144	\$ 9,901,397	\$ 17,229

The City's investment policy approved by Council resolution is the prevailing guideline in managing investments. Short-term excess cash is currently invested primarily in the Local Agency Investment Fund (LAIF) administered by the State Treasurer and the Investment Trust of California (CalTRUST) managed by Wells Fargo. Funds held under Trust indenture by The Bank of New York Mellon Trust Company, N.A, is a Reserve Fund established to secure the timely payment of principal and interest represented by the 2010 Refinancing Project bond issues.

The following is the summary of the cash and investments for the 3rd quarter ended March 31, 2017, compared with the same period of the previous fiscal year:

	March 31, 2017	March 31, 2016
Cash on hand	\$ 2,000	\$ 2,250
Pooled Deposits:		
Demand Deposits	1,072,558	978,933
Certificates of Deposits	570,502	820,502
Total Pooled Deposits	1,643,061	1,799,435
Pooled Investments:		
Local Agency Investment Fund	5,444,362	4,711,613
Investment Trust of California	1,000,643	-
Restricted Cash and Investments:		
Local Agency Investment Fund	1,802,149	1,801,806
Demand Deposits	9,182	2,743
Total Cash and Investments	\$ 9,901,397	\$ 8,317,848

We believe the City's portfolio provides sufficient cash flow liquidity to meet the next six months of the City's projected operating expenditures.





City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 25, 2017
TO: Mayor and Council Members
FROM: Melissa Au-Yeung
Assistant to the City Manager/City Clerk
ISSUE: Proposed Lease with Carolyn Behrens, an Individual, for 24031 El Toro Road, Suite 330, Laguna Hills, California

RECOMMENDATION: That the City Council approve the lease with Carolyn Behrens, an individual, for 24031 El Toro Road, Suite 330, Laguna Hills, California, and authorize the City Manager to execute the Lease.

SUMMARY:

Staff has negotiated a five-year lease renewal with Carolyn Behrens, an individual, for 24031 El Toro Road, Suite 330. Carolyn Behrens operates a mortgage brokerage office and has been leasing space in the Civic Center since 2005. The following is a summary of the key lease terms and financial analysis:

Commencement Date: June 1, 2017

Term: Five (5) years

Rentable Square Feet: 800

Upfront Capital: \$4,960

Rate: Year 1 - \$2.20/ sq. ft.
Year 2 - \$2.29/ sq. ft.
Year 3 - \$2.38/ sq. ft.

Civic Center Lease with Carolyn Behrens for 24031 El Toro Road, Suite 330

April 25, 2017

Page 2

Year 4 - \$2.47/ sq. ft.

Year 5 - \$2.57/ sq. ft.

Total Rent Payments: \$114,393

Net Present Value: \$62,654 (12% Discount Rate)

The City Attorney has reviewed and approved the lease document and the tenant has executed the lease. Staff is recommending approval.

FISCAL IMPACT:

The lease has a positive net present value and requires minimal upfront capital.

ATTACHMENTS:

- Lease



STANDARD MULTI-TENANT OFFICE LEASE - GROSS

AIR COMMERCIAL REAL ESTATE ASSOCIATION

1. Basic Provisions ("Basic Provisions").

1.1 **Parties:** This Lease ("Lease"), dated for reference purposes only April 25, 2017, is made by and between The City of Laguna Hills, a municipal corporation organized and existing under the laws of the State of California

and Carolyn Behrens, an individual ("Lessor")

and ("Lessee"),
(collectively the "Parties", or individually a "Party").

1.2(a) **Premises:** That certain portion of the Project (as defined below), known as Suite Numbers(s) 330, 3rd floor(s), consisting of approximately 800 rentable square feet and approximately 669 useable square feet ("Premises"). The Premises are located at: 24031 El Toro Road, in the City of Laguna Hills, County of Orange, State of California, with zip code 92654. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, the exterior walls, the area above the dropped ceilings, or the utility raceways of the building containing the Premises ("Building") or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "Project." The Project consists of approximately 51,946 rentable square feet. (See also Paragraph 2)

1.2(b) **Parking:** 4/1000 unreserved and N/A reserved vehicle parking spaces at a monthly cost of \$N/A per unreserved space and \$N/A per reserved space. (See Paragraph 2.6)

1.3 **Term:** Five (5) years and 0 months ("Original Term") commencing June 1, 2017 ("Commencement Date") and ending May 31, 2022 ("Expiration Date"). (See also Paragraph 3)

1.4 **Early Possession:** If the Premises are available Lessee may have non-exclusive possession of the Premises commencing N/A ("Early Possession Date"). (See also Paragraphs 3.2 and 3.3)

1.5 **Base Rent:** \$1,760.00 per month ("Base Rent"), payable on the First day of each month commencing June 1, 2017. (See also Paragraph 4 below)

☒ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Paragraph 4.4 (see Addendum Paragraph 1)

1.6 **Lessee's Share of Operating Expense Increase:** 1.54% percent (1.54%) ("Lessee's Share"). In the event that that size of the Premises and/or the Project are modified during the term of this Lease, Lessor shall recalculate Lessee's Share to reflect such modification.

1.7 Base Rent and Other Monies Paid Upon Execution:

- (a) **Base Rent:** \$1,760.00 for the period June 1-30, 2017.
- (b) **Security Deposit:** \$2,058.95 ("Security Deposit"). (See also Paragraph 5)
- (c) **Parking:** \$N/A for the period N/A.
- (d) **Other:** \$N/A for N/A.
- (e) **Total Due Upon Execution of this Lease:** \$.

1.8 **Agreed Use:** General office, Mortgage Services

(See also Paragraph 6)

1.9 **Base Year; Insuring Party.** The Base Year is 2017. Lessor is the "Insuring Party". (See also Paragraphs 4.2 and 8)

1.10 **Real Estate Brokers:** (See also Paragraph 15 and 25)

(a) **Representation:** The following real estate brokers (the "Brokers") and brokerage relationships exist in this transaction (check applicable boxes):

- ☒ Essex Realty Management, Inc. represents Lessor exclusively ("Lessor's Broker");
- ☐ N/A represents Lessee exclusively ("Lessee's Broker"); or
- ☐ N/A represents both Lessor and Lessee ("Dual Agency").

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement. (or if there is no such agreement, the sum of _____ or _____% of the total Base Rent) for the brokerage services rendered by the Brokers.

1.11 **Guarantor.** The obligations of the Lessee under this Lease shall be guaranteed by N/A ("Guarantor"). (See also Paragraph 37)

1.12 **Business Hours for the Building:** 7:00 a.m. to 6:00 p.m., Mondays through Fridays (except Building Holidays) and 8:00 a.m. to 2:00 p.m. on Saturdays (except Building Holidays). "Building Holidays" shall mean the dates of observation of New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, and N/A.

1.13 **Lessor Supplied Services.** Notwithstanding the provisions of Paragraph 11.1, Lessor is NOT obligated to provide the following within the Premises:

☐ Janitorial services

☐ Electricity

☐ Other (specify): N/A

1.14 **Attachments.** Attached hereto are the following, all of which constitute a part of this Lease:

☒ an Addendum consisting of Paragraphs 1 through 6 ;

☒ a plot plan depicting the Premises; Exhibit "A"

☒ a current set of the Rules and Regulations; Exhibit "B"

☒ a Work Letter; / Requirements for improvements or alterations by Lessee (Exhibit "D")

☐ a janitorial schedule;

☒ other (specify): Exhibit "C" Waiver and Release

2. Premises.

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. While the approximate square footage of the Premises may have been used in the marketing of the Premises for purposes of comparison, the Base Rent stated herein is NOT tied to square footage and is not subject to adjustment should the actual size be determined to be different. **Note: Lessee is advised to verify the actual size prior to executing this Lease.**

2.2 **Condition.** Lessor shall deliver the Premises to Lessee in a clean condition on the Commencement Date or the Early Possession Date, whichever first occurs ("**Start Date**"), and warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("**HVAC**"), and all other items which the Lessor is obligated to construct pursuant to the Work Letter attached hereto, if any, other than those constructed by Lessee, shall be in good operating condition on said date, that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects, and that the Premises do not contain hazardous levels of any mold or fungi defined as toxic under applicable state or federal law. Lessor also warrants, that unless otherwise specified in writing, Lessor is unaware of (i) any recorded Notices of Default affecting the Premise; (ii) any delinquent amounts due under any loan secured by the Premises; and (iii) any bankruptcy proceeding affecting the Premises.

2.3 **Compliance.** Lessor warrants that to the best of its knowledge the improvements on the Premises and the Common Areas comply with the building codes applicable laws, covenants or restrictions of record, regulations, and ordinances ("**Applicable Requirements**") that were in effect at the time that each improvement, or portion thereof, was constructed. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 49), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning and other Applicable Requirements are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises ("**Capital Expenditure**"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor shall pay for such Capital Expenditure and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease or any extension thereof, on the date that on which the Base Rent is due, an amount equal to 1/144th of the portion of such costs reasonably attributable to the Premises. Lessee shall pay interest on the balance but may prepay its obligation at any time. If, however, such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to nonvoluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall either: (i) immediately cease such changed use or intensity of use and/or take such other steps as may be necessary to eliminate the requirement for such Capital Expenditure, or (ii) complete such Capital Expenditure at its own expense. Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been given an opportunity to inspect and measure the Premises, (b) Lessee has been advised by Lessor and/or Brokers to satisfy itself with respect to the size and condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements), and their suitability for Lessee's intended use, (c) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, (d) it is not relying on any representation as to the size of the Premises made by Brokers or Lessor, (e) the square footage of the Premises was not material to Lessee's decision to lease the Premises and pay the Rent stated herein, and (f) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date, Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** So long as Lessee is not in default, and subject to the Rules and Regulations attached hereto, and as established by Lessor from time to time, Lessee shall be entitled to rent and use the number of parking spaces specified in Paragraph 1.2(b) at the rental rate applicable from time to time for monthly parking as set by Lessor and/or its licensee.

(a) If Lessee commits, permits or allows any of the prohibited activities described in the Lease or the rules then in effect, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

(b) The monthly rent per parking space specified in Paragraph 1.2(b) is subject to change upon 30 days prior written notice to Lessee. The rent for the parking is payable one month in advance prior to the first day of each calendar month.

2.7 **Common Areas - Definition.** The term "**Common Areas**" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Premises that are provided and designated by the Lessor from time to time for the general nonexclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including, but not limited to, common entrances, lobbies, corridors, stairwells, public restrooms, elevators, parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas - Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the nonexclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the

Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas - Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to adopt, modify, amend and enforce reasonable rules and regulations ("**Rules and Regulations**") for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. The Lessee agrees to abide by and conform to all such Rules and Regulations, and shall use its best efforts to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the noncompliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas - Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

- (a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of the lobbies, windows, stairways, air shafts, elevators, escalators, restrooms, driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;
- (b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;
- (c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;
- (d) To add additional buildings and improvements to the Common Areas;
- (e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and
- (f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 **Early Possession.** Any provision herein granting Lessee Early Possession of the Premises is subject to and conditioned upon the Premises being available for such possession prior to the Commencement Date. Any grant of Early Possession only conveys a non-exclusive right to occupy the Premises. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such Early Possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of the Operating Expense Increase) shall be in effect during such period. Any such Early Possession shall not affect the Expiration Date.

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or change the Expiration Date. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, as the same may be extended under the terms of any Work Letter executed by Parties, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3.4 **Lessee Compliance.** Lessor shall not be required to deliver possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Paragraph 8 of this Lease (See, Addendum Paragraph 3). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1. **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("**Rent**").

4.2 **Operating Expense Increase.** Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share of the amount by which all Operating Expenses for each Comparison Year exceeds the amount of all Operating Expenses for the Base Year, such excess being hereinafter referred to as the "**Operating Expense Increase**", in accordance with the following provisions:

- (a) "**Base Year**" is as specified in Paragraph 1.9.
- (b) "**Comparison Year**" is defined as each calendar year during the term of this Lease subsequent to the Base Year; provided, however, Lessee shall have no obligation to pay a share of the Operating Expense Increase applicable to the first 12 months of the Lease Term (other than such as are mandated by a governmental authority, as to which government mandated expenses Lessee shall pay Lessee's Share, notwithstanding they occur during the first twelve (12) months). Lessee's Share of the Operating Expense Increase for the first and last Comparison Years of the Lease Term shall be prorated according to that portion of such Comparison Year as to which Lessee is responsible for a share of such increase.
- (c) The following costs relating to the ownership and operation of the Project, calculated as if the Project was at least 95% occupied, are defined as "**Operating Expenses**":
 - (i) Costs relating to the operation, repair, and maintenance in neat, clean, safe, good order and condition, but not the replacement (see subparagraph (g)), of the following:
 - (aa) The Common Areas, including their surfaces, coverings, decorative items, carpets, drapes and window coverings, and including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, stairways, parkways, driveways, landscaped areas, striping, bumpers, irrigation systems, Common Area lighting facilities, building exteriors and roofs, fences and gates;
 - (bb) All heating, air conditioning, plumbing, electrical systems, life safety equipment, communication systems and other equipment used in common by, or for the benefit of, tenants or occupants of the Project, including elevators and escalators, tenant directories, fire detection systems including sprinkler system maintenance and repair.
 - (cc) All other areas and improvements that are within the exterior boundaries of the Project but outside of the Premises and/or any other space occupied by a tenant.
 - (ii) The cost of trash disposal, janitorial and security services, pest control services, and the costs of any environmental inspections;
 - (iii) The cost of any other service to be provided by Lessor that is elsewhere in this Lease stated to be an "Operating Expense";
 - (iv) The cost of the premiums for the insurance policies maintained by Lessor pursuant to paragraph 8 and any deductible portion of an insured loss concerning the Building or the Common Areas;
 - (v) The amount of the Real Property Taxes payable by Lessor pursuant to paragraph 10;
 - (vi) The cost of water, sewer, gas, electricity, and other publicly mandated services not separately metered;
 - (vii) Labor, salaries, and applicable fringe benefits and costs, materials, supplies and tools, used in maintaining and/or cleaning the Project and accounting and management fees attributable to the operation of the Project;
 - (viii) The cost of any capital improvement to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such capital improvement over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month;
 - (ix) The cost to replace equipment or improvements that have a useful life for accounting purposes of 5 years or less.
 - (x) Reserves set aside for maintenance, repair and/or replacement of Common Area improvements and equipment.
- (d) Any item of Operating Expense that is specifically attributable to the Premises, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Premises, Building, or other building. However, any such item that is not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project.
- (e) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(c) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor

already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(f) Lessee's Share of Operating Expense Increase is payable monthly on the same day as the Base Rent is due hereunder. The amount of such payments shall be based on Lessor's estimate of the Operating Expense Expenses. Within 60 days after written request (but not more than once each year) Lessor shall deliver to Lessee a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses for the preceding year. If Lessee's payments during such Year exceed Lessee's Share, Lessee shall credit the amount of such over-payment against Lessee's future payments. If Lessee's payments during such Year were less than Lessee's Share, Lessee shall pay to Lessor the amount of the deficiency within 10 days after delivery by Lessor to Lessee of said statement. Lessor and Lessee shall forthwith adjust between them by cash payment any balance determined to exist with respect to that portion of the last Comparison Year for which Lessee is responsible as to Operating Expense Increases, notwithstanding that the Lease term may have terminated before the end of such Comparison Year.

(g) Operating Expenses shall not include the costs of replacement for equipment or capital components such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences that have a useful life for accounting purposes of 5 years or more.

(h) Operating Expenses shall not include any expenses paid by any tenant directly to third parties, or as to which Lessor is otherwise reimbursed by any third party, other tenant, or by insurance proceeds.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States on or before the day on which it is due, without offset or deduction (except as specifically permitted in this Lease). All monetary amounts shall be rounded to the nearest whole dollar. In the event that any invoice prepared by Lessor is inaccurate such inaccuracy shall not constitute a waiver and Lessee shall be obligated to pay the amount set forth in this Lease. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of \$25 in addition to any Late Charge and Lessor, at its option, may require all future Rent be paid by cashier's check. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent and Common Area Operating Expenses, and any remaining amount to any other outstanding charges or costs.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount already due Lessor, for Rents which will be due in the future, and/ or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 90 days after the expiration or termination of this Lease, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. Lessor shall upon written request provide Lessee with an accounting showing how that portion of the Security Deposit that was not returned was applied. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease. THE SECURITY DEPOSIT SHALL NOT BE USED BY LESSEE IN LIEU OF PAYMENT OF THE LAST MONTH'S RENT.

6. **Use.** (See Addendum)

6.1 ~~**Use.** Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Other than guide, signal and seeing eye dogs, Lessee shall not keep or allow in the Premises any pets, animals, birds, fish, or reptiles. Lessor shall not unreasonably withhold or delay its consent to any request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements of the Building, will not adversely affect the mechanical, electrical, HVAC, and other systems of the Building, and/or will not affect the exterior appearance of the Building. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use.~~

6.2 **Hazardous Substances.**

(a) **Reportable Uses Require Consent.** The term "Hazardous Substance" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, byproducts or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "Reportable Use" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use such as ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project not caused or contributed to by Lessee). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Except as otherwise provided in paragraph 8.7, Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable

Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to Lessee's occupancy, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or \$100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or \$100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said Applicable Requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements. Likewise, Lessee shall immediately give written notice to Lessor of: (i) any water damage to the Premises and any suspected seepage, pooling, dampness or other condition conducive to the production of mold; or (ii) any mustiness or other odors that might indicate the presence of mold in the Premises.

6.4 **Inspection; Compliance.** Lessor and Lessor's "Lender" (as defined in Paragraph 30) and consultants authorized by Lessor shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, after reasonable notice, for the purpose of inspecting and/or testing the condition of the Premises and/or for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a Hazardous Substance Condition (see paragraph 9.1e) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination. In addition, Lessee shall provide copies of all relevant material safety data sheets (MSDS) to Lessor within 10 days of the receipt of written request therefor. Lessee acknowledges that any failure on its part to allow such inspections or testing will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, should the Lessee fail to allow such inspections and/or testing in a timely fashion the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or \$100, whichever is greater for the remainder to the Lease. The Parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to allow such inspection and/or testing. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to such failure nor prevent the exercise of any of the other rights and remedies granted hereunder.

7. **Maintenance; Repairs; Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.** Notwithstanding Lessor's obligation to keep the Premises in good condition and repair, Lessee shall be responsible for payment of the cost thereof to Lessor as additional rent for that portion of the cost of any maintenance and repair of the Premises, or any equipment (wherever located) that serves only Lessee or the Premises, to the extent such cost is attributable to abuse or misuse. In addition, Lessee rather than the Lessor shall be responsible for the cost of painting, repairing or replacing wall coverings, and to repair or replace any similar improvements within the Premises. Lessor may, at its option, upon reasonable notice, elect to have Lessee perform any particular such maintenance or repairs the cost of which is otherwise Lessee's responsibility hereunder. □

7.2 **Lessor's Obligations.** Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, fire alarm and/or smoke detection systems, fire hydrants, and the Common Areas. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term "Utility Installations" refers to all floor and window coverings, air lines, vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, and plumbing in or on the Premises. The term "Trade Fixtures" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "Alterations" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "Lessee Owned Alterations and/or Utility Installations" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Alterations or Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof, ceilings, floors or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, do not trigger the requirement for additional modifications and/or improvements to the Premises resulting from Applicable Requirements, such as compliance with Title 24, and the cumulative cost thereof during this Lease as extended does not exceed \$2000. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with asbuilt plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor. In addition to and without limiting the other requirements of this Paragraph 7.3, all utilities, installations, and alterations made by Lessee shall also be subject to the provisions of Exhibit "D" attached to this Lease.

(c) **Liens; Bonds.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if the Lessee occupies the Premises for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Premises) to the level specified in Applicable Requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. **Insurance; Indemnity.** (See Addendum Paragraph 3)

8.1 **Insurance Premiums.** The cost of the premiums for the insurance policies maintained by Lessor pursuant to paragraph 8 are included as Operating Expenses (see paragraph 4.2 (c)(iv)). Said costs shall include increases in the premiums resulting from additional coverage related to requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. Said costs shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the Project was not insured for the entirety of the Base Year, then the base premium shall be the lowest annual premium reasonably obtainable for the required insurance as of the Start Date, assuming the most nominal use possible of the Building and/or Project. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of \$2,000,000 procured under Paragraph 8.2(b).

8.2 **Liability Insurance:**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$1,000,000 per occurrence with an annual aggregate of not less than \$2,000,000. Lessee shall add Lessor as an additional insured by means of an endorsement at least as broad as the Insurance Service Organization's "Additional Insured-Manager or Lessors of Premises" Endorsement and coverage shall also be extended to include damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. Lessee shall provide an endorsement on its liability policy(ies) which provides that its insurance shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance - Building, Improvements and Rental Value:**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss payable to Lessor, any ground lessor, and to any Lender insuring loss or damage to the Building and/or Project. The amount of such insurance shall be equal to the full insurable replacement cost of the Building and/or Project, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee not by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$5,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value insurance"). Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance; Worker's Compensation Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed \$1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations.

(b) **Worker's Compensation Insurance.** Lessee shall obtain and maintain Worker's Compensation Insurance in such amount as may be required by Applicable Requirements. Such policy shall include a Waiver of Subrogation endorsement. Lessee shall provide Lessor with a copy of such endorsement along with the certificate of insurance or copy of the policy required by paragraph 8.5.

(c) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(d) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies maintaining during the policy term a "General Policyholders Rating" of at least A-, VII, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates with copies of the required endorsements evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 10 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may increase his liability insurance coverage and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor and its Agents from Liability.** Notwithstanding the negligence or breach of this Lease by Lessor or its agents, neither Lessor nor its agents shall be liable under any circumstances for: (i) injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, indoor air quality, the presence of mold or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places, (ii) any damages arising from any act or neglect of any other tenant of Lessor or from the failure of Lessor or its agents to enforce the provisions of any other lease in the Project, or (iii) injury to Lessee's business or for any loss of income or profit therefrom. Instead, it is intended that Lessee's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Lessee is required to maintain pursuant to the provisions of paragraph 8.

8.9 **Failure to Provide Insurance.** Lessee acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, for any month or portion thereof that Lessee does not maintain the required insurance and/or does not provide Lessor with the required binders or certificates evidencing the existence of the required insurance, the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or \$100, whichever is greater. The parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to maintain the required insurance. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to maintain such insurance, prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Lessee of its obligation to maintain the insurance specified in this Lease.

9. **Damage or Destruction.**

9.1 **Definitions.**

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8 of this Lease (See Addendum Paragraph 3) Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance, in, on, or under the Premises which requires restoration.

9.2 **Partial Damage - Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is \$5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage - Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense (subject to reimbursement pursuant to Paragraph 4.2), in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, ~~except as provided in Paragraph 8.6.~~

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor is obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

10. **Real Property Taxes.**

10.1 **Definitions.** As used herein, the term "**Real Property Taxes**" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address. "**Real Property Taxes**" shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project, (ii) a change in the improvements thereon, and/or (iii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

10.2 **Payment of Taxes.** Except as otherwise provided in Paragraph 10.3, Lessor shall pay the Real Property Taxes applicable to the Project, and said payments shall be included in the calculation of Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request or by reason of any alterations or improvements to the Premises made by Lessor subsequent to the execution of this Lease by the Parties.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. **Utilities and Services.**

11.1 **Services Provided by Lessor.** Lessor shall provide heating, ventilation, air conditioning, reasonable amounts of electricity for normal lighting and office machines, water for reasonable and normal drinking and lavatory use in connection with an office, and replacement light bulbs and/or fluorescent tubes and ballasts for standard overhead fixtures. Lessor shall also provide janitorial services to the Premises and Common Areas 5 times per week, excluding Building Holidays, or pursuant to the attached janitorial schedule, if any. Lessor shall not, however, be required to provide janitorial services to kitchens or storage areas included within the Premises.

11.2 **Services Exclusive to Lessee.** Notwithstanding the provisions of paragraph 11.1, Lessee shall pay for all water, gas, light, power, telephone and other utilities and services specially or exclusively supplied and/or metered exclusively to the Premises or to Lessee, together with any taxes thereon. If a service is deleted by Paragraph 1.13 and such service is not separately metered to the Premises, Lessee shall pay at Lessor's option, either Lessee's Share or a reasonable proportion to be determined by Lessor of all charges for such jointly metered service.

11.3 **Hours of Service.** Said services and utilities shall be provided during times set forth in Paragraph 1.12. Utilities and services required at other times shall be subject to advance request and reimbursement by Lessee to Lessor of the cost thereof.

11.4 **Excess Usage by Lessee.** Lessee shall not make connection to the utilities except by or through existing outlets and shall not install or use machinery or equipment in or about the Premises that uses excess water, lighting or power, or suffer or permit any act that causes extra burden upon the utilities or services, including but not limited to security and trash services, over standard office usage for the Project. Lessor shall require Lessee to reimburse Lessor for any excess expenses or costs that may arise out of a breach of this subparagraph by Lessee. Lessor may, in its sole discretion, install at Lessee's expense supplemental equipment and/or separate metering applicable to Lessee's excess usage or loading.

11.5 **Interruptions.** There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

12. **Assignment and Subletting.**

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "**assign or assignment**") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buyout or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. "**Net Worth of Lessee**" shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(d), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

(f) Lessor may reasonably withhold consent to a proposed assignment or subletting if Lessee is in Default at the time consent is requested.

(g) Notwithstanding the foregoing, allowing a de minimis portion of the Premises, i.e. 20 square feet or less, to be used by a third party vendor in connection with the installation of a vending machine or payphone shall not constitute a subletting.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of \$500 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment, entering into such sublease, or entering into possession of the Premises or any portion thereof, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by

Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. In the event that the amount collected by Lessor exceeds Lessee's then outstanding obligations any such excess shall be refunded to Lessee. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. Default; Breach; Remedies.

13.1 Default; Breach. A "Default" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "Breach" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8-3 (See, Addendum Paragraph 3) is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee. THE ACCEPTANCE BY LESSOR OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LESSOR'S RIGHTS, INCLUDING LESSOR'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

(c) The failure of Lessee to allow Lessor and/or its agents access to the Premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Lessee, where such actions continue for a period of 3 business days following written notice to Lessee. In the event that Lessee commits waste, a nuisance or an illegal activity a second time then, the Lessor may elect to treat such conduct as a non-curable Breach rather than a Default.

(d) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41, (viii) material data safety sheets (MSDS), or (ix) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(e) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(g) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(h) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 Remedies. If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor an amount equal to 115% of the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover any damages to which Lessor is otherwise entitled. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 Inducement Recapture. Any agreement for free or abated rent or other charges, the cost of tenant improvements for Lessee paid for or performed by Lessor, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "Inducement Provisions", shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to

Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall immediately pay to Lessor a one-time late charge equal to 10% of each such overdue amount or \$100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due shall bear interest from the 31st day after it was due. The interest ("**Interest**") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.** (See Addendum Paragraph 4)

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent the actual and reasonable cost to perform such cure, provided however, that such offset shall not exceed an amount equal to the greater of one month's Base Rent or the Security Deposit, reserving Lessee's right to seek reimbursement from Lessor for any such expense in excess of such offset. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the rentable floor area of the Premises, or more than 25% of Lessee's Reserved Parking Spaces, if any, are taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation paid by the condemnor for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.**

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 above, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee or anyone affiliated with Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the fee schedule of the Brokers in effect at the time the Lease was executed.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as "**Responding Party**") shall within 10 days after written notice from the other Party (the "**Requesting Party**") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "**Estoppel Certificate**" form published by the AIRCommercial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate. In addition, Lessee acknowledges that any failure on its part to provide such an Estoppel Certificate will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, should the Lessee fail to execute and/or deliver a requested Estoppel Certificate in a timely fashion the monthly Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or \$100, whichever is greater for remainder of the Lease. The Parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to provide the Estoppel Certificate. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to provide the Estoppel Certificate nor prevent the exercise of any of the other rights and remedies granted hereunder.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall within 10 days after written notice from Lessor deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term "**Lessor**" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word "**days**" as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor or its partners, members, directors, officers or shareholders, and Lessee shall look to the Project, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their

personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, or by email, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 72 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices delivered by hand, or transmitted by facsimile transmission or by email shall be deemed delivered upon actual receipt. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.**

(a) No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent.

(b) The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

(c) THE PARTIES AGREE THAT THE TERMS OF THIS LEASE SHALL GOVERN WITH REGARD TO ALL MATTERS RELATED THERETO AND HEREBY WAIVE THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE TO THE EXTENT THAT SUCH STATUTE IS INCONSISTENT WITH THIS LEASE.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) **Lessor's Agent.** A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: **To the Lessor:** a. A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. **To the Lessee and the Lessor:** a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) **Lessee's Agent.** An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. **To the Lessee:** a. A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. **To the Lessee and the Lessor:** a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) **Agent Representing Both Lessor and Lessee.** A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this Lease may be brought against Broker more than one year after the Start Date and that the liability (including court costs and attorneys' fees), of any Broker with respect to any such lawsuit and/or legal proceeding shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Lessor and Lessee agree to identify to Brokers as "Confidential" any communication or information given to Brokers that is considered by such Party to be confidential.

26. **No Right to Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Holdover Base Rent shall be calculated on a monthly basis. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **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.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "**Security Device**"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "**Lender**") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of the new owner, this Lease will automatically become a new lease between Lessee and such new owner, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations,

except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor which was not paid or credited to such new owner.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "**Non-Disturbance Agreement**") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall, if requested by Lessee, use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "**Prevailing Party**" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach (\$200 is a reasonable minimum per occurrence for such services and consultation).

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect on Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Lessor may place on the Premises ordinary "For Sale" signs at any time and ordinary "For Lease" signs during the last 6 months of the term hereof. Lessor may not place any sign on the exterior of the Building that covers any of the windows of the Premises. Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements.

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** All requests for consent shall be in writing. Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the AIR Commercial Real Estate Association.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted any Option, as defined below, then the following provisions shall apply.

39.1 **Definition. "Option"** shall mean: (a) the right to extend or reduce the term of or renew this Lease or to extend or reduce the term of or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase, the right of first offer to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties. In the event, however, that Lessor should elect to provide security services, then the cost thereof shall be an Operating Expense.

41. **Reservations.**

(a) Lessor reserves the right: (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, (iii) to create and/or install new utility raceways, so long as such easements, rights, dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessor may also: change the name, address or title of the Building or Project upon at least 90 days prior written notice; provide and install, at Lessee's expense, Building standard graphics on the door of the Premises and such portions of the Common Areas as Lessor shall reasonably deem appropriate; grant to any lessee the exclusive right to conduct any business as long as such exclusive right does not conflict with any rights expressly given herein; and to place such signs, notices or displays as Lessor reasonably deems necessary or advisable upon the roof, exterior of the Building or the Project or on signs in the Common Areas. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights. The obstruction of Lessee's view, air, or light by any structure erected in the vicinity of the Building, whether by Lessor or third parties, shall in no way affect

this Lease or impose any liability upon Lessor.

(b) Lessor also reserves the right to move Lessee to other space of comparable size in the Building or Project. Lessor must provide at least 45 days prior written notice of such move, and the new space must contain improvements of comparable quality to those contained within the Premises. Lessor shall pay the reasonable out of pocket costs that Lessee incurs with regard to such relocation, including the expenses of moving and necessary stationary revision costs. In no event, however, shall Lessor be required to pay an amount in excess of two months Base Rent. Lessee may not be relocated more than once during the term of this Lease.

(c) Lessee shall not: (i) use a representation (photographic or otherwise) of the Building or Project or their name(s) in connection with Lessee's business; or (ii) suffer or permit anyone, except in emergency, to go upon the roof of the Building.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay. A Party who does not initiate suit for the recovery of sums paid "under protest" within 6 months shall be deemed to have waived its right to protest such payment.

43. **Authority; Multiple Parties; Execution**

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each Party shall, within 30 days after request, deliver to the other Party satisfactory evidence of such authority.

(b) If this Lease is executed by more than one person or entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such document.

(c) This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

45. **Offer.** Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable nonmonetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Waiver of Jury Trial.** THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

48. **Arbitration of Disputes.** An Addendum requiring the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease

☐ is ☒ is not attached to this Lease.

49. **Accessibility; Americans with Disabilities Act.**

(a) The Premises: ☐ have not undergone an inspection by a Certified Access Specialist (CASp). ☐ have undergone an inspection by a Certified Access Specialist (CASp) and it was determined that the Premises met all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq. ☒ have undergone an inspection by a Certified Access Specialist (CASp) and it was determined that the Premises did not meet all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq.

(b) Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.

2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING AND SIZE OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: 24031 El Toro Road, Suite 100

Executed at: _____

On: _____

On: _____

By LESSOR:

By LESSEE:

The City of Laguna Hills

Carolyn Behrens, an individual

By: _____

By: _____

Name Printed: Bruce E. Channing

Name Printed: Carolyn Behrens

Title: City Manager

Title: _____

By: _____

By: _____

Name Printed: _____

Name Printed: _____

Title: _____

Title: _____

Address: _____

Address: _____

Telephone: (____) _____

Telephone: (____) _____

Facsimile: (____) _____

Facsimile: (____) _____

Email: _____

Email: _____

Email: _____

Email: _____

Federal ID No. _____ Federal ID No. _____

LESSOR'S BROKER:

Essex Realty Management, Inc.

Attn: Sandi Montez

Address: 111 Corporate Drive, Suite 110

Ladera Ranch, CA 92694

Telephone: (949) 218-3801

Facsimile: ()

Email: _____

Broker/Agent BRE License #: 00965485

LESSEE'S BROKER:

Attn: _____

Address: _____

Telephone: ()

Facsimile: ()

Email: _____

Broker/Agent BRE License #: _____

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

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ADDENDUM TO LEASE

THIS ADDENDUM TO LEASE (this “Addendum”) shall constitute part of that certain STANDARD MULTI-TENANT OFFICE LEASE – GROSS (“Lease”), dated as of April 25, 2017, between The City of Laguna Hills (“Lessor”), and Carolyn Behrens an individual (“Lessee”). The terms of this Addendum shall be incorporated into the Lease for all purposes. In the event of any conflict between the terms of the Lease and the terms of this Addendum, the terms of this Addendum shall control.

1. Base Rent Increase. Paragraph 4.4. is hereby added to the Lease to read as follows:

4.4.1 The monthly Base Rent payable as set forth Paragraph 1.5 and as set forth in Paragraph 1.7 (a) of the Lease shall be adjusted annually on the Commencement Date of the Lease, and on such other dates stated, to the amounts set forth below:

6/1/2017	5/31/2018	\$ 1,760.00 (\$2.20 psf)
6/1/2018	5/31/2019	\$ 1,830.40 (\$2.29 psf)
6/1/2019	5/31/2020	\$ 1,903.62 (\$2.38 psf)
6/1/2020	5/31/2021	\$ 1,979.76 (\$2.47 psf)
6/1/2021	5/31/2022	\$ 2,058.95 (\$2.57 psf)

2. Use. Paragraph 6.1 of the Lease is hereby deleted in its entirety and replaced by the following:

“6.1. Use. The Premises shall be used only for the Agreed Use and for no other use. Lessee’s use of the Premises shall be in compliance with and subject to all Applicable Requirements relating to or affecting the Project, the Premises or the Building or the use or operation thereof, whether now existing or hereafter enacted, including, without limitation, the Americans with Disabilities Act of 1990, 42 USC 12111 et seq. (the “ADA”) as the same may be amended from time to time, any and all federal, state or local environmental, health and/or safety-related laws, regulations, standards, decisions of courts, ordinances, rules, codes, orders, decrees, directives, guidelines, permits or permit conditions, currently existing and as amended, enacted, issued or adopted in the future which are or become applicable to Lessee, the Premises, the Building, or the Project (“Environmental Laws”), any transportation or traffic management plan in satisfaction of any requirement imposed on the Project by a governmental agency with jurisdiction over the Project, and any CC&Rs or any supplement thereto recorded in any official or public records with respect to the Project or any portion thereof (collectively, “Applicable Laws”). Lessee shall be responsible for obtaining any permit, business license, or other permits or licenses required by any governmental agency permitting Lessee’s use or occupancy of the Premises. Lessee shall not commit waste, overload the floors or structure of the Building, subject the Premises, the Building, the Common Area or the Project to any use which would damage the same or increase the risk of loss or violate any insurance coverage, permit any unreasonable odors, smoke, dust, gas, substances, noise or vibrations to emanate from the Premises, take any action which would constitute a nuisance or would disturb, obstruct or endanger any other tenants, take any action which would abrogate any warranties, or use or allow the Premises to be used for any unlawful purpose. Lessor shall not be responsible for non-compliance by any other tenant or occupant of the Project with, or Lessor’s failure to enforce, any of the rules or regulations or CC&Rs or any other terms or provisions of such tenant’s or occupant’s lease. Lessee shall promptly comply with the reasonable requirements of any board of fire insurance underwriters or other similar body now or hereafter constituted. Lessee shall not do any act which shall in any way encumber the title of Lessor in and to the Premises, the Building or the Project.

3. Insurance; Indemnity. Paragraph 8.1 through 8.6 of the Lease are hereby deleted in their entirety and replaced by the following:

“8.1 Lessor’s Insurance. Lessor shall maintain insurance through individual or blanket policies insuring the Building against fire and extended coverage (including, if Lessor elects, “all risk” coverage, earthquake/volcanic action, flood and/or surface water insurance) for the full replacement cost of the Building, with deductibles and the form and endorsements of such coverage as selected by Lessor, together with rental abatement insurance against loss of Rent in an amount equal to the amount of Rent for a period of at least twelve (12) months commencing on the date of loss. Lessor may also carry such other insurance as Lessor may deem prudent or advisable, including, without limitation, liability insurance in such amounts and on such terms as Lessor shall determine. Lessee shall pay to Lessor, as a portion of the Operating Expenses, the costs of the insurance coverages described herein, including, without limitation, Lessor’s cost of any self-insurance deductible or retention.

8.2 Lessee's Compliance with Insurance Requirements. Lessee shall obtain, maintain, and keep in full force and effect during the term of this Lease, at its sole cost and expense, and in a form and content satisfactory to Lessor, all insurance required under this Paragraph 8 against claims for injuries to persons or damages to property which may arise from or in connection with Lessee's operation and use of the Premises and the activities of the Lessee, its guests, agents, representatives, employees, or subcontractors. Lessee shall not take possession of the Premises unless and until it has provided evidence satisfactory to Lessor that it has secured all insurance required by this Paragraph 8.

8.3 Types of Insurance Required of Lessee. Without limiting the indemnity provisions set forth in this Lease, Lessee shall obtain and maintain in full force and effect during the term of this Lease, including any extension thereof, the following policies of insurance:

(a) Commercial General Liability Insurance. A policy of Commercial General Liability insurance written on an occurrence basis, including products and completed operations, property damage, bodily injury and personal and advertising injury with limits of at least Two Million Dollars (\$2,000,000) per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this Premises/location, or the general aggregate limit shall be twice the required occurrence limit. Defense costs shall be paid in addition to the limits. The policy shall contain no endorsements or provisions limiting coverage for: (1) contractual liability; (2) cross liability exclusion for claims or suits by one insured against another; or (3) contain any other exclusion contrary to this Lease.

(b) Automobile Liability Insurance. A policy of Automobile Liability Insurance written on a per occurrence basis with limits of at least One Million Dollars (\$1,000,000) combined limit for each occurrence covering bodily injury and property damage. The policy shall specifically include coverage for owned, non-owned, leased, and hired automobiles.

(c) Workers' Compensation and Employer's Liability Insurance. A policy of Workers' Compensation Insurance in at least the minimum statutory amounts, and in compliance with all other statutory requirements, as required by the State of California. Lessee agrees to waive and obtain endorsements from its workers' compensation insurer waiving all subrogation rights under its workers' compensation insurance policy against Lessor, its officials, officers, employees, agents and volunteers. Lessee shall obtain and maintain, in full force and effect throughout the term of this Lease, a policy of Employer's Liability Insurance written on a per occurrence basis with limits of at least One Million Dollars (\$1,000,000) per accident for bodily injury or disease.

(d) Property Insurance. A policy of Property Insurance against all risk of loss to any tenant improvements or betterments, at full replacement cost with no coinsurance penalty provision.

(e) Equipment Breakdown/ Boiler & Machinery Insurance. A policy of Equipment Breakdown / Boiler & Machinery Insurance with limits of not less than actual replacement costs for all property and improvements, encompassing explosion and breakdown. Lessee shall obtain and deliver to Lessor, along with copies of all policies of insurance required herein, a joint loss endorsement for the Property Insurance and Equipment Breakdown /Boiler & Machinery Insurance policies. Lessor is to be included as an additional insured on the Equipment Breakdown /Boiler & Machinery Insurance coverage.

(f) Business Interruption. Loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all peril commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

8.4 General.

(a) Acceptability of Insurers. Insurance required by this Paragraph 8 shall be issued by a licensed company authorized to transact business in the state by the Department of Insurance for the State of California with a current rating of A:-VII or better (if an admitted carrier), or a current rating of A:X or better (if offered by a non-admitted insurer listed on the State of California List of Approved Surplus Line Insurers (LASLI), by the latest edition of A.M. Best's Key Rating Guide, except that Lessor will accept workers' compensation insurance from the State Compensation Fund. In the event Lessor determines that Lessee's use of the Premises creates an increased or decreased risk of loss to Lessor, Lessee agrees that the minimum limits of the insurance policies may be changed accordingly upon receipt of written notice from Lessor. Lessee shall immediately substitute any insurer whose A.M. Best rating drops below the levels specified herein.

(b) Insurance Endorsements. Required insurance policies shall not be in compliance if they include any limiting provision or endorsement that has not been submitted to Lessor

for written approval. Required insurance policies shall contain the following provisions, or Lessee shall provide endorsements on forms approved by Lessor to add the following provisions to the insurance policies:

(i) Additional Insured. Lessee's policy or policies of Commercial General Liability Insurance and Automobile Liability Insurance shall be endorsed to include Lessor, its officials, officers, employees, agents and volunteers, Lessor's lender, and any property management company of Lessor for the Premises. The additional insured endorsement shall not (1) be restricted to "ongoing operations", (2) exclude "contractual liability", (3) restrict coverage to "sole" liability of Lessee, or (4) contain any other exclusions contrary to this Lease; and, the coverage shall contain no special limitations on the scope of protection afforded to additional insureds.

(ii) Notice. Each insurance policy required by this Paragraph 8, except for workers' compensation and employer's liability insurance, shall be endorsed to state that coverage shall not be suspended, voided, cancelled, or modified, or reduced in coverage or in limits, except after thirty (30) days prior written notice by First Class U.S. Mail, postage-prepaid, has been provided to Lessor. Notwithstanding the foregoing, if coverage is to be suspended, voided, or cancelled because of Lessee's failure to pay the insurance premium, the notice provided to Lessor shall be by ten (10) days prior written notice.

(iii) Primary and Non-Contributing Insurance. All policies of insurance maintained by Lessee pursuant to this Paragraph 8, except for workers' compensation and employer's liability insurance, shall be primary and any other insurance, deductible, or self-insurance maintained by Lessor, its officials, officers, employees, agents or volunteers, shall not contribute with this primary insurance. Policies shall contain or be endorsed to contain such provisions.

(iv) Waiver of Subrogation. All policies of insurance maintained by Lessee pursuant to this Paragraph 8 shall contain or be endorsed to waive subrogation against Lessor, its officials, officers, employees, agents and volunteers, or shall specifically allow Lessee to waive its right to recovery prior to a loss. Lessee hereby agrees to waive its own right of recovery against Lessor, its officials, officers, employees, agents and volunteers.

(c) Evidence of Coverage. Concurrently with the execution of this Lease, Lessee shall deliver certificates of insurance together with original endorsements affecting each of the insurance policies required by this Paragraph 8. Required insurance policies shall not be in compliance if they include any limiting provision or endorsement that has not been submitted to Lessor for written approval. The certificates of insurance and original endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf. At least fifteen (15) days prior to the expiration of any such policy, evidence of insurance showing that such insurance coverage has been renewed or extended shall be filed with Lessor. If such coverage is cancelled or reduced and not replaced immediately so as to avoid a lapse in the required coverage, Lessee shall, within ten (10) days after receipt of written notice of such cancellation or reduction of coverage, file with Lessor evidence of insurance showing that the required insurance has been reinstated or has been provided through another insurance company or companies. Lessee shall promptly furnish, at Lessor's request, copies of actual policies including all declaration pages, endorsements, exclusions and any other policy documents Lessor requires to verify coverage.

(d) Requirements Not Limiting. Requirement of specific coverage or minimum limits contained in this Lease are not intended as a limitation on coverage, limits, or other requirements, or a waiver of any coverage normally provided by any insurance. Nothing contained herein shall be construed as limiting in any way the indemnification provision contained in this Lease, or the extent to which Lessee may be held responsible for payments of damages to persons or property.

(e) Enforcement of Agreement (Non-Estoppel). Lessee acknowledges and agrees that actual or alleged failure on the part of the Lessor to inform Lessee of any non-compliance with any of the insurance requirements set forth herein imposes no additional obligation on the Lessor nor does it waive any rights hereunder.

(f) Notification of Incidents. Lessee shall notify Lessor within twenty-four (24) hours after the occurrence of any accidents or incidents in the Premises, the Building, Common Areas or the Project which could give rise to a claim under any of the insurance policies required under this Paragraph 8.

8.5 Other Insurance Requirements. The following terms and conditions shall apply to the insurance policies required of Lessee pursuant to this Paragraph 8:

(a) Lessee shall provide immediate written notice to Lessor if (1) any of the insurance policies required herein are terminated, cancelled or suspended, (2) the limits of any of the

insurance coverages required herein are reduced, or (3) the deductible or self-insured retention is increased.

(b) All insurance coverage and limits provided by Lessee and available or applicable to this Lease are intended to apply to each insured, including additional insureds, against whom a claim is made or suit is brought to the full extent of the policies. Nothing contained in this Lease or any other agreement relating to Lessor or its operations shall limit the application of such insurance coverage.

(c) None of the insurance coverages required herein will be in compliance with the requirements of this Paragraph 8 if they include any limiting endorsement which substantially impairs the coverages set forth herein (e.g., elimination of contractual liability or reduction of discovery period), unless the endorsement has first been submitted to Lessor and approved in writing.

(d) Certificates of insurance will not be accepted in lieu of required endorsements, and submittal of certificates without required endorsements may delay Lessee's occupancy of the Premises. It is Lessee's obligation to ensure timely compliance with all insurance submittal requirements as provided herein.

(e) Lessee agrees to ensure that its subconsultants and subcontractors, if any, and any other parties involved with the Project who are brought onto or involved in the Project by Lessee, provide the same minimum insurance coverage required of Lessee. Lessee agrees to monitor and review all such coverage and assumes all responsibility for ensuring that such coverage is provided in conformity with the requirements of this Paragraph 8. Lessee agrees that upon request, all agreements with subconsultants, subcontractors and others engaged in the Project will be submitted to Lessor for review."

4. Breach by Lessor; Performance by Lessee on Behalf of Lessor. Paragraph 13.6(c) is hereby added to the Lease to read as follows:

"13.6(c). Lessee's Remedies. Lessee and all successors and assigns covenant and agree that, in the event of any actual or alleged default by Lessor, Lessee's sole and exclusive remedy shall be either to seek either specific performance or monetary damages, provided that Lessor shall not be liable for loss of business profits or consequential damages, and provided further, that any recourse for monetary damages by Lessee against Lessor shall be limited solely and exclusively to an amount which is equal to the amounts paid by Lessee to Lessor under the Lease (and Lessee hereby expressly waives and releases personal liability of Lessor in excess of such amount on behalf of itself and all persons claiming by through, or under the lease) Further, in no event shall the obligations of Lessor under the Lease constitute the personal obligations of Lessor or its elected or appointed officers and officials, employees, agents, and volunteers, and Lessee shall have no right to seek recourse against Lessor's elected or appointed officers and officials, employees, agents, and volunteers, or any of their personal assets for the satisfaction of any liability of Lessor with respect to the Lease. Lessee expressly waives all remedies except those specifically set forth in the Lease, including, without limitation, any right of offset or abatement except as specifically set forth in the Lease, any right to terminate the Lease under Civil Code Sections 1932(2), 1933(4) and 1941 or any other successor statute, or any statutory, legal or equitable self-help remedy including, without limitation, Civil Code Section 1942 or any other current or future law. Nothing contained in the Lease shall entitle Lessee to terminate the Lease as a result of Lessor's default nor excuse Lessee from paying Rent or Additional Rent due hereunder."

5. Estoppel Certificates. All references in the Lease to "Estoppel Certificate", including, but not limited to the definition in Paragraph 16(a), shall refer to Lessor's standard form certificate.

6. Recordation. Lessee shall not have any right to cause the Lease or any short form or memorandum thereof to be recorded.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date of the Lease.

“Lessor”

THE CITY OF LAGUNA HILLS

By: Bruce E. Channing

By: _____
Its: City Manager

By: Melissa Au-Yeung

By: _____
Its: City Clerk

APPROVED AS TO FORM:

By: _____
City Attorney

“Lessee”

Carolyn Behrens, an individual

By: _____
Carolyn Behrens

Its: _____

EXHIBIT "A"

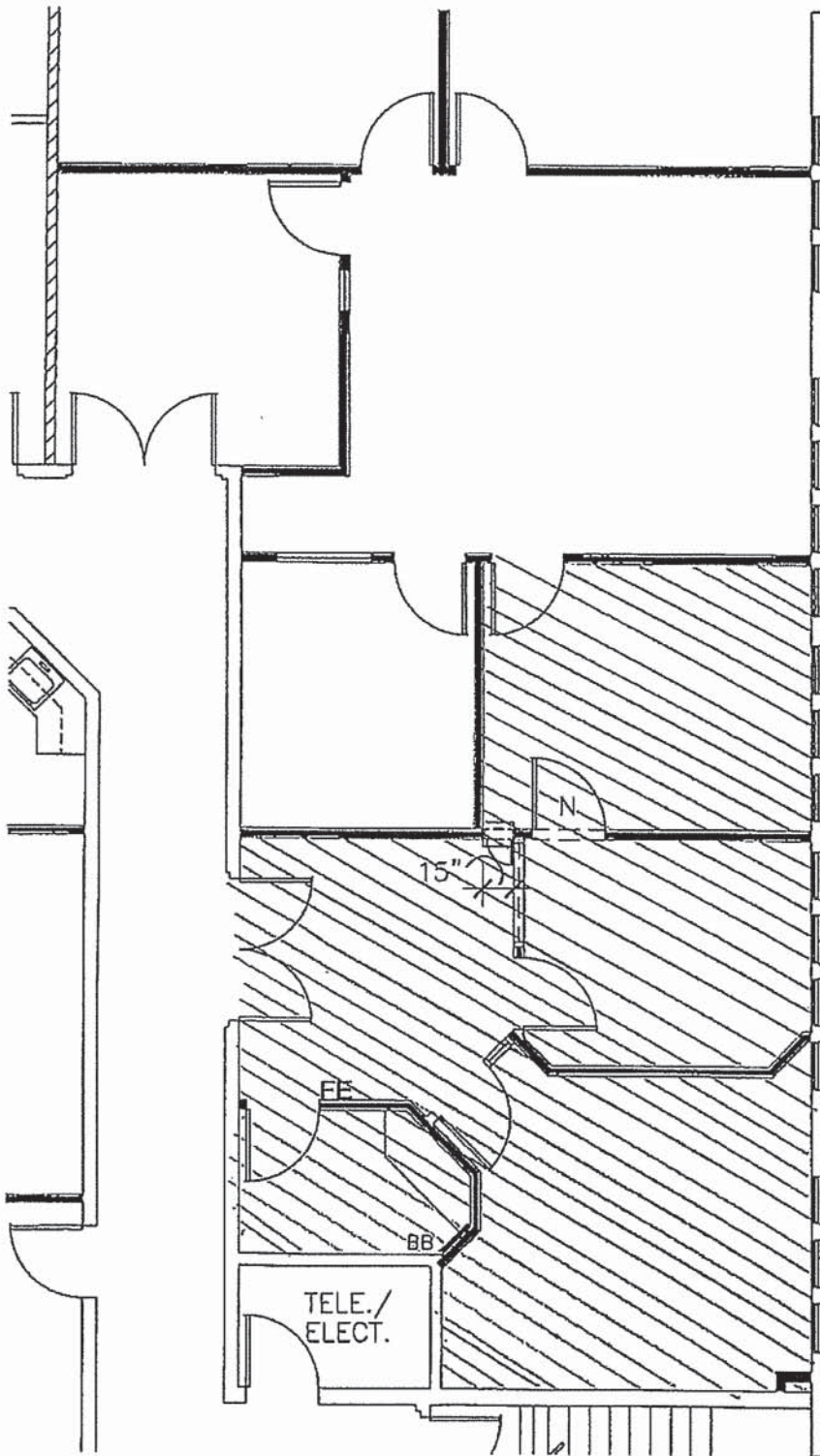


EXHIBIT B

RULES AND REGULATIONS

ATTACHED TO AND MADE A PART OF STANDARD OFFICE LEASE

The following Rules and Regulations shall be in effect at the Office Building Project. Lessor reserves the right to adopt reasonable modifications and additions hereto. In the case of any conflict between these Rules and Regulations and the Lease, the Lease shall be controlling.

1. Except with the prior written consent of Lessor, no Lessee shall conduct any retail sales or any manufacturing of any kind in or from the Premises, or any business other than that specifically provided for in the Lease.

2. Lessor reserves the right to prohibit personal goods and services vendors from access to the Office Building Project except upon such reasonable terms and conditions, including but not limited to the payment of a reasonable fee and provision for insurance coverage, as are related to the safety, care and cleanliness of the Office Building Project, the preservation of good order thereon, and the relief of any financial or other burden on Lessor occasioned by the presence of such vendors or the sale by them of personal goods or services to the Lessee or its employees. If reasonably necessary for the accomplishment of these purposes, Lessor may exclude a particular vendor entirely or limit the number of vendors who may be present at any one time in the Office Building Project. The term "personal goods or services vendors" means persons who periodically enter the Office Building Project of which the Premises are a part for the purpose of selling goods or services to a Lessee, other than goods or services, which are used by a lessee only for the purpose of conducting its business on the Premises. "Personal goods or services" include, but are not limited to, drinking water and other beverages, food, barbering services, and shoe shining services. This Section 2 shall not apply to Lessee's vendors and suppliers in connection with Lessee's operation of its business.

3. The sidewalks, halls, passages, elevators and stairways shall not be obstructed by any Lessee or used by it for any purpose other than for ingress to and egress from their respective Premises. The halls, passages, entrances, elevators, stairways, balconies and roof are not for the use of the general public, and Lessor shall in all cases retain the right to control and prevent access thereto of all persons whose presence in the judgment of Lessor shall be prejudicial to the safety, character, reputation and interests of the Office Building Project and its lessees, provided that nothing herein contained shall be construed to prevent such access to persons with whom Lessee normally deals only for the purpose of conducting its business on the Premises (such as clients, customers, office suppliers and equipment vendors, and the like) unless such persons are engaged in illegal activities. No Lessee and no employees of any Lessee shall go upon the roof of the Building without the written consent of Lessor. This Section 3 shall not apply to Lessee's vendor's suppliers in connection with Lessee's operation of its business.

4. The sashes, sash doors, windows, glass lights, and any lights or skylights that reflect or admit light into the halls or other places of the Building shall not be covered or obstructed. The toilet rooms, water and wash closets and other water apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein, and the expense of any breakage, stoppage or damage, resulting from the violation of this rule shall be borne by the Lessee who, or whose clerks, agents, employees, or visitors, shall have caused it.

5. No sign, advertisement or notice visible from the exterior of the Premises or Building shall be inscribed, painted or affixed by Lessee on any part of the Office Building Project or the Premises without the prior written consent of Lessor. If Lessor shall have given such consent at any time, whether before or after the execution of this Lease, such consent shall in no way operate as a waiver or release of any of the

provisions hereof or of this Lease, and shall be deemed to relate only to the particular sign, advertisement or notice so consented to by Lessor and shall not be construed as dispensing with the necessity of obtaining the specific written consent of Lessor with respect to each and every such sign, advertisement or notice, as the case may be, so consented to by Lessor. Lessor shall have the right to remove any non-approved sign, advertisement or notice, without notice to and at the expense of Lessee, and Lessor shall not be liable in damages for such removal.

6. In order to maintain the outward professional appearance of the Office Building Project all window coverings to be installed at the Premises shall be subject to Lessor's prior approval. If Lessor, by a notice in writing to Lessee, shall object to any curtain, blind, shade or screen attached to or hung in, or used in connection with, any window door of the Premises, such use of such curtain, blind, shade or screen shall be forthwith discontinued by Lessee. No awnings shall be permitted on any part of the Premises.

7. Lessee shall not lay linoleum, tile, carpet or other similar floor covering so that the same shall be affixed to the floor of the Premises in any manner except as approved by Lessor.

8. Lessee shall not do or permit anything to be done in the Premises, or bring or keep anything therein, which shall in any way increase the rate of fire insurance on the Office Building Project, or on the property kept therein, or obstruct or interfere with the rights of other Lessees, or in any way injure or annoy them, or conflict with the regulations of the Fire Department or the fire laws, or with any insurance policy upon the Office Building Project, or any part thereof, or with any rules and ordinances established by the Board of Health or other governmental authority.

9. No Lessee shall sweep or throw or permit to be swept or thrown from the Premises any dirt or other substance into any of the corridors or halls or elevators, or out of the doors or windows or stairways of the Building. Lessee shall not use, keep or permit to be used any foul or noxious gas or substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Lessor or other occupants of the Office Building Project by reason of noise, odors, fire hazards and/or vibrations, or interfere in any way with other Lessees or those having business therein, nor shall any animals or birds be kept in or about the Office Building Project.

10. Lessee and its employees, agents and invitees shall not smoke any tobacco products or any other smoking materials whatsoever in the Premises, Building, common areas or any other area of the Project except in such areas, if any, as shall be designated by Lessor for smoking, in Lessor's sole and absolute discretion.

11. No cooking shall be done or permitted by Lessee on the Premises, except for the use of a microwave oven for food or Underwriter's Laboratory approved equipment for brewing coffee, tea, and similar beverages shall be permitted, provided that such use is in compliance with law. Offices in the Office Building Project shall not be used for the storage of merchandise or for sleeping or lodging.

12. Lessee, upon the termination of its tenancy, shall deliver to Lessor all the keys of offices, rooms and toilet rooms which shall have been furnished Lessee or which Lessee shall have had made, and in the event of loss of any keys so furnished, shall pay Lessor therefore.

13. On Saturdays after 6:00pm., Sundays and legal holidays, and on other days between the hours of 9:00 p.m. and 7:00 a.m., access to the Office Building Project or to the halls, corridors, elevators or stairways in the Building, or to the Premises may be refused unless the person seeking access is known to the building watchman, if any, in charge and has a pass or is properly identified. Lessor shall in no case be liable for damages for the admission to or exclusion from the Office Building Project of any person whom Lessor has the right to exclude under Rule 3 above. In case of invasion, mob, riot, public excitement, or other commotion, Lessor reserves the right but shall not be

obligated to prevent access to the Office Building Project during the continuance of the same by closing the doors or otherwise, for the safety of the tenants and protection of property in the Office Building Project.

14. Lessee shall see that the windows and doors of the Premises are closed and securely locked before leaving the building and Lessee shall exercise extraordinary care and caution that all water faucets or water apparatus are entirely shut off before Lessee or Lessee's employees leave the Building, and that all electricity, gas or air shall likewise be carefully shut off, so as to prevent waste or damage, and for any default or carelessness Lessee shall make good all injuries sustained by other Lessees or occupants of the Building or Lessor.

15. Lessee shall not alter any lock or install a new or additional lock or any bolt on any door of the Premises without prior written consent of Lessor. If Lessor shall give its consent, Lessee shall in each case furnish Lessor with a key for any such lock.

16. Lessee shall not install equipment such as, but not limited to, electronic tabulating or computer equipment requiring electrical or air conditioning service in excess of those to be provided by Lessor under the Lease and any such equipment shall be placed in the Premises in settings approved by Lessor to adsorb or prevent any vibration, noise or annoyance.

17. No bicycle, or shopping cart, or other vehicle or any animal shall be brought into the Premises or the halls, corridors, elevators or any part of the Building by Lessee.

18. Lessor shall have the right to prohibit the use of the name of the Office Building Project or any other publicity by Lessee which in Landlord's opinion tends to impair the reputation of the Office Building Project, or their desirability for other Lessees, and upon written notice from Lessor, Lessee will refrain from or discontinue such publicity.

19. Lessee shall not erect any aerial or antenna on the roof or exterior walls of the Premises, the Building, or the Office Building Project.

20. Lessee shall not overload the floor of the Premises. In addition, Lessee shall not mark, drive nails, screw or drill into partitions, ceilings or floor of the Premises or deface the Premises.

21. No furniture, freight or equipment of any kind shall be brought into the Building or the Building's elevator without the consent of Lessor and all moving of the same into or out of the Building shall be done at such time and in such manner, as Lessor shall designate. Lessor shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Office Building Project. Safes or other heavy objects shall, if considered necessary by Lessor, stand on wood strips of such thickness as is necessary to properly distribute the weight. However, Lessor's consent to placement of Lessee's safes, heavy equipment or furniture shall not constitute a representation or warranty by Lessor that the safe, heavy equipment or furniture complies, with regard to distribution of weight and/or vibration, with the provisions of the Rule 21 nor relieve Lessee from responsibility for the consequences of noncompliance. Lessor will not be responsible for loss of or damage to any safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of Lessee. There shall not be used in any space, or in the public halls of the Building, either by any Lessee or others, any hand trucks except those equipped with rubber tires and side guards.

22. Except with the written consent of Lessor, no person or persons other than those approved by Lessor shall be permitted to enter the Building for their purpose of cleaning the same. Lessee shall not cause any unnecessary labor by reason of Lessee's carelessness or indifference in the preservation of good order and cleanliness. Lessor shall in no way be responsible to any Lessee for any loss of property on the Premises, however occurring, or for any damage done to the effects of any lessee by the janitor or any other employee or any other person. Janitor service shall include ordinary dusting and cleaning by the janitor assigned to such work and shall not include cleaning of carpets or rugs, except normal vacuuming, or moving of furniture and other special services. Janitor service may not be furnished on nights when rooms are occupied after 9:00p.m.

23. Lessor will direct electricians as to where and how telephone and telegraph wires are to be introduced. No boring or cutting for wires will be allowed without the consent of Lessor. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Lessor.

24. No furniture, packages, supplies, equipment or merchandise will be received in the Building or carried up or down in the elevators, except between such hours and in such elevators as shall be designated by Lessor.

25. Lessor reserves the right to exclude or expel from the Office Building Project any person who in the judgment of Lessor, is intoxicated or under the influence of liquor or illegal, non-prescription drugs, or who shall in any manner do any act in violation of any of the Rules and Regulations of the Office Building Project.

26. The requirements of Lessee will be attended to only upon application to Lessor. Contractors, vendors and employees of Lessor shall not perform any work or do anything outside of their regular duties unless under special instructions from the Lessor or Lessor's agent.

27. No vending machine shall be installed, maintained or operated upon the Premises without the written consent of the Lessor.

28. Lessor shall have the right, exercisable without notice and without liability to Lessee, to change the name and the street address of the Building and/or Office Building Project of which the Premises are a part.

29. Lessee agrees that it shall comply with all fire and security regulations that may be issued from time-to-time by Lessor and Lessee also shall provide Lessor with the name of a designated responsible employee to represent Lessee in all matters pertaining to such fire or security regulations.

30. Lessor reserves the right by written notice to Lessee, to rescind, alter or waive any rule or regulation at any time prescribed for the Office Building Project when, in Lessor's judgment, it is necessary, desirable or proper for the best interest of the Office Building Project and its lessees.

31. Lessees shall not disturb, solicit, or canvas any occupant of the Office Building Project and shall cooperate to prevent same.

32. Lessor shall furnish heating and air conditioning during the hours of 7:00 a.m. to 6:00 p.m., Monday through Friday, and 8:00 a.m. to 12:00 p.m. on Saturday except for holidays. In the event Lessee requires heating and air conditioning during off hours, Sundays or Holidays, Lessor shall on notice provide such services at the then prevailing rate for such extra services.

33. Lessee shall cooperate with Lessor in obtaining maximum effectiveness of the cooling system by closing blinds when the sun's rays fall directly on windows of the premises. Lessee shall not obstruct, alter, or in any way impair the efficient operation of Lessor's heating, ventilating and air-conditioning system. Lessee shall not tamper with or change the setting of any thermostats or control valves.

34. Parking

- (a) The parking lot shall be accessible twenty-four (24) hours per day, subject to parking card or other reasonable Identification or security restriction as may be reasonably established by Lessor from time-to-time. Lessee agrees to cooperate with Lessor in completing regular maintenance of the parking lot.
- (b) Automobiles must be parked entirely within the stall lines.
- (c) All directional signs and arrows must be observed and the speed limit shall be 5 miles per hour.
- (d) Parking is prohibited in areas not striped for parking.
- (e) Lessor may refuse to permit any person who violates the within rules to park in the parking lot, and any violation of the rules shall subject the automobile to removal from the parking lot at the parker's expense.
- (f) Every parker is required to park and lock his or her own automobile. All responsibility for any loss or damage to automobile or any personal property therein is assumed by the parker.
- (g) The parking lot is for the sole purpose of parking one automobile per space. Washing, waxing, cleaning or servicing of any vehicles by the parker or his agents is prohibited.
- (h) Storage of vehicles in the parking facilities is prohibited. Lessee and Lessee's employees and visitors shall not leave vehicles in the parking lot overnight.
- (I) Lessor reserves the right to restrict customer, Lessee and Lessee's employees parking to a limited designated area or areas.

35. Lessee agrees to comply and acquaint its employees with such reasonable rules and regulations in the use of such Common areas as Lessor may adopt from time to time for the orderly and proper operation of said Common Areas.

Lessor reserves the right to make such other and further rules and regulations as in its judgment may be for the safety, care and cleanliness of the Office Building Project and for the preservation of good order therein. Lessee agrees to abide by these Rules and Regulations herein above stated and any additional rules and regulations, which are adopted hereafter.

Date: _____

Date: _____

Lessor's Initials: _____

Lessee's Initials: _____

EXHIBIT "C"

Waiver and Release.

It is the express and understood intent, purpose, desire, and agreement of the parties in the event of termination for cause or expiration of the Lease term, that Lessee, on behalf of itself, its officers, heirs, agents, shareholders, employees, subcontractors, executors, successors and assigns, shall and does hereby release and discharge Lessor, and its respective elected and appointed officials, officers, directors, employees, attorneys, accountants, consultants, other professionals, and agents, from and against the following: any claims, penalties, actions or causes of action, obligations, and demands of any kind including but not limited to, any claims arising under the California Eminent Domain Law (Title 7 (commencing with Section 1230.010) of Part 3 of the California Code of Civil Procedure), the Relocation Statutes and Regulations set forth in Chapter 16 (commencing with Section 7260) of Division 7 of the California Government Code and Subchapter 1 (commencing with Section 6000) Division 3 of Title 25 of the California Code of regulations, and claims for a "taking" or inverse condemnation arising under the United States or California Constitutions or under any federal, state, or local law, statute, ordinance, regulation, rule, official policy, court order, or common law (collectively, the "Released Claims").

The parties further acknowledge that the Released Claims include any claims for loss of business goodwill pursuant to Code of Civil Procedure §1263.510 et seq., for precondemnation damages and severance damages.

Date: _____

Lessee's Initials: _____

EXHIBIT "D"

WORK LETTER/REQUIREMENTS FOR IMPROVEMENTS OR ALTERATIONS BY LESSEE

If Lessor shall permit Lessee to construct any interior improvements (subsequent to the initial improvements to be constructed by Lessor, if any) in the Premises or to have any work performed in the Premises at any time prior to or during the Lease term by a contractor retained by Lessee ("Lessee's Work"), then Lessee shall comply with the requirements set forth herein. If Lessee's Work has been properly authorized, Lessee will receive written approval and consent for alterations to the Premises. All alterations to the Premises, excepting movable furniture and trade fixtures, shall, at Lessor's option, become a part of the realty and belong to Lessor.

1. SUBMITTAL OF PLANS. Prior to commencing any work in the Premises, Lessee shall submit to Lessor for approval its proposed plans for the work. Without limiting the foregoing, Lessee shall provide:

- (a) A separate scale drawing denoting all proposed construction and/or demolition, if necessary.
- (b) A separate drawing for each trade proposing structural, electrical, mechanical, civil or landscaping modifications.
- (c) Specify all dimensions and complete references to all work to be performed in the affected areas.
- (d) If adding extra electrical or mechanical equipment, provide complete operating and maintenance specifications for each item.

2. CHECKLIST. With respect to each project, Lessor will provide Lessee with a checklist listing the items required to be furnished to Lessor in connection with the proposed work. Lessee shall furnish to Lessor prior to, during, or upon completion of Lessee's Work, as applicable, each of the items specified in the checklist attached hereto as Attachment 1.

3. CONTRACTORS PROVIDING INTERIOR IMPROVEMENT SERVICES.

(a) The contractor employed by Lessee and any subcontractors shall be (i) duly licensed in the state in which the Premises are located, and (ii) subject to Lessor's prior written approval, which approval shall not be unreasonably withheld. If more than one trade is employed on a single job, state law requires the services of a general contractor in addition to contractors for specialty work being performed.

(b) Each contractor shall provide proof of licensing as a general or specialty contractor in accordance with state law. Additionally, each contractor shall furnish proof of licensing in the city or municipality in which the construction related activity is to take place.

(c) Lessee shall use Lessor's subcontractor for mechanical, electrical, plumbing, roofing and roofing consultant if available at competitive rates.

(d) Lessee and Lessee's contractors shall comply with all Applicable Laws pertaining to the performance of Lessee's Work and the completed improvements and all applicable safety regulations established by Lessor or the general contractor.

(e) Prior to commencement of any work in the Premises, Lessee and Lessee's contractors (and any subcontractors) shall obtain and provide Lessor with certificates evidencing Workers' Compensation, public liability and property damage insurance in amounts and forms and with companies

satisfactory to Lessor. Each general contractor (and any subcontractor) employed on the Premises shall provide Lessor with a current certificate of insurance in effect for that contractor with a thirty day notice of cancellation or revocation clause. Insurance requirements are as follows:

- (i) Comprehensive General Liability with a \$1,000,000 Combined Single Limit covering the liability of Lessor and contractor for bodily injury and property damage arising as a result of the construction of the improvements and the services performed thereunder. Lessor and any Management Company shall be named as an additional insured.
- (ii) Comprehensive Automobile Liability with a \$1,000,000 Combined Single Limit covering Lessor and vehicles used by contractor (and any subcontractor) in connection with the construction of the improvements.
- (iii) Workers' Compensation and Employer's Liability as required by law, for employees of the contractor (and any subcontractors) performing work on the Premises.

(f) The following requirements shall be incorporated as "Special Conditions" into the contract between Lessee and its contractors and a copy of the contract shall be furnished to Lessor prior to the commencement of Lessee's Work:

- (i) Prior to start of Lessee's Work, Lessee's contractor shall provide Lessor with a construction schedule in "bar graph" form indicating the completion dates of all phases of Lessee's Work.
- (ii) Lessee's contractor shall be responsible for the repair, replacement or clean-up of any damage done by it to other contractors' work which specifically includes accessways to the Premises which may be concurrently used by others.
- (iii) Lessee's contractor shall accept the Premises prior to starting any trenching operations. Any rework of sub-base or compaction required after the contractor's initial acceptance of the Premises shall be done by Lessee's contractor, which shall include the removal from the Project of any excess dirt or debris.
- (iv) Lessee's contractor shall contain its storage of materials and its operations within the Premises and such other space as it may be assigned by Lessor or Lessor's contractor. Should Lessee's contractor be assigned space outside the Premises, it shall move to such other space as Lessor or Lessor's contractor shall direct from time to time to avoid interference or delays with other work.
- (v) Lessee's contractor shall clean up the construction area and surrounding exterior areas daily. All trash, demolition materials and surplus construction materials shall be stored within the Premises and promptly removed from the Premises and the Project and disposed of in an approved sanitation site.
- (vi) Lessee's contractor shall provide temporary utilities, portable toilet facilities, and potable drinking water as required for its work within the Premises and shall pay to Lessor's contractor the cost of any temporary utilities and facilities provided by Lessor's contractor at Lessee's

contractor's request.

- (vii) Lessee's contractor shall notify Lessor or Lessor's project manager of any planned work to be done on weekends or other than normal job hours.
- (viii) Lessee's contractor or subcontractors shall not post signs on any part of the Project or on the Premises.

4. COSTS.

(a) Lessee shall promptly pay any and all costs and expenses in connection with or arising out of the performance of Lessee's Work (including the costs of permits thereof) and shall furnish to Lessor evidence of such payment upon request.

(b) Except in the case of carpet replacement or repainting, Lessee shall pay Lessor an amount equal to five percent (5%) of the total hard costs of construction and installation of Lessee's Work as compensation to Lessor for review of plans, use of facilities and other miscellaneous costs of Lessor incurred as a result of such work.

5. CONTRACTOR'S BONDS. At Lessor's sole discretion, Lessor may require Lessee to obtain performance and completion bonds to insure Interior Work

6. MECHANIC'S LIENS.

(a) Lessee shall not suffer or permit to be enforced against the Premises or any part of the Project any mechanic's, materialman's, contractor's or subcontractor's lien arising out of any work of improvement, however it may arise.

(b) Lessee shall notify Lessor at least ten (10) days prior to the commencement of construction of any Lessee's Work and Lessor shall have the right to post and record a notice of no responsibility in conformity with applicable law. Within ten (10) days following completion of Lessee's Work, Lessee shall file a Notice of Completion and deliver to Lessor an unconditional release and waiver of lien executed by each contractor, subcontractor and materialman involved in Lessee's Work.

(c) In the event any lien is filed against the Project or any portion thereof or against Lessee's leasehold interest therein as a result of Lessee's work, Lessee shall obtain the release and/or discharge of said lien, within ten (10) days after the filing thereof. In the event Lessee fails to do so, Lessor may obtain the release and/or discharge of said lien and Lessee shall indemnify Lessor for the costs thereof, including reasonable attorney's fees, together with interest at the Applicable Interest Rate from the date of demand. Nothing herein shall prohibit Lessee from contesting the validity of any such asserted claim, provided Lessee has furnished to Lessor a lien release bond freeing the Premises from the effect of the lien claim.

7. INDEMNITY. Lessee shall indemnify, defend (with counsel satisfactory to Lessor) and hold Lessor harmless from and against any and all suits, claims, actions, loss, cost or expense (including claims for workers' compensation, attorney's fees and costs) based on personal injury or property damage, or otherwise (including, without limitation, contract and breach of warranty claims) arising from the performance of Lessee's Work. Lessee shall repair or replace (or, at Lessor's election, reimburse Lessor for the cost of repairing or replacing) any portion of the Building or item of Lessor's equipment or any of Lessor's real or personal property damaged, lost or destroyed in the performance of Lessee's Work.

8. BUILDING STANDARDS. All work shall conform to Lessor's established building standards and specifications. Lessee is required to make these standards part of the construction documents.

9. ROOF PENETRATIONS. If improvements penetrate the roof membrane, the penetrations will be sealed per Lessor/IRC roofing specifications and inspected by IRC to maintain roof warranty. The cost of inspection and all corrective work shall be borne by Lessee. Lessee shall use Lessor's original roofing contractor.

10. BUILDING MODIFICATIONS. Work will only be approved within the confines of a given space. Lessee will not be allowed to modify building exterior or mechanical and electrical service as provided to the building in common with other tenants.

11. ELECTRICAL WORK. All electrical work shall be approved from the unit space electrical panel only. Additional service requirements shall be secured only by direction of Lessor. Lessee shall use Lessor's original electrical contractor if available at competitive rates.

12. SCHEDULE OF WORK. Lessee shall be required to provide a schedule of all work to be performed, subject to Lessor approval. All costs to produce such schedule shall be borne solely by Lessee.

13. CLEAN UP AND DISPOSAL OF CONSTRUCTION DEBRIS. Building trash containers are provided for office generated trash only and are not to be used for disposal of construction-related materials and debris. Unapproved usage will result in a penalty assessment to the Lessee equal to the cost of an extra pick-up service as provided under the current rate schedule of regular trash removal service.

14. INSPECTION BY LANDLORD. Lessor reserves the following rights: (i) the right of inspection prior to, during and at completion of all construction and/or demolition, (ii) the right to post and record a notice of nonresponsibility in conformity with California law, and (iii) the right to order, if reasonable, a total stop to all improvements underway for non-compliance with any of the requirements hereof.

15. GENERAL PROVISIONS.

(a) If Lessor has agreed to provide an allowance toward the cost of tenant improvements (other than the initial Lessee Improvement Allowance), Lessor shall retain from such funds an amount determined by Lessor until Lessee has fully complied with the requirements hereof.

(b) All materials, work, installations and decorations of any nature whatsoever brought on or installed in the Premises before the commencement of the Term or throughout the Term shall be at Lessee's risk, and neither Lessor nor any party acting on Lessor's behalf shall be responsible for any damage thereto or loss or destruction thereof due to any reason or cause whatsoever.

(c) Nothing contained herein shall make or constitute Lessee as the agent of Lessor.

Attachment 1 to "Exhibit D"

ITEMS TO BE FURNISHED TO LESSOR FOR EACH WORK OF IMPROVEMENT

1. Plan of Alterations for Lessor Approval.
2. Contractor(s), Address, Telephone Number, Contact Person.
3. Copy of Contractor's State and City Business License.
4. Copy of Building Permit.
5. Copy of Final Inspection and Signed Building Permit Cards.
6. Copy of Certificate of Insurance Naming The City of Laguna Hills and Essex Realty Management as Additional Insured. Insurance to include Comprehensive General Liability, Comprehensive Auto, Workers' Compensation, Employer's Liability and original Endorsement.
7. Signed Unconditional Lien Waiver in favor of Development Corporation.
8. Schedule of Work.
9. Copy of Completion and Payment Bond.
10. Architect's License and Expiration.
11. Copy of Permit Plans.
12. Copy of As-Builts.
13. Copy of Recorded Notice of Completion.
14. Certificate of Occupancy.
15. Evidence of Insurance for All-Risk/Builder's Risk Insurance to the Amount of Improvements.



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 25, 2017

TO: Mayor and Council Members

FROM: Donald J. White
Assistant City Manager

ISSUE: Moulton Niguel Water District's Request for Support of Divestment in the Coastal Treatment Plant

RECOMMENDATION: That the City Council adopt a Resolution entitled: "A Resolution of the City Council of the City of Laguna Hills, California, in support of Moulton Niguel Water District's request for an open discussion to resolve financing of Coastal Treatment Plant."

SUMMARY:

In July 2001, the South Orange County Wastewater Authority (SOCWA) was created to serve the wastewater needs of South Orange County residents and businesses. To meet those needs, Moulton Niguel Water District (MNWD) and the Emerald Bay Community Services District, South Coast Water District, and the City of Laguna Beach (collectively referred to as the "Member Agencies") – all of which are member agencies of SOCWA – formed a cost-sharing partnership to finance the Coastal Treatment Plant (CTP), a wastewater treatment facility located in Laguna Niguel.

Under the Agreement, which is set to expire November 2026, MNWD and the Member Agencies are required to pay proportional shares of operations and maintenance costs of the CTP. In addition, MNWD and the Member Agencies must pay a proportional share of Capital Improvement Program (CIP) costs on an annual basis. In 2016, MNWD did not approve the annual CIP budget since the capital investments exceeded the contract term. As a result, MNWD has not made payments towards the CIP budget. However, MNWD continues to pay its proportional share of operations and maintenance costs of the CTP.

Since August 2016, MNWD has attempted to negotiate a divestment agreement with the Member Agencies, which includes a proportional share of capital contributions for the remainder of the contract term. To-date, the Member Agencies have not begun negotiations with MNWD. Therefore, MNWD is requesting that the City Council adopt a Resolution in support of MNWD's efforts to negotiate a fair divestment of its capacity at the CTP. Staff recommends that the City Council adopt the Resolution.

BACKGROUND:

SOCWA is a Joint Powers Authority with ten member agencies, including MNWD, which serves 7,160 households and businesses in Laguna Hills. SOCWA was established on July 1, 2001, to create cost-savings and efficiencies in the facilitation and management of the collection, transmission, treatment, and disposal of wastewater for homes and businesses across South Orange County. Consistent with those goals, MNWD has participated in a Cost-Sharing Agreement with the Member Agencies to jointly finance the operations, maintenance, and capital improvement costs of the CTP.

Under the CTP contractual obligation, MNWD is responsible for paying a proportional share of operations and maintenance costs associated with the CTP, along with a proportional share of an annually adopted CIP. In June 2016, MNWD did not approve the proposed CIP budget since the capital investments extended beyond the contract term of November 2026. Currently, MNWD continues to pay its proportional share of the operations and maintenance costs associated with the CTP. However, to-date, MNWD has not made payments towards the 2016 CIP budget, and does not anticipate funding capital expenses that will extend the useful life of the assets at the CTP beyond the term of the Agreement.

In August 2016, MNWD formally notified the Member Agencies that it would not continue its participation in the CTP once the Cost-Sharing Agreement expires and submitted a proposal to offer a prepayment for an early divestment from the CTP. Despite MNWD's attempts to negotiate a divestment agreement with the Member Agencies, which included a proportional share of capital contributions for the duration of the term of the Agreement, MNWD is facing potential legal action from the Member Agencies that would financially burden MNWD ratepayers.

Furthermore, throughout the fifty-year term of the Cost-Sharing Agreement, MNWD has not required the use of the wastewater treatment facility. Consequently, MNWD

Moulton Niguel Water District's Request for Support of Divestment in the Coastal Treatment Plant

April 25, 2017

Page 3

ratepayers, including those in Laguna Hills, have subsidized approximately \$9 million of costs associated with the CTP since 2001. Furthermore, the proposed 2016 CIP budget included a cost to MNWD of nearly \$5 million to fund the elimination of MNWD's wastewater treatment capacity at the CTP. Should MNWD be required to pay these costs, MNWD customers could experience up to an additional 2.5% rate increase in 2018 as a direct result.

On February 1, 2017, the City Managers of Laguna Hills, Aliso Viejo, Mission Viejo, and Laguna Niguel sent formal letters to the Member Agencies in support for MNWD's request for a negotiated divestment of its share of capacity in the CTP. Currently, the Member Agencies have not responded to MNWD's request for negotiations. Given the potential financial impact to MNWD ratepayers residing in Laguna Hills related to this issue, MNWD is requesting the support of the City Council to have an open and transparent discussion regarding the financing of the CTP. Staff has prepared a Resolution in support of MNWD's request to negotiate a reasonable and mutually agreeable release of MNWD's capacity at the soonest possible time and recommends that the City Council adopt the Resolution.

ATTACHMENTS:

- Resolution
- City Manager Support Letters
- MNWD, Member Agencies, and Other Correspondence

RESOLUTION NO. 2017-04-25-X

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, IN SUPPORT OF MOULTON NIGUEL WATER DISTRICT'S REQUEST FOR AN OPEN DISCUSSION TO RESOLVE FINANCING OF COASTAL TREATMENT PLANT

WHEREAS, the Moulton Niguel Water District (MNWD) is one of ten agencies that comprise the South Orange County Wastewater Authority (SOCWA), a Joint Powers Authority responsible for operation of wastewater treatment plants in South Orange County, including the Coastal Treatment Plant (CTP); and

WHEREAS, MNWD is a party to the Agreement (Agreement) to construct the CTP, which was executed in 1976 and is set to terminate after 50 years. The current parties to the Agreement include MNWD, South Coast Water District, the City of Laguna Beach, and Emerald Bay Community Services District; and

WHEREAS, since MNWD does not require the CTP to provide wastewater treatment services to its ratepayers, MNWD formally notified the other CTP member agencies in August 2016 that it would not continue its participation in the CTP once the Agreement expires and would not fund capital investments in the CTP that exceeded the term of the Agreement; and

WHEREAS, at the request of the other CTP member agencies, in August 2016, MNWD submitted a proposal to offer a prepayment for an early divestment from the CTP that honors the provisions of the Agreement; and

WHEREAS, since giving notice and providing the requested proposal for divestment in August 2016, MNWD's requests to meet and discuss a fair resolution for MNWD's divestment in the CTP have been denied; and

WHEREAS, this matter is of particular interest to the residents and businesses of the City of Laguna Hills which are served by MNWD, and consequently have a financial stake in the outcome of this matter; and

WHEREAS, a timely resolution of this matter would benefit all residents of the City of Laguna Hills and South County residents.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE, AND ORDER AS FOLLOWS:

SECTION 1. The City Council supports MNWD's request for an open discussion with the involved parties to discuss a divestment of MNWD's participation in the CTP in a manner that protects its ratepayers, particularly the residents and businesses of Laguna Hills, and honors its obligations under the Agreement.

SECTION 2. The City Manager is hereby authorized and directed to take such actions as may be necessary to ensure the participants of the CTP are aware of the City's support of MNWD's efforts to hold an open discussion regarding the divestment of its capacity in the CTP, as evidenced by the adoption of this Resolution, and to encourage the CTP participants to begin the communications with MNWD to reach a mutually agreeable resolution of this matter.

PASSED, APPROVED, AND ADOPTED this 25th day of April, 2017.

DON SEDGWICK, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 2017-XX-XX-X adopted by the City Council of the City of Laguna Hills, California, at a Regular Meeting thereof held on the ___ day of _____ 2017, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK



CITY OF LAGUNA HILLS

City Manager

February 1, 2017

John Pietig
City of Laguna Beach
505 Forest Avenue
Laguna Beach, CA 92651

Andy Brunhart
South Coast Water District
31592 West Street
Laguna Beach, CA 92651

Mike Dunbar
Emerald Bay Community Services District
600 Emerald Bay
Laguna Beach, CA 92607

RE: SOCWA Project Committee 15 and Moulton Niguel Water District's Divestment of Capacity in the Coastal Treatment Plant

Honorable Members of Project Committee 15:

Over the course of the past several years, the City of Laguna Hills has devoted considerable attention to matters related to the delivery and cost of water both as a consumer and ratepayer as well as a de-facto representative of our resident's collective interests vis-à-vis the management and operation of the Moulton Niguel Water District (MNWD). To that end, we have become more aware of, and educated, about the many issues and challenges facing MNWD in this era of diminishing resources as they strive to deliver their services in the most cost-effective and responsible manner possible.

One challenge in particular that has caught our attention is MNWD's role relationship in the governance structure of the South Orange County Water Agency (SOCWA) as juxtaposed to its financial obligations to SOCWA. From where I sit, there appears to be a significant disconnect between the two and it is detrimental to the financial interests and service needs of our residents and businesses.

Consequently, I am writing on behalf of the City of Laguna Hills to express support for MNWD's request for a negotiated divestment of its share of capacity in the Coastal Treatment Plant (CTP). This matter is of particular importance because the CTP isn't necessary or even used to serve MNWD's customers. In our view, MNWD is rightfully pursuing divestment from any and all financial obligations related to improvements that would extend the CTP's service life beyond the term of the Project Agreement.

It is my understanding that MNWD has no intention of renewing its portion of the Project Agreement when the Agreement eventually expires. Therefore, if your committee is currently reviewing significant upgrades and renovations to the CTP, logic suggests that now is the time to negotiate MNWD's exit. Resolving this issue now would allow you to chart the CTP's future without obstruction on account of MNWD's stranded capacity. Moreover, negotiating a reasonable and mutually agreeable release of MNWD's capacity at the soonest possible time would benefit all South County residents including your customers.

With the expiration of the Project Committee 15 (PC 15) Agreement on the horizon, an orderly withdrawal by MNWD would enable you to focus on the future of the CTP and secure its role in serving your customers' long-term wastewater treatment needs. That is another reason why I support MNWD's intent to divest its capacity in the CTP, provided of course that it can be done in a manner that protects its ratepayers and honors its obligations under the Project Agreement.

It is also my understanding that the South Coast Water District, the City of Laguna Beach, and Emerald Bay Services District have not engaged in negotiations since MNWD formally requested them in August 2016. I find this most distressing and inexcusable behavior. While the PC 15 members may not agree about the obligations of its members under the Project Agreement and the Joint Powers Agreement, this is not a legitimate reason to deny critical thought and collaborative discussion to an important matter of public concern. This issue implicates public funds as well as matters of public health and safety. The lack of dialogue on an issue of this importance undermines our ability as public officials to share and invest in facilities on a regional basis.

Given the circumstances and important issues at stake for all SOCWA member agencies, I think it is incumbent upon all of you to engage in legitimate and respectful negotiations that would ultimately provide for MNWD's orderly exit from PC 15. If the City of Laguna Hills can be of any help in resolving this issue in a constructive way we would be happy to assist.

Respectfully,



Bruce E. Channing
City Manager

City of Laguna Hills

SOCWA PC 15 and MNWD's Divestment of Capacity in the Coastal Treatment Plant

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**cc: David Doyle, City Manager, City of Aliso Viejo
Mike Killebrew, Acting City Manager, City of Dana Point
Rod Foster, City Manager, City of Laguna Niguel
Dennis Wilberg, City Manager, City of Mission Viejo
Frank Kim, County Executive Officer, County of Orange
Paul Walters, Chief of Staff to Supervisor Lisa A. Bartlett, County of Orange**



February 1, 2017

John Pietig
City of Laguna Beach
505 Forest Avenue
Laguna Beach, CA 92651

Andy Brunhart
South Coast Water District
31592 West Street
Laguna Beach, CA 92651

Mike Dunbar
Emerald Bay Community Services District
600 Emerald Bay
Laguna Beach, CA 92607

Re: SOCWA Project Committee 15 and Moulton Niguel Water District's Divestment of Capacity in the Coastal Treatment Plant

Honorable Members of Project Committee 15:

I understand that Moulton Niguel Water District has made a request for a negotiated divestment of its share of capacity in the Coastal Treatment Plant. This matter is of particular interest to the residents and businesses of Laguna Niguel, which are served by MNWD, and consequently have a financial stake in the outcome of this issue. Since I have been advised that the Coastal Treatment Plant is not necessary or used to serve MNWD's customers, MNWD is seemingly duty-bound to pursue divestment and avoid obligating funds for extending the Plant's service life beyond the term of the project agreement.

Negotiating a reasonable and mutually agreeable release of MNWD's capacity at the soonest possible time would benefit all South County residents, including your customers. With the expiration of the Project Committee 15 Agreement on the horizon, an orderly withdrawal by MNWD would give you the opportunity to renew your focus on the future of the Coastal Treatment Plant and secure its role in serving your customers' long-term wastewater treatment needs.

It is my understanding that your organizations collectively have not yet engaged in negotiations since MNWD formally requested them in August 2016. I am sure there is a valid reason for this delay and would be interested in knowing the details leading to this seemingly gridlock situation among the PC 15 members.

SOCWA PC 15 and Moulton Niguel Water District's Divestment of Capacity in the Coastal Treatment Plant
Page 2

It seems logical that Moulton Niguel Water District will continue to pursue an orderly exit from PC 15 in a manner that honors its contractual obligations under the project agreement. I respectfully request that your organizations do the same and begin the positive and constructive communications that always lead to a good and ethical result. To that end, if I can be of any help in resolving this issue in a constructive way, please contact me at any time. Thank you.

Sincerely,



Rod Foster
City Manager

cc:

David Doyle, City Manager, City of Aliso Viejo
Mike Killebrew, Acting City Manager, City of Dana Point
Bruce Channing, City Manager, City of Laguna Hills
Dennis Wilberg, City Manager, City of Mission Viejo
Frank Kim, County Executive Officer, County of Orange
Paul Walters, Chief of Staff to Supervisor Lisa A. Bartlett, County of Orange



City of Mission Viejo

Office of the City Manager

Wendy Bucknum
Mayor

Edward Sachs
Mayor Pro Tem

Brian Goodell
Council Member

Trish Kelley
Council Member

Greg Rath
Council Member

February 1, 2017

John Pietig
City of Laguna Beach
505 Forest Avenue
Laguna Beach, CA 92651

Andy Brunhart
South Coast Water District
31592 West Street
Laguna Beach, CA 92651

Mike Dunbar
Emerald Bay Community Services District
600 Emerald Bay
Laguna Beach, CA 92607

Re: SOCWA Project Committee 15 and Moulton Niguel Water District's Divestment of Capacity in the Coastal Treatment Plant

Dear Honorable Members of Project Committee 15:

On behalf of the City of Mission Viejo, I am writing in support of Moulton Niguel Water District's request for a negotiated divestment of its share of capacity in the Coastal Treatment Plant. This matter is of particular interest to the residents and businesses of Mission Viejo which are served by MNWD, and consequently have a financial stake in the outcome of this issue. Since the Coastal Treatment Plant is not necessary or used to serve MNWD's customers, MNWD is duty-bound to pursue divestment and avoid obligating funds for extending the Plant's service life beyond the term of the project agreement.

With the expiration of the Project Committee 15 Agreement on the horizon, an orderly withdrawal by MNWD would give you the opportunity to renew your focus on the future of the Coastal Treatment Plant and secure its role in serving your customers' long-term wastewater treatment needs.

Honorable Members of Project Committee 15
 City of Mission Viejo
 SOCWA PC 15 and Moulton Niguel Water District's Divestment of Capacity in the Coastal Treatment Plant
 February 1, 2017
 Page 2 of 2

That is why I support MNWD's intent to divest its capacity in the Coastal Treatment Plant in a manner that protects its ratepayers, particularly the residents and businesses of Mission Viejo, and honors its obligations under the project agreement. It is my understanding that MNWD has no intention of renewing its portion of the project agreement when the agreement eventually expires, and since your committee is currently reviewing significant upgrades and renovations to the Coastal Treatment Plant, now is the right time to negotiate MNWD's exit. Resolving this issue would allow you to chart the Plant's future without obstruction on account of MNWD's stranded capacity.

I understand South Coast Water District, the City of Laguna Beach, and Emerald Bay Services District have not engaged in negotiations since MNWD formally requested them in August 2016. While the PC 15 members may not agree about the obligations of its members under the project agreement and the Joint Powers Agreement, this is not a legitimate reason to deny critical thought and collaborative discussion to an important matter of public concern. This issue implicates public funds, as well as matters of public health and safety. The lack of dialogue on an issue of this importance undermines our ability as public officials to share and invest in facilities on a regional basis.

I expect Moulton Niguel Water District will continue to pursue an orderly exit from PC 15 in a manner that honors its contractual obligations under the project agreement. I respectfully request that your agencies do the same.

If the City of Mission Viejo can be of any help in resolving this issue in a constructive way, we stand ready to assist.

With appreciation,



DENNIS WILBERG
 City Manager

c: David Doyle, City Manager, City of Aliso Viejo
 Mike Killebrew, Acting City Manager, City of Dana Point
 Bruce Channing, City Manager, City of Laguna Hills
 Rod Foster, City Manager, City of Laguna Niguel
 Frank Kim, County Executive Officer, County of Orange
 Paul Walters, Chief of Staff to Supervisor Lisa A. Bartlett, County of Orange



ALISO VIEJO

Live Life Inspired

February 1, 2017

John Pietig
City of Laguna Beach
505 Forest Avenue
Laguna Beach, CA 92651

Andy Brunhart
South Coast Water District
31592 West Street
Laguna Beach, CA 92651

Mike Dunbar
Emerald Bay Community Services District
600 Emerald Bay
Laguna Beach, CA 92607

Re: SOCWA Project Committee 15 and Moulton Niguel Water District's
Divestment of Capacity in the Coastal Treatment Plant

Honorable Members of Project Committee 15:

On behalf of the City of Aliso Viejo I am writing in support of Moulton Niguel Water District's request for a negotiated divestment of its share of capacity in the Coastal Treatment Plant. This matter is of particular interest to the residents and businesses of Aliso Viejo which are served by MNWD, and consequently have a financial stake in the outcome of this issue. Since the Coastal Treatment Plant is not necessary nor used to serve MNWD's customers, MNWD is duty-bound to pursue divestment and avoid obligating funds for extending the Plant's service life beyond the term of the project agreement.

Negotiating a reasonable and mutually agreeable release of MNWD's capacity at the soonest possible time would benefit all South County residents, including your customers. With the expiration of the Project Committee 15 Agreement on the horizon, an orderly withdrawal by MNWD would give you the opportunity to renew your focus on the future of the Coastal Treatment Plant and secure its role in serving your customers' long-term wastewater treatment needs.

MAYOR
Dave Harrington

MAYOR PRO TEM
Phillip B. Tsunoda

COUNCIL MEMBER
Ross Chun

COUNCIL MEMBER
Mike Munzing

COUNCIL MEMBER
William A. Phillips

CITY MANAGER
David A. Doyle

CITY ATTORNEY
Scott C. Smith

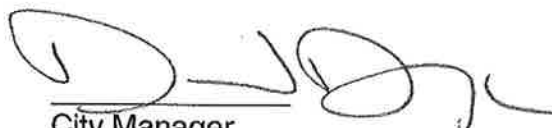
CITY CLERK
Mitzi Ortiz, MMC

For the reasons outlined above, I support MNWD's intent to divest its capacity in the Coastal Treatment Plant in a manner that protects its ratepayers, particularly the residents and businesses of Aliso Viejo and honors its obligations under the project agreement. It is my understanding that MNWD has no intention of renewing its portion of the project agreement when the agreement eventually expires, and since your committee is currently reviewing significant upgrades and renovations to the Coastal Treatment Plant, now is the right time to negotiate MNWD's exit. Resolving this issue would allow you to chart the Plant's future without obstruction on account of MNWD's stranded capacity.

I understand South Coast Water District, the City of Laguna Beach, and Emerald Bay Services District have not engaged in negotiations since MNWD formally requested them in August 2016. While the PC 15 members may not agree about the obligations of its members under the project agreement and the Joint Powers Agreement, this is not a legitimate reason to deny critical thought to, and collaborative discussion of, such an important matter of public concern. This issue implicates public funds, as well as matters of public health and safety. The lack of dialogue on an issue of this importance undermines our ability as public officials to share and invest in facilities on a regional basis.

I expect Moulton Niguel Water District will continue to pursue an orderly exit from PC 15 in a manner that honors its contractual obligations under the project agreement. I respectfully request that your agencies do the same.

If the City of Aliso Viejo can be of any help in resolving this issue in a constructive way, we stand ready to assist.



City Manager
City of Aliso Viejo

cc:

Mike Killebrew, Acting City Manager, City of Dana Point
Bruce Channing, City Manager, City of Laguna Hills
Rod Foster, City Manager, City of Laguna Niguel
Dennis Wilberg, City Manager, City of Mission Viejo
Frank Kim, County Executive Officer, County of Orange
Paul Walters, Chief of Staff to Supervisor Lisa A. Bartlett, County of Orange



August 29, 2016

Members of Project Committee 15
34156 Del Obispo
Dana Point, CA 92629

Re: Moulton Niguel Water District's Prospective Withdrawal and Release from Project Committee 15

Dear Members of the Board:

Thank you for the very open discussion on August 22, 2016, regarding Moulton Niguel Water District's (MNWD) participation in the Project Committee 15 (PC 15) Coastal Treatment Plant (CTP). The purpose of this letter is to present our proposal for MNWD's withdrawal and release from the PC 15 Agreement as MNWD does not receive any benefit nor will we ever receive benefit from the CTP. We know these matters are of paramount importance to your agencies and, as such, we have prepared a proposal that we believe is consistent with, if not in excess of, MNWD's obligations under the SOCWA Joint Exercise of Powers Agreement (JPA) and the PC 15 Agreement. We would welcome an opportunity to further discuss the proposal outlined below and answer any questions that you may have.

BACKGROUND

The PC 15 member agencies approved the PC 15 Agreement on November 9, 1976, which has a term of 50 years. Capacity ownership has fluctuated at the CTP over the years, however, since 1999, MNWD has continued to fund 29.25% of the Capital Improvement Program (CIP) and its obligations associated with operations and maintenance common expenses. MNWD has funded nearly \$9 million into capital expenses for assets that are not required for MNWD to provide wastewater treatment and disposal services to our customers.

DISCUSSION

As MNWD has determined that the CTP is no longer required for service to MNWD, we have no obligation to fund capital expenses that will extend the useful life of the assets at the CTP beyond the term of the Agreement, which is set to expire in November 2026. The terms of Section 8.2 of the JPA specifies that "no project shall be acquired or constructed by the Authority without the unanimous consent of every Member Agency or, if it is a project of less than all of the Member Agencies, unanimous consent of all of the Participating Member Agencies." Further, the JPA specifies that projects include rehabilitation of the facilities. In review of the CIP for the CTP, every project intended to be funded by the Participating Member Agencies will rehabilitate the CTP and extend the useful life of those assets beyond the term of

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the PC 15 Agreement. As such, MNWD will not fund the CIP for the CTP and will not approve the CIP budget or any project extending the useful life of the facility beyond the expiration of the PC 15 Agreement. This, of course, does not limit the remaining Participating Agencies from funding the CIP as those agencies make determinations on their needs for the various projects.

Given our position, MNWD has evaluated options that would remove MNWD from PC 15, recognizing that the CTP is not needed to serve our customers. Per the terms of the various agreements, it is our understanding that MNWD will remain a party to the PC 15 Agreement unless one of three potential actions occurs:

1. Another entity desires to acquire the existing treatment capacity owned by MNWD;
2. The Agreement exhausts the 50-year term period in November 2026; or
3. The parties to the PC 15 Agreement reach agreement on terms for MNWD to be removed from the PC 15 Agreement prior to November 2026.

Since it is not likely another party is interested in purchasing capacity in the CTP, we have focused on the last two actions. MNWD is prepared to remain a party to the PC 15 Agreement until November 2026 and continue to fund the Operation and Maintenance (O&M) obligations per the existing allocation formulas for O&M expenses. However, as noted above, MNWD will not contribute to any capital expense, pursuant to Section 8.2 of the JPA.

As this approach would provide concern to our partner agencies in SOCWA and PC 15 specifically, MNWD has prepared a proposal that would provide a negotiated level of financial contribution to the PC 15 CIP in exchange for our withdrawal and release from PC 15. Given the expiration of the PC 15 Agreement in November 2026, MNWD would fund the useful life of a capital project up to Fiscal Year Ending (FYE) 2026. The formula used to calculate the expense to MNWD for a particular capital project would be as follows:

$$\text{MNWD expense} = \frac{(\text{2026}) - (\text{FYE Project Completion})}{\text{Useful Life of Capital Asset}} \times \text{Capital Project Cost} \times 29.25\%$$

MNWD would use the existing CIP proposed for PC 15 to identify the capital project expenses and fiscal year to be constructed. Additionally, the useful life of capital assets would be determined based on industry standards. This total cost would be aggregated for all CIP projects identified through FYE 2025.

MNWD would also fund our share of the annual O&M expenses for the CTP through FYE 2026. We would determine this expense by using the Net Present Value of the total anticipated MNWD O&M expenses over the life of the Agreement based on the average of the last three-years of the MNWD O&M budget for the CTP.

CONCLUSION

MNWD believes the methodology identified in the proposal presented herein exceeds the obligations of MNWD per the terms of the JPA. However, we value our relationship with SOCWA, its staff, and its member agencies. We share your concerns about aging wastewater

infrastructure and SOCWA's role in creating a solution. MNWD's proposal provides financial contribution to the CTP CIP despite the limited remaining term of the PC 15 Agreement. We hope this proposal is duly considered by each PC 15 representative and their respective agencies. We believe this would yield a good outcome for all agencies involved, but we are open to suggestions on how to make it better.

As noted above, we offer to meet with you or your governing body to further discuss this proposal and answer any questions that you may have.

Sincerely,



Joone Lopez
MNWD General Manager

Cc: MNWD Board of Directors
Betty Burnett, SOCWA General Manager



South Orange County Wastewater Authority

November 18, 2016

Via Federal Express/Hand Delivery

Board of Directors
Moulton Niguel Water District (MNWD)
Attn: President Donald Froelich
27500 La Paz Road
Laguna Niguel, CA 92677-3489

Re: SOCWA Project Committee No. 15 (PC 15)

Dear President Froelich and MNWD Directors:

The PC 15 Board of Directors met on November 8, 2016, to review PC 15 member MNWD's proposal dated August 29, 2016, to divest MNWD's interests in the Coastal Treatment Plant and cause early termination of MNWD's rights and obligations under the PC 15 Agreements. The PC 15 members discussed MNWD's proposal in open session on November 8, 2016, and the PC 15 Directors of Emerald Bay Service District (EBSD), City of Laguna Beach (CLB) and South Coast Water District (SCWD) (collectively the "Three Agencies") indicated to MNWD's Matt Collings that the Three Agencies are willing to engage MNWD in good faith negotiations concerning MNWD's proposal.

In the subsequent closed session, the Three Agencies' Directors requested SOCWA staff to formally communicate the willingness of the Three Agencies to negotiate with MNWD in good faith subject only to MNWD showing good faith by paying current its contractual obligations currently in arrears to SOCWA for FY 2016-17, and remaining current until such time as agreement is reached or the parties mutually conclude that they are at an irresolvable impasse. The Three Agencies' goal is to conclude negotiations with MNWD before the end of the current fiscal year if possible, provided that the terms of MNWD's potential divestiture and termination would result in the respective ratepayers of the Three Agencies remaining 'whole'.

MNWD amounts due at this time are the quarterly budget amounts MNWD owes SOCWA for O&M repair and replacement (capital) in the amounts of \$101,949 and \$289,867, for a total indebtedness of \$391,816. MNWD's PC 15 cost share for the remainder of FY 2016-17 would be \$474,979.

34156 Del Obispo Street · Dana Point, CA 92629 · Phone: (949) 234-5400 · Fax: (949) 489-0130 · Website: www.socwa.com

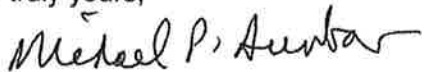
A public agency created by: CITY OF LAGUNA BEACH • CITY OF SAN CLEMENTE • CITY OF SAN JUAN CAPISTRANO • EL TORO WATER DISTRICT • EMERALD BAY SERVICE DISTRICT
IRVINE RANCH WATER DISTRICT • MOULTON NIGUEL WATER DISTRICT • SANTA MARGARITA WATER DISTRICT • SOUTH COAST WATER DISTRICT • TRABUCO CANYON WATER DISTRICT

Attachment: MNWD, Member Agencies, and Other Correspondence (1277 : Moulton Niguel Water District's Request for Support of Divestment

Board of Directors
Moulton Niguel Water District (MNWD)
Page 2

On behalf of the Three Agencies, SOCWA General Manager Betty Burnett and I are willing to meet with you to discuss resolution of the indebtedness referenced above. Once that issue is resolved, all of the parties will be in better position to negotiate and identify solutions that can hopefully lead to the amicable resolution of this matter. I look forward to your response.

Very truly yours,



Michael P. Dunbar, Acting Chair
Project Committee 15
South Orange County Wastewater Authority

cc: Andrew Brunhart (SCWD)
Toni Iseman (CLB)
John Pietig (CLB)
Betty Burnett



December 16, 2016

Michael P. Dunbar, Acting Chair
Project Committee 15
South Orange County Wastewater Authority
34156 Del Obispo Street
Dana Point, CA 92629

Re: SOCWA PC 15 Letter to Moulton Niguel Water District dated November 18, 2016

Dear Mike:

The Board of Directors of MNWD has reviewed your letter dated November 18, 2016, in reply to MNWD's proposal dated August 29, 2016. The Board has directed me to respond on their behalf. MNWD looks forward to finding a mutually agreeable path forward for PC 15 and the Coastal Treatment Plant, and would appreciate the Project Committee 15 members' cooperation in developing that path.

MNWD appreciates your willingness to engage in negotiations towards a divestment plan for MNWD from Project Committee 15. As you know, MNWD did not approve the Fiscal Year 2016-2017 Capital Budget and MNWD maintains its position that said Capital Budget did not receive the required vote. Nevertheless, in an effort to move this matter forward, MNWD is prepared to remit payment of \$391,816, which is equal to the amount invoiced to MNWD for PC 15 capital expenses so far this fiscal year. Prior to doing so, we request your concurrence on the following points by January 31, 2017:

1. Any payment of PC 15 capital expenses made by MNWD during FY 16-17 shall be applied to the contributions defined in a comprehensive divestment plan. Should the members of PC15 and MNWD be unable to reach agreement on a divestment plan, those contributions shall be subject to any future decisions as part of any mediation, arbitration hearing, or other proceeding. Additionally, such payments would be made under protest. Any such payment shall not be deemed an admission or waiver of MNWD and MNWD preserves all rights and remedies in connection with the payments and disputes as referenced herein;
2. SOCWA's PC 15 10-Year Plan (attached) as set forth in the 2016-2017 SOCWA Budget has been prepared by SOCWA staff with the intent to define capital expenses necessary for the Coastal Treatment Plant for the next 10 years. This existing capital improvement program shall serve as the basis of negotiations of a comprehensive divestment plan; and

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Page 2

Re: SOCWA PC 15 Letter to Moulton Niguel Water District dated November 18, 2016

3. PC 15 agrees with these points as indicated by the signature below of a duly authorized representative of PC 15 and the return of this fully signed letter to MNWD.

MOULTON NIGUEL WATER DISTRICT



Joone Lopez
General Manager

PROJECT COMMITTEE 15

Name: _____

Date

SOCWA FY 2018/17
CAPITAL BUDGET - 10-YEAR PLAN
PC15 - COASTAL TREATMENT PLANT

Ref	Description	PROJECT BUDGET	PROPOSED 10-YEAR BUDGET										TOTAL BUDGET		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26		2026/27	
PC15 - COASTAL TREATMENT PLANT															
L 2016	1307	Export Sludge Line Repair & Rip Rap	125,420	50,000										\$150,000	
L 2016	1306	Export Sludge System	8,611,233	204,900										\$7,704,900	
L 2016	1314	East Primary Influent Gates	75,000	75,000										\$150,000	
L 2016	1315	Grt System Knife Gate Valve Replacement	60,000	60,000										\$120,000	
L 2016	1363	Fire Protection	200,000	50,200										\$250,200	
L 2016	1369	RAS Hydroponics System	201,500	100,000										\$301,500	
L 2016	1376	Scrubber Upgrade	450,000	225,000										\$675,000	
L 2016	1310	Aeration System Modification Design	175,000	114,000										\$314,000	
L 2016	1311	Headworks Overflow Pipe Modification	200,000	75,000										\$275,000	
L 2016	1313	Structural Metal Grating System & Curb Area E. of MS	50,000	-										\$0	
L 2016	1316	Existing Export Sludge Wetwell Reliefs	245,000	98,000										\$343,000	
L 2016	201715PC1	Export Sludge Pump Addition	150,000	120,000										\$270,000	
L 2016	201715PC2	Ashten CIP Facility Upgrade Design	200,000	200,000										\$400,000	
L 2016	201715PC3	SCADA System Improvements	180,000	180,000										\$360,000	
L 2016	201715PC4	Plant Drainage Improvements	125,000	125,000										\$250,000	
L 2016	201715PC5	Odor Scrubber Bleach Tank Replacement	50,000	50,000										\$100,000	
L 2016	201715PC6	Conceptual Building Design	40,000	40,000										\$80,000	
L 2016	201615PC1	Switchgear Replacement Design	200,000	120,000										\$320,000	
L 2016	201615PC2	East Primary Influent Grating Repairs and Concrete Repair	150,000	150,000										\$300,000	
L 2016	201615PC3	Influent Overflow Condition Assessment	40,000	10,000										\$50,000	
L 2016	201615PC4	Basins Show HW Bldg and Primary Basin R and C Repair	175,000	165,000										\$340,000	
L 2016	201615PC5	Grt System Condition Assessment	40,000	10,000										\$50,000	
L 2016	201615PC6	CIP Facility Upgrade Design and Financing	675,000	375,000										\$1,050,000	
A 2016	201715RA1	Effluent Equalization System Condition Assessment	75,000	75,000										\$150,000	
A 2016	201715RA2	Contact Basins and Muxwell Condition Assessment	30,000	30,000										\$60,000	
A 2016	201715RA3	Applied Water Pump System Replacement	150,000	150,000										\$300,000	
A 2016	1361	Distribution System Upgrade	725,000	204,500										\$929,500	
A 2016	1319	Chlorine Meter Replacement	45,000	30,000										\$75,000	
A 2016	201615RA1	AWT Backwash Pump Replacement	75,000	75,000										\$150,000	
L 2017		Administration and Legal			\$180,000									\$180,000	
L 2017	03A	Pipeline Condition Assessment (17)			\$79,568									\$79,568	
L 2017	03B	DAF MGC Replacement (17)*			\$477,405									\$477,405	
L 2017	03C	Contact Basin Curb (17)*			\$318,270									\$318,270	
L 2017	03D	Switchgear Replacement Construction Part II (17)*			\$1,975,000									\$1,975,000	
L 2017	03E	Headworks Building Improvements (17)*			\$18,270									\$18,270	
L 2017	03F	East Secondary Basins (Two Basins Only) and East RAS Channel (17)*			\$1,883,000									\$1,883,000	
L 2017	03G	Screening Compaction System (17)*			\$42,530									\$42,530	
L 2017	03H	Small Capital Improvements (17)			\$70,000									\$70,000	
L 2018		Administration and Legal				\$155,764								\$155,764	
A 2018	04A	AWT Evolution (18)			\$1,555									\$1,555	
L 2018	04B	Effluent Equalization (18)			\$4,413									\$4,413	
L 2018	04C	Aeration System Diffusers Upgrade (18)			\$19,545									\$19,545	
L 2018	04D	Aeration System Blowers Upgrade (18)			\$19,545									\$19,545	
L 2018	04E	West Secondary Collection and Laundering Upgrade (20)*			\$1,559,509									\$1,559,509	
L 2018	04F	Pipeline Condition Assessment Mux. (18)			\$1,555									\$1,555	
L 2018	04G	Small Capital Improvements (18)			\$174,806									\$174,806	
L 2019		Administration and Legal					\$191,295							\$191,295	
L 2019	05A	Odor Control Technology Assessment (19)					\$4,413							\$4,413	
L 2019	05B	Grt Basin Repair and Upgrade (19)					\$25,102							\$25,102	
L 2019	05C	Primary Effluent Channel Crossover Pipe (19)					\$168,826							\$168,826	
L 2019	05D	Small Capital Improvements (19)					\$180,081							\$180,081	
L 2020		Administration and Legal						\$197,077						\$197,077	
L 2020	06A	Hydraulic Balancing (20)						\$79,637						\$79,637	
L 2020	06B	Headworks Screen Drum Replacement (20)						\$211,855						\$211,855	
L 2020	06C	Small Capital Improvements (20)						\$195,484						\$195,484	
L 2021		Administration and Legal							\$202,583					\$202,583	
A 2021	07A	AWT, Blower and DAF Building Roof (21)							\$54,218					\$54,218	
L 2021	07B	DAF System Repair (21)							\$55,242					\$55,242	
L 2021	07C	Electrical System Condition Assessment (21)							\$119,406					\$119,406	
L 2021	07D	Small Capital Improvements (21)							\$191,048					\$191,048	
L 2022		Administration and Legal								\$209,679				\$209,679	
L 2022	08A	Maintenance Building Reconstruction (22)								\$64,937				\$64,937	
L 2022	08B	AWT Rehabilitation (22)								\$1,558,836				\$1,558,836	
L 2022	08C	400-volt Cable Replacement and Electrical Manhole Repair - Part I (22)								\$14,937				\$14,937	
L 2022	08D	Small Capital Improvements (22)								\$156,780				\$156,780	
L 2023		Administration and Legal									\$215,351			\$215,351	
L 2023	09A	Drainage Pump Reconstruction (23)									\$300,631			\$300,631	
L 2023	09B	Drainage Pump Station Construction (23)									\$50,078			\$50,078	
L 2023	09C	400-volt Cable Replacement and Electrical Manhole Repair - Part II (23)									\$30,031			\$30,031	
L 2023	09D	SCADA System Condition Assessment (23)									\$50,671			\$50,671	
L 2023	09E	Headworks Conditions Assessment II (23)									\$50,671			\$50,671	
L 2023	09F	Small Capital Improvements (23)									\$202,583			\$202,583	
L 2024		Administration and Legal										\$221,811		\$221,811	
L 2024	10A	Facility Plan Update (24)										\$305,190		\$305,190	
L 2024	10B	SCADA System Reconstruction (24)										\$1,174,292		\$1,174,292	
L 2024	10C	Odor Control Scrubber Replacement (24)										\$1,625,062		\$1,625,062	
L 2024	10D	Vehicle Storage Building Rehab (50% SCWD, 50% PC 15) (24)										\$200,655		\$200,655	
L 2024	10E	Small Capital Improvements (24)										\$208,764		\$208,764	
L 2025		Administration and Legal											\$228,466	\$228,466	
L 2025	11A	Effluent Equalization and Applied Water Pumps Design - Common (25)											\$0,307	\$0,307	
A 2025	11B	Effluent Equalization and Applied Water Pumps Design - AWT (25)											\$191,191	\$191,191	
L 2025	11C	Removal of Old Peroxydis Tank (SCWD) (25)											\$134,202	\$134,202	
L 2025	11D	Potable Water System Rehabilitation (15) (25)											\$187,000	\$187,000	
L 2025	11E	Old Blower Building Rehab (25)											\$403,175	\$403,175	
L 2025	11F	Sump Pump Station and Wet Well (25)											\$806,350	\$806,350	
L 2025	11G	Small Capital Improvements (25)											\$215,027	\$215,027	
L 2026		Administration and Legal												\$235,200	
L 2026	12A	Odor Control Scrubber Replacement (26)											\$1,245,810	\$1,245,810	
L 2026	12B	Effluent Equalization and Applied Water Pumps Construction - Common (26)											\$0,909	\$0,909	
L 2026	12C	Effluent Equalization and Applied Water Pumps Construction - AWT (26)											\$155,726	\$155,726	
L 2026	12D	Export Sludge System Condition Assessment (26)											\$89,212	\$89,212	
L 2026	12E	Shredder Power System Reconstruction Design											\$207,635	\$207,635	
L 2026	12F	Small Capital Improvements (26)											\$201,477	\$201,477	
TOTAL - SOCWA WORK PLAN			\$1,583,473	\$ 3,915,443	\$ 6,144,143	\$ 4,212,461	\$ 540,719	\$ 1,194,052	\$ 1,426,900	\$ 2,668,593	\$ 2,229,515	\$ 4,018,701	\$ 2,156,986	\$ 2,187,090	\$ 21,772,645
SOCWA WORK PLAN - Builds			\$ 1,560,861	\$ 6,144,143	\$ 4,190,508	\$ 540,719	\$ 1,194,052	\$ 1,468,684	\$ 1,165,737	\$ 2,229,515	\$ 4,018,701	\$ 2,095,795	\$ 2,091,363	\$ 21,823,142	
SOCWA WORK PLAN - AWT			\$ 564,580	\$ -	\$ 81,955	\$ -	\$ -	\$ 354,218	\$ 1,196,634	\$ -	\$ -	\$ 151,191	\$ 155,726	\$ -	\$ 2,910,500



South Orange County Wastewater Authority

February 3, 2017

Via Hand Delivery

Board of Directors

Attn: President Donald Froelich

Moulton Niguel Water District (MNWD)

27500 La Paz Road

Laguna Niguel, CA 92677-3489

Re: SOCWA Project Committee No. 15 (PC 15)

Dear President Froelich and MNWD Directors:

The other PC 15¹ members have reviewed the Moulton Niguel Water District (MNWD) December 16 response to the PC 15 Three letter dated November 18, 2016. The November 18 letter is clear that the PC 15 Three are ready to discuss in good faith policy and business terms attendant to changing MNWD participation in PC 15 if, and only if, MNWD cures its breach of payment obligations under existing SOCWA and PC 15 agreements. MNWD's December 16, 2016 letter interposes conditionality upon MNWD payment of its obligations which does not meet the requirements of the PC 15 Three November 18 letter.

MNWD was billed for the third quarter payment for PC 15 in the amount of \$129,432 on December 29, 2016. MNWD failed to timely tender payment by the due date of January 31, 2017. MNWD is accordingly in arrears to PC 15 in the total amount of \$521,248. MNWD's withholding of required payments risks jeopardizing the continued safe and compliant operation of the Coastal Treatment Plant (CTP) by depriving PC 15 of funds needed to ensure the CTP continues to operate in accordance with all legal and operational specifications. This is not an acceptable situation, and it must be resolved immediately.

¹ The City of Laguna Beach, South Coast Water District and Emerald Bay Service District (collectively, the "PC 15 Three")

Board of Directors
Attn: President Donald Froelich
February 3, 2017
Page 2

After payment is received, not before, the PC 15 Three will enter into good faith discussions to address the terms and conditions of MNWD's future participation, or not, in PC 15. If we do not hear back from MNWD within 30 days from this date, the PC 15 Three will assume that MNWD is rejecting the demand to make payment and is not interested in pursuing further discussions.

Very truly yours,



Michael P. Dunbar, Acting Chair
Project Committee 15
South Orange County Wastewater Authority

cc: Joone Lopez (MNWD)
Andrew Brunhart (SCWD)
Toni Iseman (CLB)
John Pietig (CLB)
Betty Burnett (SOCWA)

STATE CAPITOL, ROOM 3141
P.O. BOX 942849

SACRAMENTO, CA 94249-0073

(916) 319-2073

FAX (916) 319-2173

DISTRICT OFFICE

29122 RANCHO VIEJO ROAD, SUITE 111

SAN JUAN CAPISTRANO, CA 92675

(949) 347-7301

FAX (949) 347-7302

Assembly California Legislature



WILLIAM P. BROUGH

ASSEMBLYMEMBER, SEVENTY-THIRD DISTRICT

COMMITTEES

VICE CHAIR: BUSINESS AND
PROFESSIONS

VICE CHAIR: REVENUE AND TAXATION
APPROPRIATIONS
GOVERNMENTAL ORGANIZATION
PUBLIC EMPLOYEES, RETIREMENT,
AND SOCIAL SECURITY
RULES

SELECT COMMITTEES

PORTS

WORKFORCE AND VOCATIONAL
DEVELOPMENT

April 3, 2017

Hon. M. Scott Goldman, Board President
c/o Bob Hill, General Manager
El Toro Water District
24251 Los Alisos Blvd.
Lake Forest, CA 92630

Hon. Susan Thomas, Board President
c/o Mike Dunbar, General Manager
Emerald Bay Service District
600 Emerald Bay
Laguna Beach, CA 92607

Hon. Douglas Reinhart, Board President
c/o Paul Cook, General Manager
Irvine Ranch Water District
15600 Sand Canyon Ave.
Irvine, CA 92618

Hon. Toni Iseman, Mayor
c/o John Pietig, City Manager
City of Laguna Beach
505 Forest Ave.
Laguna Beach, CA 92651

Hon. Kathy Ward, Mayor
c/o James Makshanoff, City Manager
City of San Clemente
100 Avenida Presidio
San Clemente, CA 92672

Hon. Kerry Ferguson, Mayor
c/o Benjamin Siegel, City Manager
City of San Juan Capistrano
32400 Paseo Adelanto
San Juan Capistrano, CA 92675

Hon. Charles Gibson, Board President
c/o Dan Ferons, General Manager
Santa Margarita Water District
26111 Antonio Parkway
Rancho Santa Margarita, CA 92688

Hon. Wayne Rayfield, Board President
c/o Andy Brunhart, General Manager
South Coast Water District
31592 West Street
Laguna Beach, CA 92651

Hon. Glenn Acosta, Board President
c/o Hector Ruiz, General Manager
Trabuco Canyon Water District
32003 Dove Canyon Drive
Trabuco Canyon, CA 92679

Honorable Mayors and Presidents of the Member Agencies of the South Orange County Wastewater Authority:

I am writing to all member agencies of South Orange County Wastewater Authority (SOCWA) to request an open, agendized discussion regarding Moulton Niguel Water District's (MNWD) proposal for its divestment from the Coastal Treatment Plant.

It has come to my attention that this issue has been unresolved since last August despite MNWD's efforts to engage the other three participants of the project committee. Matters of financial impact to the

residents and businesses of South Orange County should be discussed in an open and transparent manner. I am aware that to-date, there has been no such discussion among the four project parties.

I also understand that legal actions are being considered against MNWD. Before you spend public funds on legal actions that take the conversation behind closed doors, it's imperative that you start the discussion in an open meeting and attempt to reach a resolution.

It is the fiduciary responsibility of all the public agencies that comprise SOCWA to ensure that critical issues such as financial impact and wastewater management of South Orange County communities are deliberated openly so we can all understand the potential implication of decisions coming from SOCWA.

I look forward to your response and a date when this matter will be agendized. Thank you.

Regards,



William P. Brough
Assemblyman, 73rd Assembly District

cc: Hon. Dave Harrington, Mayor of Aliso Viejo
Hon. Don Sedgwick, Mayor of Laguna Hills
Hon. Jerry Slusiewicz, Mayor of Laguna Niguel
Hon. Wendy Bucknum, Mayor of Mission Viejo
David Doyle, City Manager, City of Aliso Viejo
Bruce Channing, City Manager, City of Laguna Hills
Rod Foster, City Manager, City of Laguna Niguel
Dennis Wilberg, City Manager, City of Mission Viejo
Frank Kim, County Executive Officer, County of Orange
Paul Walters, Chief of Staff to Supervisor Lisa Bartlett, County of Orange
Don Froelich, Board President, Moulton Niguel Water District



South Orange County Wastewater Authority

April 6, 2017

William P. Brough
 Assemblymember, Seventy-Third District
 State Capitol, Room 3141
 P.O. Box 942849
 Sacramento, CA 94249

Dear Assemblymember Brough,

Thank you for your letter of April 3, 2017 to all member agencies of the South Orange County Wastewater Authority ("SOCWA") regarding Moulton Niguel Water District's ("Moulton Niguel") proposal for divestment from the Coastal Treatment Plant and Project Committee 15 ("PC 15"). The City of Laguna Beach, South Coast Water District and Emerald Bay Service District ("PC 15 Partner Agencies") have repeatedly advised Moulton Niguel of their willingness to meet on this topic, provided Moulton Niguel meets its current legal and contractual obligations to the PC 15 Partner Agencies prior to those discussions commencing. Unfortunately, since July 1, 2016, Moulton Niguel has unilaterally refused to pay over \$755,000 of invoices; it is required to pay under existing PC 15 legal agreements. This unilateral action by Moulton Niguel is preventing SOCWA from issuing contracts for needed repairs and maintenance of the Coastal Treatment Plant.

By way of background, the original agreements for the construction, operation, maintenance and repair of the Coastal Treatment Plant date back to the 1980s. In 1999, Moulton Niguel voluntarily joined the PC 15 Partnership by entering into legally binding agreements with the City of Laguna Beach and South Coast Water District to obtain treatment capacity in the Coastal Treatment Plant, thereby "stepping into the shoes" of Laguna Beach and South Coast Water District, and obtaining the same benefits (and obligations) as the other PC 15 Partner Agencies. The other PC 15 Partner Agencies have relied upon Moulton Niguel's contractual commitments to set the fees paid by their own customers, and to plan and finance necessary capital improvements for the Coastal Treatment Plant. In considering any Moulton Niguel divestment proposal, it is important that customers of the City of Laguna Beach, South Coast Water District, and Emerald Bay Service District not be forced to take on additional financial obligations because of Moulton Niguel's desire to reverse its prior decision to acquire capacity in the Coastal Treatment Plant.

Determining if there is a fair way for Moulton Niguel to divest itself from its existing legal agreements and financial obligations is neither an easy task nor a quick endeavor. Efforts that were underway to prepare for a dialogue with Moulton Niguel have been delayed to instead address Moulton Niguel's current breach of the existing agreements and unwillingness to bring its PC 15 account current. Legal actions are now underway to address this matter and must take priority given that Moulton Niguel's actions are now impairing SOCWA's ability to meet its maintenance and repair obligations for the Coastal Treatment

Assemblymember William P. Brough
April 5, 2017
Page 2 of 2

Plant, potentially putting the future safe operation of the Coastal Treatment Plant at risk. While the PC 15 Partner Agencies remain open to discussions with Moulton Niguel, it is necessary that Moulton Niguel immediately make its required payments to SOCWA to allow capital maintenance and repair projects for the Coastal Treatment Plant to proceed. This is a matter of equity, safety, and good government. Just as a person who hires a general contractor to build a house cannot then refuse to pay the contractor if she decides she wants to live somewhere else, Moulton Niguel cannot unilaterally ignore its longstanding obligations to PC 15 by merely proclaiming its desire to leave PC 15. Once Moulton Niguel pays the over \$755,000 it owes SOCWA and the PC 15 Partner Agencies for repair and upkeep of the Plant, which payments Moulton Niguel has made every year since 1999 without complaint, the PC 15 Partner Agencies will be ready and willing to negotiate its divestment.

Thank you for taking the time to inquire into this matter.

Sincerely,



Michael P. Dunbar
Chair Project Committee No. 15



South Orange County Wastewater Authority

3.8.c

April 14, 2017

**VIA FACSIMILE AND
FIRST CLASS MAIL**

President, Board of Directors,
and General Manager
Moulton Niguel Water District
27500 La Paz Road
Laguna Niguel, CA 92677

Re: SOCWA PC 15 Binding Agreements and Moulton Niguel Water District
("MNWD") Dispute and Potential Path Forward Towards Resolution

Dear President Froelich, MNWD Board of Directors, and Ms. Lopez:

I've been asked to again communicate with you on behalf of South Orange County Wastewater Authority ("SOCWA") for Project Committee 15 ("PC 15") and on behalf of the City of Laguna Beach, South Coast Water District and Emerald Bay Services District (collectively the "PC 15 Partner Agencies"). SOCWA and the PC15 Partner Agencies have repeatedly indicated their willingness to meet with MNWD and discuss potential divestment options provided MNWD first meets its current legal and contractual obligations to the PC 15 Partner Agencies and keeps its account current during the pendency of discussions.

With the assumption that such payment will occur shortly, I'd like to communicate to you some principles that form the basis, among others, of any future negotiations which would occur within two to four weeks of MNWD bringing its PC 15 Account current.

1. The parties to PC 15 have binding agreements.
2. The obligations under those binding agreements extend beyond 2026.
3. The binding agreements require PC 15 members to remain current on all payments.
4. The financial burdens, including necessary costs of maintenance, repair and upkeep, of any MNWD departure from PC 15 will not be shifted to the customers of Laguna Beach, Emerald Bay or Dana Point.

34156 Del Obispo Street • Dana Point, CA 92629 • Phone: (949) 234-5400 • Fax: (949) 489-0130 • Website: www.socwa.com

A public agency created by: CITY OF LAGUNA BEACH • CITY OF SAN CLEMENTE • CITY OF SAN JUAN CAPISTRANO • EL TORO WATER DISTRICT • EMERALD BAY SERVICE DISTRICT
IRVINE RANCH WATER DISTRICT • MOULTON NIGUEL WATER DISTRICT • SANTA MARGARITA WATER DISTRICT • SOUTH COAST WATER DISTRICT • TRABUCO CANYON WATER DISTRICT

Attachment: MNWD, Member Agencies, and Other Correspondence (1277 : Moulton Niguel Water District's Request for Support of Divestment

The PC 15 Partner Agencies remain optimistic that MNWD will do what is legally and ethically correct and pay its PC 15 bills for 2017. To date, MNWD has not met its contractual obligations to its partners in PC 15. I respectfully ask that the MNWD Board take action promptly to remedy this situation so that negotiations over the future of PC 15 can commence. As of May 2, MNWD will be in arrears to the PC 15 Partner Agencies in the amount of \$755,871,¹ and MNWD's prompt payment is critical to ensuring the Coastal Treatment Plant ("CTP") can continue to operate safely and reliably. As you are likely aware, numerous repair and maintenance projects associated with the CTP are now on hold because of MNWD's non-payment. Prompt payment will avoid litigation, facilitate a healthy dialogue on the future of PC 15 and the CTP, and allow all PC 15 members to again work collaboratively towards regional solutions.

We hope that you will address the past due amounts and that we can begin a dialogue under the aforementioned framework.

Sincerely,



Michael P. Dunbar
Chair, Project Committee 15
South Orange County Wastewater Authority

cc: PC 15 and SOCWA Board of Directors
Supervisor Lisa Bartlett
Betty Burnett, General Manager, SOCWA
Pat Giannone, General Counsel SOCWA
Rod Foster, Laguna Niguel City Manager
David Doyle, Aliso Viejo City Manager
Bruce Channing, Laguna Hills City Manager
Dennis Wilberg, Mission Viejo City Manager
Assemblyman Bill Brough
Matt Collings, MNWD

¹ The PC 15 Partner Agencies believe that the proposed formula set forth in MNWD's August 29, 2016 letter does not accurately reflect MNWD's current or future obligations to PC 15.

APR 04 2017

CITY OF LAGUNA HILLS

March 30, 2017

Honorable Don Sedgwick, Mayor
Bruce Channing, City Manager
City of Laguna Hills
24035 El Toro Rd
Laguna Hills, CA 92653

RE: Request for Resolution in Support of an Open, Transparent Discussion Regarding the Financing of the Coastal Treatment Plant

Dear Honorable Mayor Sedgewick and Mr. Channing:

On behalf of the Moulton Niguel Water District (MNWD), I respectfully request your consideration in formally supporting our efforts to bring awareness and transparency to the wastewater management discussion in South Orange County, specifically at the Coastal Treatment Plant.

As you may be aware, MNWD along with nine other agencies comprise South Orange County Wastewater Authority (SOCWA), a Joint Powers Authority that was formed to create efficiency and cost-saving measures in wastewater treatment for communities in South Orange County. For more than 40 years, MNWD participated in jointly financing the operation of one of SOCWA's treatment facilities, the Coastal Treatment Plant (CTP), located in the City of Laguna Niguel. The City of Laguna Beach, Emerald Bay Community Services District, South Coast Water District and MNWD share in the financing of CTP under a contract, which is due to expire in 2026.

Over the years, MNWD has never required use of this facility; however, our residents and businesses have subsidized the cost of approximately \$9 million since 2001 for a facility that benefits other communities. Under the contractual obligation, MNWD is responsible for paying its share of the operations and maintenance costs for the duration of the contract despite the lack of benefits for its customers. However, capital improvement costs require an annual budget that is unanimously adopted by the four CTP participants.

In June of 2016, for the first time, MNWD did not approve the budget because the proposed budget included capital investments that went beyond the duration of the contract. To further exacerbate the situation, the capital program included projects to eliminate MNWD's capacity with the expectation that MNWD would substantially fund the plant downsizing at a cost of

BOARD OF
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VICE PRESIDENT

nearly **\$5 million** to MNWD. This increase in cost could mean **up to an additional 2.5% rate increase for our customers in 2018**. We do not believe this was conducted in good faith or is fair to our communities.

MNWD continues to fund our contractual obligations to the operations & maintenance of the CTP. We have repeatedly asked, both in writing and in open meetings, for an open discussion to equitably and amicably resolve this matter. We offered to pre-pay, as a lump sum, MNWD's share of the capital costs for the duration of the contract in exchange for divesting our unnecessary role in the CTP. We clearly stated our unwillingness to pay for any capital costs that would go beyond the contract or eliminate our share of the capacity at the plant by downsizing it. It is not the responsibility of our residents and businesses to spend millions of their dollars to support a facility that they never needed or will need.

Since August 2016, MNWD has made several pleas for an open discussion and submitted a proposal for how we can prepay for our divestment. We heard nothing until November 2016 when the three agencies demanded that we pay for all capital expenditures before we could discuss. There was no counter or any comments related to our proposal, just a demand for payment of everything without a valid approval of the capital budget.

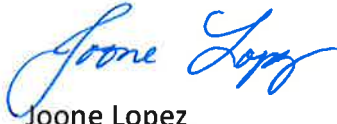
We then heard, from one of the three agencies, threats of causing sewer spills in our communities. We were shocked by this so we turned to our cities for support. We provided briefings to your city manager and to some of the council members and received strong support for our efforts to have an open discussion on this issue. We greatly appreciated the support letter your city manager sent to the three agencies requesting an open and transparent discussion to resolve our communities' divestiture from CTP. Still, there is no offer to discuss; only demands for payment.

The three agencies continue to be uncooperative and unwilling to resolve this matter and are attempting to seek legal recourse. Any legal action will result in greater cost to our communities and waste valuable time as public agencies. MNWD has asked repeatedly to sit down and attempt to talk this out openly as we are certain that this matter can be resolved transparently.

We hope that your formal support through a resolution will shed greater light into this matter for the members of our communities and urge the elected officials and staff of Laguna Beach, Emerald Bay Community Services District and South Coast Water District to do the right thing and discuss this matter of great importance in an open and transparent manner. Our residents and businesses have a right to know how their money is being spent and must be assured that public health and safety will not be compromised through mismanagement of wastewater.

We thank you for your continued support and appreciate your consideration in adopting a resolution.

Sincerely,



Joone Lopez
General Manager

Enclosure

Cc: Hon. Dave Harrington, Mayor of Aliso Viejo
Hon. Jerry Slusiewicz, Mayor of Laguna Niguel
Hon. Wendy Bucknum, Mayor of Mission Viejo
David Doyle, City Manager of Aliso Viejo
Rod Foster, City Manager, City of Laguna Niguel
Dennis Wilberg, City Manager, City of Mission Viejo
Frank Kim, County Executive Officer, County of Orange
Paul Walters, Chief of Staff to Supervisor Lisa Bartlett, County Board of Supervisors



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 25, 2017

TO: Mayor and Council Members

FROM: Janice Reyes
Finance Manager

ISSUE: Authorization to Amend the Professional Services Agreement with White Nelson Diehl Evans LLP to Perform Independent Auditing and Accounting Services for an Additional Two Fiscal Years: Fiscal Year 2016/2017 and Fiscal Year 2017/2018

RECOMMENDATION: That the City Council approve and authorize the Mayor to sign proposed Amendment No. 1 to the Professional Services Agreement with White Nelson Diehl Evans LLP, to amend the scope of work to include auditing and accounting services for the City's Annual Financial Report for an additional two fiscal years: Fiscal Year 2016/2017 and Fiscal Year 2017/2018.

SUMMARY:

In March 2015, the City issued a Request for Proposal (RFP) for independent audit services. The engagement period specified in the RFP was for Fiscal Years (FY) 2014/2015 and 2015/2016 with an option for four (4) additional fiscal years. After interviews of the top three firms, the City's Audit Committee recommended the firm of White Nelson Diehl Evans LLP (WNDE) to the City Council. On June 9, 2015, the City entered into a Professional Services Agreement (PSA) with WNDE to perform independent auditing and accounting services for FY 2014/2015 and FY 2015/2016. With the conclusion of FY 2015/2016, staff is recommending that the City Council approve and authorize the Mayor to sign the proposed Amendment No. 1 to the PSA with WNDE to amend the scope of work to now include auditing and accounting services for an additional two fiscal years: FY 2016/2017 and FY 2017/2018.

BACKGROUND:

City Council Policy No. 105, entitled Financial Policies, dictates that the City's Annual Financial Report shall be audited each year by an independent external auditor and a new auditor shall be selected competitively, through a formal public request for proposal process, at least every six years pursuant to State law. Accordingly, with the conclusion of the financial audit for FY ended June 30, 2014, staff issued a RFP. The engagement period specified in the RFP was for FY 2014/2015 and FY 2015/2016 with an option for four (4) additional fiscal years.

After interviews of the top three firms, the City's Audit Committee recommended the firm of WNDE to the City Council. On June 9, 2015, the City Council authorized a two-year PSA with WNDE to perform the auditing and accounting services for FY 2014/2015 and FY 2015/2016. A copy of the current PSA with WNDE is attached to this report, along with the original proposal from WNDE as Exhibit A to the PSA.

With the conclusion of FY 2015/2016, staff is recommending that the City Council retain the services of WNDE for an additional two fiscal years, FY 2016/2017 and FY 2017/2018. Attached to this report is the proposed Amendment No. 1 to the current PSA with WNDE, which:

- Amends the Scope of Work to now include audit and accountant services for FY 2016/2017 and FY 2017/2018;
- Extends the term for two additional years, for a total of four (4) years; and
- Increases the current Maximum Contract Amount of \$65,000 by another \$65,000, for a total not-to-exceed Contract Amount of \$130,000 for the four (4) fiscal years combined FY 2014/2015 through FY 2017/2018.

Audit Services - FY 2016/17 and FY 2017/18

April 25, 2017

Page 3

FISCAL IMPACT:

The original Cost Proposal from WNDE is attached as Exhibit A of the attached PSA. WNDE originally proposed a two-year term, with the option for up to another four (4) years of service at a maximum fixed price, including as-need services, at established hourly rates for the "Option Periods" identified in the current Contract. A summary of the costs for the additional two fiscal years are presented below:

	<u>FY 2016-17</u>	<u>FY 2017-18</u>
Audit, CAFR Preparation, & GANN Limit Review	\$ 23,640	\$ 24,115
State Controller's Office Street Report	1,165	1,190
State Controller's Office Financial Report	3,080	3,140
Total for Fiscal Year	<u>\$ 27,885</u>	<u>\$ 28,445</u>
Single Audit and Related Reports ⁽¹⁾	<u>\$ 2,825</u>	<u>\$ 2,880</u>

⁽¹⁾ Subject to the threshold of \$750,000 in federal expenditures in a single fiscal year. Staff does not anticipate meeting the threshold requirement for a Single Audit in FY 2016-17 and FY 2017-18.

The proposed cost for the services for FY 2016/2017 and FY 2017/2018 will be included in the upcoming proposed Biennial Budget FY 2017-2019, if approved.

ATTACHMENTS:

- Attachment 1- PSA WHITE NELSON DIEHL EVANS LLP
- Attachment 2 - Amendment No. 1 to PSA with White Nelson Diehl Evans LLP

PROFESSIONAL SERVICES AGREEMENT

White Nelson Diehl Evans LLP

(Independent Financial Audit Services – City Audits for Fiscal Years 2014/15 & 2015/16)

THIS PROFESSIONAL SERVICES AGREEMENT (hereinafter “Agreement”) is made and entered into, to be effective this 9th day of June 2015, by and between the CITY OF LAGUNA HILLS, a municipal corporation organized and existing under the laws of the State of California, (hereinafter referred to as “City”) and WHITE NELSON DIEHL EVANS LLP, a California Limited Liability Corporation (hereinafter referred to as “Consultant”). City and Consultant are sometimes hereinafter individually referred to as “Party” and are hereinafter collectively referred to as the “Parties.”

RECITALS

A. City has determined that there is a need to retain the professional services of a qualified certified public accounting firm for the purpose of serving as independent auditors for the City of Laguna Hills to perform independent audit services for Fiscal Years 2014/15 and 2015/16, as well to provide the City with other auditing and accounting services (the “Project”).

B. Consultant has submitted to City a proposal, dated April 24, 2015, to provide professional independent auditing services, as well as other auditing and accounting services, to City for the Project pursuant to the terms of this Agreement.

C. Consultant represents and maintains that it is uniquely qualified by virtue of its experience, training, education, reputation, and expertise to provide these services to City for the Project and has agreed to provide such services as provided herein. City does not have the personnel or specialized technical expertise able to perform the work or services contracted for herein.

D. City desires to retain Consultant to provide such professional services for the Project.

NOW, THEREFORE, in consideration of the promises and mutual obligations, covenants, and conditions contained herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. SERVICES OF CONSULTANT

1.1 Scope of Services and Standard of Performance. In compliance with all terms and conditions of this Agreement, Consultant agrees to provide and perform the professional independent auditing services for Fiscal Years 2014/15 and 2015/16, as well as other auditing and accounting services, to City for the Project as described, specified and as set forth in the Proposal/Scope of Work, dated April 24, 2015, which is attached hereto as Exhibit “A” and is incorporated herein by reference (hereinafter referred to as the “Scope of Services,” the

"Services" or "Work"). As a material inducement to the City entering into this Agreement, Consultant acknowledges and understands that the Services and Work contracted for under this Agreement require specialized skills and abilities and that, consistent with this understanding, Consultant's Services and Work shall be performed in a skillful and competent manner and shall be held to a standard of quality and workmanship prevalent in the industry for such Services and Work and with the standards recognized as being employed by professionals in the same discipline in the State of California. Consultant represents and warrants that it is skilled in the professional discipline necessary to perform the Services and Work and that it holds the necessary skills and abilities to satisfy the standard of work as set forth in this Agreement. Consultant represents and warrants that it and all of its employees, subconsultants and subcontractors providing any Work or Services under this Agreement shall have sufficient skill and experience to perform the Services and Work assigned to them. All Services and Work shall be completed to the reasonable satisfaction of the City.

1.2 Contract Documents. The Agreement between the Parties shall consist of the following: (1) this Agreement; and, (2) the Consultant's signed, original April 24, 2015 proposal submitted to the City ("Consultant's Proposal"), which shall all be referred to collectively hereinafter as the "Contract Documents." The Consultant's Proposal, attached hereto as Exhibit "A," is hereby incorporated by reference and is made a part of this Agreement. All provisions of the Contract Documents shall be binding on the Parties. Should any conflict or inconsistency exist in the Contract Documents, the conflict or inconsistency shall be resolved by applying the provisions in the highest priority document, which shall be determined in the following order of priority: (1st) the terms of this Agreement; and, (2nd) the provisions of the Consultant's Proposal.

1.3 Compliance with Law. Consultant shall comply at all times during the term of this Agreement with all applicable federal, state, and local laws, statutes, and ordinances and all lawful orders, rules, and regulations promulgated thereunder, including without limitation all applicable fair labor standards and Cal/OSHA requirements. Consultant shall keep itself fully informed of and in compliance with all local, state, and federal laws, rules, and regulations in any manner affecting the performance of the Work and Services, including all Cal/OSHA requirements, and shall give all notices required by law. Consultant shall be liable for all violations of such laws and regulations in connection with performing the Work and Services. If Consultant performs any Work or Services in violation of such laws, rules, and regulations, Consultant shall be solely responsible for all penalties and costs arising therefrom. Consultant shall defend, indemnify, and hold City, its officials, officers, employees, agents and volunteers, free and harmless from any claim or liability arising out of any failure or alleged failure to comply with such laws, rules, or regulations.

1.4 Licenses, Permits, Fees, and Assessments. Prior to performing any Services or Work hereunder Consultant shall obtain all licenses, permits, qualifications, and approvals of whatever nature that are legally required to practice its profession and perform the Work and Services required by this Agreement. Consultant represents and warrants to City that Consultant shall, at its sole cost and expense, keep in effect at all times during the term of this Agreement and any extension, any license, permit, qualification, or approval that is legally required for Consultant to perform the Work and Services under this Agreement. Consultant shall have the

sole obligation to pay for any fees, assessments, and taxes, plus applicable penalties and interest, which may be imposed by law and arise from or are necessary for the Consultant's performance of the Work and Services required by this Agreement, and shall defend, indemnify, and hold the City, its officials, officers, employees, agents and volunteers, free and harmless from and against any claim or liability arising out of any failure or alleged failure to obtain such license, permits, and approvals of whatever nature that are legally required to perform the Work or Services.

1.5 Familiarity with Work. By executing this Agreement, Consultant represents and warrants that it (a) has thoroughly investigated and considered the Scope of Work or Services to be performed, (b) has carefully considered how the Services should be performed and has carefully examined the location or locations at or with respect to where such Services or Work is to be performed, and (c) fully understands the facilities, difficulties, and restrictions attending performance of the Services under this Agreement. If the Services involve work upon any site, Consultant represents and maintains that Consultant has or will investigate the site and is or will be fully acquainted with the conditions there existing, prior to commencement of any Services hereunder. Should the Consultant discover any latent or unknown conditions that will materially affect the performance of the Services hereunder, Consultant shall immediately inform the City of such fact and shall not proceed except at Consultant's risk until written instructions are received from the City.

1.6 Care of Work. Consultant shall adopt reasonable methods during the term of the Agreement to furnish continuous protection to the Work and the equipment, materials, papers, documents, plans, studies, and/or other components thereof to prevent losses or damages, and shall be responsible for all such damages, to persons or property, until acceptance of the Work by the City, except such losses or damages as may be caused by City's own negligence.

1.7 Further Responsibilities of Parties. Both Parties agree to use reasonable care and diligence to perform their respective obligations under this Agreement. Both Parties agree to act in good faith to execute all instruments, prepare all documents, and take all actions as may be reasonably necessary to carry out the purposes of this Agreement.

1.8 Additional Services. City shall have the right at any time during the performance of the Services, without invalidating this Agreement, to order extra work beyond that specified in the Scope of Services (Exhibit "A") or make changes by altering, adding to, or deducting from such Work. No such extra work may be undertaken unless a written order is first given by the City to the Consultant, incorporating therein any adjustment in (i) the Maximum Contract Amount, as defined below, and/or (ii) the time to perform this Agreement, which adjustments are subject to the written approval of the Consultant. It is expressly understood by Consultant that the provisions of this section shall not apply to the Work and Services specifically set forth in the Scope of Services or reasonably contemplated therein, regardless of whether the time or materials required to complete any Work or Service identified in the Scope of Services exceeds any time or material amounts or estimates provided therein.

1.9 Non-Exclusive Agreement. Consultant acknowledges that City may enter into agreements with other contractors, consultants, or vendors for services similar to the services that

are the subject of this Agreement. Consultant further acknowledges that City may have its own employees perform services similar to the services that are the subject of this Agreement.

2. COMPENSATION

2.1 Maximum Contract Amount. For the Services and Work rendered pursuant to this Agreement, Consultant shall be compensated by City for the services performed in accordance with the all-inclusive maximum professional rates set forth in the Schedule of Compensation/Fees, which is attached hereto as Exhibit "A" and is incorporated herein by reference, but not exceeding the total maximum contract amount of Sixty Five Thousand Dollars (\$65,000.00) (hereinafter referred to as the "Maximum Contract Amount"), except as may be provided pursuant to Section 1.8 above. The method of compensation shall be as set forth in Exhibit "A". Compensation for necessary expenditures for reproduction costs, telephone expenses, and transportation expenses must be approved in advance by the Contract Officer designated pursuant to Section 4.2 and will only be approved if such expenses are also specified in the Schedule of Compensation/Fees. The Maximum Contract Amount shall include the attendance of Consultant at all Project meetings reasonably deemed necessary by the City. Consultant shall not be entitled to any increase in the Maximum Contract Amount for attending these meetings. Consultant hereby acknowledges that it accepts the risk that the services identified in the Scope of Services may be more costly and/or time-consuming than Consultant anticipates, that Consultant shall not be entitled to additional compensation therefore, and that the provisions of Section 1.8 shall not be applicable to the services identified in the Scope of Services. The maximum amount of City's payment obligation under this Agreement is the amount specified in this section. If the City's maximum payment obligation is reached before the Consultant's Services under this Agreement are completed, Consultant shall nevertheless complete the Services and Work without liability on the City's part for further payment beyond the Maximum Contract Amount.

2.2. Method of Payment. Unless some other method of payment is specified in the Schedule of Compensation/Fees (Exhibit "A"), in any month in which Consultant wishes to receive payment, no later than the tenth (10th) working day of such month, Consultant shall submit to the City, in a form approved by the City's Finance Manager, an invoice for services rendered prior to the date of the invoice. Such requests shall be based upon the amount and value of the services performed by Consultant and accompanied by such reporting data including an itemized breakdown of all costs incurred and tasks performed during the period covered by the invoice, as may be required by the City. City shall use reasonable efforts to make payments to Consultant within forty-five (45) days after receipt of the invoice or a soon thereafter as is reasonably practical.

2.3 Changes in Scope. In the event any change or changes in the Scope of Services is requested by the City, the Parties shall execute a written amendment to this Agreement, setting forth with particularity all terms of such amendment, including, but not limited to, any additional professional fees. An amendment may be entered into: (a) to provide for revisions or modifications to documents or other work product or work when documents or other work product or work is required by the enactment or revision of law subsequent to the preparation of any documents, other work product, or work; and/or (b) to provide for additional services not

included in this Agreement or not customarily furnished in accordance with generally accepted practice in Consultant's profession.

2.4 Appropriations. This Agreement is subject to and contingent upon funds being appropriated therefore by the Laguna Hills City Council for each fiscal year covered by the term of this Agreement. If such appropriations are not made, this Agreement shall automatically terminate without penalty to the City.

3. SCHEDULE OF PERFORMANCE

3.1 Time of Essence. Time is of the essence in the performance of this Agreement. The time for completion of the services to be performed by Consultant is an essential condition of this Agreement. Consultant shall prosecute regularly and diligently the Work of this Agreement according to the agreed upon Schedule of Performance.

3.2 Schedule of Performance. Consultant shall commence the Services pursuant to this Agreement upon receipt of a written notice to proceed, or on each task order, if applicable, and shall perform all Services within the time period(s) established in the Schedule of Performance, which is attached hereto as Exhibit "A" and is incorporated herein by reference. When requested by Consultant, extensions to the time period(s) specified in the Schedule of Performance may be approved in writing by the Contract Officer; however, the City shall not be obligated to grant such an extension.

3.3 Force Majeure. The time period(s) specified in the Schedule of Performance for performance of the Services rendered pursuant to this Agreement shall be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of the Consultant (financial inability excepted), including, but not limited to, acts of God or of the public enemy, unusually severe weather, fires, earthquakes, floods, epidemics, quarantine restrictions, riots, strikes, freight embargoes, wars, and/or acts of any governmental agency, including the City, if Consultant, within ten (10) days of the commencement of such delay, notifies the City Manager in writing of the causes of the delay. The City Manager shall ascertain the facts and the extent of delay, and extend the time for performing the Services for the period of the enforced delay when and if in the judgment of the City Manager such delay is justified. The City Manager's determination shall be final and conclusive upon the Parties to this Agreement. In no event shall Consultant be entitled to recover damages against the City for any delay in the performance of this Agreement, however caused, Consultant's sole remedy being extension of the Agreement pursuant to this section.

3.4 Term. Unless earlier terminated as provided elsewhere in this Agreement, this Agreement shall commence upon the effective date of this Agreement and shall continue in full force and effect for a period of two (2) years, commencing on June 9, 2015 and ending on June 30, 2017, unless extended by mutual written agreement of the Parties.

3.5 Task Orders. Consultant hereby agrees and acknowledges that any and all Services or Work performed pursuant to this Agreement shall be based upon the prior issuance of a written project task order by the City. Furthermore, Consultant hereby agrees and acknowledges that execution of this Agreement by the City does not in any way guarantee that a

task order will be issued to Consultant. Moreover, execution of this Agreement by the City shall not entitle Consultant to any form of payment or compensation from the City without City first having issued a project task order.

4. COORDINATION OF WORK

4.1 Representative of Consultant. The following principal of Consultant is hereby designated as being the principal and representative of Consultant authorized to act in its behalf with respect to the Services to be performed under this Agreement and to make all decisions in connection therewith: **Nitin P. Patel, CPA, Engagement Partner.** It is expressly understood that the experience, knowledge, education, capability, expertise, and reputation of the foregoing principal is a substantial inducement for City to enter into this Agreement. Therefore, the foregoing principal shall be responsible during the term of this Agreement for directing all activities of Consultant and devoting sufficient time to personally supervise the Work or Services performed hereunder. The foregoing principal may not be changed by Consultant without prior written approval of the Contract Officer.

4.2 Contract Officer. The Contract Officer shall be such person as may be designated by the City Manager of City, and is subject to change by the City Manager. It shall be the Consultant's responsibility to ensure that the Contract Officer is kept fully informed of the progress of the performance of the Services, and the Consultant shall refer any decisions which must be made by City to the Contract Officer. Unless otherwise specified herein, any approval of City required hereunder shall mean the approval of the Contract Officer. The Contract Officer shall have authority to sign all documents on behalf of the City required hereunder to carry out the terms of this Agreement.

4.3 Prohibition Against Subcontracting or Assignments. The experience, knowledge, capability, expertise, and reputation of Consultant, its principals and employees, were a substantial inducement for City to enter into this Agreement. Therefore, Consultant shall not assign the performance of this Agreement, nor any part thereof, nor any monies due hereunder, voluntarily or by operation of law, without the prior written consent of City. Consultant shall not contract with any other entity to perform the Services required without prior written consent of City. If Consultant is permitted to subcontract any part of this Agreement by City, Consultant shall be responsible to City for the acts and omissions of its subcontractor(s) in the same manner as it is for persons directly employed. Nothing contained in this Agreement shall create any contractual relationships between any subcontractor and City. All persons engaged in the Work will be considered employees of Consultant. City will deal directly with and will make all payments to Consultant. In addition, neither this Agreement nor any interest herein may be transferred, assigned, conveyed, hypothecated, or encumbered voluntarily or by operation of law, whether for the benefit of creditors or otherwise, without the prior written consent of City. Transfers restricted hereunder shall include the transfer to any person or group of persons acting in concert of more than twenty five percent (25%) of the present ownership and/or control of Consultant, taking all transfers into account on a cumulative basis. In the event of any such unapproved transfer, including any bankruptcy proceeding, this Agreement shall be void. No approved transfer shall release Consultant or any surety of Consultant from any liability hereunder without the express written consent of City.

4.4 Independent Contractor.

A. The legal relationship between the Parties is that of an independent contractor, and nothing herein shall be deemed to make Consultant a City employee. During the performance of this Agreement, Consultant and its officers, employees, and agents shall act in an independent capacity and shall not act as City officers or employees. Consultant will determine the means, methods and details of performing the Services subject to the requirements of this Agreement. The personnel performing the Services under this Agreement on behalf of Consultant shall at all times be under Consultant's exclusive direction and control. Neither City nor any of its officials, officers, employees, agents or volunteers shall have control over the conduct of Consultant or any of its officers, employees, or agents, except as set forth in this Agreement. Consultant, its officers, employees or agents, shall not maintain a permanent office or fixed business location at City's offices. City shall have no voice in the selection, discharge, supervision, or control of Consultant's officers, employees, representatives or agents or in fixing their number, compensation, or hours of service. Consultant shall pay all wages, salaries, and other amounts due its employees in connection with the performance of Services under this Agreement and shall be responsible for all reports and obligations respecting them, including but not limited to social security income tax withholding, unemployment compensation, workers' compensation, and other similar matters. City shall not in any way or for any purpose be deemed to be a partner of Consultant in its business or otherwise a joint venturer or a member of any joint enterprise with Consultant.

B. Consultant shall not incur or have the power to incur any debt, obligation, or liability against City, or bind City in any manner.

C. No City benefits shall be available to Consultant, its officers, employees, or agents, in connection with the performance of any Work or Services under this Agreement. Except for professional fees paid to Consultant as provided for in this Agreement, City shall not pay salaries, wages, or other compensation to Consultant for the performance of any Work or Services under this Agreement. City shall not be liable for compensation or indemnification to Consultant, its officers, employees, or agents, for injury or sickness arising out of performing any Work or Services hereunder. If for any reason any court or governmental agency determines that the City has financial obligations, other than pursuant to Section 2 and Subsection 1.8 herein, of any nature relating to salary, taxes, or benefits of Consultant's officers, employees, representatives, agents, or subconsultants or subcontractors, Consultant shall defend, indemnify, and hold harmless City from and against all such financial obligations.

4.5 PERS Eligibility Indemnification.

A. In the event that Consultant or any employee, agent, or subcontractor of Consultant providing any Work or Services under this Agreement claims or is determined by a court of competent jurisdiction or the California Public Employee Retirement System (PERS) to be eligible for enrollment in PERS as an employee of the City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be

the responsibility of the City.

B. Notwithstanding any other agency, state or federal policy, rule, regulation, law or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing any Work or Services under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in PERS as an employee of City and entitlement to any contribution to be paid by City for employer contribution and/or employee contributions for PERS benefits.

5. INSURANCE

5.1 Compliance with Insurance Requirements. Consultant shall obtain, maintain, and keep in full force and effect during the term of this Agreement, at its sole cost and expense, and in a form and content satisfactory to City, all insurance required under this section. Consultant shall not commence any Work or Services under this Agreement unless and until it has provided evidence satisfactory to City that it has secured all insurance required under this section. In addition, Consultant shall not allow any subconsultant or subcontractor to commence any Work or Services until it has provided evidence satisfactory to City that the subconsultant or subcontractor has secured all insurance required under this section. If Consultant's existing insurance policies do not meet the insurance requirements set forth herein, Consultant agrees to amend, supplement or endorse the policies to do so.

5.2 Types of Insurance Required. As a condition precedent to the effectiveness of this Agreement, and without limiting the indemnity provisions set forth in this Agreement, Consultant shall obtain and maintain in full force and effect during the term of this Agreement, including any extension thereof, the following policies of insurance:

A. Commercial General Liability Insurance. Consultant shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of Commercial General Liability Insurance written on an occurrence basis with limits of at least one million dollars (\$1,000,000.00) per occurrence, two million dollars (\$2,000,000.00) in the general aggregate, and one million dollars (\$1,000,000.00) for products and completed operations. Defense costs shall be paid in addition to the limits. The policy shall contain no endorsements or provisions limiting coverage for (1) contractual liability; (2) cross liability exclusion for claims or suits by one insured against another; or (3) contain any other exclusion contrary to the Agreement.

B. Automobile Liability Insurance. Consultant shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of Automobile Liability Insurance written on a per occurrence basis with limits of at least one million dollars (\$1,000,000.00) combined limit for each occurrence covering bodily injury and property damage. The policy shall specifically include coverage for owned, non-owned, leased, and hired automobiles.

C. Workers' Compensation Insurance. Consultant shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of Workers' Compensation Insurance in at least the minimum statutory amounts, and in compliance with all other statutory requirements, as required by the State of California. Consultant agrees to waive and obtain endorsements from its workers' compensation insurer waiving all subrogation rights under its workers' compensation insurance policy against the City, its officials, officers, employees, agents and volunteers, and to require each of its subconsultants and subcontractors, if any, to do likewise under their workers' compensation insurance policies. Consultant shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of Employer's Liability Insurance written on a per occurrence basis with limits of at least one million dollars (\$1,000,000.00) per accident for bodily injury or disease.

D. Professional Liability (Errors & Omissions) Insurance. Consultant shall obtain and maintain in full force and effect throughout the term of this Agreement, a policy of Professional Liability or Errors and Omissions Insurance appropriate to Consultant's profession with limits of at least two million dollars (\$2,000,000.00). Covered professional services shall specifically include all Work or Services to be performed under the Agreement and delete any exclusions that may potentially affect the Work or Services to be performed under this Agreement.

1. The policy shall be endorsed to provide the following: Contractual Liability Exclusion Deleted: This insurance shall include contractual liability applicable to this Agreement. The policy must "pay on behalf of" the insured and include a provision establishing the insurer's duty to defend.

2. If the policy of insurance is written on a "claims-made" basis, the City may require that the policy be continued in full force and effect at all times during the term of this Agreement, and for a period of three (3) years from the date of the completion of the Work or Services provided hereunder. In the event of termination of the policy during this period, Consultant shall obtain continuing insurance coverage for the prior acts or omissions of Consultant during the course of performing the Work or Services under the terms of this Agreement. The coverage shall be evidenced by either a new policy evidencing no gap in coverage, or by obtaining separate extended "tail" coverage with the present or new carrier or other insurance arrangements providing for complete coverage, either of which shall be subject to the written approval by the City.

3. In the event the policy of insurance is written on an "occurrence" basis, the policy shall be continued in full force and effect during the term of this Agreement, or until completion of the Work or Services provided for in this Agreement, whichever is later. In the event of termination of the policy during this period, new coverage shall immediately be obtained to ensure coverage during the entire course of performing the Work or Services under the terms of this Agreement.

5.3 Acceptability of Insurers. Insurance required by this section shall be issued by a licensed company authorized to transact business in the state by the Department of Insurance for the State of California with a current rating of A-VII or better (if an admitted carrier), or a

current rating of A:X or better (if offered by a non-admitted insurer listed on the State of California List of Eligible Surplus Lines Insurers (LESLI), by the latest edition of A.M. Best's Key Rating Guide, except that the City will accept workers' compensation insurance from the State Compensation Fund. In the event the City determines that the Work or Services to be performed under this Agreement creates an increased or decreased risk of loss to the City, the Consultant agrees that the minimum limits of the insurance policies may be changed accordingly upon receipt of written notice from the City. Consultant shall immediately substitute any insurer whose A.M. Best rating drops below the levels specified herein.

5.4 Insurance Endorsements. Required insurance policies shall not be in compliance if they include any limiting provision or endorsement that has not been submitted to the City for written approval. Required insurance policies shall contain the following provisions, or Consultant shall provide endorsements on forms approved by the City to add the following provisions to the insurance policies:

A. The policy or policies of insurance required by this section for Commercial General Liability and Automobile Liability Insurance shall be endorsed to provide the following:

1. Additional Insured: The City, its officials, officers, employees, agents and volunteers, shall be additional insureds with regard to liability and defense of suits or claims arising out of the performance of the Agreement; and

2. Additional Insured Endorsements: Additional insured endorsements shall not (1) be restricted to "ongoing operations", (2) exclude "contractual liability", (3) restrict coverage to "sole" liability of Consultant, or (4) contain any other exclusions contrary to the Agreement; and, the coverage shall contain no special limitations on the scope of protection afforded to additional insureds.

B. For all policies of Commercial General Liability Insurance, Consultant shall provide endorsements for ongoing operations and completed operations to effectuate this requirement.

5.5 Deductibles and Self-Insured Retentions. Any deductible or self-insured retention must be approved in writing by the City in advance and shall protect the City, its officials, officers, employees, agents and volunteers, in the same manner and to the same extent as they would have been protected had the policy or policies not contained a deductible or self-insured retention.

5.6 Primary and Non-Contributing Insurance. All policies of Commercial General Liability Insurance and Automobile Liability Insurance shall be primary and any other insurance, deductible, or self-insurance maintained by the City, its officials, officers, employees, agents or volunteers, shall not contribute with this primary insurance. Policies shall contain or be endorsed to contain such provisions.

5.7 Waiver of Subrogation. All policies of Commercial General Liability and Automobile Liability Insurance shall contain or be endorsed to waive subrogation against the

City, its officials, officers, employees, agents and volunteers, or shall specifically allow Consultant or others providing insurance evidence in compliance with the requirements set forth in this section to waive their right to recovery prior to a loss. Consultant hereby agrees to waive its own right of recovery against the City, its officials, officers, employees, agents and volunteers, and Consultant hereby agrees to require similar written express waivers and insurance clauses from each of its subconsultants or subcontractors.

5.8 Evidence of Coverage. Concurrently with the execution of the Agreement, Consultant shall deliver certificates of insurance together with original endorsements affecting each of the insurance policies required by this section. Required insurance policies shall not be in compliance if they include any limiting provision or endorsement that has not been submitted to the City for written approval. The certificates of insurance and original endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf. At least fifteen (15) days prior to the expiration of any such policy, evidence of insurance showing that such insurance coverage has been renewed or extended shall be filed with the City. If such coverage is cancelled or reduced and not replaced immediately so as to avoid a lapse in the required coverage, Consultant shall, within ten (10) days after receipt of written notice of such cancellation or reduction of coverage, file with the City evidence of insurance showing that the required insurance has been reinstated or has been provided through another insurance company or companies. Consultant shall promptly furnish, at City's request, copies of actual policies including all declaration pages, endorsements, exclusions and any other policy documents City requires to verify coverage.

5.9 Requirements Not Limiting. Requirement of specific coverage or minimum limits contained in this section are not intended as a limitation on coverage, limits, or other requirements, or a waiver of any coverage normally provided by any insurance. Nothing in this section shall be construed as limiting in any way the indemnification provision contained in this Agreement, or the extent to which Consultant may be held responsible for payments of damages to persons or property.

5.10 Enforcement of Agreement (Non-Estoppel). Consultant acknowledges and agrees that actual or alleged failure on the part of the City to inform Consultant of any non-compliance with any of the insurance requirements set forth in this section imposes no additional obligation on the City nor does it waive any rights hereunder.

5.11 Insurance for Subconsultants. Consultant shall include all subconsultants or subcontractors engaged in any Work or Services for Consultant relating to this Agreement as additional insureds under the Consultant's insurance policies, or Consultant shall be responsible for causing its subconsultants or subcontractors to procure and maintain the appropriate insurance in compliance with the terms of the insurance requirements set forth in this section, including adding the City, its officials, officers, employees, agents and volunteers, as additional insureds to their respective policies. All policies of Commercial General Liability Insurance provided by Consultant's subconsultants or subcontractors performing any Work or Services related to this Agreement shall be endorsed to name the City, its officials, officers, employees, agents and volunteers, as additional insureds. Consultant shall not allow any subconsultant or subcontractor to commence any Work or Services relating to this Agreement unless and until it

has received satisfactory evidence of their compliance with all insurance requirements under this Agreement, to the extent applicable. Consultant agrees to provide satisfactory evidence of compliance with this subsection upon request of the City.

5.12 Other Insurance Requirements. The following terms and conditions shall apply to the insurance policies required of Consultant pursuant to this Agreement:

A. Consultant shall provide immediate written notice to City if (1) any of the insurance policies required herein are terminated, cancelled or suspended, (2) the limits of any of the insurance coverages required herein are reduced, or (3) the deductible or self-insured retention is increased.

B. All insurance coverage and limits provided by Consultant and available or applicable to this Agreement are intended to apply to each insured, including additional insureds, against whom a claim is made or suit is brought to the full extent of the policies. Nothing contained in this Agreement or any other agreement relating to the City or its operations shall limit the application of such insurance coverage.

C. None of the insurance coverages required herein will be in compliance with the requirements of this section if they include any limiting endorsement which substantially impairs the coverages set forth herein (e.g., elimination of contractual liability or reduction of discovery period), unless the endorsement has first been submitted to the City and approved in writing.

D. Certificates of insurance will not be accepted in lieu of required endorsements, and submittal of certificates without required endorsements may delay commencement of the Project. It is Consultant's obligation to ensure timely compliance with all insurance submittal requirements as provided herein.

E. Consultant agrees to ensure that subconsultants and subcontractors, if any, and any other parties involved with the Project who are brought onto or involved in the Project by Consultant, provide the same minimum insurance coverage required of Consultant. Consultant agrees to monitor and review all such coverage and assumes all responsibility for ensuring that such coverage is provided in conformity with the requirements of this section. Consultant agrees that upon request, all agreements with subcontractors and others engaged in the Project will be submitted to the City for review.

F. Consultant agrees to provide immediate written notice to City of any claim, demand or loss against Consultant arising out of the Work or Services performed under this Agreement and for any other claim, demand or loss which may reduce the insurance available to pay claims, demands or losses arising out of this Agreement.

6. INDEMNIFICATION

To the fullest extent permitted by law, Consultant shall defend (at Consultant's sole cost and expense with legal counsel reasonably acceptable to City), indemnify and hold the City, its

officials, officers, employees, agents and volunteers, free and harmless from any and all claims, demands, orders, causes of action, costs, expenses, liabilities, losses, penalties, judgments, arbitration awards, settlements, damages or injuries of any kind, in law or in equity, including but not limited to property or persons, including wrongful death, (collectively "Claims") in any manner arising out of, pertaining to, related to, or incident to any alleged acts, errors or omissions, or willful misconduct of Consultant, its officers, directors, employees, subcontractors, consultants or agents, in connection with Consultant's performance under this Agreement, including without limitation the payment of all consequential damages, expert witness fees and attorneys' fees and other related costs and expenses. Notwithstanding the foregoing, to the extent that the Work or Services performed by Consultant are subject to Civil Code Section 2782.8, the above indemnity shall be limited, to the extent required by Civil Code Section 2782.8, to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant. Under no circumstances shall the insurance requirements and limits set forth in this Agreement be construed to limit Consultant's indemnification obligation or other liability hereunder. Notwithstanding the foregoing, such obligation to defend, hold harmless and indemnify the City, its officials, officers, employees, agents and volunteers, shall not apply to the extent that such Claims are caused in part by the sole negligence, active negligence, or willful misconduct of the City.

7. REPORTS AND RECORDS

7.1 Accounting Records. Consultant shall keep complete, accurate, and detailed accounts of all time, costs, expenses, and expenditures pertaining in any way to this Agreement. Consultant shall keep such books and records as shall be necessary to properly perform the Services required by this Agreement and to enable the Contract Officer to evaluate the performance of such Services. The Contract Officer shall have full and free access to such books and records at all reasonable times, including the right to inspect, copy, audit, and make records and transcripts from such records.

7.2 Reports. Consultant shall periodically prepare and submit to the Contract Officer such reports concerning the performance of the Services required by this Agreement as the Contract Officer shall require. Consultant hereby acknowledges that the City is greatly concerned about the cost of the Work and Services to be performed pursuant to this Agreement. For this reason, Consultant agrees that if Consultant becomes aware of any facts, circumstances, techniques, or events that may or will materially increase or decrease the cost of the Work or Services contemplated herein or, if Consultant is providing design services, the cost of the project being designed, Consultant shall promptly notify the Contract Officer of such fact, circumstance, technique, or event and the estimated increased or decreased cost related thereto and, if Consultant is providing design services, the estimated increased or decreased cost estimate for the project being designed.

7.3 Ownership of Documents. All drawings, specifications, reports, records, documents, memoranda, correspondence, computations, and other materials prepared by Consultant, its employees, subconsultants, subcontractors and agents in the performance of this Agreement shall be the property of City and shall be promptly delivered to City upon request of the Contract Officer or upon the termination of this Agreement, and Consultant shall have no

claim for further employment or additional compensation as a result of the exercise by City of its full rights of ownership of the documents and materials hereunder. Consultant may retain copies of such documents for its own use. Consultant shall have an unrestricted right to use the concepts embodied therein. Consultant shall ensure that all of its subconsultants and subcontractors shall provide for assignment to City of any documents or materials prepared by them, and in the event Consultant fails to secure such assignment, Consultant shall indemnify City for all damages resulting therefrom.

7.4 Release of Documents. All drawings, specifications, reports, records, documents, and other materials prepared by Consultant in the performance of services under this Agreement shall not be released publicly without the prior written approval of the Contract Officer. All information gained by Consultant in the performance of this Agreement shall be considered confidential and shall not be released by Consultant without City's prior written authorization.

7.5 Audit and Inspection of Records. After receipt of reasonable notice and during the regular business hours of City, Consultant shall provide City, or other agents of City, such access to Consultant's books, records, payroll documents, and facilities as City deems necessary to examine, copy, audit, and inspect all accounting books, records, work data, documents, and activities directly related to Consultant's performance under this Agreement. Consultant shall maintain such books, records, data, and documents in accordance with generally accepted accounting principles and shall clearly identify and make such items readily accessible to such parties during the term of this Agreement and for a period of three (3) years from the date of final payment by City hereunder.

8. ENFORCEMENT OF AGREEMENT

8.1 California Law and Venue. This Agreement shall be construed and interpreted both as to validity and as to performance of the Parties in accordance with the laws of the State of California. Legal actions concerning any dispute, claim, or matter arising out of or in relation to this Agreement shall be instituted in the Superior Court of the County of Orange, State of California, or any other appropriate court in such County, and Consultant covenants and agrees to submit to the personal jurisdiction of such court in the event of such action.

8.2 Interpretation. This Agreement shall be construed as a whole according to its fair language and common meaning to achieve the objectives and purposes of the Parties. The terms of this Agreement are contractual and the result of negotiation between the Parties. Accordingly, any rule of construction of contracts (including, without limitation, California Civil Code Section 1654) that ambiguities are to be construed against the drafting party, shall not be employed in the interpretation of this Agreement. The caption headings of the various sections and paragraphs of this Agreement are for convenience and identification purposes only and shall not be deemed to limit, expand, or define the contents of the respective sections or paragraphs.

8.3 Termination. City may terminate this Agreement for any reason, with or without cause, upon giving Consultant thirty (30) days written notice. Upon such notice, City shall pay Consultant for Services performed through the date of termination. Upon receipt of such notice,

Consultant shall immediately cease all work under this Agreement, unless the notice provides otherwise. Thereafter, Consultant shall have no further claims against the City under this Agreement. Upon termination of the Agreement pursuant to this section, Consultant shall submit to the City an invoice for work and services performed prior to the date of termination. In addition, Consultant reserves the right to terminate this Agreement at any time upon sixty (60) days written notice to the City, except that where termination is due to material default by the City, the period of notice may be such shorter time as the Consultant may determine.

8.4 Default of Consultant.

A. Consultant's failure to comply with any provision of this Agreement shall constitute a default.

B. If the City Manager, or City Manager's designee, determines that Consultant is in default in the performance of any of the terms or conditions of this Agreement, he/she shall notify Consultant in writing of such default. Consultant shall have ten (10) days, or such longer period as City may designate, to cure the default by rendering satisfactory performance. In the event Consultant fails to cure its default within such period of time, City shall have the right, notwithstanding any other provision of this Agreement, to terminate this Agreement without further notice and without prejudice of any remedy to which City may be entitled at law, in equity, or under this Agreement. Consultant shall be liable for any and all reasonable costs incurred by City as a result of such default. Compliance with the provisions of this section shall not constitute a waiver of any City right to take legal action in the event that the dispute is not cured, provided that nothing herein shall limit City's right to terminate this Agreement without cause pursuant to Section 8.3.

C. If termination is due to the failure of the Consultant to fulfill its obligations under this Agreement, City may, after compliance with the provisions of Section 8.4(B), take over the work and prosecute the same to completion by contract or otherwise, and the Consultant shall be liable to the extent that the total cost for completion of the Services required hereunder exceeds the Maximum Contract Amount (provided that the City shall use reasonable efforts to mitigate such damages), and City may withhold any payments to the Consultant for the purpose of set-off or partial payment of the amounts owed the City as previously stated. The withholding or failure to withhold payments to Consultant shall not limit Consultant's liability for completion of the Services as provided herein.

8.5 Waiver. No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the Party against whom enforcement of a waiver is sought. Any waiver by the Parties of any default or breach of any covenant, condition, or term contained in this Agreement, shall not be construed to be a waiver of any subsequent or other default or breach, nor shall failure by the Parties to require exact, full, and complete compliance with any of the covenants, conditions, or terms contained in this Agreement be construed as changing the terms of this Agreement in any manner or preventing the Parties from enforcing the full provisions hereof.

8.6 Rights and Remedies Cumulative. Except with respect to rights and remedies

expressly declared to be exclusive in this Agreement, the rights and remedies of the Parties are cumulative and the exercise by either Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

8.7 Legal Action. In addition to any other rights or remedies, either Party may take legal action, in law or in equity, to cure, correct or remedy any default, to recover damages for any default, to compel specific performance of this Agreement, to obtain declaratory or injunctive relief, or to obtain any other remedy consistent with the purposes of this Agreement.

8.8 Attorneys' Fees. In the event any dispute between the Parties with respect to this Agreement results in litigation or any non-judicial proceeding, the prevailing Party shall be entitled, in addition to such other relief as may be granted, to recover from the non-prevailing Party all reasonable costs and expenses, including but not limited to reasonable attorneys' fees, expert witness fees, court costs and all fees, costs, and expenses incurred in any appeal or in collection of any judgment entered in such proceeding. To the extent authorized by law, in the event of a dismissal by the plaintiff or petitioner of the litigation or non-judicial proceeding within thirty (30) days of the date set for trial or hearing, the other Party shall be deemed to be the prevailing Party in such litigation or proceeding.

9. CITY OFFICERS AND EMPLOYEES: NON-DISCRIMINATION

9.1 Non-liability of City Officers and Employees. No officer or employee of the City shall be personally liable to the Consultant, or any successor-in-interest, in the event of any default or breach by the City or for any amount which may become due to the Consultant or to its successor, or for breach of any obligation of the terms of this Agreement.

9.2 Conflict of Interest. No officer or employee of the City shall have any financial interest, direct or indirect, in this Agreement nor shall any such officer or employee participate in any decision relating to the Agreement which effects his or her financial interest or the financial interest of any corporation, partnership, or association in which they are, directly or indirectly, interested in violation of any state statute or regulation. Consultant represents and warrants that it has not paid or given and will not pay or give any third party any money or other consideration in exchange for obtaining this Agreement.

9.3 Covenant Against Discrimination. In connection with its performance under this Agreement, Consultant shall not discriminate against any employee or applicant for employment because of race, disability, medical condition, religion, color, sex, sexual orientation, age, marital status, ancestry, or national origin. Consultant shall ensure that applicants are employed, and that employees are treated during their employment, without regard to their race, disability, medical condition, religion, color, sex, sexual orientation, age, marital status, ancestry, or national origin. Such actions shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

10. MISCELLANEOUS PROVISIONS

10.1 Patent and Copyright Infringement.

A. To the fullest extent permitted by law, and in lieu of any other warranty by City or Consultant against patent or copyright infringement, statutory or otherwise, it is agreed that Consultant shall defend at its expense any claim or suit against City on account of any allegation that any item furnished under this Agreement, or the normal use or sale thereof arising out of the performance of this Agreement, infringes upon any presently existing U.S. letters patent or copyright and Consultant shall pay all costs and damages finally awarded in any such suit or claim, provided that Consultant is promptly notified in writing of the suit or claim and given authority, information and assistance at Consultant's expense for the defense of same, and provided such suit or claim arises out of, pertains to, or is related to the alleged negligence, recklessness or willful misconduct of Consultant. However, Consultant will not indemnify City if the suit or claim results from: (1) City's alteration of a deliverable, such that City's alteration of such deliverable created the infringement upon any presently existing U.S. letters patent or copyright; or (2) the use of a deliverable in combination with other material not provided by Consultant when it is such use in combination which infringes upon an existing U.S. letters patent or copyright.

B. Consultant shall have sole control of the defense of any such claim or suit and all negotiations for settlement thereof, Consultant shall not be obligated to indemnify City under any settlement made without Consultant's consent or in the event City fails to cooperate in the defense of any suit or claim, provided, however, that such defense shall be at Consultant's expense. If the use or sale of such item is enjoined as a result of the suit or claim, Consultant, at no expense to City, shall obtain for City the right to use and sell the item, or shall substitute an equivalent item acceptable to City and extend this patent and copyright indemnity thereto.

10.2 Notices. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered, sent by registered or certified mail, postage prepaid, return receipt requested, or delivered or sent by facsimile with attached evidence of completed transmission, and shall be deemed received upon the earlier of (i) the date of delivery to the address of the person to receive such notice if delivered personally or by messenger or overnight courier; (ii) five (5) business days after the date of posting by the United States Post Office if by mail; or (iii) when sent if given by facsimile. Notices or other communications shall be addressed as follows:

To City:

City of Laguna Hills
Attention: City Manager
24035 El Toro Road
Laguna Hills, California 92653
Telephone: (949) 707-2600
Facsimile: (949) 707-2633

To Consultant:

White Nelson Diehl Evans LLP
Attention: Nitin P. Patel, CPA, Engagement Partners
2875 Michelle Drive, Suite 300

Irvine, CA 92606-5165
 Telephone: (714) 978-1300
 Facsimile: (714) 978-7893

10.3 Entire Agreement. This Agreement constitutes the entire agreement between the Parties and supersedes all prior negotiations, arrangements, agreements, representations, and understandings, if any, made by or among the Parties with respect to the subject matter hereof. No amendments or other modifications of this Agreement shall be binding unless executed in writing by both Parties hereto, or their respective successors, assigns, or grantees.

10.4 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be determined to be invalid by a final judgment or decree of a court of competent jurisdiction, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of that provision, or the remaining provisions of this Agreement unless the invalid provision is so material that its invalidity deprives either Party of the basic benefit of their bargain or renders this Agreement meaningless.

10.5 Successors in Interest. This Agreement shall be binding upon and inure to the benefit of the Parties' successors and assignees.

10.6 Third Party Beneficiary. Nothing contained in this Agreement is intended to confer, nor shall this Agreement be construed as conferring, any rights, including, without limitation, any rights as a third-party beneficiary or otherwise, upon any entity or person not a party hereto.

10.7 Recitals. The above-referenced Recitals are hereby incorporated into the Agreement as though fully set forth herein and each Party acknowledges and agrees that such Party is bound, for purposes of this Agreement, by the same.

10.8 Corporate Authority. Each of the undersigned represents and warrants that (i) the Party for which he/she is executing this Agreement is duly authorized and existing, (ii) he/she is duly authorized to execute and deliver this Agreement on behalf of the Party for which he/she is signing, (iii) by so executing this Agreement, the Party for which he/she is signing is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other Agreement to which the Party for which he/she is signing is bound.

10.9 Prevailing Wages. Consultant is aware of the requirements of California Labor Code Section 1720, et seq., and 1770, et seq., as well as California Code of Regulations, Title 8, Section 16000, et seq., ("Prevailing Wage Laws"). Consultant agrees to fully comply with all applicable federal and state labor laws (including, without limitation, if applicable, the Prevailing Wage Laws). It is agreed by the Parties that, in connection with the Work or Services provided pursuant to this Agreement, Consultant shall bear all risks of payment or non-payment of prevailing wages under California law, and Consultant hereby agrees to defend, indemnify, and hold the City, its officials, officers, employees, agents and volunteers, free and harmless from

any claim or liability arising out of any failure or alleged failure to comply with the Prevailing Wage Laws. The foregoing indemnity shall survive termination of this Agreement.

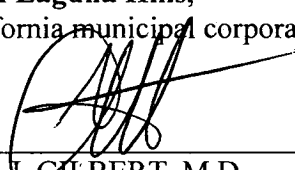
10.10 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the Parties have executed and entered into this Agreement as of the date first written above.

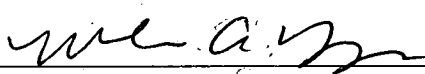
"CITY"

City of Laguna Hills,
a California municipal corporation



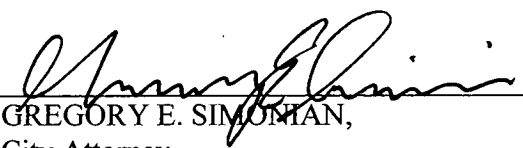
DORE L. GILBERT, M.D.
Mayor

ATTEST:

 (SEAL)

MELISSA AU-YEUNG,
Assistant to the City Manager/ City Clerk

APPROVED AS TO FORM:



GREGORY E. SIMONIAN,
City Attorney

"CONSULTANT"

White Nelson Diehl Evans LLP,
a California limited liability partnership

By: 

NITIN P. PATEL, CPA
Engagement Partner

Attachment: Attachment 1- PSA WHITE NELSON DIEHL EVANS LLP (1274 : Audit Services - FY 2016/17 and FY 2017/18)

EXHIBIT "A"**CONSULTANT'S PROPOSAL/ SCOPE OF WORK****DATED: APRIL 24, 2015**

SCOPE OF SERVICES FOR PROJECT**INCLUDING,****SCHEDULE OF PERFORMANCE****AND****SCHEDULE OF COMPENSATION/ FEES**

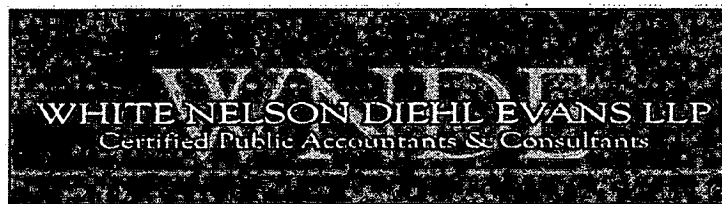
**CITY OF LAGUNA HILLS
PROFESSIONAL AUDITING
SERVICES PROPOSAL**

FOR THE TWO YEARS ENDING JUNE 30, 2016

**(WITH AN OPTION FOR THE FOUR YEARS
ENDING JUNE 30, 2020)**



Submitted By:



TITLE PAGE

RFP Subject: Certified Audits on the City of Laguna Hills
For the Two Years Ending June 30, 2016
(With an Option for the Four Years
Ending June 30, 2020)

Name of Proposer: White Nelson Diehl Evans LLP
Certified Public Accountants and Consultants

Local Address: 2875 Michelle Drive, Suite 300
Irvine, CA 92606-5165

Telephone: (714) 978-1300

Fax: (714) 978-7893

Federal Identification Number: 33-0686301

California CPA License Number: PAR 6123

Website: www.wndecpa.com

Email: npatel@wndecpa.com

Contact Persons: Nitin P. Patel, CPA
Engagement Partner

Robert J. Callanan, CPA
Technical Review Partner

Date: April 24, 2015



CITY OF LAGUNA HILLS

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CITY OF LAGUNA HILLS

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WHITE NELSON DIEHL EVANS LLP

Certified Public Accountants & Consultants

April 24, 2015

Ms. Janice Mateo Reyes
Finance Manager
City of Laguna Hills
24035 El Toro Road
Laguna Hills, CA 92653

Dear Ms. Mateo Reyes:

We are pleased to present our proposal to serve as independent auditors for the City of Laguna Hills. We have prepared this information in accordance with the guidelines set forth in your request for proposal.

Why We Are The Best Qualified Firm

We consider ourselves to be the best qualified firm to perform auditing and accounting services for the City of Laguna Hills. Please consider these qualifications:

- A significant part of our practice is devoted to providing professional services to the governmental industry and over the past year, the firm provided services to approximately 100 governmental organizations and on an annual basis our firm issues over 150 reports on audits of governmental agencies including, Cities, the Successor Agency to Redevelopment Agencies, Special Districts and Joint Power Authorities.
- Our firm has devoted a substantial amount of time and resources in order to provide governmental agencies with quality audits. Our knowledge of the industry is best demonstrated by the fact that our clients who apply for the "Certificate of Achievement in Financial Reporting" issued by the Government Finance Officers Association (GFOA) consistently receive that award. A list of these clients is presented on page 6 of this proposal.
- We are in a professional alliance with BDO Seidman, a National Accounting Firm, and a network of accounting firms allowing us the ability to provide quality attestation services. The BDO Alliance provides us access to BDO's personnel and technical resources which allows White Nelson Diehl Evans LLP to deliver the range of services and capabilities of a large national firm, including the use of specialists to support the needs of our clients.
- We are a full service CPA firm. Our Consulting Services Department can provide the City with a variety of services, including investment policy compliance reviews, litigation support, dispute resolution services, and consulting on a wide array of governmental issues.
- Our audits include extensive use of information technology as described in detail on page 7 of this proposal.

Why We Are The Best Qualified Firm (Continued)

- We understand that we provide a service to the City. We are committed to providing an effective and efficient audit that will meet the proposed timing of the project deliverables by assigning experienced governmental auditors. Understanding the size of the City of Laguna Hills and the scope of work requested in the proposal, we are proposing an engagement team with extensive governmental audit experience. The staffing plan includes Nitin Patel, CPA, the engagement partner with 29 years of experience, Kassie Radermacher, CPA, with 10 years of experience who will manage the audit and be on-site supervising the audit fieldwork and Jesse Pattison, CPA, a senior with 4 years of experience who will be on-site performing the fieldwork. We are confident that the proposed staffing plan with an engagement team experienced in governmental audits and who are familiar with municipal procedures will result in an effective and efficient audit that meets the project timing and deliverables requirements with minimum disruption to your staff.

The scope of our services for the two years ending June 30, 2016 would be as follows:

- A financial audit and preparation of the basic financial statements of the City of Laguna Hills in accordance in with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, to be included in the Comprehensive Annual Financial Report (CAFR).
- A Single Audit of Federal Grants to be performed to meet the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133.
- An agreed-upon procedures review of the calculation of the City's GANN Appropriations Limit (GANN), as required by Section 1.5 of Article XIII B of the California Constitution.
- A compliance review of the City's Investment Policy.
- Preparation of the City's California State Controller's Office Annual Street Report and Annual Financial Report.
- A management letter containing any comments or recommendations resulting from our review of the systems of internal controls in connection with the financial audits.
- A report communicating information related to the audit to those in charge of governance at the conclusion of the audits.
- Verify the implementation of recommended improvement from prior year submission to GFOA under the CAFR award program.
- Participate in a minimum of two audit committee meetings.

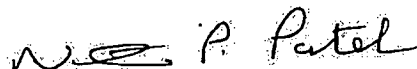
We make a commitment to deliver all necessary reports based on the timetable presented herein on page 17. Also, a more detailed discussion of our understanding of the work to be performed is set forth on pages 17 through 24.

Our goal is to provide the City with the highest quality of service, including a CAFR which meets all required reporting standards. We are confident that our service and experience will be of benefit to the City and will provide added value over and above the performance of the audit itself. Throughout the year, you should feel comfortable in calling us for advice regarding accounting and auditing matters, as we are never too busy to meet the needs of our clients.

We thank the City for the opportunity to present our proposal. Please feel free to contact me, or Mr. Robert J. Callanan, CPA, at (714) 978-1300 if you have any questions. This proposal constitutes a firm and irrevocable offer for 60 days from the date of this letter. Mr. Callanan and I are authorized to represent our firm, and bind the firm to a contract.

Very truly yours,

WHITE NELSON DIEHL EVANS LLP



Nitin P. Patel, CPA
Engagement Partner



FIRM PROFILE AND QUALIFICATIONS

LICENSING AND INDEPENDENCE

Our firm, and all of our certified personnel, are properly licensed to practice public accounting in California.

Also, we meet the independence requirements of "Government Auditing Standards", as published by the U.S. General Accountability Office. We have no conflict of interest with the City and will provide written notice to the City of any professional relationships contemplated with the City during our term as auditors. We have not provided auditing or any other services to the City during the past five years.

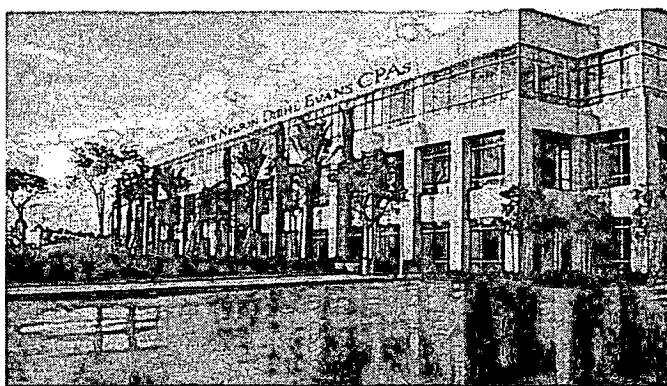
INSURANCE

The firm has the following insurance coverage:

<u>Insurance Type</u>	<u>Each Occurrence Limit</u>	<u>Aggregate Limit</u>	<u>Deductible</u>
Umbrella Policy	\$ 4,000,000	\$ 4,000,000	\$ 10,000
General Liability	1,000,000	2,000,000	-
Auto Liability - Hired & Nonowned	1,000,000	1,000,000	-
Workers' Compensation	1,000,000	1,000,000	-
Professional Liability	5,000,000	10,000,000	75,000

SIZE AND LOCATION OF THE FIRM

White Nelson Diehl Evans LLP is a California accounting firm with offices in Irvine, Carlsbad and Escondido.



Our firm has approximately 140 employees, which includes 23 partners with separate assurance and tax departments. Your City would be served by the assurance department from our Irvine office, which has approximately 45 professional staff members, including 9 partners, 15 managers and supervisors. The Irvine Office assurance department staff with governmental experience consists of four partners, five managers, four supervisors, ten seniors and twelve staff accountants.

White Nelson Diehl Evans LLP has extensive experience in providing auditing, accounting and consulting services in the governmental sector. Over twenty thousand hours per year are devoted to this area of our practice for over 100 governmental units including cities, successor agencies, special districts, nonprofit corporations and joint power authorities.



RANGE OF ACTIVITIES

White Nelson Diehl Evans LLP is a full service CPA firm. We offer a broad range of services, including:

Certified Audits	Tax Planning and Consulting
Compilations and Reviews	Income Tax Preparation and Representation
Agreed-Upon Procedure Reviews	Consulting Services
Financial Services	Litigation Support Services

Our specific services available to governmental agencies are more fully set forth in this proposal.

PARTICIPATION IN "QUALITY REVIEW" PROGRAMS

In July 2012, our firm underwent a quality review, by an independent CPA firm, under provisions of the AICPA Quality Review Program. This review is required every three years and covered our audits of governmental agencies. A final report dated August 3, 2012 with a pass rating on our systems and procedures was received. A copy of the independent CPA firm's report is included herein at Attachment II. Accordingly, we are confident that our current auditing standards and techniques meet all existing requirements.

No regulatory action has ever been taken against any office of our firm due to substandard work. We had no significant deficiencies noted in any federal or state desk reviews over the past three years.

EDUCATION PROGRAMS

White Nelson Diehl Evans LLP has a formal continuing education program. All firm auditors are required to obtain 80 hours of continuing education every two years in the accounting and auditing area as required by Government Auditing Standards, and at least 24 hours of government related continuing education courses. Our staff is continually expanding their knowledge of the governmental industry through our in-house training programs, programs offered by the AICPA, GFOA, the California Society of Certified Public Accountants and other professional organizations, and through on-the-job training.

Noted below is a description of certain in-house education courses taken by our partners and staff to meet the governmental continuing education requirements. All personnel involved with governmental auditing are required to attend these courses.

- Understanding the Risk Assessment Standards
- Understanding of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments
- Understanding, and Auditing, Deposits and Investments of California Governmental Units
- Understanding GASB Statements 43 and 45 related to Other Post Employment Benefits
- Reviews of Internal Controls in Accordance With Statements on Auditing Standards
- Assessing Audit Risk and Materiality in Conducting An Audit
- Consideration of Fraud in a Financial Statement Audit
- Computer Auditing in the Governmental Environment
- The Single Audit - New Provisions under OMB Circular A-133
- Laws and Regulations in the Government Sector
- Understanding GASB Statement 54 related to Fund Balance Reporting and Governmental Fund Type Definitions
- Understanding GASB Statement 65 related to reporting of Deferred Outflows and Deferred Inflows of Resources
- Understanding the new GASB Pension Standards



PARTICIPATION IN PROFESSIONAL ORGANIZATIONS

Our partners and staff are actively involved in professional organizations in the governmental accounting field. Noted below is a summary of our participation in various national and California governmental organizations.

AICPA

Our firm is a member of the AICPA Governmental Audit Quality Center. The Center is a firm-based voluntary membership Center whose primary purpose is to promote the importance of quality governmental audits to purchasers of governmental audit services. The Center provides members with an online forum tool for sharing best practices, as well as discussions on audit, accounting, and regulatory issues. As a member of the Center, the firm receives updates on changes in auditing and accounting standards that effect governmental audits. The quality control partner is required to attend an annual web cast to discuss auditing and reporting issues effecting governmental audits. Our firm uses the resources of the Center to maintain the quality of our governmental audits.

GFOA, GASB and FASB

Our firm is an associate member of the Government Finance Officers Association of the United States and Canada (GFOA).

Also, we have web based access to the latest pronouncements issued by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standard Board (FASB), including Interpretations, Technical Pronouncements and Newsletters. We regularly analyze these pronouncements and advise our governmental clients of changes in accounting rules.

CSMFO

Our Irvine office partners and our Director of Consulting Services are associate members of the California Society of Municipal Finance Officers (CSMFO). Our personnel regularly attend local CSMFO chapter meetings throughout Southern California, and the annual statewide conference. We often provide public speakers for these meetings.

CSCPA

Several partners and principals of the firm have been members of the Governmental Accounting and Auditing (GAA) Committee of the Orange County Chapter of the California Society of Certified Public Accountants (CSCPA). Mr. Patel, Mr. Ludin and Mr. Morgan have each served as chairman of this committee. Firm personnel have been involved over the years in preparing position papers issued for professional organizations on governmental accounting matters. Currently, Mr. Patel and Mr. Callanan are members of the State Governmental Accounting and Auditing Committee.



GFOA AWARD PROGRAM

The partner and manager will be involved in all phases of report preparation or review. Reporting checklists will be used to assure compliance with all reporting requirements. In addition, another member of the firm, not associated with the audit, and with extensive governmental auditing and accounting experience, will review each financial statement audited and related reports. Based on the high quality of our review process, we have been able to assist various clients in obtaining the GFOA "Certificate of Achievement for Excellence in Financial Reporting". The recent clients that have received the award are:

Cities:

Alhambra
Bellflower
Beverly Hills
Burbank
Camarillo
Campbell
Colton
Costa Mesa
Cypress
Del Mar
Downey
Fountain Valley
Goleta
Highland
Lake Forest
Lakewood
Lancaster
Newport Beach
Palm Desert
Pico Rivera
Port Hueneme

Cities (Continued):

Rancho Palos Verdes
Rancho Santa Margarita
San Buenaventura
San Gabriel
Sanger
Signal Hill
Stanton
Tustin
West Covina
West Hollywood
Westminster

Special Districts:

Costa Mesa Sanitary District
Inland Empire Utilities Agency
Las Virgenes Municipal Water District
Olivenhain Municipal Water District
Otay Water District
Rancho California Water District
Santa Ana Watershed Project Authority
Yorba Linda Water District



COMPUTER AUDITING CAPABILITIES

White Nelson Diehl Evans LLP uses technology to make the audit process more effective. We utilize a paperless audit software, ProSystem fx Engagement, which allows us to manage our audit documentation electronically. Some of the benefits of paperless audit are:

- Receive the City's schedules in either hard copy or electronic format.
- Import and integrate trial balance data from virtually any accounting system. We avoid the time and expense of keying in account numbers, descriptions and account balances. We simply take your electronic trial balance and import it directly into our audit software.
- Create our own lead sheets, which can include prior year balances. This helps us to easily identify significant fluctuations between fiscal years.
- CAFR schedules are linked to trial balances. CAFR is updated automatically for any last minute journal entries, if any.

Our approach includes using IDEA (Interactive Data Extraction and Analysis) which is a data analysis software that can be used to analyze large amounts of information. It allows the firm to extract data from the City's accounting records to tailor specific audit tests based on risk assessments. Some audit procedures that IDEA can be utilized for are:

- Mechanical accuracy of worksheets or general ledgers.
- Exception and gap/completeness testing for missing check numbers.
- Cross checking different data bases for common information such as employee names.
- Duplicate testing of invoice numbers.
- Completeness of general ledger balances.

The firm also has document management software which allows our clients to access our web portal. We utilize the web portal to transfer data files that are confidential or too large to be sent by e-mail.



PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

AUDIT TEAM

The audit team assembled consists of individuals who have extensive experience auditing governmental agencies and are familiar with municipal accounting. In addition, each team member's skill and experience developed working in other industries our firm serves can be applied to the individual requirements of the City of Laguna Hills.

The personnel assigned to the engagement team are as follows:

The engagement partner will be Mr. Nitin P. Patel, CPA. Mr. Patel has over 29 years of experience with audits of local governments. He will be involved with all phases of the audit including (a) the planning phase of the audit to assess risks related to the audit (b) a final review of all the work papers and financial reports, and (c) attending any meetings with City's management and City council at the conclusion of the audit. He will be responsible for assuring that all work for the City is performed in a complete and timely manner.

Mr. Robert J. Callanan, CPA, will be the Technical Review Partner and will perform a quality review of all reports issued in connection with the audit. Mr. Callanan has over 25 years of experience with audits of local governments. He will also consult on the accounting treatment of unusual transactions or audit issues.

Ms. Kassie Radermacher, CPA, will serve as the audit manager. Ms. Radermacher has over 10 years of experience with audits of local governments. She will be the primary contact for the City and related audits. She will (a) be on-site supervising staff accountants, (b) perform the initial review of the work papers including a review of the work completed related to internal controls, (c) supervise the completion of the financial reports and management letter and (d) assist in the audit of any complex or unusual audit areas.

The audit senior will be Mr. Jesse Pattison, CPA. Mr. Pattison has over 4 years of public accounting experience. He will be on-site performing the fieldwork including performing tests of internal controls, substantive tests of account balances, and analytical tests. He will also draft the financial statements and various reports required for this engagement.

Resumes for the above partners and personnel are included at pages 9 through 12.

COMMITMENT RELATED TO PERSONNEL

We make a commitment to retain the same personnel on the City from year to year, except where such personnel leave the firm, or where the change is approved by the City. If a staff member is replaced, we make a commitment to replace that person with staff of at least equal experience.

NONDISCRIMINATION POLICY

Our firm has a policy to provide equal employment opportunities to all qualified persons without regard to race, color, age, sex, religion, national origin or handicap.



NITIN P. PATEL, CPA**Position**

Engagement Partner

Education

University of California at Irvine
 Bachelor of Arts in Economics
 California State University at Long Beach
 Masters of Accounting Program

Licensing

Certified Public Accountant in California since 1988

Professional Organizations

American Institute of Certified Public Accountants
 California Society of Certified Public Accountants
 California Society of Municipal Finance Officers (CSMFO) - Associate Member
 Governmental Accounting and Auditing Committee of Orange County - Committee Chairman (2001-2002)
 California Governmental Accounting and Auditing Committee Member

Range of Experience

Has been with the firm since 1986 with emphasis in governmental accounting and financial reporting and is responsible for firm's in-house governmental accounting and auditing training programs.

Experience includes supervision of over one hundred audits of governmental agencies including cities, successor agencies/redevelopment agencies, non-profit corporations, joint powers authorities and special districts.

CSMFO Report Reviewer for Award Program.

GFOA Report Reviewer for Award Program - Certificate of Achievement for Excellence in Financial Reporting.

Other experience includes providing consulting services for governmental agencies including special internal control reviews, cost allocation plans, cable television rate reviews, reviews of City Treasurer operations and transient occupancy tax reviews of city hotels/motels.

Mr. Patel was the engagement partner on the following local government audits in 2014:

Cities:

Alhambra
 Artesia
 Bellflower
 Burbank
 Colton
 Costa Mesa
 Cypress
 Gilroy
 Lake Forest
 Newport Beach
 Palm Desert
 Port Hueneme
 Rialto
 San Gabriel
 Stanton

Cities (Continued):

West Hollywood
 Westminster

Special Districts:

Chino Basin Desalter Authority
 Costa Mesa Sanitary District
 Cypress Recreation and Park District
 Inland Empire Regional Composting Authority
 Inland Empire Utilities Agency
 La Habra Heights County Water District
 La Puente Valley County Water District
 Orchard Dale Water District
 Rancho California Water District
 South Coast Water District
 Yorba Linda Water District

Continuing Professional Education

Total hours were 191 in the last three years, of which 168 hours were for meeting the requirements of the Government Audit Standards.



ROBERT J. CALLANAN, CPA**Position**

Technical Review Partner

Education

Aquinas College, Grand Rapids, Michigan

Bachelor of Arts, Business Administration, 1988

Bachelor of Science, Accounting, 1988

Licensing

Certified Public Accountant in California since 1993

Professional Organizations

American Institute of Certified Public Accountants - Member

California Society of Certified Public Accountants - Member

California Society of Municipal Finance Officers (CSMFO) - Associate Member

California Governmental Accounting and Auditing Committee Member

Range of Experience

Twenty-five years with the firm specializing in governmental audit, accounting and consulting services.

Two years of experience as Chief Financial Officer of a mortgage lending corporation.

Responsible for the firm's in-house governmental accounting and auditing training programs.

GFOA Report Reviewer for Award Program - Certificate of Achievement for Excellence in Financial Reporting.

Mr. Callanan was the engagement partner on the following local government audits in 2014:

Cities:

Camarillo

Campbell

Del Mar

Hawaiian Gardens

Oxnard

Pico Rivera

Rancho Santa Margarita

San Buenaventura

Special Districts:

Laguna Beach County Water District

Pico Rivera Water Authority

Pomona-Walnut-Rowland Joint Water

Line Commission

Rowland Water District

Sunset Beach Sanitary District

Surfside Colony Stormwater Protection District

Surfside Community Services District

Ventura Port District

Continuing Professional Education

Total hours were 202 in the last three years, of which 179 hours were for meeting the requirements of the Government Audit Standards.



KASSIE RADERMACHER, CPA**Position**

Audit Manager

Education

West Virginia University

Masters of Professional Accountancy, 2005

Bachelor of Science, 2003

Licensing

Certified Public Accountant in California since 2010

Certified Public Accountant in Virginia since 2006

Professional Organizations

California Society of Certified Public Accountants (CSCPA)

Range of Experience

Ms. Radermacher has been with the firm since June 2009. Ms. Radermacher has performed all phases of local governmental audits including cities, successor agencies/redevelopment agencies, single audit of federal grants, special districts, compliance audits and agreed-upon procedures engagements. As an audit manager, she is involved with planning the audit, performing fieldwork for all aspects of the audit, supervising staff accountants and preparation of financial statements. Ms. Radermacher served as the Audit Manager on the following local government audits in 2014:

City of Artesia	La Puente Valley County Water District
City of Bellflower	Lake Elsinore & San Jacinto
City of Cypress	Watersheds Authority
City of Del Mar	Local Agency Formation Commission (LAFCO) -
City of Fountain Valley	Orange County
City of Lake Forest	Orchard Dale Water District
City of Newport Beach	Orange County Vector Control District
City of Rancho Santa Margarita	Pico Water District
City of Rialto	Santa Ana Watershed Project Authority
City of San Gabriel	Sunset Beach Sanitary District
City of Stanton	Surfside Colony Community Service District
	Surfside Colony Storm Water Protection District
	Yorba Linda Water District

Prior to joining the firm, Ms. Radermacher was senior in-charge of compilations, reviews, single audits, and financial audits for non-profit and business clients with Rager, Lehman & Houck, P.C. in Frederick, MD. She was also responsible for educating and monitoring the staff.

Continuing Professional Education

Total hours were 193 in the last three years, of which 181 hours were for meeting the requirements of the Government Audit Standards.



JESSE PATTISON, CPA**Position**

Audit Senior

Education

University of Arizona

Masters of Accounting, 2011

Bachelors of Science, 2010

Licensing

Certified Public Accountant in California since December 2014

Range of Experience

Mr. Pattison has been with the firm since August 2012. Mr. Pattison has performed all phases of audits including Non-profit Corporations, Cities, Single Audit of Federal Grants, Special Districts, Compliance Audits, Business Entities, and Agreed-Upon Procedures engagements. He has been involved with planning the audit, performing fieldwork for all aspects of the audit and preparation of financial statements. Mr. Pattison has been involved with the following Non-profit, Governmental and Business clients:

Governmental:

City of Alhambra
 City of Artesia
 City of Beverly Hills
 City of Burbank
 City of Gilroy
 City of Highland
 City of Hawaiian Gardens
 City of La Habra Heights
 City of Lake Forest
 City of Newport Beach
 City of Sanger
 California Joint Powers Insurance
 Authority
 Los Angeles Local Agency
 Formation Commission
 Orchard Dale Water District

Non-profit Corporations:

Boys and Girls Clubs of Garden Grove
 Collwood Terrace
 Human Options, Inc.

Business Entities:

Aubrey Group
 Ganahl Lumber Company
 Independent Capital Management
 Ironman
 LeVecke Corporation
 Meridian Graphics
 Pacific American Fish, Co.
 Park West
 Pool Water Products
 Security Signal Devices, Inc.
 Trussed, Inc.
 Venus Textiles, Inc.

Prior to joining the firm, Mr. Pattison was a staff accountant and performed reviews, single audits, and financial audits for non-profit and business clients with Eide Bailly in Phoenix, Arizona.

Continuing Professional Education

Total hours for the period of August 1, 2012 through December 31, 2014 were 96, of which 96 hours were for meeting the requirements of the Government Audit Standards.



FIRM EXPERIENCE WITH GOVERNMENTAL ENTITIES

SIMILAR ENGAGEMENTS WITH OTHER MUNICIPAL ENTITIES AND REFERENCES

The scope of work and client references for five comparable city clients are included below. A complete list of similar engagements for the past five years is included in Attachment I of this proposal.

City of Costa Mesa

Ms. Colleen O'Donoghue
Assistant Finance Director
(714) 754-5421

Scope of work:

City, Housing Authority,
Financing Authority, and
AQMD audits
Single audit
GANN report

City of Lake Forest

Mr. Keith Neves
Director of Finance
(949) 461-3400

Scope of work:

City and Housing Authority
audits
Preparation of the CAFR
Single audit
GANN report

City of Newport Beach

Mr. Dan Matusiewicz
Director of Finance
(949) 644-3126

Scope of work:

City audit
Single audit
GANN Report

City of Rancho

Santa Margarita
Ms. Stefanie Turner
Finance Director
(949) 635-1812

Scope of work:

City audit
GANN report

City of Stanton

Mr. Stephen Parker
Administrative Services
Director
(714) 379-9222

Scope of work:

City and Successor Agency
audits
Preparation of the CAFR
GANN report

CITY CLIENT REFERENCES

One means of judging the high quality of our auditing and accounting services would be contact with some of our clients over the past year. We are including the names and phone numbers of the city clients as presented in Attachment I of this proposal. We encourage you to contact any of these individuals and verify our level of service.



ENTERPRISE FUND EXPERIENCE

Most cities audited by our firm have a water utility enterprise fund. Noted below is a partial listing of other enterprise funds audited by our firm in recent years:

<u>City</u>	<u>Enterprise</u>
Alhambra	Water, Sewer, Storm Drain, Sanitation, Golf Course
Avalon	Harbor, Sewer, Saltwater, Solidwaste, Hospital
Bellflower	Water
Beverly Hills	Water, Solidwaste, Wastewater, Stormwater
Burbank	Water Reclamation, Sewer, Golf, Electric Utility
	Water Utility, Refuse Collection and Disposal
Camarillo	Water, Sanitary, Solidwaste, Transit
Colton	Electric Utility, Water Utility, Wastewater Utility
Cypress	Sewer
Del Mar	Water, Wastewater, Cleanwater
Downey	Water, Sewer, Golf Course, Transit System
Fountain Valley	Water, Solidwaste
Gilroy	Water, Sewer
Hesperia	Water, Sewer
Lakewood	Water
Lancaster	Power Authority
Newport Beach	Water, Sewer
Oxnard	Water, Wastewater, Environmental Resource, Performing Arts and Convention Center, Housing Authority, Golf Course
Palm Desert	Golf Course
Pico Rivera	Water, Sports Arena, Golf
Port Hueneme	Water, Wastewater, Solidwaste, Housing
Rancho Palos Verdes	Water Quality Flood Protection
Rialto	Airport, Cemetery, Recreation, Wastewater, Water
San Buenaventura	Water, Sewer
Sanger	Water, Sewer, Disposal, Ambulance
Signal Hill	Water
Stanton	Sewer
Tustin	Water
West Covina	Simulator, Computer
West Hollywood	Sewer District, Sewer Charge, Solid Waste, Landscape District and Street Maintenance
Westminster	Water



SINGLE AUDIT EXPERIENCE

We perform single audit services for most of our cities and special districts that receive federal funds as required by OMB Circular A-133. In recent years, Single Audits were performed for the following cities and special districts.

Cities:

City of Alhambra	City of Lakewood
City of Artesia	City of Lancaster
City of Bellflower	City of Newport Beach
City of Beverly Hills	City of Oxnard
City of Burbank	City of Palm Desert
City of Camarillo	City of Pico Rivera
City of Campbell	City of Port Hueneme
City of Colton	City of Rancho Palos Verdes
City of Costa Mesa	City of Rancho Santa Margarita
City of Cypress	City of Rialto
City of Del Mar	City of San Buenaventura
City of Downey	City of San Gabriel
City of Fountain Valley	City of Sanger
City of Gilroy	City of Signal Hill
City of Goleta	City of Stanton
City of Hawaiian Gardens	City of Tustin
City of Hesperia	City of West Covina
City of Highland	City of West Hollywood
City of La Habra Heights	City of Westminster
City of Lake Forest	

Special Districts:

Inland Empire Utilities Agency
 Las Virgenes Municipal Water District
 Olivenhain Municipal Water District
 Rancho California Water District
 Valley Wide Recreation and Park District

EXPERIENCE WITH PREPARATION OF STATE-MANDATED REPORTS

We have experience with the preparation of various state-mandated reports, such as the State Controller's Report and the Annual Street Report. Specifically, with regard to cities, we have prepared the state mandated reports, in recent years, for the Cities of Alhambra, Avalon, Bellflower, Colton, Del Mar, Goleta, La Habra Heights, Lancaster, Pico Rivera, Rancho Palos Verdes, San Buenaventura, Sanger, Tustin and West Hollywood.



SPECIAL DISTRICTS

Noted below is a listing of special districts audited by our firm in recent years:

Borrego Water District	Olivenhain Municipal Water District
Chino Basin Desalter Authority	Orange County Vector Control District
Costa Mesa Sanitary District	Orchard Dale Water District
Cypress Recreation and Park District	Otay Water District
Downey Cemetery District	Padre Dam Municipal Water District
El Toro Water District	Rancho California Water District
Grossmont Healthcare District	Rowland Water District
Heber Public Utilities District	Santa Ana Watershed Project Authority
Inland Empire Regional Composting Authority	South Coast Water District
Inland Empire Utilities Agency	South County Regional Wastewater Authority
La Habra Heights County Water District	Sunset Beach Sanitary District
La Puente Valley County Water District	Surfside Colony Stormwater
Laguna Beach County Water District	Drainage District
Lake Elsinore and San Jacinto	Surfside Community Services District
Joint Powers Authority	Vallecitos Water District
Las Virgenes Municipal Water District	Valley Wide Recreation and Park District
Leucadia Wastewater District	Ventura Port District
Midway City Sanitary District	Yorba Linda Water District

NONPROFIT CORPORATIONS AND JOINT POWER AUTHORITIES

Noted below is a partial listing of nonprofit corporations and joint power authorities audited by our firm over the past year. Some of these entities are "component units" which are combined into the basic financial statements of governmental organizations which exercise oversight responsibility.

Anaheim District of the Churches of the Nazarene	Pomona-Walnut-Rowland Joint Water Line Commission
Cal State L.A. Metrolink Authority	Public Cable Television Authority
California Transplant	The RARE Project
Casa de las Campanas	Trinity Youth Services
Casa Romantica Cultural Center	United Cerebral Palsy Association
Child Abuse Prevention Center	Valencia Heights Water Company
Palm Desert Recreational Facilities Corporation	Westview Services, Inc. 403(b) Plan



SCOPE OF WORK, TIMING AND AUDIT APPROACH

ENTITY TO BE INCLUDED IN AUDIT

City of Laguna Hills

REPORTS TO BE ISSUED AND DUE DATES

	Draft Due Dates	Final Due Dates
City of Laguna Hills:		
Comprehensive Annual Financial Report	2 nd week in November	4 th Tuesday in November
Management Letter	2 nd week in November	4 th Tuesday in November
Audit Committee Letter	2 nd week in November	4 th Tuesday in November
Single Audit Reports:	2 nd week in November	4 th Tuesday in November
- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> - Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards.		
Report on Compliance with Article XIII B Appropriation Limit (GANN Review)	2 nd week in November	4 th Tuesday in November
Report on Compliance regarding the City's Investment Policy	2 nd week in November	4 th Tuesday in November
State Controllers' Office Reports:		
Annual Street Report	N/A	As required by SCO
Annual Financial Report	N/A	As required by SCO



AUDIT TIMING

Assuming that the City's books are closed and ready for examination and that all necessary schedules and documents are available for our use by the 2nd week in September each year, the suggested time schedule for the various phases of the audit would be approximately as follows:

	<u>Completed By</u>
Entrance conference with key City staff. Discussion of any prior audit concerns and the performance of interim work.	June 30
Interim audit fieldwork and management review	3 rd or 4 th week in July
Final audit fieldwork and management review	4 th week in September
Exit conference to summarize the results of the fieldwork and to review significant findings	4 th week in September
Deliver draft copies of reports	See page 17
Deliver Final Reports	See page 17

COMMITMENT TO DELIVER REPORTS ON A TIMELY BASIS

If all books and records, schedules and documents are made available to us by 2nd week of September, we make a commitment to have audit team members available and to provide all reports by the due dates specified above.

AUDITS TO BE IN ACCORDANCE WITH GAAS AND OTHER REQUIREMENTS

We will audit the financial statements of the City and any component units. The financial statements of all entities where the City exercises oversight will be combined with the City's financial statements, in accordance with GASB requirements. Our audit will be in accordance with auditing standards generally accepted in the United States of America as set forth by the AICPA, and will include such auditing procedures as we consider necessary under the circumstances. We will apply certain limited procedures, which consist principally of inquiries of management regarding methods of measurement and presentation of required supplementary information. However, we do not audit such information and do not express an opinion on it. Any supplemental financial statements will be subjected to auditing procedures as we consider necessary in relation to the financial statements taken as a whole. The scope of our audit will not include any statistical information, and we will not express an opinion concerning it.

Our audits will conform with the guidelines set forth in the AICPA's Industry Audit Guide, Audits of State and Local Governmental Units. Also, each examination will comply with the standards for financial and compliance audits contained in the Government Auditing Standards, issued by the U.S. General Accounting Office, the provisions of the Single Audit Act and the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133.



AUDITS TO BE IN ACCORDANCE WITH GAAS AND OTHER REQUIREMENTS (CONTINUED)

Also, we will perform an agreed-upon procedures review of the City's Gann Spending Limitation Computation as required by Section 1.5 of Article XIII B of the California Constitution. Our review will be performed in conformance with the provision of the "League of California Cities Uniform Guidelines".

AUDIT APPROACH

- Our audit approach is tailored to meet the technical requirements while maintaining professional skepticism without forgetting that we provide a service. The following aspects of our audit approach will add additional value to the audit services and minimize the amount of time spent by the City's staff in dealing with the audit.
- We will assign experienced staff auditors including the in-charge field auditor having at least 3 years of experience. For first year engagements, all other staff will have at least 1 year of experience. You will not spend time training our auditors.
- Whenever possible, we will use same format for audit supporting schedules used in prior years for the current year audit. This will reduce time spent by the City staff in dealing with the audit when a different audit firm is chosen.
- Throughout the year we are available as a resource to our clients in researching technical questions, dealing with new pronouncements, reviewing complex financial entries and helping with any other issues as they arise.
- The work papers will be reviewed by the manager or partner as field work is being completed to minimize additional questions after the fieldwork is completed.

Our firm uses a governmental audit program which will be modified to the City of Laguna Hills's operations to accommodate specific client circumstances. Our audit programs are organized by the financial statement approach and general procedures. The requirements by the Standards for assessing risk are utilized to modify the audit programs to focus on the higher risk areas of the financial statements.



AUDIT APPROACH (CONTINUED)

1. Audit Planning Procedures:

- Pre-audit conference with the City to establish process of communication between the audit team and City staff.
- Discuss any new accounting pronouncements to be implemented in the current year.
- Establish scope of work and timing of fieldwork.

2. Interim Fieldwork:

Gather information about the City and its environment, including internal control:

- Evaluate the design of internal controls that are relevant to the audit and determine whether the control, either individually or in combination is capable of effecting, preventing or detecting and correcting material misstatements.
- Determine that the controls have been implemented, that is, that the controls exist and that the City is using it.
- Specific areas to review include:
 - Accounts payable/cash disbursements
 - Accounts receivable/cash receipts
 - Payroll disbursements
 - Utility billing process
 - Investment compliance
 - Property and equipment
- Review of minutes of the City of Laguna Hills.
- Review of important contracts and debt agreements.
- Interim exit conference with the City to review results of interim fieldwork, including any findings.

3. Final Audit Work:

During the final audit work, we will assess "risk" of material misstatement based on understanding of the City's audit environment, including its internal control, to identify account balances to audit that appear in the City's financial statements. Our audit programs will be specifically tailored to address any significant risks identified. The Prepared by Client (PBC) list will be provided at least one month in advance of fieldwork. Our work may include:

- Confirmation of cash and investments balances and testing of bank reconciliations.
- Confirm significant receivable balances or review subsequent cash receipts to verify receivable balance.
- Search for unrecorded liabilities.
- Testing of interfund balances and transfers.
- Test capital asset additions and depreciation expense.
- Confirm long-term debt balances and review the accounting treatment of debt issued or refunded.
- Test support for other significant assets or liabilities.
- Analytical procedures on balance sheet and revenue and expenditure accounts, to evaluate and explain unusual fluctuations from prior year balances or current year budgeted amounts.



AUDIT APPROACH (CONTINUED)

3. Final Audit Work (Continued):

- Review of attorney letters for significant legal matters affecting the City's financial position.
- An exit conference will be held to review any significant adjustments or findings.

The audit workpapers will be reviewed by our management team as the work is being performed in the field so that at the conclusion of the fieldwork we are able to report any adjustments or findings.

AUDIT APPROACH REDEVELOPMENT AGENCY/SUCCESSOR AGENCY

Recent legislation related to the dissolution of Redevelopment Agencies will impact our audit approach as detailed below.

Our procedures will include:

- Audit the balances reported for cash, investments, receivables, payables, capital assets and long term liabilities as of end of the year.
- Review the activity reported on ROPS.
- Review the activities of the Successor Agency to ensure compliance with AB 26, AB 1484 and other relevant legislation enacted.

APPROACH TO INTERNAL CONTROL

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Our understanding of the internal controls will be completed by completing narratives and checklists for various processes related to internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, Government Auditing Standards, and OMB Circular A-133.



SINGLE AUDIT APPROACH

The single audit will be performed in accordance with all the requirements of the Single Audit Act Amendments of 1996, OMB Circular A-133 and Government Auditing Standards issued by the GAO (the "Yellow Book") for cities that expend greater than \$500,000 in federal awards in fiscal year 2014-2015 and greater than \$750,000 for fiscal year 2015-2016 and subsequent years.

- We will identify the Major and Nonmajor Federal Programs of the City through the risk-based approach required by OMB Circular A-133. This approach includes consideration of current and prior audit experience, oversight by Federal agencies and pass-through entities, and the inherent risk of the federal program.
- We will review all federal and industry-specific publications and guidance and inform the City of any recent changes.
- We will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with applicable compliance requirements. If weaknesses in the internal controls are noted, we will modify our audit program as needed.
- Our audit will include tests of transactions related to major federal award programs for compliance with applicable compliance requirements and certain provisions of laws, regulations, contracts and grant agreements. Beginning in fiscal year 2015-2016, we will test compliance with the "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (also known as the OMB Super Circular).
- Our procedures will consist of the applicable procedures described in the OMB Circular A-133 "Compliance Supplement" for the types of compliance requirements that could have a direct and material effect on each of the City's major programs. The purpose of those procedures will be to express an opinion on the City's compliance with requirements applicable to major programs in our report on compliance issued pursuant to OMB Circular A-133.
- We will assist the City in completing and filing the Data Collection Form.

DETERMINING LAWS AND REGULATIONS SUBJECT TO AUDIT

Under provisions of AICPA Auditing Standards, management of the City is responsible for identifying to its outside auditors any laws and regulations which would have a significant effect on the audit. This would include federal laws (such as federal grant regulations), State laws (such as permitted investments under the California Government Code) and local laws (such as restrictions on special revenues levied by the City). After our selection as auditors, we will consult with City officials regarding these matters, to determine what laws and regulations need to be evaluated in connection with our audit. If a City is not able to identify specific laws and regulations that effect it, we have references (California Government Code and Health and Safety Code) to the more common laws, rules and regulations in our standard audit programs for the usual activities of a California City or Successor Agency to the Redevelopment Agency which will assist us in identifying laws and regulations to review in the audit.



METHOD OF SAMPLING

Our approach is to utilize random sampling based in our testing of the internal control systems related to cash receipts, cash disbursements, payroll and utility billings. Based on a statistical conclusion used by the firm our sample sizes can range from 25 to 60 transactions for each system. A random sample selection allows each item in the population of an equal chance of being selected. In addition, for disbursements, we may select a stratified sample of all transactions over a specified dollar amount for review.

ANALYTICAL PROCEDURES

Analytical procedures are used in the planning and final stages of the audit. In the planning phase, we use analytical procedures to identify unusual financial transactions and comparing relationships to expected results. We compare current year information to the prior years for balance sheet items, revenues and expenditures. In addition, revenues and expenditures are compared to budgets to identify unexpected results. In the final stages of the audit, the financial statements are reviewed to identify expected relationships such as comparing debt paid to expenditures recorded on governmental funds, transfers between funds, depreciation expense, etc. For all significant relationships identified, explanations are obtained as to why the situation occurred and additional audit procedures are applied to resolve any concerns.

MANAGEMENT LETTERS

In connection with each audit, a complete review of internal controls will be made of all significant accounting procedures. Our firm uses an internal control questionnaire, computer systems questionnaire and narration to gain an understanding of the internal control process as part of our audit. We will identify weaknesses and after discussion with the appropriate City staff, we will submit a management letter which will identify weaknesses observed during these reviews and throughout the audit. The management letter will also assess the effect of the management letter comments on the financial reporting process and recommend steps towards eliminating the weaknesses.

POTENTIAL AUDIT PROBLEMS

We do not anticipate any significant potential audit problems. If any potential audit problems are identified, we will immediately discuss them with the City's management. Our approach is to coordinate the resolution of any problems with the City's management. Considering our experience with auditing governmental entities and resources, we expect minimal disruption to the City's management in resolving any identified audit problems.

RETENTION OF AND ACCESS TO AUDIT WORKPAPERS

In accordance with provisions of OMB Circular A-133, GAO requirements, and the California Board of Accountancy, our audit workpapers will be maintained for at least seven years after the date of the report. These workpapers will be made available as necessary to your cognizant audit agency (or its designee), to GAO representatives, or to any other federal or state agency needing access to the workpapers. Also, our firm will respond to any reasonable inquiries of successor auditors and we will allow any successor auditors to review our workpapers.



OTHER PROFESSIONAL SERVICES

We will be available for any other professional assistance you require to research and answer accounting and reporting problems raised by the City, regardless of the time of year. Such assistance may include, but is not limited to, tax questions, the review of bond documents, cost allocation programs and employee benefit programs. We have provided several tax opinions to City audit clients for matters relating to deferred compensation, fringe benefits, stipends and allowances, and other issues. We also will keep the City informed of new developments affecting municipal finance and reporting, changes in grant rules and regulations, etc.

IRREGULARITIES AND ILLEGAL ACTS

We will make an immediate, written report of all irregularities, illegal acts or indications of illegal acts of which we become aware, to those charged with governance.

SEGMENTATION OF THE AUDIT HOURS, BY PARTNER AND STAFF LEVEL

Description of Services	Partners	Manager	Supervisory		Clerical	Total
			Staff	Staff		
City Audit, including CAFR Preparation and GANN Limit Review Report	24	32	64	96	10	226
State Controller's Office Reports:						
Annual Street Report	-	-	-	14	-	14
Annual Financial Report	-	4	-	30	-	34
Total Hours - City Services	24	36	64	140	10	274
Single Audit and Related Reports	1	4	-	24	1	30

SEGMENTATION OF THE AUDIT HOURS, BY PHASES OF THE AUDIT - CITY SERVICES

	Partners	Manager	Supervisory		Clerical	Total
			Staff	Staff		
Planning	4	4	4	10	-	22
Interim Fieldwork	4	8	14	40	-	66
Final Fieldwork and Review	16	24	46	90	10	186
Total Hours	24	36	64	140	10	274

SEGMENTATION OF THE AUDIT HOURS, BY PHASES OF THE AUDIT - SINGLE AUDIT

	Partners	Manager	Supervisory		Clerical	Total
			Staff	Staff		
Planning	-	1	-	3	-	4
Final Fieldwork and Review	1	3	-	21	1	26
Total Hours	1	4	-	24	1	30



DISCUSSION OF RELEVANT ACCOUNTING ISSUES

GASB STATEMENT NO. 68

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, is effective for periods beginning after June 15, 2014. This Statement improves the accounting and financial reporting by state and local governments for pension plans. This Statement replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about pensions are also addressed.

GASB STATEMENT NO. 69

GASB Statement No. 69, Government Combinations and Disposals of Government Operations, is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term, *government combinations*, includes mergers, acquisitions, and transfers of operations.

GASB STATEMENT NO. 71

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68 are required to be applied simultaneously with the provisions of Statement 68. The requirements of the Statement will eliminate the source of a potential understatement of restated beginning net position and expense in the first year implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities.



IMPLEMENTATION OF GASB STATEMENT NO. 68

Our firm has been involved with providing guidance and assistance to our clients in the implementation of GASB 68. Our partners are members of the State Governmental Accounting Auditing Committee which has collaborated with the CCMA in the development of a CCMA white paper that will provide California-specific guidance for the implementation of GASB 68.

Over the past year, we have provided the following guidance:

- Presented a GASB 68 update at a monthly CSMFO meeting
- Consulted with GASB 68 for specific guidance for employers in regards to establishing separate trusts and the impact of these trusts on the financial statements of the governmental client
- Provided communications to our clients on CALPERS efforts to provide GASB 68 information

For the 2015 audit, we will provide to each client the following guidance:

- Provide assistance in the preparation of the restatement that will recognize the cumulative effect of the retroactive application of GASB 68 to the beginning net position balances as of July 1, 2014.
- Provide guidance in the preparation of any journal entries required for the implementation of GASB 68.
- If applicable, consult with the local agency on the allocation of the GASB 68 liability to proprietary and the private-purpose trust fund.
- We will assist in how to identify the information needed for meeting the requirements of GASB 68 from CALPERS actuarial reports.
- We will inform the local agencies their responsibility in reviewing the census data submitted to CALPERS which is the basis for the GASB 68 liability.
- Provide the local agency of an example note and Required Supplementary Information
- We will perform census data tests required for defined benefit plans.



WORK REQUIRED BY CITY STAFF

Our fixed annual fees contemplate that conditions satisfactory to the normal progress and completion of the examination will be encountered and that City accounting personnel will furnish the agreed-upon assistance in connection with the audit. However, if unusual circumstances are encountered which make it necessary for us to do additional work, we shall report such conditions to the responsible City officials and provide the City with an estimate of the additional accounting fees involved.

Noted below is a listing of work required by City staff to assist in the audit.

1. Technical assistance in familiarizing our staff with:
 - The flow of information through the various departments and accounting systems.
 - Reports generated by your accounting system.
 - The system of internal controls.
 - Controls established to monitor compliance with federal grants.
2. Preparation of trial balances for all funds, after posting of all year end journal entries.
3. Preparation of schedules supporting all major balance sheet accounts, and selected revenue and expenditure accounts.
4. Typing of all confirmation requests.
5. Pulling and refiling of all supporting documents required for audit verification.
6. Assistance with the preparation of the CAFR and footnotes, including:
 - a. Preparation of the introductory section, the management's discussion and analysis, and portions of the statistical section for the CAFR.



CONSULTING SERVICES DEPARTMENT

OVERVIEW OF SERVICES PROVIDED

White Nelson Diehl Evans LLP offers a wide range of consulting services to governmental agencies. This section of our proposal summarizes the primary types of services provided by the firm.

The firm's Director of Consulting Services is Mr. William S. Morgan, CPA. Mr. Morgan has over thirty years of experience in providing accounting, auditing and consulting services to California cities, counties, successor agencies/redevelopment agencies, water districts, special districts, joint power authorities and nonprofit corporations. Many of the firm's consulting projects are planned, supervised and reviewed by Mr. Morgan.

Our firm provides the following types of services:

- Governmental Tax Consulting
- Performance and Operational Studies
- Redevelopment Consulting Services
- Reviews of City Treasurer Operations
- Cable Television and Broadband Consulting Services
- Reviews of Solid Waste Haulers and
Assistance With Trash Rate Negotiations
- Litigation Support and Dispute Resolution Services
- Fraud Investigations
- Hotel/Motel Transient Occupancy Tax Reviews
- Business License Operation Reviews

With regard to these engagements, we would intend to perform limited procedures reviews in connection with each assignment, in accordance with the AICPA's attestation standards. Under the provisions of the attestation standards, the City would designate what specific procedures it wishes to have performed. We would then perform those procedures and report on our findings. This type of engagement would not constitute a certified audit in accordance with auditing standards generally accepted in the United States of America. Such special services are not part of our standard fee arrangements and would be subject to a separate fee quotation.



ATTACHMENT I
CURRENT CITY CLIENT REFERENCES
AND
LISTS OF CITY AND SPECIAL DISTRICT ENGAGEMENTS
PERFORMED IN THE LAST 5 YEARS

CURRENT CITY CLIENT REFERENCES

One means of judging the high quality of our auditing and accounting services would be contact with some of our existing clients. We are including the names and phone numbers of our city clients over the past year. We encourage you to contact any of these individuals.

City of Alhambra

Mr. Paul Espinoza
Finance Director
(626) 570-5027

City of Artesia

Ms. Justine Menzel
Deputy City Manager
(562) 865-6249

City of Bellflower

Mr. Tae Rhee
Director of Finance
(562) 804-1424

City of Beverly Hills

Mr. Don Rhoads
Finance Director
(310) 285-2429

City of Burbank

Mr. Dino Balos
Accounting Manager
(818) 238-5518

City of Camarillo

Mr. Ronnie Campbell
Finance Director
(805) 388-5320

City of Campbell

Mr. Jesse Takahashi
Finance Director
(408) 866-2113

City of Colton

Ms. Anita Agramonte
Finance Director
(909) 370-5039

City of Costa Mesa

Ms. Colleen O'Donoghue
Assistant Finance Director
(714) 754-5421

City of Cypress

Mr. Matt Burton
Director of Finance and
Administrative Services
(714) 229-6718

City of Del Mar

Ms. Teresa McBroome
Director of Finance/Treasurer
(858) 755-9354

City of Fountain Valley

Mr. David Cain
Finance Director/Treasurer
(714) 593-4501

City of Gilroy

Ms. Christina Turner
Finance Director
(408) 846-0750

City of Goleta

Ms. Genie Wilson
Finance Director
(805) 961-7527

City of Hawaiian Gardens

Ms. Susan Hartman
Interim Finance Director
(562) 420-2641

City of Hesperia

Mr. Brian Johnson
Director of
Administrative Services
(760) 947-1442

City of Highland

Mr. Chuck Dantuono
Director of Administrative
Services
(909) 864-6861

City of Lake Forest

Mr. Keith Neves
Director of Finance
(949) 461-3400

City of Lancaster

Ms. Barbara Boswell
Finance Director
(661) 723-6035

City of Newport Beach

Mr. Dan Matusiewicz
Director of Finance
(949) 644-3126

City of Oxnard

Mr. David Millican
Interim CFO (Consultant)
(805) 385-7475

City of Palm Desert

Mr. Paul Gibson
Director of Finance
(760) 346-0611

City of Pico Rivera

Mr. Kambiz Borhani
Senior Finance Manager
(562) 801-4395

City of Port Hueneme

Mr. Robert Bravo
Finance Director
(805) 986-6506

City of Rancho Santa Margarita

Ms. Stefanie Turner
Finance Director
(949) 635-1812

City of Rialto

Mr. George Harris, II
Director of Administrative
and Community Services
(909) 421-7219

City of San Buenaventura

Mr. Rudy Livingston
Assistant Chief Financial
Officer
(805) 654-7859

City of San Gabriel

Mr. Thomas Marston
Director of Finance
(626) 308-2812

City of Sanger

Ms. Debby Sultan
Administrative Services
Director
(559) 876-6300

City of Stanton

Mr. Stephen Parker
Administrative Services
Director
(714) 379-9222

City of Tustin

Ms. Pamela Arends-King
Finance Director
(714) 573-3061

City of West Covina

Mr. Dennis Swink
Finance Director
(626) 939-8449

City of West Hollywood

Ms. Lorena Quijano
Accounting Services Manager
(323) 848-6513

City of Westminster

Ms. Sherry Johnson
Accounting Manager
(714) 898-3311

LIST OF CITY ENGAGEMENTS

We have listed below the cities which were under contract with us during the past five fiscal years.

City	Period of Service		Scope of Work
	From	To	
Alhambra	2005	Present	CA, RDA, SA, SCR
Artesia	2012	Present	CA, RDA, SA
Avalon	2006	Present	CA, RDA, OCU, SCR
Bellflower	2013	Present	CA, SA, SCR, Financing Authority, Public Facilities Corp.
Beverly Hills	2012	Present	CA, SA
Buena Park	2004	2010	CA, RDA, SA, OCU, SCR
Burbank	2013	Present	CA, AQMD, SA, Water & Utility Enterprise Fund
Camarillo	2012	Present	CA, RDA, SA
Campbell	2013	Present	CA, SA, T, Solid Waste Management Authority
Colton	2014	Present	CA, SA, SCR, Child Care Program
Costa Mesa	2012	Present	CA, RDA, PFA, SA, Housing Authority
Cypress	2012	Present	CA, RDA, RA, SA
Del Mar	2014	Present	CA, SA, SCR
Downey	1987	2013	CA, RDA, AQMD, PFA, SA, OCU
Fountain Valley	2013	Present	CA, SA, Housing Authority, Financing Authority
Fullerton	2004	2010	CA, RDA, AQMD, SA, SCR, Cost Allocations
Gilroy	2013	Present	CA, SA
Goleta	2013	Present	CA, SA, SCR, SR
Hawaiian Gardens	2012	Present	CA, RDA, PFA, SA
Hesperia	1997	Present	CA, RDA, SA
Highland	2012	Present	CA, SA
Irvine	2000	2010	CA, RDA, AQMD, PP, SA, OCU
La Habra Heights	2008	2013	CA, SA, SCR
Lake Elsinore	2005	2012	CA, RDA, PFA, RA, SA
Lake Forest	2011	Present	CA, RDA, SA, Housing Authority
Lakewood	1974	2013	CA, RDA, SA
Lancaster	2013	Present	CA, SA, SCR - City, SCR - Power Authority
Los Alamitos	2008	2010	CA, SA (when required)
Newport Beach	2011	Present	CA, SA
Oxnard	2013	Present	CA, SA, OCU
Palm Desert	2008	Present	CA, RDA, SA, Housing Authority
Pico Rivera	2012	Present	CA, PFA, SA, SCR, Water Authority
Port Hueneme	2012	Present	CA, SA, Housing Authority, Surplus Property Authority
Rancho Palos Verdes	2008	2012	CA, RDA, PI, SA, SCR, SR
Rancho Santa Margarita	2012	Present	CA, SA
Rialto	2013	Present	CA, SA
San Buenaventura	2011	Present	CA, RDA, PFA, SA, SCR
San Fernando	2007	2011	CA, RDA, SA
San Gabriel	2013	Present	CA, SA
San Juan Capistrano	2005	2010	CA, RDA, SA, Community Housing Corp.
Sanger	2011	Present	CA, RDA, PFA, SA, SCR
Signal Hill	1962	2013	CA, RDA, SA
Stanton	2012	Present	CA, RDA, SA
Tustin	2011	Present	CA, RDA, SA, SCR
West Covina	2011	Present	CA, RDA, AQMD, SA
West Hollywood	2014	Present	CA, SA, SCR
Westminster	1997	Present	CA, RDA, AQMD, SA

Legend:

AQMD - Air Quality Management District Audit

CA - City Audit

OCU - Other Component Unit Audits

PFA - Public Financing Authority

PI - Public Improvement

PP - Pension Plans

RA - Recreation Authority

RDA - Former Redevelopment Agency Audit

SA - Single Audit

SCR - State Controllers' Reports

SR - Street Report

T - Transportation

Substantially all of the above engagements were performed through the firm's Irvine office.

LIST OF SPECIAL DISTRICT ENGAGEMENTS

We have listed below the special districts which were under contract with us during the past five fiscal years.

Client Name	Period of Service	
	From	To
Borrego Water District	2006	2013
Chino Basin Desalter Authority	2011	Present
Costa Mesa Sanitary District	2005	Present
Cypress Recreation and Park District	2012	Present
Downey Cemetery District	1987	2013
El Toro Water District	2008	2013
Grossmont Healthcare District	2011	Present
Heber Public Utilities District	2014	Present
Inland Empire Regional Composting Authority	2011	Present
Inland Empire Utilities Agency	2011	Present
La Habra Heights County Water District	2002	Present
La Puente Valley County Water District	1986	Present
Laguna Beach County Water District	2002	Present
Lake Elsinore and San Jacinto Joint Powers Authority	2013	Present
Las Virgenes Municipal Water District	2007	2013
Leucadia Wastewater District	2010	Present
Midway City Sanitary District	2012	Present
Municipal Water District of Orange County	2007	2011
Olivenhain Municipal Water District	2009	Present
Orange County Vector Control District	2013	Present
Orange County Water District	2006	2010
Orchard Dale Water District	2012	Present
Otay Water District	2009	2013
Padre Dam Municipal Water District	2009	Present
Puente Basin Water Agency	2005	2011
Rancho California Water District	2012	Present
Rowland Water District	2007	Present
Santa Ana Watershed Project Authority	2013	Present
South Coast Water District	2011	Present
South County Regional Wastewater Authority	2013	Present
Sunset Beach Sanitary District	1986	Present
Surfside Colony Stormwater Drainage District	2010	Present
Surfside Community Services District	2010	Present
Vallecitos Water District	2010	Present
Valley Wide Recreation and Park District	1986	Present
Ventura Port District	2011	Present
Walnut Valley Water District	2002	2011
Yorba Linda Water District	2008	Present

Substantially all of the above engagements were performed through the firm's Irvine office.

ATTACHMENT II

RESULTS OF OUTSIDE QUALITY REVIEW



Heidenreich & Heidenreich, CPAs, PLLC

10201 S. 51st Street, Suite #170
Phoenix, AZ 85044
(480)704-6301 fax 785-4619

System Review Report

August 3, 2012

To the Owners of
White Nelson Diehl Evans, LLP
and the Peer Review Committee of the CA Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of White Nelson Diehl Evans, LLP (the firm) in effect for the year ended March 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of White Nelson Diehl Evans, LLP in effect for the year ended March 31, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. White Nelson Diehl Evans, LLP has received a peer review rating of *pass*.

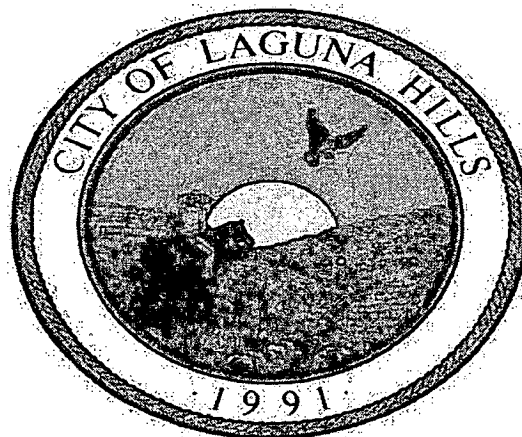
Heidenreich & Heidenreich

Heidenreich & Heidenreich, CPAs, PLLC

**SEALED DOLLAR COST PROPOSAL
FOR THE CITY OF LAGUNA HILLS
FOR PROFESSIONAL AUDITING SERVICES**

FOR THE TWO YEARS ENDING JUNE 30, 2016

**(WITH AN OPTION FOR THE FOUR YEARS
ENDING JUNE 30, 2020)**



Submitted by:



WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

April 24, 2015

Ms. Janice Mateo Reyes
Finance Manager
City of Laguna Hills
24035 El Toro Road
Laguna Hills, CA 92653

Dear Ms. Mateo Reyes:

At your request, we have submitted our statement of qualifications under a separate cover.

The following information is included herein:

1. Total All-Inclusive Maximum Price.
2. Hourly Rates for Special Services.

By signing below, I am certifying to you that I am entitled to represent the firm, empowered to submit this bid, and authorized to sign a contract with the City. Please contact us if there are any questions regarding the fees or hourly rates quoted herein.

Very truly yours,

WHITE NELSON DIEHL EVANS LLP



Nitin P. Patel, CPA
Engagement Partner

Attachment: Attachment 1- PSA WHITE NELSON DIEHL EVANS LLP (1274 : Audit Services - FY 2016/17 and FY 2017/18)

CITY OF LAGUNA HILLS

TOTAL ALL-INCLUSIVE MAXIMUM PRICE

Our maximum fees for the six years ending June 30, 2020 will be as follows:

Description of Services	Fiscal Year					
	2014-15	2015-16	Option Periods			2019-20
			2016-17	2017-18	2018-19	
City Audit, including CAFR Preparation and GANN Limit Review Report	\$ 22,720	\$ 23,175	\$ 23,640	\$ 24,115	\$ 24,600	\$ 25,090
State Controller's Office Reports:						
Annual Street Report	1,120	1,140	1,165	1,190	1,210	1,235
Annual Financial Report	2,960	3,020	3,080	3,140	3,205	3,270
TOTAL FOR FISCAL YEAR (NOT-TO-EXCEED) - CITY SERVICES	\$ 26,800	\$ 27,335	\$ 27,885	\$ 28,445	\$ 29,015	\$ 29,595
Single Audit and Related Reports (1)	\$ 2,715	\$ 2,770	\$ 2,825	\$ 2,880	\$ 2,940	\$ 3,000

(1) This fee contemplates auditing one major program. Additional major programs will be audited for an additional cost of \$1,500 each.



CITY OF LAGUNA HILLS

HOURLY RATES FOR ADDITIONAL PROFESSIONAL SERVICES

If the City wishes us to perform consulting or other services outside the scope of the services described herein, a separate written request from the City will be required. Our hourly rates for these services during each year under the basic contract will be as follows:

Position	Fiscal Year					
	Option Periods					
	2014-15	2015-16	2016-17	2017-18	2017-18	2018-19
Partners	\$ 175	\$ 179	\$ 182	\$ 186	\$ 189	\$ 193
Managers	140	143	146	149	152	155
Supervisory Staff	90	92	94	96	97	99
Staff	80	82	83	85	87	88
Clerical	60	61	62	64	65	66



**AMENDMENT NO. 1
TO AGREEMENT FOR PROFESSIONAL SERVICES**

White Nelson Diehl Evans, LLP

(Independent Financial Audit Services – City Audits for Fiscal Years 2016/17 & 2017/18)

THIS FIRST AMENDMENT to the White Nelson Diehl Evans LLP Professional Services Agreement for Independent Financial Audit and Accountant Services (the “Amendment”) is made and entered into to be effective this 25th day of April 2017, by and between the CITY OF LAGUNA HILLS, a municipal corporation organized and existing under the laws of the State of California (hereinafter referred to as the “City”), and WHITE NELSON DIEHL EVANS LLP, a California limited liability partnership, (hereinafter referred to as “Consultant”). City and Consultant are sometimes hereinafter individually referred to as "Party" and are hereinafter collectively referred to as "Parties".

RECITALS

A. City and Consultant previously entered into that certain professional services agreement for independent financial audit and accountant services, which was made and entered into on June 9, 2015 (the “Agreement”), and which may be duly amended, in writing, from time to time by the Parties. Sections 1.8 (Additional Services), 2.3 (Changes in Scope of Work), 3.4 (Term and Term Extension), and 10.3 (Entire Agreement) of the Agreement provide that the Agreement may be modified or amended in writing at any time by mutual consent of the Parties to include additional services and/or to provide for additional professional fees not originally contemplated by the Parties and not included within the original agreed upon scope of services described and set forth in the Consultant’s Proposal/Scope of Work, as defined in Section 1.1 of the Agreement. City does not have the personnel or the specialized technical expertise able to perform the Work or Services contracted for under the Agreement.

B. Unless amended by mutual written agreement of the Parties, the Agreement is scheduled to expire on June 30, 2017, by operation of its own terms. By way of correspondence from Consultant to City, Consultant has requested that the City exercise a renewal option and that the term of the Agreement be extended for two additional years in order for Consultant to provide continued financial audit and accountant services for Fiscal Years 2016/17 and 2017/18, as well as to provide for other as-needed auditing and accounting services, which additional proposed professional services were expressly included within Consultant’s original Proposal/Scope of Work and identified therein as “Option Periods” and “Additional Professional Services”.

C. City has now determined that there is a need to (i) amend the Consultant’s original Proposal/Scope of Work set forth in Section 1.1 of the Agreement in order to provide for additional financial audit and accountant services for Fiscal Years 2016/17 and 2017/18, which additional professional services were included within Consultant’s original Proposal/Scope of Work at established maximum, fixed fees for “Option Periods”, (ii) extend the term of the Agreement for two additional years in order for Consultant to provide for these requested additional financial audit and accountant services, and (iii) modify and the amend the Maximum Contract Amount set forth in Section 2.1 of the Agreement in order to provide for these additional services, which

additional financial auditing and accountant services creates the need to increase the Maximum Contract Amount under the Agreement by \$65,000 from \$65,000 to \$130,000.

D. The Parties now desire to enter into this Amendment for the purpose of amending Sections 1.1, Section 2.1, and Section 3.4, of the Agreement in order to authorize the Consultant to perform additional requested financial audit and accountant services for Fiscal Years 2016/17 and 2017/18 at the same professional hourly rates and charges and under the same terms and conditions as established and set forth in the Agreement, which additional financial audit and accountant services were expressly included within Consultant's original Proposal/Scope of Work as optional services for the "Option Periods" at established maximum, fixed fees and professional hourly rates for special services as set forth in Consultant's compensation proposal, dated April 24, 2015, entitled "Sealed Dollar Cost Proposal for the City of Laguna Hills for Professional Auditing Services", attached as Exhibit "A" to the Agreement.

NOW THEREFORE, in consideration of the mutual promises and covenants herein, the Parties agree as follows:

AGREEMENT

1. Amendment to Section 1.1, entitled "Scope of Services". Section 1.1 of the Agreement is hereby amended to include the following additional professional financial audit and accounting services, as follows:

Section 1.1 of the Agreement is hereby amended to modify the "Services" or "Work," as defined in the Agreement, to now include the additional professional independent financial auditing and accountant services for Fiscal Years 2016/17 and 2017/18 ("Option Periods"), as well as other as-needed auditing and accounting services, as described, specified and as set forth in the Proposal/Scope of Work, dated April 24, 2015, which is attached as Exhibit "A" to the Agreement.

2. Amendment to Section 2.1, entitled "Maximum Contract Amount," of the Agreement. Section 2.1 of the Agreement is hereby amended and restated in its entirety to read as follows:

2.1 Maximum Contract Amount. For the Services and Work rendered pursuant to this Agreement, Consultant shall be compensated by City for the services performed in accordance with the established all-inclusive maximum fixed fees and hourly professional rates set forth in the Schedule of Compensation/Fees, which is attached hereto as Exhibit "A" and is incorporated herein by reference, but not exceeding the total maximum contract amount of One Hundred Thirty Thousand Dollars (\$130,000) (hereinafter referred to as the "Maximum Contract Amount"), except as may be provided pursuant to Section 1.8 above. The method of compensation shall be as set forth in Exhibit "A". Compensation for necessary expenditures for reproduction costs, telephone expenses, and transportation expenses must be approved in advance by the Contract Officer designated pursuant to Section 4.2 and will only be approved if such expenses are also specified in the Schedule of Compensation/Fees. The Maximum Contract Amount shall include the attendance of

Consultant at all Project meetings reasonably deemed necessary by the City. Consultant shall not be entitled to any increase in the Maximum Contract Amount for attending these meetings. Consultant hereby acknowledges that it accepts the risk that the services identified in the Scope of Services may be more costly and/or time-consuming than Consultant anticipates, that Consultant shall not be entitled to additional compensation therefore, and that the provisions of Section 1.8 shall not be applicable to the services identified in the Scope of Services. The maximum amount of City's payment obligation under this Agreement is the amount specified in this section. If the City's maximum payment obligation is reached before the Consultant's Services under this Agreement are completed, Consultant shall nevertheless complete the Services and Work without liability on the City's part for further payment beyond the Maximum Contract Amount."

3. Amendment to Section 3.4, entitled "Term," of the Agreement. Section 3.4 of the Agreement is hereby amended and restated in its entirety to read as follows:

"3.4 Term. Unless earlier terminated as provided elsewhere in this Agreement, this Agreement shall commence upon the effective date of this Agreement and shall continue in full force and effect for a period of four (4) years, commencing on June 9, 2015 and ending on June 30, 2019."

4. Full Force and Effect. This Amendment is supplemental to the Agreement and is by reference made part of said Agreement. All of the terms, conditions, and provisions, thereof, unless specifically modified herein, shall continue in full force and effect. In the event of any conflict or inconsistency between the provisions of this Amendment and any provisions of the Agreement, the provisions of this Amendment shall in all respects govern and control.
5. Recitals. The above-referenced Recitals are hereby incorporated into this Amendment as though fully set forth herein and made part of the Agreement and each Party acknowledges and agrees that such Party is bound, for purposes of this Agreement, by the same.
6. Corporate Authority. Each of the undersigned represents and warrants that (i) the Party for which he/she is executing this Amendment is duly authorized and existing, (ii) he/she is duly authorized to execute and deliver this Amendment on behalf of the Party for which he/she is signing, (iii) by so executing this Amendment, the Party for which he/she is signing is formally bound to the provisions of this Amendment, and (iv) the entering into this Amendment does not violate any provision of any other agreement to which the Party for which he/she is signing is bound.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the Parties have executed and entered into this Amendment to the Agreement as of the date first written above.

“CITY”

City of Laguna Hills, a municipal corporation organized and existing under the laws of the State of California

By: _____
DON SEDGWICK,
Mayor

ATTEST:

By: _____
MELISSA AU-YEUNG,
Assistant to the City Manager/City Clerk

APPROVED AS TO FORM:

By: _____
Gregory E. Simonian,
City Attorney

“CONSULTANT”

White Nelson Diehl Evans, LLP a California Limited Liability Partnership

By: _____
NITIN P. PATEL, CPA
Engagement Partner



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 25, 2017

TO: Mayor and Council Members

FROM: Melissa Au-Yeung
Assistant to the City Manager/City Clerk

ISSUE: Civic Center Third Quarter Financial Report for Fiscal Year 2016/2017

RECOMMENDATION: That the City Council receive and file the report.

SUMMARY:

This Civic Center 3rd Quarter Financial Report for Fiscal Year 2016/2017 is intended to provide the City Council with an overview of the Civic Center leasing operation finances over the January 2017 through March 2017 period.

The abridged Balance Sheet and Income Statement summary for the Laguna Hills Civic Center leasing operation is in Tables 1 & 2. As of March 31, 2017, the balance sheet shows equity of \$17,753,691.

Table 1: Abridged Balance Sheet
As of March 31, 2017

ASSETS	
Total Current Assets	\$ 152,845
Total Fixed Assets	\$ 17,666,154
TOTAL ASSETS	\$ 17,818,999
LIABILITY & EQUITY	
Total Current Liabilities	\$ 65,038
Total Equity	\$ 17,753,961
TOTAL LIABILITIES & EQUITY	\$ 17,818,999

Civic Center Third Quarter Financial Report for FY 16/17

April 25, 2017

Page 2

**Table 2: Income Statement Summary
For the Year Ended March 31, 2017**

	Actuals	Budgeted	Variance
Total Income	\$ 483,390	\$ 480,730	\$ 2,660
Total Expenses	\$ 387,547	\$ 396,724	\$ (9,177)
NET INCOME/(LOSS)	<u>\$ 95,843</u>	<u>\$ 84,006</u>	

As shown in Table 2, Essex Realty, the management company for the property, reported a net income of \$95,843 for the nine months of leasing activity from July 1, 2016 to March 31, 2017. After adding back contra rent revenue associated with the City's occupied spaces, the effective net income for the quarter is \$508,316.

A detailed Balance Sheet, Income Statement, and Check Register for the three months of the quarter have been provided as attachments to this report.

ATTACHMENTS:

- Balance Sheet as of March 31, 2017
- Income Statement for the Period Ending March 31, 2017
- Check Register for January, February, and March 2017

Database: ESSEXREALTY
 ENTITY: 742

Standard Balance Sheet
Essex Realty SaaS DB
CITY OF LAGUNA HILLS

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Accrual

Report includes an open period. Entries are not final.

Mar 2017

ASSETS

CURRENT ASSETS

Cash - Operating	52,581.43
Cash - MMA	75,518.27

TOTAL CASH AND CASH EQUIVALENTS	128,099.70
--	-------------------

Accounts Receivable	6,214.96
Prepaid Insurance	18,529.92

NET ACCOUNTS RECEIVABLE	24,744.88
--------------------------------	------------------

TOTAL CURRENT ASSETS	152,844.58
-----------------------------	-------------------

FIXED ASSETS

Land	2,854,051.00
Building	3,343,004.00
Capital Improvements	9,889,965.08
Tenant Improvements	1,324,117.96
Lease Commissions	252,032.59
Closing Costs	2,983.62

TOTAL FIXED ASSETS	17,666,154.25
---------------------------	----------------------

TOTAL ASSETS	17,818,998.83
---------------------	----------------------

LIABILITIES & EQUITY

CURRENT LIABILITY

Prepaid Rent & CAM	384.17
Accrued Expenses	11,843.00
Security Deposits	52,810.99

TOTAL CURRENT LIABILITY	65,038.16
--------------------------------	------------------

LONG TERM LIABILITY

TOTAL LONG TERM LIABILITIES	0.00
------------------------------------	-------------

EQUITY

Current Yr Earnings	95,842.70
Distribution	(700,000.00)
Capital	6,064,688.39
Paid by Owner	8,855,504.28
Funds from Owner	1,686,863.71
Retained Earnings	1,751,061.59

TOTAL EQUITY	17,753,960.67
---------------------	----------------------

Attachment: Balance Sheet as of March 31, 2017 (1262 : Civic Center Third Quarter Financial Report for FY 16/17)

Database: ESSEXREALTY
 ENTITY: 742

Income Statement
Income Statement
Essex Realty SaaS DB
CITY OF LAGUNA HILLS

Page: 1
 Date: 3/27/2017
 Time: 10:03 AM

Accrual

Report includes an open period. Entries are not final.

	Current Period	Year-To-Date
	1 Month	9 Months
Thru:	Mar 2017	Mar 2017
INCOME		
RENTAL INCOME		
Rent	100,283.58	885,125.15
Contra Revenue	(45,830.40)	(412,473.60)
CAM Revenue	6,328.55	56,956.95
Contra CAM	(5,489.74)	(49,407.66)
TOTAL RENTAL INCOME	55,291.99	480,200.84
RECOVERY INCOME		
TOTAL RECOVERY INCOME	0.00	0.00
OTHER INCOME		
Late Fee Revenue	(346.93)	1,629.23
Other Revenue	0.00	1,530.00
TOTAL OTHER INCOME	(346.93)	3,159.23
TOTAL INCOME	54,945.06	483,360.07

EXPENSES

DIRECT OPERATING EXPENSES

Security-Fire Alarms	277.00	2,776.48
Cleaning Contract-Janitor	3,203.10	25,553.12
Add'l Cleaning-DayPorter	3,129.00	28,263.99
Cleaning Supplies	0.00	4,168.39
Window Cleaning	0.00	1,755.00
Mgmt Fee-Agent	3,744.01	35,596.45
HVAC Contract Services	1,325.30	11,858.60
HVAC Repair/Maint	1,658.04	11,846.61
Elevator Contract Service	473.99	4,384.97
Waterproofing & Roofing	1,186.00	1,186.00
Painting	0.00	300.00
Plumbing Repairs/Supplies	135.00	6,648.20
Electrical Repair/Maint	480.40	4,260.99
Doors & Locks	0.00	1,647.92
Floor & Carpet Rpr/Maint	0.00	1,800.00
Pest Control	75.00	825.00
Misc Repair/Maint	4,200.00	12,350.00
Onsite Maint Personnel	75.00	2,125.88
Electricity-General	6,986.04	87,440.31
Gas	(106.61)	2,508.15
Water & Sewer	1,812.84	12,180.40
Property Telephone	290.00	3,059.46
Pkg Lot-Lighting	293.29	6,599.72
Pkg Lot-Sweeping	221.00	1,989.00
Landscaping Contract	2,400.00	21,600.00
Landscaping-Interior	362.02	3,258.88
Fountain Maintenance	165.00	1,868.11

Attachment: Income Statement for the Period Ending March 31, 2017 (1262 : Civic Center Third Quarter Financial Report for FY 16/17)

Database: ESSEXREALTY
ENTITY: 742

Check Register
Essex Realty SaaS DB
CITY OF LAGUNA HILLS

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Date: 2/1/2017
Time: 11:15 AM

01/17 Through 01/17

Check #	Check Date	Check Pd	Vendor ID	Vendor Name	Invoice	Due Date	Invoice	Discount	Check
Entity	P.O. Number	Account Number	Account Name	Invoice Number	Date		Amount	Amount	Amount
Dept	Reference	Description							
104483	1/4/2017	01/17	ATTCOR	ATT CORP					
742		5504-0000	Property Telephone	000009014715	12/15/2016	12/15/2016	35.22	0.00	35.22
@	9494587292655	11/15/16-12/14/16	949-458-7292						
Check Total:							35.22	0.00	35.22
104484	1/4/2017	01/17	ATTCOR	ATT CORP					
742		5504-0000	Property Telephone	000009014716	12/15/2016	12/15/2016	35.22	0.00	35.22
@	9494587929811	11/15/16-12/14/16	949-458-7929						
Check Total:							35.22	0.00	35.22
104485	1/4/2017	01/17	ATTCOR	ATT CORP					
742		5504-0000	Property Telephone	000009014718	12/15/2016	12/15/2016	274.36	0.00	274.36
@	9495837765123	11/15/16-12/14/16	949-583-7765						
Check Total:							274.36	0.00	274.36
104486	1/4/2017	01/17	ESSEX	ESSEX REALTY MANAGEMENT INC					
742		5305-0000	Mgmt Fee-Agent	742-010117	1/1/2017	1/1/2017	3,583.00	0.00	3,583.00
@	742	01/17	Mgmt Fee						
742		5305-0000	Mgmt Fee-Agent	742-1216R	12/28/2016	12/28/2016	323.08	0.00	323.08
@	742	12/16	Mgmt Fee Recon						
Check Total:							3,906.08	0.00	3,906.08
104487	1/4/2017	01/17	ABLEBU	CROWN BLDG MAINTENANCE CO INC dba					
742		5130-0000	Cleaning Contract-Janitor	M1181194-IN	12/21/2016	12/21/2016	2,657.32	0.00	2,657.32
@	111	12/16	Janitorial Svc						
Check Total:							2,657.32	0.00	2,657.32
104488	1/4/2017	01/17	CONTRO	CONTROLLED KEY SYSTEMS INC					
742		4800-0000	Tenant Reimbursements	231659	12/21/2016	1/20/2017	16.16	0.00	16.16
@	One Key Copy Ste 210								
Check Total:							16.16	0.00	16.16
104489	1/4/2017	01/17	ELTORO	EL TORO WATER DISTRICT					
742		5502-0000	Water & Sewer	49540-121316	12/13/2016	12/30/2016	704.82	0.00	704.82
@	169922449540	11/10/16-12/13/16	Mtr# 08956098						
742		5502-0000	Water & Sewer	49542-121316	12/13/2016	12/30/2016	61.36	0.00	61.36

Attachment: Check Register for January, February, and March 2017 (1262 : Civic Center Third Quarter Financial Report for FY 16/17)

Database: ESSEXREALTY
ENTITY: 742

Check Register
Essex Realty SaaS DB
CITY OF LAGUNA HILLS

Page: 2
Date: 2/1/2017
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01/17 Through 01/17

Check #	Check Date	Check Pd	Vendor ID	Vendor Name	Invoice	Due Date	Invoice	Discount	Check
Entity	P.O. Number	Account Number	Account Name	Invoice Number	Date		Amount	Amount	Amount
Dept	Reference	Description							
@	169922449542	11/10/16-12/13/16 Mtr# 00038069							
742		5502-0000	Water & Sewer	49548-121316	12/13/2016	12/30/2016	253.93	0.00	253.93
@	169922449548	11/10/16-12/13/16 Mtr# 08188857							
Check Total:							1,020.11	0.00	1,020.11
104490	1/4/2017	01/17	MASTE5	MASTERCARE PROTECTION & CLEANING					
742		5485-0000	Floor & Carpet Rpr/Maint	24137	12/20/2016	1/19/2017	663.00	0.00	663.00
@	12/16 Carpet Clean								
Check Total:							663.00	0.00	663.00
104491	1/4/2017	01/17	SCE	SOUTHERN CALIFORNIA EDISON					
742		5499-0000	Electricity-General	06934-122216	12/22/2016	1/10/2017	2,633.76	0.00	2,633.76
@	2270506934	11/21/16-12/21/16 Mtr 259000-050224							
742		5499-0000	Electricity-General	97749-122416	12/24/2016	1/12/2017	4,248.30	0.00	4,248.30
@	2265197749	11/22/16-12/22/16 Mtr 259000-050223							
Check Total:							6,882.06	0.00	6,882.06
104492	1/4/2017	01/17	SSDSYS	SECURITY SIGNAL DEVICES INC dba					
742		5121-0000	Security-Fire Alarms	1228091-A	12/13/2016	12/13/2016	160.00	0.00	160.00
@	348817	12/16 Sys Maint							
742		7333-0000	Repairs & Maint- Indirect	1228091-A	12/13/2016	12/13/2016	517.33	0.00	517.33
@	348817	12/16 Sys Maint							
Check Total:							677.33	0.00	677.33
104493	1/9/2017	01/17	LIGHT4	LIGHTING TECHNOLOGY SERVICES INC					
742		5510-0000	Pkg Lot-Lighting	1251799	12/30/2016	1/29/2017	124.00	0.00	124.00
@	12/16 Lighting Svc								
742		5465-0000	Electrical Repair/Maint	1252001	1/4/2017	2/3/2017	138.00	0.00	138.00
@	01/17 Lighting Rprs								
742		5510-0000	Pkg Lot-Lighting	1251799	12/30/2016	1/29/2017	178.96	0.00	178.96
@	12/16 Lighting Rprs								
Check Total:							440.96	0.00	440.96
104494	1/9/2017	01/17	NIEVES	NIEVES LANDSCAPE INC					
742		5560-0000	Landscaping Contract	60544	1/1/2017	1/31/2017	2,400.00	0.00	2,400.00
@	01/17 Landscape Svc								

Database: ESSEXREALTY
ENTITY: 742

Check Register
Essex Realty SaaS DB
CITY OF LAGUNA HILLS

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01/17 Through 01/17

Check # Entity Dept	Check Date P.O. Number Reference	Check Pd Account Number	Vendor ID Account Number Description	Vendor Name Account Name	Invoice Number	Invoice Date	Due Date	Invoice Amount	Discount Amount	Check Amount
<i>Check Total:</i>								2,400.00	0.00	2,400.00
104495 742 @	1/9/2017 10770	01/17 5415-0000	PACRIM HVAC Repair/Maint Repair Leak/Pipe suite 230	PACIFIC RIM MECHANICAL, INC.	SRV069383	12/30/2016	12/30/2016	646.99	0.00	646.99
<i>Check Total:</i>								646.99	0.00	646.99
104496 742 @	1/9/2017 Remove Hoilday Decor	01/17 7305-0000	SPLEN1 Advertising & Promotion	SPLENDID EVENTS INC	571	1/3/2017	2/2/2017	400.00	0.00	400.00
<i>Check Total:</i>								400.00	0.00	400.00
104497 742 @	1/17/2017 111	01/17 5180-0000	ABLEBU Window Cleaning Window Washing #260	CROWN BLDG MAINTENANCE CO INC dba	M1178396-IN	11/30/2016	11/30/2016	135.00	0.00	135.00
<i>Check Total:</i>								135.00	0.00	135.00
104498 742 @	1/17/2017 742	01/17 5499-0000	CITYLA Electricity-General UCM 07/16-10/16	CITY OF LAGUNA HILLS	742-122916	12/29/2016	12/29/2016	225.57	0.00	225.57
<i>Check Total:</i>								225.57	0.00	225.57
104499 742 @	1/17/2017 0017601048511901	01/17 5410-0000	COXCOM HVAC Contract Services 01/05/17-02/04/17 DSL for EMS	COX COMMUNICATIONS	11901-010517	1/5/2017	1/5/2017	86.90	0.00	86.90
<i>Check Total:</i>								86.90	0.00	86.90
104500 742 @	1/17/2017 ACCT1965	01/17 5121-0000	FIRESA Security-Fire Alarms 01/17-03/17 Monitoring Svc Fire Alarms	THE BRETHERN INC dba	1032794	1/1/2017	1/31/2017	150.00	0.00	150.00
<i>Check Total:</i>								150.00	0.00	150.00
104501 742 @	1/17/2017 Carpet Rpr #210	01/17 5485-0000	MASTE5 Floor & Carpet Rpr/Maint	MASTERCARE PROTECTION & CLEANING	23689	10/4/2016	11/3/2016	250.00	0.00	250.00

Database: ESSEXREALTY
ENTITY: 742

Check Register
Essex Realty SaaS DB
CITY OF LAGUNA HILLS

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01/17 Through 01/17

Check #	Check Date	Check Pd	Vendor ID	Vendor Name	Invoice	Due Date	Invoice	Discount	Check
Entity	P.O. Number	Account Number	Account Name	Invoice Number	Date		Amount	Amount	Amount
Dept	Reference	Description							
Check Total:							250.00	0.00	250.00
104502	1/17/2017	01/17	MERCH1	MERCHANTS BULDING MAINTENANCE LLC					
742		5150-0000	Add'l Cleaning-DayPorter	447579	1/1/2017	1/1/2017	3,129.00	0.00	3,129.00
@	33013	01/17 Dayporter Svc							
Check Total:							3,129.00	0.00	3,129.00
104503	1/17/2017	01/17	REGENC	REGENCY ENTERPRISES INC dba					
742		5465-0000	Electrical Repair/Maint	3811228	12/27/2016	1/26/2017	242.70	0.00	242.70
@	1287741	12/27 Lighting Parts							
Check Total:							242.70	0.00	242.70
104504	1/17/2017	01/17	THEGAS	THE GAS COMPANY					
742		5500-0000	Gas	71474-010517	1/5/2017	1/26/2017	409.45	0.00	409.45
@	14430971474	12/01/16-01/03/17 Mtr 13001720							
Check Total:							409.45	0.00	409.45
104505	1/17/2017	01/17	TSCMCO	TSCM CORP.					
742		5525-0000	Pkg Lot-Sweeping	1717110	1/1/2017	1/31/2017	221.00	0.00	221.00
@	01/17 Sweeping Svc								
Check Total:							221.00	0.00	221.00
104506	1/20/2017	01/17	BANCCA	BANC OF CALIFORNIA NATIONAL					
742		1240-0000	Tenant Improvements	742-011017	1/10/2017	2/9/2017	60,030.00	0.00	60,030.00
@	TI Reimbursement per	lease suite 130							
Check Total:							60,030.00	0.00	60,030.00
104507	1/20/2017	01/17	PACRIM	PACIFIC RIM MECHANICAL, INC.					
742		5415-0000	HVAC Repair/Maint	SRV069871	1/18/2017	1/18/2017	453.00	0.00	453.00
@	10770	HVAC Rpr to Server Rm unit #100							
Check Total:							453.00	0.00	453.00
104508	1/20/2017	01/17	ROLLI1	ROLLING GREENS NURSERY INC					
742		5562-0000	Landscaping-Interior	7516	1/4/2017	1/19/2017	362.12	0.00	362.12
@	742	01/17 Int Plant Svc							

Database: ESSEXREALTY
ENTITY: 742

Check Register
Essex Realty SaaS DB
CITY OF LAGUNA HILLS

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Date: 2/1/2017
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Check #	Check Date	Check Pd	Vendor ID	Vendor Name	Invoice	Due Date	Invoice	Discount	Check
Entity	P.O. Number	Account Number	Account Name	Invoice Number	Date		Amount	Amount	Amount
Dept	Reference	Description							
Check Total:							362.12	0.00	362.12
104509	1/20/2017	01/17	SKYLIN	CTJAMJT CORPORATION dba					
742		5490-0000	Pest Control	57234	1/17/2017	2/16/2017	75.00	0.00	75.00
@	3018	01/17 Pest Control							
Check Total:							75.00	0.00	75.00
104510	1/20/2017	01/17	VORTEX	VORTEX INDUSTRIES INC					
742		5475-0000	Doors & Locks	- 1099214-1	1/9/2017	1/9/2017	576.10	0.00	576.10
@	238399	lobby door closer repair							
Check Total:							576.10	0.00	576.10
CITY OF LAGUNA HILLS Total:							86,400.65	0.00	86,400.65
Grand Total:							86,400.65	0.00	86,400.65

Database: ESSEXREALTY
ENTITY: 742

Check Register
Essex Realty SaaS DB
CITY OF LAGUNA HILLS

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02/17 Through 02/17

Check #	Check Date	Check Pd	Vendor ID	Vendor Name	Invoice	Due Date	Invoice	Discount	Check
Entity	P.O. Number	Account Number	Account Name	Invoice Number	Date		Amount	Amount	Amount
Dept	Reference	Description							
104511	2/1/2017	02/17	ABLEBU	CROWN BLDG MAINTENANCE CO INC dba					
742		5130-0000	Cleaning Contract-Janitor	M1186199-IN	1/23/2017	1/23/2017	3,203.10	0.00	3,203.10
@	111		01/17 Janitorial Svc						
742		5160-0000	Cleaning Supplies	M1185285-IN	12/31/2016	12/31/2016	814.34	0.00	814.34
@	111		12/16 Supplies						
742		5495-0000	Onsite Maint Personnel	M1186753-IN	1/24/2017	1/24/2017	125.00	0.00	125.00
@	111		01/10/17 Misc Engineer Svc						
						<i>Check Total:</i>	4,142.44	0.00	4,142.44
104512	2/1/2017	02/17	ELTORO	EL TORO WATER DISTRICT					
742		5502-0000	Water & Sewer	49542-011317	1/13/2017	2/2/2017	61.36	0.00	61.36
@	169922449542		12/13/16-01/13/17 Mtr #00036069						
742		5502-0000	Water & Sewer	49540-011317	1/13/2017	2/2/2017	489.66	0.00	489.66
@	169922449540		12/13/16-01/13/17 Mtr #08958098						
742		5502-0000	Water & Sewer	49548-011317	1/13/2017	2/2/2017	129.61	0.00	129.61
@	169922449548		12/13/16-01/13/17 Mtr #08188857						
						<i>Check Total:</i>	680.63	0.00	680.63
104513	2/1/2017	02/17	FIRESA	THE BRETHREN INC dba					
742		5121-0000	Security-Fire Alarms	1033507	1/14/2017	2/13/2017	195.00	0.00	195.00
@	ACCT1965		01/17-03/17 Fire Sprinkler Inspection						
						<i>Check Total:</i>	195.00	0.00	195.00
104514	2/1/2017	02/17	LIGHT4	LIGHTING TECHNOLOGY SERVICES INC					
742		5510-0000	Pkg Lot-Lighting	1252244	1/30/2017	3/1/2017	124.00	0.00	124.00
@	01/17 Lighting Svc								
742		5510-0000	Pkg Lot-Lighting	1252244	1/30/2017	3/1/2017	537.99	0.00	537.99
@	01/17 Lighting Rprs								
						<i>Check Total:</i>	661.99	0.00	661.99
104515	2/1/2017	02/17	SCE	SOUTHERN CALIFORNIA EDISON					
742		5499-0000	Electricity-General	06934-012417	1/24/2017	2/13/2017	2,905.05	0.00	2,905.05
@	2270506934		12/21/16-01/23/17 Mtr 259000-050224						
						<i>Check Total:</i>	2,905.05	0.00	2,905.05
104516	2/1/2017	02/17	SSDSYS	SECURITY SIGNAL DEVICES INC dba					

Database: ESSEXREALTY
 ENTITY: 742

Check Register
 Essex Realty SaaS DB
 CITY OF LAGUNA HILLS

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Check #	Check Date	Check Pd	Vendor ID	Vendor Name	Invoice	Invoice	Due Date	Invoice	Discount	Check
Entity	P.O. Number	Account Number	Account Name	Invoice Number	Date	Amount	Amount	Amount		Amount
Dept	Reference	Description								
742		5121-0000	Security-Fire Alarms	1216477-A	10/12/2016	10/12/2016	160.00	0.00	160.00	
@	348817	01/17 Sys Maint.								
742		5121-0000	Security-Fire Alarms	1235621-A	1/12/2017	1/12/2017	160.00	0.00	160.00	
@	348817	02/17 Sys Maint								
742		7333-0000	Repairs & Maint- Indirect	1235621-A	1/12/2017	1/12/2017	517.33	0.00	517.33	
@	348817	02/17 Sys Maint								
742		7333-0000	Repairs & Maint- Indirect	1216477-A	10/12/2016	10/12/2016	517.33	0.00	517.33	
@	348817	01/17 Sys Maint.								
Check Total:							1,354.66	0.00	1,354.66	
104517	2/3/2017	02/17	ESSEX	ESSEX REALTY MANAGEMENT INC						
742		5305-0000	Mgmt Fee-Agent	742-020117	2/1/2017	2/1/2017	3,583.00	0.00	3,583.00	
@	742	02/17 Mgmt Fee								
742		5305-0000	Mgmt Fee-Agent	742-0117R	2/1/2017	2/1/2017	712.99	0.00	712.99	
@	742	01/17 Mgmt Fee Rec								
Check Total:							4,295.99	0.00	4,295.99	
104518	2/3/2017	02/17	ATTCOR	ATT CORP						
742		5504-0000	Property Telephone	000009150152	1/15/2017	1/15/2017	32.43	0.00	32.43	
@	9494587929811	12/15/16-01/14/17 949-458-7929								
Check Total:							32.43	0.00	32.43	
104519	2/3/2017	02/17	ATTCOR	ATT CORP						
742		5504-0000	Property Telephone	000009150154	1/15/2017	1/15/2017	274.41	0.00	274.41	
@	9495837765123	12/15/16-01/14/17 949-583-7765								
Check Total:							274.41	0.00	274.41	
104520	2/3/2017	02/17	CHRIS9	BAPPTRE dba SHINE ILLUMINATION AND						
742		5465-0000	Electrical Repair/Maint	226	1/30/2017	3/1/2017	535.00	0.00	535.00	
@	Rpr outlets on palm	trees								
Check Total:							535.00	0.00	535.00	
104521	2/3/2017	02/17	SCE	SOUTHERN CALIFORNIA EDISON						
742		5499-0000	Electricity-General	97749-012617	1/26/2017	2/14/2017	4,434.07	0.00	4,434.07	
@	2265197749	12/22/16-01/24/17 Mtr 259000-050223								

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Entity	P.O. Number	Account Number	Account Name	Invoice Number	Date	Due Date	Amount	Amount	Amount
Dept	Reference	Description							
Check Total:							4,434.07	0.00	4,434.07
104522	2/8/2017	02/17	BUILDR	BUILDRITE INC					
742		7330-0000	Tenant Space Refurb	17-112 2028	1/19/2017	2/18/2017	1,445.70	0.00	1,445.70
@	Paint interior office	planning dept							
Check Total:							1,445.70	0.00	1,445.70
104523	2/8/2017	02/17	MERCH1	MERCHANTS BUILDING MAINTENANCE LLC					
742		5150-0000	Add'l Cleaning-DayPorter	448891	2/1/2017	2/1/2017	3,129.00	0.00	3,129.00
@	33013	02/17 Dayporter Svc							
Check Total:							3,129.00	0.00	3,129.00
104524	2/14/2017	02/17	BENNE1	BENNETT'S PLUMBING INC					
742		5460-0000	Plumbing Repairs/Supplies	65174	2/2/2017	3/4/2017	365.00	0.00	365.00
@	Rplced hot and cold	stems in janitor closet due to leak							
Check Total:							365.00	0.00	365.00
104525	2/14/2017	02/17	COUN12	COUNTY OF ORANGE					
742		7326-0000	Environmental Expense	IN1086332	2/3/2017	3/5/2017	129.00	0.00	129.00
@	Environment inspect	report for generator							
Check Total:							129.00	0.00	129.00
104526	2/14/2017	02/17	HSGINC	HSG PROFESSIONAL WINDOW CLEANERS					
742		5180-0000	Window Cleaning	38528	2/3/2017	3/5/2017	1,041.00	0.00	1,041.00
@	Int Window Washing								
742		5180-0000	Window Cleaning	38548	2/7/2017	3/9/2017	579.00	0.00	579.00
@	Ext Window Washing								
Check Total:							1,620.00	0.00	1,620.00
104527	2/14/2017	02/17	NIEVES	NIEVES LANDSCAPE INC					
742		5560-0000	Landscaping Contract	60675	2/1/2017	3/3/2017	2,400.00	0.00	2,400.00
@	02/17 Landscape Svc								
Check Total:							2,400.00	0.00	2,400.00
104528	2/14/2017	02/17	THEGAS	THE GAS COMPANY					

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Entity	P.O. Number	Account Number	Account Name							
Dept	Reference	Description								
742		5500-0000	Gas		71474-020217	2/2/2017	2/23/2017	316.08	0.00	316.08
@	14430971474	01/03/17-01/31/17 Mtr 13001720								
							Check Total:	316.08	0.00	316.08
104529	2/16/2017	02/17	ATTCOR	ATT CORP						
742		5504-0000	Property Telephone		000009150151	1/15/2017	1/15/2017	35.12	0.00	35.12
@	9494587292655	12/15/16-01/14/17 949-458-7292								
							Check Total:	35.12	0.00	35.12
104530	2/16/2017	02/17	BENNE1	BENNETT'S PLUMBING INC						
742		5460-0000	Plumbing Repairs/Supplies		65324	2/13/2017	3/15/2017	208.50	0.00	208.50
@	Backflow testing									
							Check Total:	208.50	0.00	208.50
104531	2/16/2017	02/17	ROLLI1	ROLLING GREENS NURSERY INC						
742		5562-0000	Landscaping-Interior		8076	2/3/2017	2/18/2017	362.02	0.00	362.02
@	742	02/17 Int Plant Svc								
							Check Total:	362.02	0.00	362.02
104532	2/16/2017	02/17	SOUT41	SOUTH COUNTY PLUMBING INC						
742		5460-0000	Plumbing Repairs/Supplies		8419	2/9/2017	3/11/2017	195.00	0.00	195.00
@	WRR sink repair									
							Check Total:	195.00	0.00	195.00
104533	2/21/2017	02/17	PACRIM	PACIFIC RIM MECHANICAL, INC.						
742		5415-0000	HVAC Repair/Maint		SRV070908	2/15/2017	2/15/2017	171.00	0.00	171.00
@	10770	HVAC Leak Repair suite 210								
							Check Total:	171.00	0.00	171.00
104534	2/21/2017	02/17	TSCMCO	TSCM CORP.						
742		5525-0000	Pkg Lot-Sweeping		2017113	2/1/2017	3/3/2017	221.00	0.00	221.00
@	02/17 Sweeping Svc									
							Check Total:	221.00	0.00	221.00
							CITY OF LAGUNA HILLS Total:	30,109.09	0.00	30,109.09

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Entity	P.O. Number	Account Number	Account Name	Invoice Number	Date	Due Date	Amount	Amount
Dept	Reference	Description						

Grand Total: 30,109.09 0.00 30,109.09

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Check #	Check Date	Check Pd	Vendor ID	Vendor Name	Invoice	Due Date	Invoice	Discount	Check
Entity	P.O. Number	Account Number	Account Name	Invoice Number	Date		Amount	Amount	Amount
Dept	Reference	Description							
104535	3/2/2017	03/17	AMTEC2	PACIFIC COAST ELEVATOR INC dba					
742		5435-0000	Elevator Contract Service	DVB06326317	2/20/2017	2/20/2017	1,470.99	0.00	1,470.99
@	320358	03/17-05/17 Elevator Svc							
						<i>Check Total:</i>	<i>1,470.99</i>	<i>0.00</i>	<i>1,470.99</i>
104536	3/2/2017	03/17	COXCOM	COX COMMUNICATIONS					
742		5410-0000	HVAC Contract Services	11901-020517	2/5/2017	2/5/2017	86.90	0.00	86.90
@	0017601048511901	02/05/17-03/04/17 DSL for EMS							
						<i>Check Total:</i>	<i>86.90</i>	<i>0.00</i>	<i>86.90</i>
104537	3/2/2017	03/17	LIGHT4	LIGHTING TECHNOLOGY SERVICES INC					
742		5510-0000	Pkg Lot-Lighting	1252742	2/24/2017	3/26/2017	124.00	0.00	124.00
@	02/17 Lighting Svc								
742		5510-0000	Pkg Lot-Lighting	1252742	2/24/2017	3/26/2017	71.43	0.00	71.43
@	02/17 Lighting Rprs								
						<i>Check Total:</i>	<i>195.43</i>	<i>0.00</i>	<i>195.43</i>
104538	3/2/2017	03/17	MCDONN	McDONNELL ROOFING INC					
742		5445-0000	Waterproofing & Roofing	2423	2/14/2017	3/16/2017	1,186.00	0.00	1,186.00
@	Roof leak repairs								
						<i>Check Total:</i>	<i>1,186.00</i>	<i>0.00</i>	<i>1,186.00</i>
104539	3/2/2017	03/17	SCE	SOUTHERN CALIFORNIA EDISON					
742		5499-0000	Electricity-General	06934-022317	2/23/2017	3/14/2017	2,943.37	0.00	2,943.37
@	2270506934	01/23/17-02/22/17 Mtr 259000-050224							
						<i>Check Total:</i>	<i>2,943.37</i>	<i>0.00</i>	<i>2,943.37</i>
104540	3/2/2017	03/17	SSDSYS	SECURITY SIGNAL DEVICES INC dba					
742		5121-0000	Security-Fire Alarms	1240919-A	2/13/2017	2/13/2017	160.00	0.00	160.00
@	348817	03/17 Sys Maint							
742		7333-0000	Repairs & Maint- Indirect	1240919-A	2/13/2017	2/13/2017	517.33	0.00	517.33
@	348817	03/17 Sys Maint							
						<i>Check Total:</i>	<i>677.33</i>	<i>0.00</i>	<i>677.33</i>
104541	3/8/2017	03/17	ESSEX	ESSEX REALTY MANAGEMENT INC					
742		5305-0000	Mgmt Fee-Agent	742-0217R	3/1/2017	3/1/2017	161.01	0.00	161.01

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Check #	Check Date	Check Pd	Vendor ID	Vendor Name	Invoice	Due Date	Invoice	Discount	Check
Entity	P.O. Number	Account Number	Account Name	Invoice Number	Date		Amount	Amount	Amount
Dept	Reference	Description							
@	742		02/17 Mgmt Fee Rec						
742		5305-0000	Mgmt Fee-Agent	742-030117	3/1/2017	3/1/2017	3,583.00	0.00	3,583.00
@	742		03/17 Mgmt Fee						
Check Total:							3,744.01	0.00	3,744.01
104542	3/8/2017	03/17	BUILDR	BUILDRITE INC					
742		7330-0000	Tenant Space Refurb	16-298 2031	1/19/2017	2/18/2017	3,782.00	0.00	3,782.00
@	Planning Dept Glass	partition install							
Check Total:							3,782.00	0.00	3,782.00
104543	3/8/2017	03/17	ELTORO	EL TORO WATER DISTRICT					
742		5502-0000	Water & Sewer	49540-021317	2/13/2017	3/6/2017	991.70	0.00	991.70
@	169922449540	01/13/17-02/13/17 Mtr #08956098							
742		5502-0000	Water & Sewer	49542-021317	2/13/2017	3/6/2017	61.36	0.00	61.36
@	169922449542	01/13/17-02/13/17 Mtr #00036069							
742		5502-0000	Water & Sewer	49548-021317	2/13/2017	3/6/2017	126.78	0.00	126.78
@	169922449548	01/13/17-02/13/17 Mtr #08188857							
Check Total:							1,179.84	0.00	1,179.84
104544	3/8/2017	03/17	PACRIM	PACIFIC RIM MECHANICAL, INC.					
742		5415-0000	HVAC Repair/Maint	SRV070909	2/15/2017	2/15/2017	351.49	0.00	351.49
@	10770	AC Rpr #260							
742		5415-0000	HVAC Repair/Maint	SRV070910	2/15/2017	2/15/2017	870.55	0.00	870.55
@	10770	AC Adjust due to unit too loud #210							
742		5415-0000	HVAC Repair/Maint	SRV071077	2/24/2017	2/24/2017	265.00	0.00	265.00
@	10770	Server Rm rpr #310							
Check Total:							1,487.04	0.00	1,487.04
104545	3/8/2017	03/17	REGENC	REGENCY ENTERPRISES INC dba					
742		5465-0000	Electrical Repair/Maint	3848722	2/10/2017	3/12/2017	320.85	0.00	320.85
@	1287741	2/9 Lighting Parts							
742		5465-0000	Electrical Repair/Maint	3849800	2/13/2017	3/15/2017	37.90	0.00	37.90
@	1287741	2/9 Lighting Parts							
Check Total:							358.75	0.00	358.75
104546	3/8/2017	03/17	SCE	SOUTHERN CALIFORNIA EDISON					

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Check #	Check Date	Check Pd	Vendor ID	Vendor Name	Invoice	Invoice	Due Date	Invoice	Discount	Check
Entity	P.O. Number	Account Number	Account Name	Invoice Number	Date			Amount	Amount	Amount
Dept	Reference	Description								
<i>Check Total:</i>								3,129.00	0.00	3,129.00
104553	3/14/2017	03/17	NIEVES	NIEVES LANDSCAPE INC						
742		5560-0000	Landscaping Contract	60778	3/1/2017	3/31/2017		2,400.00	0.00	2,400.00
@	03/17 Landscape Svc									
<i>Check Total:</i>								2,400.00	0.00	2,400.00
104554	3/14/2017	03/17	PACRIM	PACIFIC RIM MECHANICAL, INC.						
742		5410-0000	HVAC Contract Services	SRV071404	3/1/2017	3/31/2017		3,669.50	0.00	3,669.50
@	C2448		03/17 Qtrly HVAC PM Svc							
742		5415-0000	HVAC Repair/Maint	SRV063271	2/28/2017	2/28/2017		171.00	0.00	171.00
@	10770		Check Filters/AC for moisture - County Recorder							
<i>Check Total:</i>								3,840.50	0.00	3,840.50
104555	3/14/2017	03/17	REGENC	REGENCY ENTERPRISES INC dba						
742		5465-0000	Electrical Repair/Maint	3860410	2/24/2017	3/26/2017		121.65	0.00	121.65
@	1287741		2/24 Lighting Parts							
<i>Check Total:</i>								121.65	0.00	121.65
104556	3/14/2017	03/17	ROLLI1	ROLLING GREENS NURSERY INC						
742		5562-0000	Landscaping-Interior	8560	3/1/2017	3/16/2017		362.02	0.00	362.02
@	742		03/17 Int Plant Svc							
<i>Check Total:</i>								362.02	0.00	362.02
104557	3/14/2017	03/17	STODD1	STODDARDS RESTORATION SERVICES INC						
742		7333-0000	Repairs & Maint- Indirect	118288	2/27/2017	3/29/2017		3,705.00	0.00	3,705.00
@	Qtrly Wood Maint									
742		5491-0000	Misc Repair/Maint	118289	2/27/2017	3/29/2017		4,075.00	0.00	4,075.00
@	Qtrly Wood Maint									
<i>Check Total:</i>								7,780.00	0.00	7,780.00
104558	3/14/2017	03/17	TSCMCO	TSCM CORP.						
742		5525-0000	Pkg Lot-Sweeping	3017113	3/1/2017	3/31/2017		221.00	0.00	221.00
@	03/17 Sweeping Svc									

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Check #	Check Date	Check Pd	Vendor ID	Vendor Name	Invoice	Invoice	Due Date	Invoice	Discount	Check
Entity	P.O. Number	Account Number	Account Name	Invoice Number	Date			Amount	Amount	Amount
Dept	Reference	Description								
<i>Check Total:</i>								221.00	0.00	221.00
104559	3/17/2017	03/17	THEGAS	THE GAS COMPANY						
742		5500-0000	Gas	71474-030617	3/6/2017	3/24/2017		0.00	0.00	0.00
@										
<i>Check Total:</i>								0.00	0.00	0.00
104560	3/17/2017	03/17	THEGAS	THE GAS COMPANY						
742		5500-0000	Gas	71474-030617	3/6/2017	3/24/2017		108.39	0.00	108.39
@	14430971474	01/31/17-03/02/17 Mtr 13001720								
<i>Check Total:</i>								108.39	0.00	108.39
104562	3/21/2017	03/17	COXCOM	COX COMMUNICATIONS						
742		5410-0000	HVAC Contract Services	11901-030517	3/5/2017	3/5/2017		86.90	0.00	86.90
@	0017601048511901	03/05/17-04/04/17 DSL for EMS								
<i>Check Total:</i>								86.90	0.00	86.90
<i>CITY OF LAGUNA HILLS Total:</i>								43,496.75	0.00	43,496.75
<i>Grand Total:</i>								43,496.75	0.00	43,496.75



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 25, 2017

TO: Mayor and Council Members

FROM: Melissa Au-Yeung
Assistant to the City Manager/City Clerk

ISSUE: Second Reading and Adoption of Ordinance Amending Title 9 of the Laguna Hills Municipal Code (Zoning and Subdivisions) Amending Table 9-11.050 Hospitality Overlay Zone Development Standards Related to Maximum Density, Changing from a Floor Area Ratio (FAR) of 1.0 to a FAR of 1.1

RECOMMENDATION: That the City Council adopt an Ordinance entitled: "An Ordinance of the City of Laguna Hills, California, approving Zone Text Amendment No. 10-16-3672, amending Title 9 of the Laguna Hills Municipal Code (Zoning and Subdivisions) Amending Table 9-11.050 Hospitality Overlay Zone Development Standards related to Maximum Density, changing from a Floor Area Ratio (FAR) of 1.0 to a FAR of 1.1."

SUMMARY:

This Ordinance will adopt Zone Text Amendment No. 10-16-3672, amending Table 9-11.050 Hospitality Overlay Zone Development Standards of Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code pertaining to the Floor Area Ratio (FAR) within the Hospitality Overlay Zone. The Ordinance will amend the maximum FAR of 1.0 to a maximum FAR of 1.1.

A copy of the proposed Ordinance and the Staff Report for the introduction of the Ordinance, including attachments, are included as attachments to this report. The City Council introduced the Ordinance by a vote of 4-0-1 (Mayor Sedgwick absent). It is in order to adopt the Ordinance.

Second Reading and Adoption of Ordinance Amending Table 9-11.050 of Title 9 of LPMC
April 25, 2017
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ATTACHMENTS:

- Proposed Ordinance
- April 11, 2017 Introduction to Ordinance Staff Report & Attachments-HOZ

ORDINANCE NO. 2017-X

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, APPROVING ZONE TEXT AMENDMENT NO. 10-16-3672, AMENDING TITLE 9 OF THE LAGUNA HILLS MUNICIPAL CODE (ZONING AND SUBDIVISIONS) AMENDING TABLE 9-11.050 HOSPITALITY OVERLAY ZONE DEVELOPMENT STANDARDS RELATED TO MAXIMUM DENSITY, CHANGING FROM A FLOOR AREA RATIO (FAR) OF 1.0 TO A FAR OF 1.1.

WHEREAS, the City of Laguna Hills proposes to make a minor modification to the Floor Area Ratio contained in the Laguna Hills Development Code to increase the allowable building density/intensity for hotel uses within the Hospitality Overlay Zone from a maximum of 1.0 Floor Area Ratio (FAR) to a maximum of 1.1 FAR ("Amendment") in reaction to the recent evolutions of the hospitality industry to provide more guest amenities and services and to provide further encouragement for hotel development; and

WHEREAS on June 24, 2014 the City Council adopted Resolution No. 2014-6-24-2 approving a Negative Declaration pursuant to the provisions of the California Environmental Quality Act, Public Resources Code Sections 21000 *et. seq.* ("CEQA"), the CEQA Guidelines, California Code of Regulations, Title 14, Section 1500 *et. seq.*, for the purpose of considering an amendment to the City's General Plan Land Use Element and Development Code to establish a Hospitality Overlay Zone (HOZ) to increase the allowable building density/intensity for hotel uses within the Freeway Commercial and Mixed Use General Plan Land Use Districts enacting policies to encourage targeted infill development and the development of hotel uses on properties in North Laguna Hills with proximity to, and visibility from, Interstate 5; and

WHEREAS, on June 24, 2014, after adopting Resolution 2014-6-24-2 approving a Negative Declaration concerning the establishment of the Hospitality Overlay Zone, the City Council adopted Resolution 2014-6-24-3 approving General Plan Amendment No. 06-13-2608 to amend the City's General Plan Land Use Element establishing the HOZ; and

WHEREAS, on July 8, 2014 the City of Laguna Hills adopted Ordinance No. 2014-3 amending the Laguna Hills Development Code and Zoning Map to establish a new Hospitality Overlay Zone and related alternative development standards pertaining to building setbacks, height, and floor area ratio for hotel uses over an area of +/- 19.7 acres generally located south of Lake Forest Drive and west of Avenida de la Carlota and encompassing the following properties:

<i>Address</i>	<i>APN</i>
23002 Lake Forest Drive	588-055-03
23052 Avenida de la Carlota	588-055-01
23061 Avenida de la Carlota	588-112-01
23046 Avenida de la Carlota	588-032-25
23041 Avenida de la Carlota	588-111-18
23441 South Pointe Drive	588-111-17
23421 South Pointe Drive	588-111-16
23461 South Pointe Drive	588-111-15
23175 Avenida de la Carlota	588-032-28

WHEREAS, since the enactment of the original HOZ standards in 2014, the City Council finds that it is desirable to provide additional zoning enhancements within the HOZ as an additional enticement to attract hotel development to the City, and that there is a need to further amend the HOZ standards to increase allowable building density/intensity by increasing the allowable floor area ratio within the HOZ; and

WHEREAS, on April 11, 2017 the City Council adopted Resolution No. 2017-04-11-X approving General Plan Amendment No. 10-16-3672 to amend the Laguna Hills General Plan Land Use Element to increase the allowable building intensity for hotel uses within the Freeway Commercial and Mixed Use General Plan Land Use Designations to the extent they fall within the Hospitality Overlay Zone boundaries and to enact policies to encourage targeted infill development and the development of hotel uses on properties in North Laguna Hills with proximity to, and visibility from, Interstate 5 through the adoption of more flexible development standards; and

WHEREAS, the proposed Ordinance amending the Development Code (“Amendment”) is consistent with, and would implement, the policies established through General Plan Amendment No. 10-16-3672 in order to encourage the future development of hotel uses within designated portions of North Laguna Hills; and

WHEREAS, the City properly noticed the public hearing concerning the adoption of this Ordinance pursuant to Government Code section 6061 and as required under Government Code section 65090 which was noticed for March 14, 2017 and continued to April 11, 2017; and

WHEREAS, the City Council of the City of Laguna Hills has considered information presented on the proposed Amendment by City Staff, the public, and other interested parties at a Public Hearing held on March 14, 2017 which was subsequently continued to April 11, 2017; and

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA,
DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. The above recitals are true and correct, and are incorporated herein by reference.

SECTION 2. The required findings by the City for approval of the proposed Zone Change have been met and made as follows:

1. That the amendment or plan is consistent with the intent of the goals and policies of the General Plan as a whole, and is not inconsistent with any element thereof:

The proposed Amendment is consistent with the intent, goals, and policies of the General Plan, in particular as they pertain to the General Plan Land Use Element. The General Plan Land Use Element contains a number of policies designed to encourage hotel development in specific areas in both the Freeway Commercial and Mixed Use Land Use Designations. Specifically, those policies provide that more flexible development standards are allowed for hotel uses in order to promote hotel development. Through adoption of General Plan Amendment No. 10-16-3672, the Land Use Element permits a maximum Floor Area Ratio (FAR) of 1.1 for hotel uses on properties within the Freeway Commercial and Mixed Use Land Use Designations. This Amendment will provide further flexibility that directly addresses the objectives noted in the General Plan to achieve the City's economic goals.

2. That the amendment or plan is necessary to prescribe reasonable controls and standards for affected land uses to insure compatibility and integrity of those uses with other established uses.

The proposed Amendment will establish a reasonable level of control for hotel uses within the Hospitality Overlay Zone (HOZ) that balances the goal of encouraging hotel development with the need to ensure that any future hotel development is compatible with other established uses in the area. The increase in Floor Area Ratio for certain properties in the Freeway Commercial and Mixed Use designations will further enhance the opportunity for new or revitalized hotel uses in the affected area while maintaining compatibility with other uses in the area. All other standards that are currently in these two districts, and those adopted as part of the HOZ, remain the same.

3. That the amendment or plan is necessary to provide reasonable property development rights while protecting environmentally sensitive land uses and species.

The proposed Amendment is a minor change to the HOZ that allows more flexibility in the Floor Area Ratio for hotel uses. In order to evaluate the potential effects of the proposed Amendment on environmentally sensitive land uses and species, an addendum to the Negative Declaration was prepared in accordance with CEQA. Based on the whole record before the City, including the addendum and the Negative Declaration, the proposed change in Floor Area Ratio will result not in any new significant effects or a substantial increase in the severity of any previously identified significant effects.

4. That the plan or amendment is necessary to correct discrepancies in standards or policies within the plan area or land use category:

The proposed Amendment is necessary to implement the new General Plan polices encouraging the adoption of more flexible development standards for hotel uses for certain properties in North Laguna Hills and to ensure consistency between the City's General Plan and Development Code as required by state law.

5. That the plan or amendment is necessary to protect the general health, safety, or general welfare of the community as a whole:

The proposed Amendment is a minor change to the HOZ that provides a further increase in Floor Area Ratio that will encourage future hotel development in areas conducive to hotels. Providing workable standards that help promote the future development of additional hotels in the City will aid in maintaining and enhancing the viability of property in the City of Laguna Hills and increase the City's transient occupancy tax revenue. Property viability is a vital goal of the City to further the economic base of the City and therefore fund services and capital projects. By strengthening local economic activity, which in turn enhances local revenues through which public services are provided, the general health, safety, and general welfare of the community is enhanced and therefore protected.

SECTION 3. Title 9 of the City of Laguna Hills Municipal Code (Zoning and Subdivisions), Chapter 9-11 (Overlay Districts), and Table 9-11.050 (Hospitality Overlay Zone Development Standards) is hereby amended to read:

Key: ~~Strikethrough~~ text indicates text that has been deleted.
Underlined text indicates text that has been inserted.

Item	Standard
Maximum lot coverage	50%
Maximum density	1.0 FAR <u>1.1 FAR</u>
Maximum building height	75 ft.
Minimum setback-front:	
Parking lot	5 ft.
Parking structure	10 ft.
Building	10 ft.
Minimum setback-side (interior)	10 ft.
Minimum setback- street side	10 ft.
Minimum setback-rear	15 ft.
Minimum landscape coverage	15%

SECTION 4. This Ordinance shall not take effect until and unless General Plan Amendment No. 10-16-3672 takes effect.

SECTION 5. Upon the effective date of this Ordinance, the provisions hereof shall supersede any inconsistent or conflicting provisions of the Laguna Hills Municipal Code.

SECTION 6. If any section, subsection, subdivision, sentence, clause, phrase, or portion of this Ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more section, subsection, subdivision, sentence, clause, phrase, or portion thereof be declared invalid or unconstitutional.

SECTION 7. The City Clerk shall certify to the adoption of this Ordinance and cause the same to be posted at the duly designated posting places within the City and published once within fifteen days after passage and adoption as may be required by law; or, in the alternative, the City Clerk may cause to be published a summary of this Ordinance and a certified copy of the text of this Ordinance shall be posted in the Office of the City Clerk five days prior to the date of adoption of this Ordinance; and, within fifteen days after adoption, the City Clerk shall cause to be published, the aforementioned summary and shall post a certified copy of this Ordinance, together with the vote for and against the same, in the Office of the City Clerk.

PASSED, APPROVED, AND ADOPTED this 25th day of April 2017.

DON SEDGWICK, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing Ordinance No. 2017-X was duly introduced and placed upon its first reading at a Regular Meeting of the City Council on the 11th day of April 2017, and that thereafter, said Ordinance was duly adopted and passed at a Regular Meeting of the City Council held on the 25th day of April 2017, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

Attachment: Proposed Ordinance (1264 : Second Reading and Adoption of Ordinance Amending Table 9-11.050 of Title 9 of LHMC)

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

AFFIDAVIT OF POSTING
AND PUBLICATION

MELISSA AU-YEUNG, being first duly sworn, deposes and says:

That she is the duly appointed and qualified City Clerk of the City of Laguna Hills;

That in compliance with State Laws of the State of California, ORDINANCE NO. 2017-X, being:

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, APPROVING ZONE TEXT AMENDMENT 10-16-3672, AMENDING TITLE 9 OF THE LAGUNA HILLS MUNICIPAL CODE (ZONING AND SUBDIVISIONS) AMENDING TABLE 9-11.050 HOSPITALITY OVERLAY ZONE DEVELOPMENT STANDARDS RELATED TO MAXIMUM DENSITY, CHANGING FROM A FLOOR AREA RATIO (FAR) OF 1.0 TO A FAR OF 1.1.

on the 5th day of May 2017, was published in the Saddleback Valley News; and was, in compliance with City Resolution No. 2004-05-2502, on the 26th day of April 2017, caused to be posted in three places in the City of Laguna Hills, to wit:

Laguna Hills City Hall
Laguna Hills Community Center
Courtyard at La Paz Center

MELISSA AU-YEUNG, CITY CLERK
Laguna Hills, California

Attachment: Proposed Ordinance (1264 : Second Reading and Adoption of Ordinance Amending Table 9-11.050 of Title 9 of LPMC)



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 11, 2017

TO: Mayor and Council Members

FROM: David Chantarangsu
Community Development Director

ISSUE: General Plan Amendment and Zoning Code Text Amendment No. GPA/ZTA-10-16-3672 – a Minor Amendment to the City of Laguna Hills General Plan Land Use Element and Development Code Increasing the Maximum Floor Area Ratio (FAR) in the Hospitality Overlay Zone from 1.0 to a Maximum of 1.1, and Consideration of an Addendum to a Previously Adopted Negative Declaration.

RECOMMENDATION: That the City Council:

(1) Reopen the Public Hearing for General Plan Amendment/Zone Text Amendment No. 10-16-3672 which was opened and continued at the March 14, 2017 City Council Meeting; and

(2) Consider "Addendum No. 1 to the 2014 Negative Declaration for the City of Laguna Hills Hospitality Overlay Zone" along with the 2014 Negative Declaration for the Hospitality Overlay Zone, and find that no additional environmental documentation is required under the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Sections 21166 and CEQA Guidelines Sections 15162 and 15164; and adopt a Resolution entitled: "A Resolution of the City Council of the City of Laguna Hills, California, adopting an Addendum (Addendum No. 1) to a previously adopted Negative Declaration for Case No. GPAZTA-10-16-3672, General Plan and Development Code Amendments making modifications to the Maximum Floor Area Ratio (FAR) for the Hospitality Overlay Zone District"; and

(3) Adopt a Resolution entitled: "A Resolution of the City Council of the City of Laguna Hills, California, approving General Plan Amendment No. 10-16-3672, an Amendment to the General Plan Land Use Element increasing allowable development intensity for

Increase in the Maximum Floor Area Ratio in the Hospitality Overlay Zone from 1.0 to 1.1

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Hotel Uses in the Freeway Commercial and Mixed Use General Plan Land Use Designations from a maximum of 1.0 Floor Area Ratio (FAR) to 1.1 FAR”; and

(4) Introduce for First Reading, read by title only, and waive further reading, an Ordinance entitled: "An Ordinance of the City of Laguna Hills, California, approving Zone Text Amendment No. 10-16-3672, amending Title 9 of the Laguna Hills Municipal Code (Zoning and Subdivisions) amending Table 9-11.050 Hospitality Overlay Zone Development Standards related to Maximum Density, changing from a Floor Area Ratio (FAR) of 1.0 to a FAR of 1.1."

SUMMARY:

In June 2014, the City Council amended the General Plan and Zone Code/Map to establish a “Hospitality Overlay Zone” (HOZ) in North Laguna Hills over +/- 19.7 acres south of Lake Forest Avenue and west of Avenida de la Carlota. The overlay zone established alternative development standards for future hotel development at specific properties in the Mixed Use and Freeway Commercial Land Use Designations near Interstate 5 (I-5). Since adoption of this overlay zone, hotel concepts have evolved and there is a need to further modify one aspect of the overlay zone standards that address Floor Area Ratio (FAR), which determines the maximum building area on a property. The specific request is to amend the maximum FAR of 1.0 to a maximum FAR of 1.1, a 10 percent increase in floor area ratio. The proposed Amendment could result in increased building areas of approximately 5,200 square feet to 20,000 square feet depending on the size of the property over what is already permitted. The Amendment would increase the allowable building area over the +/- 19.7 acre HOZ by nearly 86,000 square feet for projects where hotel development was proposed.

FLOOR AREA RATIO (FAR):

For nonresidential uses, the term “intensity” describes the degree to which a property is or can be developed. Laguna Hills has adopted FAR as its measure of intensity. FAR describes the relationship between the total square footage of building area on a lot and the area of that lot and is determined by dividing the gross floor area of all buildings on a lot by lot area. For example, a 20,000 square foot building on a 40,000 square foot lot yields a FAR of 0.50. This 0.50 FAR can accommodate a single story building that covers half the lot or a two-story building with reduced lot coverage.

Increase in the Maximum Floor Area Ratio in the Hospitality Overlay Zone from 1.0 to 1.1

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BACKGROUND:

Currently the city has a total of four hotels within its jurisdiction and enjoys a number of benefits associated with hotels, such as customer convenience, increased local spending, and collection of Transient Occupancy Tax (TOT).

Existing Laguna Hills Hotels	
<i>Name</i>	<i>Address</i>
Comfort Inn	23061 Avenida de la Carlota
Courtyard by Marriott	23175 Avenida de la Carlota
Laguna Hills Lodge	23932 Paseo de Valencia
The Hills Hotel	25205 La Paz Road

In order to provide an incentive for other properties to potentially redevelop with hotel uses, the City adopted an overlay zone in the North Laguna Hills area that amended certain development standards that would be advantageous for hotel uses. These included additional building height, reduced setback requirements, and an increased density for the two zoning districts and their corresponding General Plan Land Use districts from .38 FAR and .40 FAR to a maximum FAR of 1.0. Since that time, the hospitality industry has evolved, and greater flexibility is needed to promote the development of hotel uses in North Laguna Hills. This creates the need to amend both the City's General Plan and the Development Code.

PROJECT DESCRIPTION AND ANALYSIS:

The City may create and modify development policies and standards within the community through the General Plan and the Development Code. Whereas the General Plan sets broad development policies and expectations for new development, the Development Code works to set specific parameters on the use and development of property. Typically, these parameters establish the types of allowable uses on property, the size of buildings, required parking, and other desirable standards the community may want to incorporate in development.

The proposed action is a minor amendment to the City's General Plan and Development Code Hospitality Overlay Zone Development Standards to increase the maximum density from a FAR of 1.0 to a FAR of 1.1. The proposed amendments are described below in more detail.

Increase in the Maximum Floor Area Ratio in the Hospitality Overlay Zone from 1.0 to 1.1

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Proposed General Plan Amendment:

To implement the FAR increase, Tables LU-1 and LU-3 of the General Plan Land Use Element, must be amended to increase existing FAR standards from 1.0 to 1.1. The incremental change in maximum FAR to 1.1 is designed to meet changing hospitality industry needs and to further attract hotel uses. One of the themes in the General Plan is to encourage infill development and other activities to spur on economic development. Policy LU-4 states that the City should “encourage private property owners to revitalize, upgrade, and beautify aging and underperforming commercial and business areas.” The increase in FAR is a minor increase in the development potential for the area, but provides a vehicle that will further encourage private development that will maintain or increase property value. The proposed FAR increase would allow 10 percent more building area than under the current overlay zone development standards. Under the unlikely scenario that all of the properties in the overlay zone would undergo redevelopment, the 10 percent increase could result in 85,893 square feet of additional building area being built.

The amendments to the City’s Land Use Element are depicted in Exhibit A to the proposed Resolution amending the City’s General Plan (**Attachment 1**).

Proposed Development Code Modifications:

Table 9-11.050 of the Municipal Code lays out the development standards for the Hospitality Overlay Zone. The standard for this overlay that would be amended is maximum density, changing from 1.0 to a maximum of 1.1 as shown below.

Table 9-110.050

HOSPITALITY OVERLAY ZONE

DEVELOPMENT STANDARDS

Item	Standard
Maximum lot coverage	50%
Maximum density	1.0 <u>1.1</u> FAR
Maximum building height	75 ft.
Maximum setback-front:	

Increase in the Maximum Floor Area Ratio in the Hospitality Overlay Zone from 1.0 to 1.1

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Parking lot	
Parking structure	
Building	
Minimum setback-side (interior)	10 ft.
Minimum setback- street side	10ft.
Minimum setback-rear	15 ft.
Minimum landscape coverage	15%

No other development standards would be modified. The proposed minor amendment to the HOZ will encompass approximately 19 acres of land in the MXU and FC zones and affect nine properties.

This change to the Development Code described above is depicted in the proposed Ordinance (**Attachment 2**).

PUBLIC COMMENT:

To date, no comments have been received.

CEQA FINDINGS:

As lead agency, the City prepared an initial study and the 2014 Negative Declaration for the establishment of the HOZ. The 2014 Negative Declaration was adopted on July 8, 2014, and a corresponding Notice of Determination was filed and posted on July 11, 2014.

Pursuant to Public Resources Code Section 21166, and CEQA Guidelines Sections 15162 and 15164, an Initial Study was prepared to evaluate the proposed HOZ Amendment. The Initial Study concluded that the proposed HOZ Amendment does not require further environmental review and an Addendum was prepared. Specifically, the Initial Study found that: (i) there are no substantial changes within the HOZ Amendment that will require major revisions to the 2014 Negative Declaration due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects; (ii) there are no substantial changes with respect to the circumstances under which the HOZ Amendment is being undertaken which will require

Increase in the Maximum Floor Area Ratio in the Hospitality Overlay Zone from 1.0 to 1.1

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major revisions of the 2014 Negative Declaration due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects; and (iii) there is no new information of substantial importance which was not known and could not have been known with the exercise of reasonable diligence at the time the 2014 Negative Declaration was adopted showing that: (a) the HOZ Amendment will have one or more significant effects not discussed in the 2014 Negative Declaration; (b) significant effects previously examined will be substantially more severe than shown in the 2014 Negative Declaration; (c) mitigation measures or alternatives previously found not to be feasible would in fact be feasible, and would substantially reduce one or more significant effects of the HOZ Amendment, but those mitigation measures or alternatives have not been adopted; or (d) mitigation measures or alternatives considerably different from those analyzed in the 2014 Negative Declaration would substantially reduce one or more significant effects on the environment, but the mitigation measures or alternatives have not been adopted.

CONCLUSION:

The proposed General Plan Amendment and Development Code Amendment modifying the Floor Area Ratio from 1.0 to 1.1 within the HOZ is a relative minor change in the City's development standards that are attractive for future hotel development that will continue to benefit the City.

ATTACHMENTS:

- Attachment 1 - GPA Resolution
- Attachment 2 - Ordinance
- Attachment 3 - 2014 Adopted IS-ND Hospitality Overlay Zone District
- Attachment 4 - Addendum and Initial Study for FAR Amendment to HOZ Overlay
- Attachment 5 - Resolution Adopting the Addendum

Attachment 1

GPA Resolution w/ Exhibit A



RESOLUTION NO. PA 2017-4-11-X

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, APPROVING GENERAL PLAN AMENDMENT NO. _____, AN AMENDMENT TO THE GENERAL PLAN LAND USE ELEMENT INCREASING ALLOWABLE DEVELOPMENT INTENSITY FOR HOTEL USES IN THE FREEWAY COMMERCIAL AND MIXED USE GENERAL PLAN LAND USE DESIGNATIONS FROM A MAXIMUM OF 1.0 FLOOR AREA RATIO (FAR) TO 1.1 FAR.

The City Council of the City of Laguna Hills, California, hereby finds, determines, declares, and resolves as follows:

WHEREAS, the City of Laguna Hills proposes to amend the Laguna Hills General Plan Land Use Element to increase the allowable building density/intensity for hotel uses within the Mixed Use (MU) and Freeway Commercial (FC) General Plan Land Use Designations from a maximum of 1.0 Floor Area Ratio (FAR) to 1.1 FAR ("Amendment") in reaction to the recent evolutions of the hospitality industry to provide more guest amenities and services, and to provide further encouragement for hotel development; and

WHEREAS, on June 24, 2014, the City Council adopted Resolution No. 2014-06-24-3, approving General Plan Amendment 06-13-2608 adding language and increasing maximum intensity for hotel developments within the MU and FC Land Use Designations that would provide greater flexibility to promote the development of hotel uses in North Laguna Hills; and

WHEREAS, on June 24, 2014 the City Council also approved Resolution No. 2014-06-24-2 adopting a Negative Declaration for General Plan Amendment No. 06-13-2608 ("2014 Negative Declaration") pursuant to the California Environmental Quality Act, California Public Resources Code Sections 21000 et seq. ("CEQA") and CEQA's implementing guidelines, California Code of Regulations, Title 14, Sections 15000 et seq.; and

WHEREAS, the proposed Amendment does not constitute a "substantial amendment" to the City's existing General Plan triggering "Referral of plans" as described by Section 65352 of the Government Code; and

WHEREAS, the City properly noticed the public hearing concerning the adoption of this Resolution pursuant to Government Code section 6061 and as required under Government Code section 65090 which was noticed for March 14, 2017, and continued to April 11, 2017; and

WHEREAS, the City Council of the City of Laguna Hills has considered information pertaining to General Plan Amendment No. 10-16-3672 presented by City Staff, the public, and other interested parties at a Public Hearing held on March 14, 2017 which was subsequently continued to April 11, 2017.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE, AND ORDER AS FOLLOWS:

SECTION 1. The above recitals are true and correct, and are incorporated herein by reference.

SECTION 2. That the required findings by the City for approval of the proposed Amendment have been met and made as follows:

1. That the amendment or plan is consistent with the intent of the goals and policies of the General Plan as a whole, and is not inconsistent with any element thereof:

The proposed Amendment is consistent with the intent of the goals and policies of the General Plan, particularly as they pertain to the General Plan Land Use Element. This minor change to the Floor Area Ratio will ensure development is still compatible with neighboring use (Goal LU-2). It will encourage infill development in a sustainable manner and offer flexibility to meet changing needs (Goal LU-3). It will also promote the creation and expansion of private sector businesses and local career choices for Laguna Hills residents (Goal LU-7).

2. That the amendment or plan is necessary to prescribe reasonable controls and standards for affected land uses to insure compatibility and integrity of those uses with other established uses:

The proposed Amendment will make a minor modification to the General Plan Land Use Element recognizing trends that have evolved in hotel development in not only Laguna Hills but also other areas of Orange County. Adoption of the proposed Amendment will not affect the compatibility and integrity of existing uses in the area.

3. That the amendment or plan is necessary to provide reasonable property development rights while protecting environmentally sensitive land uses and species:

The proposed Amendment will make a minor modification to the Floor Area Ratio for the MU and FC Land Use Designations and is necessary to recognize changing standards in the hospitality industry. In order to evaluate the potential effects the proposed Amendment will have on environmentally sensitive land uses and species, the City prepared an addendum to the Negative Declaration adopted in 2014. Based on the addendum and the whole record before

the City, the minor FAR change does not create any new significant environmental effects or a substantial increase in the severity of previously identified significant effects, and this change will not have an effect on sensitive land uses or species.

4. That the plan or amendment is necessary to correct discrepancies in standards or policies within the plan area or land use category:

The proposed Amendment makes a minor modification to the Floor Area Ratio for the MU and FC Land Use Designations for hotel development to recognize changing standards in the hospitality industry. This minor change will further encourage hotel uses in the study area and will be consistent with other existing goals and policies found in the Land Use Element, including the encouragement of infill redevelopment in an economically and environmentally sustainable manner (Goal LU-3), and facilitating the creation and expansion of private sector businesses and local career choices for Laguna Hills residents (Goal LU-7).

5. That the plan or amendment is necessary to protect the general health, safety, or general welfare of the community as a whole:

The intent of the General Plan Amendment in 2014 was to encourage new or revitalized hotel development through the establishment of more flexible development standards for hotel uses in the North Laguna Hills area. This minor change in Floor Area Ratio provides more flexibility to react to changing standards in the hospitality industry. Development of hotel uses will increase the City's tax revenue base to help fund services and capital projects that serve the residents and businesses of the City of Laguna Hills. By strengthening local economic activity, which in turn enhances local revenues through which public services are provided, the general health, safety, and general welfare of the community is enhanced and therefore protected.

SECTION 3. Based on the findings set forth herein, the City Council hereby approves and adopts General Plan Amendment No. 10-16-3672 amending the Laguna Hills General Plan Land Use Element, a copy of which is attached hereto as Exhibit "A," with changes shown in "underline/strikeout" format. The City Clerk is directed to update the appropriate sections of General Plan Land Use Element in accordance with Exhibit "A."

SECTION 4. This Resolution shall take effect on the thirty-first (31st) day following adoption.

PASSED, APPROVED, AND ADOPTED this _____ day of _____ 2017.

DON SEDGWICK, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO
HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 201X-
XXX by the City Council of the City of Laguna Hills, California, at a Regular Meeting
thereof held on the _____ day of _____ 201x, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

MELISSA AU-YEUNG, CITY CLERK

EXHIBIT A

Table LU-1
Land Use Designations

	Land Use Designation	Density or Intensity	Description
Office Land Uses			
	Office Professional (OP)	Maximum 0.50 FAR	The Office Professional designation provides for the establishment of office-based working environments for administrative and professional offices, as well as necessary support uses. Typical uses include administrative and professional offices, business-related retail and service functions, health care facilities, and vocational and trade schools.
Mixed Use Land Uses			
	Mixed Use (MXU)	Maximum 0.38 FAR	The Mixed Use designation provides for areas where a variety of goods and services can be obtained within an overall planned environment. Within the Mixed Use designation, appropriate land uses include limited industrial and manufacturing uses, administrative and professional uses, institutional and government uses, business support uses, auto-related uses, eating and drinking establishments, personal services, and retail sales of durable goods and general retail sales. More flexible development standards are allowed for hotel uses in order to help facilitate hotel development.
		Maximum 1.0 <u>1.1</u> FAR for hotel uses	
	Neighborhood Mixed Use (NMU)	Maximum 0.38 FAR of .30 non-residential FAR and 0.08 residential FAR	The Neighborhood Mixed Use designation provides areas for a variety of different, compatible land uses to exist in proximity. The intent of the Neighborhood Mixed Use designation is to create attractive neighborhood-level centers that promote a more active, vibrant street life; increase pedestrian activity and reduce vehicular traffic; provide storefront style shopping streets; that provide a variety of compact, multi-family housing types close to jobs and services; and/or encourage walking and social interaction. Within the Neighborhood Mixed Use designation, appropriate land uses include mid-box anchors; administrative and professional uses; grocery and specialty stores; business support uses; eating and drinking establishments; cinemas; personal services; residential condos, apartments, and townhomes; and mixed use structures.

Table LU-1
Land Use Designations

	Land Use Designation	Density or Intensity	Description
Commercial Land Uses			
	Village Commercial (VC)	No maximum FAR restrictions	The Village Commercial designation is envisioned as a master planned area (Urban Village Specific Plan area) containing specific design standards and policies that enhance pedestrian and vehicle circulation within the currently developed area. The intent of this designation is to establish a community core where commercial, civic, and high density residential uses would be appropriate. The area will contain enhanced pedestrian areas that conveniently link commercial, residential, and civic activity areas. Typical uses include those associated with large regional malls, as well as a medical center, financial institutions, institutional and governmental uses, auto-related services, community facilities, professional offices, and high density residential uses.
	Freeway Commercial (FC)	Maximum 0.40 FAR	The Freeway Commercial designation provides for the development and maintenance of medium intensity commercial uses that serve the needs of the motoring public in the local community and the regional area. This designation is intended to provide an environment that takes advantage of the superior access and visibility provided by the I-5 Freeway. Typical uses include those uses allowed under the Community Commercial designation, restaurants, discount warehouse outlets, service stations, and hotels and motels. More flexible development standards are allowed for hotel uses in order to help facilitate hotel development.
		Maximum 1.0 <u>1.1</u> FAR for hotel uses	
	Community Commercial (CC)	Maximum 0.35 FAR	The Community Commercial designation provides appropriately located areas for the general shopping and commercial service needs of area residents. Typical uses include general retail, markets, commercial services, restaurants, automotive repair and service, hardware and home improvement centers, commercial recreation, professional and business offices, financial institutions, and automotive sales.



Attachment 2

Proposed Ordinance

ORDINANCE NO. 2017-

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, APPROVING ZONE TEXT AMENDMENT _____, AMENDING TITLE 9 OF THE LAGUNA HILLS MUNICIPAL CODE (ZONING AND SUBDIVISIONS) AMENDING TABLE 9-11.050 HOSPITALITY OVERLAY ZONE DEVELOPMENT STANDARDS RELATED TO MAXIMUM DENSITY, CHANGING FROM A FLOOR AREA RATIO (FAR) OF 1.0 TO A FAR OF 1.1.

WHEREAS, the City of Laguna Hills proposes to make a minor modification to the Floor Area Ratio contained in the Laguna Hills Development Code to increase the allowable building density/intensity for hotel uses within the Hospitality Overlay Zone from a maximum of 1.0 Floor Area Ratio (FAR) to a maximum of 1.1 FAR ("Amendment") in reaction to the recent evolutions of the hospitality industry to provide more guest amenities and services and to provide further encouragement for hotel development; and

WHEREAS on June 24, 2014 the City Council adopted Resolution No. 2014-6-24-2 approving a Negative Declaration pursuant to the provisions of the California Environmental Quality Act, Public Resources Code Sections 21000 *et. seq.* ("CEQA"), the CEQA Guidelines, California Code of Regulations, Title 14, Section 1500 *et. seq.*, for the purpose of considering an amendment to the City's General Plan Land Use Element and Development Code to establish a Hospitality Overlay Zone (HOZ) to increase the allowable building density/intensity for hotel uses within the Freeway Commercial and Mixed Use General Plan Land Use Districts enacting policies to encourage targeted infill development and the development of hotel uses on properties in North Laguna Hills with proximity to, and visibility from, Interstate 5; and

WHEREAS, on June 24, 2014, after adopting Resolution 2014-6-24-2 approving a Negative Declaration concerning the establishment of the Hospitality Overlay Zone, the City Council adopted Resolution 2014-6-24-3 approving General Plan Amendment No. 06-13-2608 to amend the City's General Plan Land Use Element establishing the HOZ; and

WHEREAS, on July 8, 2014 the City of Laguna Hills adopted Ordinance No. 2014-3 amending the Laguna Hills Development Code and Zoning Map to establish a new Hospitality Overlay Zone and related alternative development standards pertaining to building setbacks, height, and floor area ratio for hotel uses over an area of +/- 19.7 acres generally located south of Lake Forest Drive and west of Avenida de la Carlota and encompassing the following properties:

Address	APN
23002 Lake Forest Drive	588-055-03

23052 Avenida de la Carlota	588-055-01
23061 Avenida de la Carlota	588-112-01
23046 Avenida de la Carlota	588-032-25
23041 Avenida de la Carlota	588-111-18
23441 South Pointe Drive	588-111-17
23421 South Pointe Drive	588-111-16
23461 South Pointe Drive	588-111-15
23175 Avenida de la Carlota	588-032-28

WHEREAS, since the enactment of the original HOZ standards in 2014, the City Council finds that it is desirable to provide additional zoning enhancements within the HOZ as an additional enticement to attract hotel development to the City, and that there is a need to further amend the HOZ standards to increase allowable building density/intensity by increasing the allowable floor area ratio within the HOZ; and

WHEREAS, on April 11, 2017 the City Council adopted Resolution No. 2017-04-11-X approving General Plan Amendment No. 10-16-3672 to amend the Laguna Hills General Plan Land Use Element to increase the allowable building intensity for hotel uses within the Freeway Commercial and Mixed Use General Plan Land Use Designations to the extent they fall within the Hospitality Overlay Zone boundaries and to enact policies to encourage targeted infill development and the development of hotel uses on properties in North Laguna Hills with proximity to, and visibility from, Interstate 5 through the adoption of more flexible development standards; and

WHEREAS, the proposed Ordinance amending the Development Code ("Amendment") is consistent with, and would implement, the policies established through General Plan Amendment No. 10-16-3672 in order to encourage the future development of hotel uses within designated portions of North Laguna Hills; and

WHEREAS, the City properly noticed the public hearing concerning the adoption of this Ordinance pursuant to Government Code section 6061 and as required under Government Code section 65090 which was noticed for March 14, 2017 and continued to April 11, 2017; and

WHEREAS, the City Council of the City of Laguna Hills has considered information presented on the proposed Amendment by City Staff, the public, and other interested parties at a Public Hearing held on March 14, 2017 which was subsequently continued to April 11, 2017; and

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA,
DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. The above recitals are true and correct, and are incorporated herein by reference.

SECTION 2. The required findings by the City for approval of the proposed Zone Change have been met and made as follows:

1. That the amendment or plan is consistent with the intent of the goals and policies of the General Plan as a whole, and is not inconsistent with any element thereof:

The proposed Amendment is consistent with the intent, goals, and policies of the General Plan, in particular as they pertain to the General Plan Land Use Element. The General Plan Land Use Element contains a number of policies designed to encourage hotel development in specific areas in both the Freeway Commercial and Mixed Use Land Use Designations. Specifically, those policies provide that more flexible development standards are allowed for hotel uses in order to promote hotel development. Through adoption of General Plan Amendment No. 10-16-3672, the Land Use Element permits a maximum Floor Area Ratio (FAR) of 1.1 for hotel uses on properties within the Freeway Commercial and Mixed Use Land Use Designations. This Amendment will provide further flexibility that directly addresses the objectives noted in the General Plan to achieve the City's economic goals.

2. That the amendment or plan is necessary to prescribe reasonable controls and standards for affected land uses to insure compatibility and integrity of those uses with other established uses.

The proposed Amendment will establish a reasonable level of control for hotel uses within the Hospitality Overlay Zone (HOZ) that balances the goal of encouraging hotel development with the need to ensure that any future hotel development is compatible with other established uses in the area. The increase in Floor Area Ratio for certain properties in the Freeway Commercial and Mixed Use designations will further enhance the opportunity for new or revitalized hotel uses in the affected area while maintaining compatibility with other uses in the area. All other standards that are currently in these two districts, and those adopted as part of the HOZ, remain the same.

3. That the amendment or plan is necessary to provide reasonable property development rights while protecting environmentally sensitive land uses and species.

The proposed Amendment is a minor change to the HOZ that allows more flexibility in the Floor Area Ratio for hotel uses. In order to evaluate the potential effects of the proposed Amendment on environmentally sensitive land uses and species, an addendum to the Negative Declaration was prepared in accordance with CEQA. Based on the whole record before the City, including the addendum and the Negative Declaration, the proposed change in Floor Area Ratio will result not in any new significant effects or a substantial increase in the severity of any previously identified significant effects.

4. That the plan or amendment is necessary to correct discrepancies in standards or policies within the plan area or land use category:

The proposed Amendment is necessary to implement the new General Plan polices encouraging the adoption of more flexible development standards for hotel uses for certain properties in North Laguna Hills and to ensure consistency between the City's General Plan and Development Code as required by state law.

5. That the plan or amendment is necessary to protect the general health, safety, or general welfare of the community as a whole:

The proposed Amendment is a minor change to the HOZ that provides a further increase in Floor Area Ratio that will encourage future hotel development in areas conducive to hotels. Providing workable standards that help promote the future development of additional hotels in the City will aid in maintaining and enhancing the viability of property in the City of Laguna Hills and increase the City's transient occupancy tax revenue. Property viability is a vital goal of the City to further the economic base of the City and therefore fund services and capital projects. By strengthening local economic activity, which in turn enhances local revenues through which public services are provided, the general health, safety, and general welfare of the community is enhanced and therefore protected.

SECTION 3. Title 9 of the City of Laguna Hills Municipal Code (Zoning and Subdivisions), Chapter 9-11 (Overlay Districts), and Table 9-11.050 (Hospitality Overlay Zone Development Standards) is hereby amended to read:

Key: ~~Strikethrough~~ text indicates text that has been deleted.
Underlined text indicates text that has been inserted.

Item	Standard
Maximum lot coverage	50%
Maximum density	1.0 FAR <u>1.1 FAR</u>
Maximum building height	75 ft.
Minimum setback-front:	
Parking lot	5 ft.
Parking structure	10 ft.
Building	10 ft.
Minimum setback-side (interior)	10 ft.
Minimum setback- street side	10 ft.
Minimum setback-rear	15 ft.
Minimum landscape coverage	15%

SECTION 4. This Ordinance shall not take effect until and unless General Plan Amendment No. 10-16-3672 takes effect.

SECTION 5. Upon the effective date of this Ordinance, the provisions hereof shall supersede any inconsistent or conflicting provisions of the Laguna Hills Municipal Code.

SECTION 6. If any section, subsection, subdivision, sentence, clause, phrase, or portion of this Ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more section, subsection, subdivision, sentence, clause, phrase, or portion thereof be declared invalid or unconstitutional.

SECTION 7. The City Clerk shall certify to the adoption of this Ordinance and cause the same to be posted at the duly designated posting places within the City and published once within fifteen days after passage and adoption as may be required by law; or, in the alternative, the City Clerk may cause to be published a summary of this Ordinance and a certified copy of the text of this Ordinance shall be posted in the Office of the City Clerk five days prior to the date of adoption of this Ordinance; and, within fifteen days after adoption, the City Clerk shall cause to be published, the aforementioned summary and shall post a certified copy of this Ordinance, together with the vote for and against the same, in the Office of the City Clerk.

PASSED, APPROVED, AND ADOPTED this ____ DAY OF _____, 2017.

DON SEDGWICK , MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO
HEREBY CERTIFY that the foregoing Ordinance No. 201x- was duly introduced and
placed upon its first reading at a Regular Meeting of the City Council on the ____ day of
_____, 201x, and that thereafter, said Ordinance was duly adopted and passed at a
Regular Meeting of the City Council held on the ____ day of _____, 201x, by the following
vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

AFFIDAVIT OF POSTING
AND PUBLICATION

MELISSA AU-YEUNG, being first duly sworn, deposes and says:

That she is the duly appointed and qualified City Clerk of the City of Laguna
Hills;

That in compliance with State Laws of the State of California, ORDINANCE NO. 201x-, being:

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, APPROVING ZONE TEXT AMENDMENT _____, AMENDING TITLE 9 OF THE LAGUNA HILLS MUNICIPAL CODE (ZONING AND SUBDIVISIONS) AMENDING TABLE 9-11.050 HOSPITALITY OVERLAY ZONE DEVELOPMENT STANDARDS RELATED TO MAXIMUM DENSITY, CHANGING FROM A FLOOR AREA RATIO (FAR) OF 1.0 TO A FAR OF 1.1.

on the ____ day of _____, 201x, was published in the Saddleback Valley News; and was, in compliance with City Resolution No. 2004-05-2502, on the ____ day of _____, 201x and on the ____ day of _____, 201x, caused to be posted in summary in three places in the City of Laguna Hills, to wit:

Laguna Hills City Hall
Laguna Hills Community Center
Courtyard at La Paz Center

MELISSA AU-YEUNG, CITY CLERK
Laguna Hills, California



Attachment 3

2014 Adopted IS/ND for the Hospitality Overlay Zoning District

Initial Study/Negative Declaration

Hospitality Overlay Zone

GPA/ZC/ZTA-06-13-2608

Prepared by:

City of Laguna Hills
Community Development Department
24035 El Toro Road
Laguna Hills, CA 92653



Public Hearing Date:

~~April 22~~ June 24, 2014

INITIAL STUDY

1. **Project Title:** The City of Laguna Hills Hospitality Overlay Zone
2. **Lead Agency Name & Address:** City of Laguna Hills
24035 El Toro Road
Laguna Hills, CA 92653
3. **Contact Person and Phone Number:** Chris Dominguez
Assistant Planner
City of Laguna Hills
Phone: (949) 707-2662
Email: cdominguez@ci.laguna-hills.ca.us
4. **Project Location:** ~~Eleven-Nine~~ properties encompassing approximately 19 acres in North Laguna Hills as depicted in the map provided in **Exhibit A**.
5. **Project Sponsor's Name and Address:** City of Laguna Hills
24035 El Toro Road
Laguna Hills, CA 92653
6. **General Plan Designations:** Two General Plan land use designations are affected, which include: Mixed Use (MU); and Freeway Commercial (FC).
7. **Zoning Designations:** Two zoning districts are affected, which include: Mixed Use (MXU); and Freeway Commercial (FC).
8. **Project Description:**
The proposed project will amend the City of Laguna Hills General Plan and Development Code to create a Hospitality Overlay Zone. This overlay zone will cover ~~eleven-nine~~ properties and approximately 19 acres in North Laguna Hills near Avenida De La Carlota and Lake Forest Drive. Specific properties included in the overlay zone are located at: 23175 Avenida De La Carlota; 23461 South Pointe Drive; 23441 South Pointe Drive; 23421 South Pointe Drive; 23041 Avenida De La Carlota; 23046 Avenida De La Carlota; 23061 Avenida De La Carlota; 23052 Avenida De La Carlota; ~~23002 Avenida De La Carlota;~~ and 23002 Lake Forest Drive. The purpose of the overlay zone is to encourage hotel development, by providing more flexible development standards (e.g., required parking, building setbacks, allowable building area, etc.) than what is typically allowed in the Mixed Use and Freeway Commercial zones. In addition, a minor General Plan amendment is

included to ensure consistency between the City's General Plan and proposed amendments to the Development Code. No specific development proposal is being considered at this time.

9. Surrounding Land Uses and Setting:

The proposed Hospitality Overlay Zone is surrounded by the I-5 Freeway to the north and east, and by a variety of uses to the south and west, including warehouses, professional offices, manufacturing, auto repair, and a commercial shopping center. While the surrounding area is highly industrial in nature, many land uses within the project area are located to maximize the area's close proximity to the I-5 Freeway. For example, two hotels located in the project area benefit from access and visibility to the freeway.

10. Required Approvals:

This project requires approval of a Zone Change, Zoning Text Amendment, General Plan Amendment, and CEQA document certification by the Laguna Hills City Council. The Zone Change establishes the boundaries of the proposed overlay zone, the Zoning Text Amendment will establish the development standards for new hotels within the overlay zone, and the General Plan Amendment will establish intensity limits for new development occurring within the overlay zone boundaries.

ENVIRONMENTAL DETERMINATION

Environmental Factors Potentially Affected:

☐	Aesthetics	☐	Agriculture & Forest Resources	☐	Air Quality
☐	Biological Resources	☐	Cultural Resources	☐	Geology/Soils
☐	Greenhouse Gas Emissions	☐	Hazards & Hazardous Materials	☐	Hydrology/Water Quality
☐	Land Use/Planning	☐	Mineral Resources	☐	Noise
☐	Population/Housing	☐	Public Services	☐	Recreation
☒	Transportation/Traffic	☐	Utilities/Service Systems	☒	Mandatory Findings of Significance

Determination (To be completed by the Lead Agency):

☒	I find that the proposed project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared.
☐	I find that although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because revisions in the project have been made by or agreed to by the project proponent. A MITIGATED NEGATIVE DECLARATION will be prepared.
☐	I find that the proposed project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.
☐	I find that the proposed project MAY have a "potentially significant impact" or "potentially significant unless mitigated" impact on the environment, but at least one effect has 1.) been adequately analyzed in an earlier document pursuant to applicable legal standards, and 2.) has been addressed by mitigation measures based on the earlier analysis as prescribed on attached sheets. An ENVIRONMENTAL IMPACT REPORT (EIR) is required, but it must analyze only the effects that remain to be addressed.
☐	I find that although the proposed project could have a significant effect on the environment, because all potentially significant effects have 1.) been analyzed adequately in an earlier EIR or NEGATIVE DECLARATION pursuant to applicable standards, and 2.) have been avoided or mitigated pursuant to that earlier EIR or NEGATIVE DECLARATION, including revisions or mitigation measures that are imposed upon the proposed project, nothing further is required.

Chris Dominguez, Assistant Planner

Date

ENVIRONMENTAL CHECKLIST

1. Aesthetics:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Have a substantial adverse effect on a scenic vista?	☐	☐	☐	☒
b) Substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings within view from a state scenic highway?	☐	☐	☐	☒
c) Substantially degrade the existing visual character or quality of the site and its surroundings?	☐	☐	☐	☒
d) Create a new source of substantial light or glare which would adversely affect day or nighttime views in the area?	☐	☐	☐	☒

Discussion:

a-d.) No impact. The proposed amendments to the General Plan and Development Code to create the Hospitality Overlay Zone will not adversely impact a scenic vista, damage scenic resources, degrade the existing visual character of the site and its surroundings, or create a new source of substantial light or glare. This project will establish policies for future development of hotel uses, but no specific development proposal is under consideration at this time. The General Plan Program EIR identifies Laguna Hills as a nearly built out community (City of Laguna Hills, 2009), so future development of hospitality-related land uses is expected to occur as infill development using existing commercial structures. Further, according to the California Department of Transportation Scenic Highway Mapping System, there are no state-identified scenic highways in Laguna Hills (California Department of Transportation, 2011).

Should future development occur as a result of this project, any potential impacts relating to scenic vistas and visual resources will be analyzed separately under CEQA as each development occurs. These developments would be subject to the City's design regulations and standards as outlined in the Development Code, which are designed to maintain the existing visual character and quality of the community. Therefore, no impact will occur and no mitigation measures are necessary.

2. Agricultural Resources:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use?	☐	☐	☐	☒
b) Conflict with existing zoning for agricultural use, or a Williamson Act contract?	☐	☐	☐	☒
c) Conflict with existing zoning for, or cause rezoning of, forest land (as defined in Public Resources Code section 12220(g)), timberland (as defined by Public Resources Code section 4526), or timberland zoned Timberland Production (as defined by Government Code section 51104 (g))?	☐	☐	☐	☒
d) Result in loss of forest land or conversion of forest land to non-forest use?	☐	☐	☐	☒
e) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland to non-agricultural use or conversion of forest land to non-forest use?	☐	☐	☐	☒

Discussion:

- a-e.) No Impact. The Laguna Hills General Plan land use element does not identify farmland or forest resources within the City of Laguna Hills (City of Laguna Hills, 2009). Additionally, the California Department of Conservation does not identify land in Laguna Hills on their maps of important farmland in Orange County (California Department of Conservation, 2010). Therefore, no impact will occur and no mitigation measures are necessary.

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3. Air Quality:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Conflict with or obstruct implementation of the applicable air quality plan?	☐	☐	☐	☒
b) Violate any air quality standard or contribute substantially to an existing or projected air quality violation?	☐	☐	☐	☒
c) Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is non-attainment under an applicable federal or state ambient air quality standard (including releasing emissions, which exceed quantitative thresholds for ozone precursors)?	☐	☐	☐	☒
d) Expose sensitive receptors to substantial pollutant concentrations?	☐	☐	☐	☒
e) Create objectionable odors affecting a substantial number of people?	☐	☐	☐	☒

Discussion:

- a.) No impact. The City of Laguna Hills is located in the South Coast Air Basin, which is under the jurisdiction of the South Coast Air Quality Management District (SCAQMD). The most recent applicable air quality plan for this area is the 2012 Air Quality Management Plan published by the SCAQMD. The proposed project will not conflict with the 2012 Air Quality Management Plan since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts to this plan will be analyzed for significance.
- b-e.) No impact. The proposed project will not violate any air quality standard, increase a criteria pollutant, expose sensitive receptors to substantial pollutant concentrations, or create objectionable odors since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and air quality impacts will be analyzed for significance.

4. Biological Resources:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?	☐	☐	☐	☒
b) Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?	☐	☐	☐	☒
c) Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marsh, vernal pool, coastal, etc.) through direct removal, filling, hydrological interruption, or other means?	☐	☐	☐	☒
d) Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites?	☐	☐	☐	☒
e) Conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance?	☐	☐	☐	☒
f) Conflict with the provisions of an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, regional or state habitat conservation plan?	☐	☐	☐	☒

Discussion:

a-c.) No impact. According to the City's General Plan Program EIR, the majority of land within the City of Laguna Hills is developed, with isolated patches of native vegetation limited to isolated patches occurring in stream channels, drainages,

hillsides, and small urban canyons (City of Laguna Hills, 2009). The document also found that there are no documented sensitive plants or wildlife species, habitats, or wetlands in or around the project area (2009). Additionally, no development project is under consideration at this time. Therefore, no impacts will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and any potential impacts to sensitive plants or wildlife species will be analyzed for significance.

- d.) No impact. Although the majority of land within the City of Laguna Hills is developed, the General Plan Program EIR identifies streams and riparian corridors that traverse the City that may serve as limited movement corridors for wildlife species (City of Laguna Hills, 2009). These potential wildlife corridors include Aliso Creek, located in the central part of the City, and Veeh Reservoir and its associated tributaries in the northwestern part of the City. The area affected by the Hospitality Overlay Zone is fully urbanized and is approximately one-half mile from the nearest potential wildlife corridor. Additionally, no specific development project is under consideration at this time. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and any potential impacts to movement of migratory fish and wildlife will be analyzed for significance.
- e.) No impact. The City of Laguna Hills Tree Protection Ordinance regulates the planting, maintenance, protection, and removal of City-owned trees and shrubs in City rights-of-way, parks, and open space (City of Laguna Hills, 2004). The proposed project will not conflict with the City's Tree Protection Ordinance since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and any potential impacts to the City's Tree Protection Ordinance will be analyzed for significance.
- f.) No impact. The City of Laguna Hills is included in the County's Natural Community Conservation Plan (NCCP)/Habitat Conservation Plan (HCP), but no land designated as "reserve" under the NCCP/HCP occurs within the planning area (City of Laguna Hills, 2009). Further, since no specific development project is under consideration, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and any potential impacts to adopted conservation plans will be analyzed for significance.

5. Cultural Resources:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Cause a substantial adverse change in the significance of a historical resource as defined in §15064.5?	☐	☐	☐	☒
b) Cause a substantial adverse change in the significance of an archaeological resource pursuant to § 15064.5?	☐	☐	☐	☒
c) Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature?	☐	☐	☐	☒
d) Disturb any human remains, including those interred outside of formal cemeteries?	☐	☐	☐	☒

Discussion:

- a.) No impact. The proposed project will not cause a substantial change in the significance of a historical resource as defined in §15064.5 since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts to historical resources will be analyzed for significant impacts.
- b.) No impact. The General Plan Program EIR cites 14 archaeological sites within the City and indicates the potential for other archaeological resources to exist (City of Laguna Hills, 2009). The area encompassing the proposed Hospitality Overlay Zone is fully developed, so any archeological resources on the affected properties would have been discovered during their initial development. Additionally, no development project is under consideration at this time. Therefore, no impacts will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and any potential impacts to archeological resources will be analyzed for significance.
- c.) No impact. The General Plan Program EIR indicates that the City is home to paleontological resources ranging from no paleontological sensitivity to high sensitivity and that the development of land has the potential to impact known and unknown paleontological resources (City of Laguna Hills, 2009). The proposed project does not involve land development, since a specific

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development proposal is not under consideration at this time. Therefore, no impacts will occur and no mitigation measures are necessary at this time. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and any potential impacts to paleontological resources will be analyzed for significance.

- d.) No impact. The proposed project will not disturb any human remains since no specific development project is under consideration. The General Plan Program EIR indicates that any ground-disturbing activities (such as those associated with land development) have the potential to impact human remains (City of Laguna Hills, 2009). However, there are no known human remains within the project vicinity and the proposed project does not involve ground-disturbing activities. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts to human remains will be analyzed for significance.

6. Geology and Soils:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Expose people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:				
i) Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning map, issued by the State Geologist for the area or based on other substantial evidence of a known fault? Refer to Division of Mines and Geology Special Publication 42.	☐	☐	☐	☒
ii) Strong seismic ground shaking?	☐	☐	☐	☒
iii) Seismic-related ground failure, including liquefaction?	☐	☐	☐	☒
iv) Landslides?	☐	☐	☐	☒
b) Result in substantial soil erosion or the loss of topsoil?	☐	☐	☐	☒
c) Be located on a geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on- or off-site landslide, lateral spreading, subsidence, liquefaction or collapse?	☐	☐	☐	☒
d) Be located on expansive soil, as defined in Table 18-1-B of the Uniform Building Code (1994), creating substantial risks to life or property?	☐	☐	☐	☒
e) Have soils incapable of adequately supporting the use of septic tanks or alternative wastewater disposal systems where sewers are not available for the disposal of wastewater?	☐	☐	☐	☒

Discussion:

- a.i-ii.) No impact. According to the most current (2012) Alquist-Priolo Earthquake Fault Zone map published by the California Department of Conservation, the City of Laguna Hills is not located within the boundaries of an established Alquist-Priolo Earthquake Fault Zone (California Department of Conservation, 2012). The proposed project will not expose people or structures to substantial adverse

effects from rupture of a known earthquake fault or strong seismic shaking since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and potential impacts will be analyzed for significance.

- a.iii.) No impact. The General Plan Program EIR identifies that a portion of the project area is within a liquefaction hazard zone generally associated with the south branch of the San Diego Creek channel (City of Laguna Hills, 2009). Despite this, the proposed project will not expose people or structures to substantial adverse effects from seismic related ground failure, including liquefaction, since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts relating to seismic related ground failure and liquefaction zones will be analyzed for significance.
- a.iv.) No impact. The project area is not located in an area of the City identified by the General Plan Program EIR as susceptible to earthquake-induced landslides and other types of slope failures (City of Laguna Hills, 2009). Additionally, the proposed project will not expose people or structures to substantial adverse effects from landslides since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts relating to landslides will be analyzed for significance.
- b.) No impact. The proposed project will not result in substantial soil erosion or loss of topsoil since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts relating to soil erosion or loss of topsoil will be analyzed for significance.
- c.) No impact. The properties affected by the Hospitality Overlay Zone are currently developed with office, hotel, and restaurant buildings. Any geologic hazards (such as unstable soil, lateral spreading, subsidence, liquefaction, etc.) associated with these sites would have been identified when they were originally developed. Additionally, the proposed project will not create any geologic hazards since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts relating to geologic hazards will be analyzed for significance.

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- d.) No impact. The proposed project will not be located on expansive soil since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts relating to expansive soils will be analyzed for significance.
- e.) No impact. The proposed project does not involve the use of septic tanks since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts relating to wastewater disposal will be analyzed for significance.

7. Greenhouse Gas Emissions:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Generate greenhouse gas emissions, either directly or indirectly, that may have a significant impact on the environment?	☐	☐	☐	☒
b) Conflict with an applicable plan, policy, or regulation adopted for the purpose of reducing the emissions of greenhouse gasses?	☐	☐	☐	☒

Discussion:

- a-b.) No impact. The General Plan Program EIR determined that under the City's twenty year, build-out scenario, annual greenhouse gas emissions would increase by 24% compared to 2008 conditions (City of Laguna Hills, 2009). Thus, any development that occurs in accordance with the General Plan would incrementally contribute towards climate change. The General Plan Program EIR notes that all individual development projects will be required to undergo project-specific environmental review and mitigation measures to reduce significant environmental impacts relating to greenhouse gasses. No specific development proposal is under consideration at this time. Future redevelopment occurring in the Hospitality Overlay Zone will be evaluated for project-specific impacts as they are proposed. No impacts will occur at this time and no mitigation measures are necessary.

8. Hazards and Hazardous Materials:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Create a significant hazard to the public or the environment through the routine transport, use or disposal of hazardous materials?	☐	☐	☐	☒
b) Create a significant hazard to the public or the environment through reasonable foreseeable upset and accident conditions involving the release of hazardous materials into the environment?	☐	☐	☐	☒
c) Emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed school?	☐	☐	☐	☒
d) Be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government code Section 65962.5 and, as a result, would it create a significant hazard to the public or the environment?	☐	☐	☐	☒
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area?	☐	☐	☐	☒
f) For a project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area?	☐	☐	☐	☒
g) Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan?	☐	☐	☐	☒
h) Expose people or structures to a significant risk of loss, injury or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands?	☐	☐	☐	☒

Discussion:

a-c.) No impact. The proposed project will not involve routine transport, use, or disposal of hazardous materials since no specific development project is under consideration. Additionally, the proposed project is not located within one-

quarter mile of an existing or proposed school as confirmed by the City's GIS mapping system (City of Laguna Hills, 2014). Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts relating to hazardous materials will be analyzed for significance.

- d.) No Impact. The City's General Plan Program EIR identifies seven properties that are listed on the California Environmental Protection Agency's annual Hazardous Waste and Substances List, also known as the "Cortese List" (City of Laguna Hills, 2009). None of these properties are in or near the proposed Hospitality Overlay Zone. No impact will occur and no mitigation measures are necessary.
- e-f.) No impact. The proposed Hospitality Overlay Zone is not located within the boundaries of an airport land use plan or within the vicinity of a public or private airport. No impact will occur and no mitigation measures are necessary.
- g.) No impact. The proposed project does not include a specific development proposal that will impair or interfere with an adopted emergency response plan or emergency evacuation plan since no development is proposed. No impact will occur and no mitigation measures are necessary.
- h.) No impact. According to the latest Fire Hazard Severity Zone maps for Orange County released by CAL FIRE in 2011, there are no "Very High" fire severity areas within the City of Laguna Hills (CAL FIRE, 2011). Additionally, no specific development proposal is under consideration at this time. No impact will occur and no mitigation measures are necessary.

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9. Hydrology and Water Quality:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Violate any water quality standards or waste discharge requirements?	☐	☐	☐	☒
b) Substantially deplete groundwater supplies or interfere substantially with groundwater recharge, such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)?	☐	☐	☐	☒
c) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on- or off-site?	☐	☐	☐	☒
d) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner, which would result in flooding on- or off-site?	☐	☐	☐	☒
e) Create or contribute runoff water which would exceed the capacity of existing or planned stormwater drainage systems or provide substantial additional sources of polluted runoff?	☐	☐	☐	☒
f) Otherwise substantially degrade water quality?	☐	☐	☐	☒
g) Place housing within a 100-year flood hazard area as mapped on a federal Flood hazard Boundary of Flood Insurance Rate Map or other flood hazard delineation map?	☐	☐	☐	☒
h) Place within 100-year flood hazard area structures, which would impede or redirect flood flows?	☐	☐	☐	☒
i) Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam?	☐	☐	☐	☒
j) Inundation by seiche, tsunami, or mudflow?	☐	☐	☐	☒

Discussion:

- a.) No impact. The proposed project will not violate any water quality standards or waste discharge requirements since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts relating to water quality standards or waste discharge requirements will be analyzed for significance.
- b.) No impact. Therefore, no impact will occur and no mitigation measures are necessary. The proposed project will not affect groundwater supplies or interfere with groundwater recharge since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and groundwater impacts will be analyzed for significance.
- c-e.) No impact. The proposed project will not affect existing drainage patterns since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and site drainage impacts will be analyzed for significance.
- f.) No impact. The proposed project will not violate any water quality standard since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and water quality impacts will be analyzed for significance.
- g-h.) No impact. The City's General Plan Program EIR identified three areas in the City as 100-year flood hazard areas as mapped in the Federal Insurance Rate Maps (City of Laguna Hills, 2009). These areas are located around Aliso Creek, Veeh Reservoir, Mill Creek, and in a zone northwest of Alicia Parkway in the southern portion of the City, outside of the proposed project area. Therefore, no impact will occur and no mitigation measures are necessary.
- i.) No impact. The City's General Plan Program EIR identifies specific areas of the City where there is potential for flooding due to failure of a levee, dam or reservoir (City of Laguna Hills, 2009). These areas include the southeastern edge of the City adjacent to the I-5 Freeway and the area immediately adjacent to the Veeh Reservoir and Sulphur Creek Reservoir. The project area is not located within or near these areas, so no impact will occur and no mitigation measures are necessary.

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- j.) No impact. Due to its inland location, the City of Laguna Hills is not located within an inundation zone associated with any seiche, tsunami, or mudflow event. No impact will occur and no mitigation measures are necessary.

10. Land Use and Planning:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Physically divide an established community?	☐	☐	☐	☒
b) Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect?	☐	☐	☐	☒
c) Conflict with any applicable habitat conservation plan or natural community conservation plan?	☐	☐	☐	☒

Discussion:

- a.) No impact. The City of Laguna Hills is a built-out community and any new development that occurs as a result of this project will follow existing development patterns, which are characterized by high-density, 2-6 story office buildings and hotels. The proposed project will establish a Hospitality Overlay Zone, which will allow for a greater maximum density (1.0 Floor Area Ratio) to be applied to hotel uses. Because the area within and surrounding the proposed Hospitality Overlay Zone already experiences higher density than in other areas of the Mixed Use zone, the project will not physically divide an established community. Additionally, no specific development proposal is under consideration at this time. No impact will occur and no mitigation measures are necessary.
- b.) No impact. The Regional Comprehensive Plan (RCP) and Regional Transportation Plan/Sustainable Communities Strategy (RTP/SCS) are two plans developed by the Southern California Association of Governments (SCAG) that include policies targeting greenhouse gas emissions from land use and transportation activities. While SCAG does not have the authority to mandate implementation of its policies, the City of Laguna Hills has nonetheless considered them a worthwhile undertaking in its own planning activities. The proposed Hospitality Overlay Zone will not conflict with any of the goals or policies of SCAG's regional plans and will even promote a number of goals and policies by encouraging infill and redevelopment. The City's General Plan anticipates a "build-out" capacity of 4,933,549 square feet of commercial development in the North Laguna Hills area, and this projection will not change as part of the proposed project (City of Laguna Hills, 2009). This build-out

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projection was also provided to SCAG during development of the RTP/SCS and future development that occurs within the Hospitality Overlay Zone will be analyzed to ensure consistency with that projection, the RCP, and RTP/SCS. Outside of the RCP and RTP/SCS, implementation of the Hospitality Overlay Zone will require amendments to the General Plan and Development Code to ensure consistency internally and between these two policy documents. No impact will occur and no mitigation measures are necessary.

- c.) No impact. According to the City's General Plan Program EIR, there are currently no adopted habitat conservation plans or natural community conservation plans in the City of Laguna Hills (City of Laguna Hills, 2009). No impact will occur and no mitigation measures are necessary.

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11. Mineral Resources:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Result in the loss of availability of a known mineral resource that would be a value to the region and the residents of the state?	☐	☐	☐	☒
b) Result in the loss of availability of a locally important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan?	☐	☐	☐	☒

Discussion:

- a-b.) No impact. According to the City's General Plan Program EIR, the City is not located within an area that is specifically identified by the California Department of Mines and Geology as having substantial mineral resources (City of Laguna Hills, 2009). Further, the City is a fully developed, urbanized area and no new construction or soil disturbance will be affected. Therefore, no impact will occur and no mitigation measures are necessary.

12. Noise:

Would the project result in:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Exposure of persons to or generation of noise levels in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies?	☐	☐	☐	☒
b) Exposure of persons to or generation of excessive groundborne vibration or groundborne noise levels?	☐	☐	☐	☒
c) A substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?	☐	☐	☐	☒
d) A substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?	☐	☐	☐	☒
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project expose people residing or working in the project area to excessive noise levels?	☐	☐	☐	☒
f) For a project within the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels?	☐	☐	☐	☒

Discussion:

- a.) No impact. The proposed project will not violate any established noise standard since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and noise impacts will be analyzed for significance.
- b-d.) No impact. The proposed project will not create or add to existing sources of groundborne vibration or noise since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts relating to groundborne vibration and noise will be analyzed for significance.

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- e.) No impact. The General Plan Land Use Element shows the project area is not located within an area that is subject to the requirements of an airport land use plan or within two miles of a public airport or public use airport (City of Laguna Hills, 2009). No impact will occur and no mitigation measures are necessary.
- f.) No impact. The General Plan Land Use Element shows the project area is not located within the vicinity of a private airstrip (City of Laguna Hills, 2009). No impact will occur and no mitigation measures are necessary.

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13. Population and Housing:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Induce substantial population growth in an area, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of roads or other infrastructure)?	☐	☐	☐	☒
b) Displace substantial numbers of existing housing, necessitating the construction of replacement housing elsewhere?	☐	☐	☐	☒
c) Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere?	☐	☐	☐	☒

Discussion:

- a-c.) No impact. Creation of the Hospitality Overlay Zone will not directly or indirectly induce substantial population growth since a specific development proposal is not under consideration at this time. Future development that occurs within the Hospitality Overlay Zone is not expected to include new housing or require expansion of existing infrastructure. Instead, future development is expected to be consistent with the growth projections outlined in the General Plan and with the Southern California Association of Governments' Regional Transportation Plan and Sustainable Community Strategy. Finally, future development within the Hospitality Overlay Zone will be evaluated under CEQA on a project-specific basis. No impact will occur at this time and no mitigation measures are necessary.

14. Public Services:

Would the project result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities, need for new or physically altered governmental facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times or other performance objectives for any of the public services:

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Fire protection?	☐	☐	☐	☒
b) Police protection?	☐	☐	☐	☒
c) Schools?	☐	☐	☐	☒
d) Parks?	☐	☐	☐	☒
e) Other public facilities?	☐	☐	☐	☒

Discussion:

- a.) No impact. The proposed project will not impact fire protection services since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts to fire protection services will be analyzed for significance.
- b.) No impact. The proposed project will not impact police protection services since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts to police protection services will be analyzed for significance.
- c.) No impact. The proposed project will not have an adverse effect on local school services since no specific development proposal is under consideration. Student generation rates for the Saddleback Valley Unified School District (SVUSD) are determined by the number and type of dwelling units within a service area (Davis Demographics & Planning, Inc., 2004). Future housing development within the Hospitality Overlay Zone will not occur as a result of this amendment that would increase the number of students within the SVUSD service area. Therefore, no impacts will occur and no mitigation measures are necessary.
- d.) No impact. The proposed project will not impact park services since no specific development project is under consideration. Therefore, no impact will occur and

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no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and park impacts will be analyzed for significance.

- e.) No impact. The proposed project will not impact public facilities since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts to public facilities will be analyzed for significance.

15. Recreation:

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Would the project increase the use of existing neighborhood and regional parks or other recreational facilities, such that substantial physical deterioration of the facility would occur or be accelerated?	☐	☐	☐	☒
b) Does the project include recreational facilities or require the construction or expansion of recreational facilities, which might have an adverse physical effect on the environment?	☐	☐	☐	☒

Discussion:

- a-b.) No impact. The proposed project will not impact neighborhood parks, regional parks, or other recreational facilities since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and recreational facility impacts will be analyzed for significance.

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16. Transportation and Traffic:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Conflict with an applicable plan, ordinance, or policy establishing measures of effectiveness for the performance of the circulation system, taking into account all modes of transportation including mass transit and non-motorized travel and relevant components of the circulation system, including but not limited to intersections, streets, highways and freeways, pedestrian and bicycle paths, and mass transit?	☐	☐	☒	☒
b) Conflict with an applicable congestion management program, including, but not limited to level of service standards and travel demand measures, or other standards established by the county congestion management agency for designated roads or highways?	☐	☐	☐	☒
c) Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location that results in substantial safety risks?	☐	☐	☐	☒
d) Substantially increase hazards due to a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)?	☐	☐	☐	☒
e) Result in inadequate emergency access?	☐	☐	☐	☒
f) Conflict with adopted policies, plans, or programs regarding public transit, bicycle, or pedestrian facilities, or otherwise decrease the performance or safety of such facilities?	☐	☐	☐	☒

Discussion:

- a.) No impactLess than significant impact. In order to fully understand how the proposed project may impact the effectiveness of the surrounding circulation system, the total number of vehicle trips was estimated using the Institute of Transportation Engineers Trip Generation Manual, 9th Edition, under a full "build-out" scenario, which assumed that every property included in the HOZ was redeveloped with a hotel use (existing hotels remained as is). Trips from future hotel developments in the HOZ were compared to the estimated trips generated by existing land uses to determine the potential traffic impact. Based upon this analysis, a total of 6,299 daily trips are anticipated under the HOZ build-out

scenario compared to the 4,636 daily trips generated by existing land uses – a difference of 1,663 new trips added to the area. The analysis also evaluated the number of trips occurring during peak periods (AM and PM); utilizing *Trip Generation Manual, 9th Edition*. Based upon land use, such as hotel, office, restaurant, etc., applying these profiles to the build-out scenario shows that if every existing land use in the HOZ were converted to hotel uses (existing hotel uses excepted), the total number of AM peak hour trips would decrease from 586 trips to 409 (a 30% decrease), and the total number of PM peak hour trips would decrease from 529 trips to 462 (a 13% decrease).

In summary, while the total number of daily trips occurring in the HOZ would increase under the build-out scenario, these trips would be spread more evenly throughout the day, resulting in less traffic during peak demand periods. Therefore, ~~the proposed project will have a less than significant impact on the City's circulation system and will not conflict with any plan, ordinance, or policy regulating the City's circulation system. since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts to the City's circulation system will be analyzed for significance.~~

- b.) No impact. The proposed project will not conflict with an adopted congestion management plan since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts to a congestion management plan will be analyzed for significance.
- c.) No impact. The City's General Plan Land Use Element shows there are no airports located near the project area (City of Laguna Hills, 2009). No aviation-related elements are included in this project and no elements of this project will affect existing air traffic patterns. No impact will occur and no mitigation measures are necessary.
- d.) No impact. The proposed project will not create hazards or incompatible uses since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and hazardous impacts will be analyzed for significance.
- e.) No impact. No specific development proposal is under consideration that would result in inadequate emergency access. Therefore no impacts will occur and no mitigation measures are necessary. The proposed project will not result in inadequate emergency access since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are

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necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts to emergency access will be analyzed for significance.

- f.) No impact. No specific development proposal is under consideration. Therefore no impacts will occur and no mitigation measures are necessary. The proposed project will not conflict with any adopted plans, policies or programs relating to public transit or bicycle and pedestrian facilities since no specific development project is under consideration. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and impacts to these facilities will be analyzed for significance.

17. Utilities and Service Systems:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board?	☐	☐	☐	☒
b) Require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?	☐	☐	☐	☒
c) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?	☐	☐	☐	☒
d) Have sufficient water supplies available to serve the project from existing entitlements and resources or are new or expanded entitlements needed?	☐	☐	☐	☒
e) Result in a determination by the wastewater treatment provider, which serves or may serve the project that it has adequate capacity to serve the project's projected demand in addition to the provider's existing commitments?	☐	☐	☐	☒
f) Be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs?	☐	☐	☐	☒
g) Comply with federal, state, and local statutes and regulations related to solid waste?	☐	☐	☐	☒

Discussion:

- a-b.) No impact. No specific development proposal is under consideration that would exceed wastewater treatment requirements of the local Regional Water Quality Control Board. For potential future development within the Hospitality Overlay Zone, the General Plan Program EIR found that the El Toro Water District has sufficient wastewater treatment capacity to serve potential development and redevelopment within the City, including the "build-out" scenario of 4,933,549 square feet of commercial development in the North Laguna Hills area (City of Laguna Hills, 2009). The proposed project will not impact this projection. As a matter of practice, the City routinely reviews development projects in consultation with the appropriate water district to ensure that sufficient wastewater

infrastructure capacity continues to be available. No impact will occur and no mitigation measures are necessary.

- c.) No impact. The General Plan Program EIR examined future land development within the City under a “build-out” scenario of 4,933,549 square feet of commercial development in the North Laguna Hills area and concluded that the existing flood control and storm water drainage systems are sufficient to handle the projected demand (City of Laguna Hills, 2009). The proposed project will not change the build-out scenario for the North Laguna Hills area. No impact will occur and no mitigation measures are necessary.
- d.) No impact. No specific development proposal is under consideration that would require new or expanded water supply facilities. The project area is serviced by the El Toro Water District, which concludes in its 2010 Urban Water Management Plan that it expects to have adequate water supply available to meet the demand posed by growth within its jurisdiction through 2035 (El Toro Water District, 2011). This determination considered the “build-out” scenario outlined in the City’s General Plan, where the North Laguna Hills area is expected to accommodate 4,933,549 square feet of commercial development (City of Laguna Hills, 2009). The proposed project will not change this build-out scenario. Finally, future development within the Hospitality Overlay Zone will be reviewed in consultation with the El Toro Water District to ensure adequate availability of long-term water supplies to the development. No impact will occur and no mitigation measures are necessary.
- e.) No impact. The South Orange County Wastewater Authority has indicated that the remaining capacity at its wastewater treatment facility is sufficient to serve potential new development and redevelopment in Laguna Hills, which includes 4,933,549 square feet of commercial development in the North Laguna Hills area (City of Laguna Hills, 2009). The proposed project will not change this growth projection. Additionally, no specific development proposal is under consideration at this time. No impact will occur and no mitigation measures are necessary.
- f.) No impact. No specific development proposal is under consideration that would require additional landfill capacity. Future development within the Hospitality Overlay Zone will create demand for solid waste services, but the demand generated is not expected to be greater than what was anticipated under the General Plan’s “build-out” scenario of 4,933,549 square feet of commercial development in the North Laguna Hills area (City of Laguna Hills, 2009). The proposed project will not change this build-out scenario. The City of Laguna Hills is currently served by the Frank R. Bowerman Landfill near the San Joaquin Foothills, which is expected to sufficiently accommodate the City’s solid waste disposal needs until its closure in 2022 (City of Laguna Hills, 2009). After its closure, the City plans for regional landfills to be able to accommodate the City’s solid waste disposal needs for the foreseeable future (2009). No impact will occur at this time and no mitigation measures are necessary.

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- g.) No impact. No specific development proposal is under consideration that would conflict with federal, state, or local statutes and regulations related to solid waste. Any future development within the Hospitality Overlay Zone will be required to implement the City's solid waste reduction programs to further the City's goal of remaining in compliance with the California Integrated Waste Management Act of 1989. No impact will occur and no mitigation measures are necessary.

18. Mandatory Findings of Significance:

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory?	☐	☐	☐	☒
b) Does the project have impacts that are individually limited, but cumulatively considerable? ("Cumulatively considerable" means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects.)	☐	☐	☒	☐
c) Does the project have environmental effects, which will cause substantial adverse effects on human beings, either directly or indirectly?	☐	☐	☐	☒

Discussion:

- a.) No impact. As outlined in responses to "Biological Resources," "Agriculture and Forest Resources," and "Cultural Resources," the proposed project does not have the potential to substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal, or eliminate important examples of major periods of California history or prehistory. As discussed throughout this analysis, no specific development proposal is under consideration at this time as the proposed project is policy oriented.
- b.) Less than significant impact. While no specific development proposal is under consideration at this time, this project may lead to future development due to the development standards offered to hotel uses within the overlay zone. Because the project area is a fully developed urban environment, future development is expected to occur reusing existing commercial structures (such as office buildings or hotels). As such, the "net" impact of future development within the

Draft
March 24, 2014

Hospitality Overlay Zone is expected to be less than significant. For example, the City's General Plan projects a total of 4,933,549 square feet of commercial development in the North Laguna Hills area as a "build-out" scenario, and this will not change as a result of this project (City of Laguna Hills, 2009). As outlined in the responses to "Public Services," and "Utilities and Service Systems," cumulative impacts are expected from future development, but the extent of those impacts can only be speculated at this time. Therefore, future development within the Hospitality Overlay Zone will be analyzed under CEQA for cumulative environmental impacts on a project-specific basis.

- c.) No impact. This project does not include a specific development proposal that will cause substantial adverse effects on human beings. The project is policy-oriented to allow for the creation of a Hospitality Overlay Zone. The impacts of future development within the Hospitality Overlay Zone will be analyzed under CEQA on a project-specific basis.

Exhibits:

- A. Proposed Hospitality Overlay Zone map

WORKS CITED

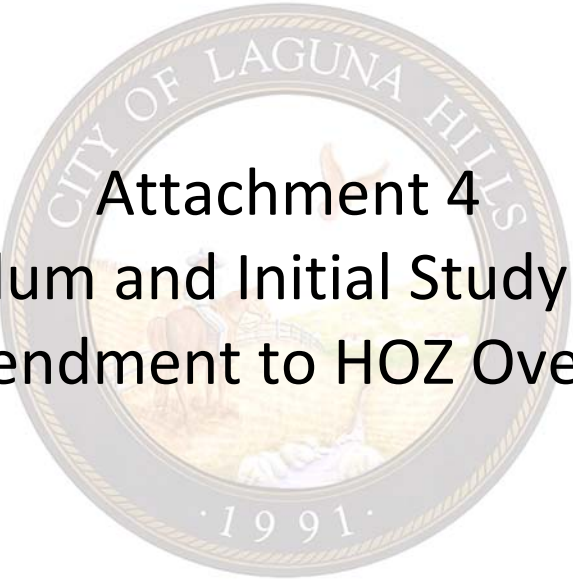
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EXHIBIT A



Attachment: April 11, 2017 Introduction to Ordinance Staff Report & Attachments-HOZ (1264 : Second Reading and Adoption of Ordinance

The seal of the City of Laguna Hills is a circular emblem. It features a central illustration of a person in a white robe, possibly a religious figure, standing on a rocky outcrop. The background of the seal is a light yellow or gold color. The words "CITY OF LAGUNA HILLS" are inscribed in a circular border around the central image. At the bottom of the seal, the year "1991" is visible.

Attachment 4

Addendum and Initial Study for FAR Amendment to HOZ Overlay

ADDENDUM TO THE PREVIOUSLY ADOPTED
2014 INITIAL STUDY AND NEGATIVE DECLARATION
FOR THE HOTEL OVERLAY (HOZ)

A. INTRODUCTION

On June 24, 2014, the Laguna Hills City Council adopted an Initial Study and Negative Declaration ("IS/ND"), for General Plan Amendment/ Zone Change Zoning Text Amendment No. 06-13-2608, a project consisting of a general plan amendment, zone change, and zoning text amendment to create a Hospitality Overlay Zone (HOZ) to allow alternative development standards (relating to building setbacks, height, and floor area ratio) to be applied to hotel uses within the overlay zone. The general plan amendment (GPA) added policies to the City's Land Use Element encouraging targeted infill development and the development of hotel uses on certain properties with proximity to the I-5 Freeway. The zone change (ZC) and zoning text amendment (ZTA) established the Hospitality Overlay Zone and corresponding, alternative development standards for hotel uses in the City's zoning ordinance and official zoning map. The GPA and ZTA applied to a total of nine (9) properties in the Mixed Use and Freeway Commercial Zoning Districts. A Notice of Determination (NOD) was filed on July 11, 2014. Along with language changes to the general plan, a specific set of development standards were adopted for hotel uses in the overlay area that are different from the standards shown in the Mixed Use and Freeway Commercial Zoning District.

Since the ND was adopted, development concepts in the hotel industry have been further refined that create the need to amend the specific standard related to Floor Area Ratio (FAR). Both the City's General Plan and the overlay zone limited the maximum FAR to a total of 1.0 in 2014. Trends in the hospitality industry point to a need to further apply a change to the FAR by ten percent or a total maximum FAR of 1.1.

When a change occurs to a proposed project or its surrounding circumstances following certification of an environmental impact report ("EIR") or negative declaration, further CEQA review may be required in certain instances. As detailed below, an addendum is appropriate in this case because increasing the maximum FAR by ten percent requires only a minor, technical change to the IS/ND, and does not result in any new significant effects or substantial increases in the severity of previously identified significant effects. (Public Resources Code § 21166; Cal. Code Regs., Title 14, §§ 15162(a), 15164.)

B. APPLICABLE LAW

According to Section 15162(a) of the CEQA Guidelines (Cal. Code Regs., title 14, Sections 15000, *et seq.*), when a negative declaration has been adopted for a project, no subsequent EIR shall be prepared for that project unless the lead agency determines, on the basis of substantial evidence in the light of the whole record, one or more of the following:

- (1) Substantial changes are proposed in the project which will require major revisions of the previous EIR or negative declaration due to the involvement of new significant

environmental effects or a substantial increase in the severity of previously identified significant effects;

(2) Substantial changes occur with respect to the circumstances under which the project is undertaken which will require major revisions of the previous EIR or negative declaration due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects; or

(3) New information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the previous EIR was certified as complete or the negative declaration was adopted, shows any of the following:

(A) The project will have one or more significant effects not discussed in the previous EIR or negative declaration;

(B) Significant effects previously examined will be substantially more severe than shown in the previous EIR;

(C) Mitigation measures or alternatives previously found not to be feasible would in fact be feasible and would substantially reduce one or more significant effects of the project, but the project proponents decline to adopt the mitigation measure or alternative; or

(D) Mitigation measures or alternatives which are considerably different from those analyzed in the previous EIR would substantially reduce one or more significant effects on the environment, but the project proponents decline to adopt the mitigation measure or alternative.

Section 15162(b) states that if changes to a project or its circumstances occur or new information becomes available after adoption of a negative declaration, the lead agency shall prepare a subsequent EIR if required under subdivision (a). Otherwise, the lead agency shall determine whether to prepare a subsequent negative declaration, an addendum, or no further documentation. Per CEQA Guidelines section 15164(b), an addendum to an adopted negative declaration may be prepared if only minor technical changes or additions are necessary or none of the conditions described in CEQA Guidelines section 15162 calling for the preparation of a subsequent EIR or negative declaration have occurred.

C. PREVIOUSLY ADOPTED IS/ND AND AMENDMENT TO THE FAR FOR THE HOZ

The City of Laguna Hills prepared the original Draft IS/ND for the HOZ with a circulation period of March 27, 2014 through April 15, 2014. Based on the conclusions of the Initial study and in light of the full record the establishment of the HOZ and the creation of alternative development standards, the City concluded that the HOZ would not have a significant effect on the environment. Staff recommended adoption of a Negative Declaration because the proposed General Plan and Development Code Amendments would not result in any significant impacts on the environment or to the public health, safety, and welfare. No comments were received during the 20-day public comment period, although the City of Irvine did raise a concern regarding potential traffic impacts. After additional information was provided in the Draft IS/ND, the concerns were resolved to the satisfaction of the City of Irvine and the City proceeded to adopt

the project and negative declaration on July 8, 2014 and post the project Notice of Determination on July 14, 2014.

The Project consisted of amendments to the City's General Plan, Zoning Code and Map, including the following:

Changes to the General Plan consisted of language changes that were meant to provide more flexibility to development standards in the Mixed Use (MU) and Freeway Commercial (FC) general plan land use designations in order to facilitate hotel development. A maximum Floor Area Ratio of 1.0 was applied to hotel uses instead of the maximum FAR of .38 in the Mixed Use and .40 in the Freeway Commercial areas.

Chapter 9.11 of the City's Municipal Code details the use of overlay districts in the City. Amendments were included that created the Hospitality Overlay Zone (HOZ), a new overlay applied to the Mixed Use (MXU) and Freeway Commercial (FC) zoning districts. Instead of applying these standards to the entire area covered by these two zoning districts, a total of nine properties that were in proximity to I-5 Freeway were identified for inclusion. These included: 23002 Lake Forest Drive; 23052, 23041, 23046, 23061 and 23175 Avenida de la Carlota; 23421, 23441 and 23461 South Pointe Drive. Specific development standards developed for the overlay are similar to the existing standards for the two zoning districts with some notable exceptions. The maximum height for the HOZ overlay is 75 feet versus 40 feet in the MXU zone and 50 feet in the FC zone. As explained above, a maximum FAR of 1.0 is applied to hotel uses while the maximum FAR in the MXU zone is .38 and .40 in the FC zone. Setbacks were reduced by five feet for parking lots and street side setbacks and by ten feet for parking structures and buildings in the front setback.

Since adoption of the overlay zone, the hospitality industry continues to evolve and develop new options for travelers. Although it is not exclusive, hotels located in this affected area of Laguna Hills tend to center around the business traveler, either short term or for an extended period. In order to provide accommodations for this type of traveler, additional amenities create the need to further adjust the maximum FAR for the overlay zone. The proposed adjustment is for an addition of 0.1 FAR, creating an amended maximum FAR of 1.1.

Increasing the FAR from a maximum of 1.0 to 1.1 creates the potential for the nine properties to add additional building square footage. Depending on the size of the property potential additional development will vary between 5,204 square feet and 20,038 square feet. Over the entire +/- 19.7 acre HOZ area the increase in FAR could allow up to 85,893 square feet. This addendum considers the conclusions that were drawn in the adopted IS/ND and any potential impacts that may be caused by the proposed increase in FAR.

D. CONCLUSION

The Addendum is based on the attached initial study which is incorporated herein by reference. The proposed minor change to the maximum FAR for the HOZ does not alter any of the analyses

or conclusions contained in the IS/ND. The amendment does not involve any new significant environmental effects or a substantial increase in the severity of previously identified significant effects. In short, none of the circumstances set forth in Public Resources Code section 21166 or CEQA Guidelines section 15162 calling for the preparation of a subsequent EIR or ND have occurred, and at most, the increase in FAR by ten percent would require only a minor technical change to the previously-adopted IS/ND. Therefore, an addendum to the ND is appropriate, and no subsequent EIR or ND is required (Public Resources Code § 21166; CEQA Guidelines § § 15162; 15164.)

Initial Study for Addendum No. 1 to the 2014 Negative Declaration for the City of Laguna Hills Hospitality Overlay Zone

**An Amendment to the City's Hospitality Overlay Zone
Increasing the Allowable FAR from 1.0 to 1.1**

GPA/ZTA-10-16-3672

Prepared by:

City of Laguna Hills
Community Development Department
24035 El Toro Road
Laguna Hills, CA 92653



Public Hearing Date:

April 11, 2017

INITIAL STUDY

1. **Project Title:** General Plan Amendment/ Zone Text Amendment -10-16-3672; A minor amendment to the City of Laguna Hills Hospitality Overlay Zone to increase the allowable FAR from 1.0 to 1.1.

2. **Lead Agency Name & Address:** City of Laguna Hills
24035 El Toro Road
Laguna Hills, CA 92653

3. **Contact Person and Phone Number:** David Chantarangsu
Community Development Director
City of Laguna Hills
Phone: (949) 707-2675
Email: dchantarangsu@lagunahillsca.gov

4. **Project Location:** Eleven properties encompassing approximately 19 acres in North Laguna Hills as depicted in the map provided in **Exhibit A**.

5. **Project Sponsor's Name and Address:** City of Laguna Hills
24035 El Toro Road
Laguna Hills, CA 92653

6. **General Plan Designations:** The Hospitality Overlay Zone is located within an area that includes two General Plan land use designations: Mixed Use (MU); and Freeway Commercial (FC) General Plan Land Use designations.

7. **Zoning Designations:** Underlying zones within the existing Hospitality Overlay Zone are the Mixed Use (MXU); and Freeway Commercial (FC) zone designations.

8. **Project Description:**
The proposed project will amend the City of Laguna Hills General Plan and Development Code to modify the existing Hospitality Overlay Zone which was enacted in 2014. This overlay zone currently covers eleven properties and approximately 19 acres in North Laguna Hills near Avenida De La Carlota and Lake Forest Drive. Specific properties included in the overlay zone are located at: 23175 Avenida De La Carlota; 23461 South Pointe Drive; 23441 South Pointe Drive; 23421 South Pointe Drive; 23041 Avenida De La Carlota; 23046 Avenida De La Carlota; 23061 Avenida De La Carlota; 23052 Avenida De La Carlota; 23002 Avenida De La Carlota; and 23002 Lake Forest Drive.

When originally adopted, the purpose of the Hospitality Overlay Zone (HOZ) was to encourage hotel development by providing more flexible development standards (e.g., required parking, building setbacks, and allowable building area, among others) than what is allowed in the Mixed Use and Freeway Commercial zones. The proposed amendment increases allowable building area within the HOZ from 1.0 to 1.1 to enable future hotel projects to include more guest amenities in their facilities such as fitness areas and business conference spaces. A minor General Plan amendment is included to ensure consistency between the City's General Plan and the proposed Zoning Text Amendment. No specific development proposal is being considered at this time and no expansion of the HOZ boundary is proposed.

9. Surrounding Land Uses and Setting:

The Hospitality Overlay Zone is surrounded by the I-5 Freeway to the north and east, and by a variety of uses to the south and west, including warehouses, professional offices, manufacturing, auto repair, and a commercial shopping center. Several buildings within the HOZ are between two and six stories high (see **Exhibit B**).

10. Required Approvals:

This project requires approval of a CEQA document, Zoning Text Amendment, and General Plan Amendment. The General Plan Amendment will indicate a revised allowable FAR building intensity standard for new hotels within the overlay zone from 1.0 to 1.1, and the Zoning Text Amendment will reflect an identical increase in allowable intensity limits for new hotel development occurring within the overlay zone boundaries.

A Negative Declaration was adopted with the original approval of the Hospitality Overlay Zone in 2014. This initial study analyzes potential impacts to the environment as a result of the proposed FAR increase. (Public Resources Code § 21166; CEQA Guidelines § 15162.) Based on the findings in this initial study, an Addendum to the original Negative Declaration is proposed.

ENVIRONMENTAL DETERMINATION

Environmental Factors Potentially Affected:

☐	Aesthetics	☐	Agriculture & Forest Resources	☐	Air Quality
☐	Biological Resources	☐	Cultural Resources	☐	Geology/Soils
☐	Greenhouse Gas Emissions	☐	Hazards & Hazardous Materials	☐	Hydrology/Water Quality
☐	Land Use/Planning	☐	Mineral Resources	☐	Noise
☐	Population/Housing	☐	Public Services	☐	Recreation
☐	Transportation/Traffic	☐	Tribal Cultural Resources	☐	Utilities/Service Systems
☐	Mandatory Findings of Significance				

Determination (To be completed by the Lead Agency):

☒	I find that the proposed project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared.
☐	I find that although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because revisions in the project have been made by or agreed to by the project proponent. A MITIGATED NEGATIVE DECLARATION will be prepared.
☐	I find that the proposed project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.
☐	I find that the proposed project MAY have a “potentially significant impact” or “potentially significant unless mitigated” impact on the environment, but at least one effect has 1.) been adequately analyzed in an earlier document pursuant to applicable legal standards, and 2.) has been addressed by mitigation measures based on the earlier analysis as prescribed on attached sheets. An ENVIRONMENTAL IMPACT REPORT (EIR) is required, but it must analyze only the effects that remain to be addressed.
☐	I find that although the proposed project could have a significant effect on the environment, because all potentially significant effects have 1.) been analyzed adequately in an earlier EIR or NEGATIVE DECLARATION pursuant to applicable standards, and 2.) have been avoided or mitigated pursuant to that earlier EIR or NEGATIVE DECLARATION, including revisions or mitigation measures that are imposed upon the proposed project, nothing further is required.

David Chantarangsu, Community Development Director

Date

ENVIRONMENTAL CHECKLIST

1. Aesthetics:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Have a substantial adverse effect on a scenic vista?	☐	☐	☐	☒
b) Substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings within view from a state scenic highway?	☐	☐	☐	☒
c) Substantially degrade the existing visual character or quality of the site and its surroundings?	☐	☐	☒	☐
d) Create a new source of substantial light or glare which would adversely affect day or nighttime views in the area?	☐	☐	☒	☐

Discussion:

- a) No Impact. In 2014, a Negative Declaration was adopted with the approval of the original Hospitality Overlay Zone (the "2014 ND"). The 2014 ND found that there were no state-identified scenic highways in Laguna Hills according to the California Department of Transportation Scenic Highway Mapping System. (California Department of Transportation, 2011). Since 2014, no new scenic highway designations have occurred in or near the HOZ. In addition, the immediately surrounding area remains built out, and consists of warehouses, professional offices, manufacturing, auto repair, and a commercial shopping center. Several buildings within the HOZ are between two and six stories high as depicted in Attachment X. As sites build out as hotel developments, it is expected that development will comply with the City's zoning code standards which require landscaped setbacks and site landscaping to maintain consistency with the look and appearance of existing developed properties in the area which also include landscaped setbacks and site landscaping. Therefore the level of impact remains the same as originally evaluated. Further, no specific development project is under consideration. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered under CEQA and any potential impacts to scenic vistas will be analyzed for significance.
- b) No Impact. The 2014 ND determined there were no state-identified scenic highways in Laguna Hills according to the California Department of Transportation Scenic Highway Mapping System, so there would be no impact to scenic resources. (California Department of Transportation, 2011) The 2014 ND also found that there would be no impact to scenic resources since no specific

development project was proposed. The 2014 ND identified Laguna Hills as a nearly built out community (City of Laguna Hills General Plan, 2009), and determined that future development of hospitality-related land uses is expected to occur as infill development using existing commercial structures. The HOZ is located in the northeast corner of the North Laguna Hills area, which is built out, consists of warehouses, professional offices, manufacturing, auto repair, and a commercial shopping center. Several buildings in the immediate area are between two and six stories high. Since 2014, no new scenic highway designations have occurred in or near the HOZ (California Scenic Highway Mapping System Website, 2017). Therefore the level of impact remains the same as originally evaluated. Further, no specific development project is under consideration. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered under CEQA and any potential impacts to scenic resources will be analyzed for significance.

- c) Less Than Significant Impact. The 2014 ND determined that there would be no impact to the visual character or quality of the area since no specific development project was proposed, and that future projects would be expected to comply with the City's design regulations and development standards. Since 2014, there have been no changes to the visual quality or condition of the area. No sites have been redeveloped and there have been no changes in the City's development standards affecting the area. The North Laguna Hills area, which is built out, consists of warehouses, professional offices, manufacturing, auto repair, and a commercial shopping center. Several buildings in the immediate area are between two and six stories high.

The proposed increase in allowable FAR within the HOZ could result in an increase in additional building area over the 19-acre HOZ boundary, the amount of which varies in accordance with the size of each property as indicated below.

Property	Additional Building Area Allowed (Square Feet)	Property Size (acres)
23046 Avenida De La Carlota	20,038	4.6
23175 Avenida De La Carlota	15,246	3.5
23052 Avenida De La Carlota 23002 Lake Forest Drive 23002 Lake Forest Drive	5,204	1.19
23461 S Pointe Drive	12,197	2.8
23421 S Pointe Drive	6,534	1.5
23441 S Pointe Drive	8,712	2
23041 Avenida De La Carlota	12,632	2.9
23061 Avenida De La Carlota 23061 Avenida De La Carlota	5,330	1.22
TOTALS:	85,893	19.71

Individually, properties could see an increase in building area over the current allowable floor area ranging from approximately 5,200 square feet to over 20,000 square feet depending on the property. The increased building area could result in taller buildings, and/or buildings with larger footprints than currently exist. Two-to-six story buildings are presently located within the HOZ so this increase would not be uncharacteristic of development that already exists in the HOZ. Since the HOZ already allows building heights of up to 75 feet, (which is more than sufficient to accommodate a six story building including any necessary roof-top mechanical wells) it is expected that the additional building area would be adequately accommodated. The ultimate build out under the HOZ will be determined by the building footprint that an individual property owner decides to build. As sites build out as hotel developments in the HOZ, it is expected that development will comply with the City's zoning code standards which require landscaped setbacks and site landscaping to maintain consistency with the look and appearance of existing developed properties in the area which also include landscaped setbacks and site landscaping. Therefore less than significant impacts will occur. Further, no specific development project is under consideration. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered under CEQA and any potential impacts to the existing visual character of the area will be analyzed for significance.

- d) Less Than Significant Impact. The 2014 ND determined that light and glare impacts would not be significant since no specific development was occurring, and since potential development would be subject to the City's design regulations and standards. Since 2014, there have been no changes to the City's development standards that would allow an increased level of light or glare, and the character of the area has not changed from a built out area consisting of warehouses, professional offices, manufacturing, auto repair, and commercial shopping centers with buildings between two and six stories high. The proposed increase in allowable FAR within the HOZ could result in an increase in additional building area over the 19-acre HOZ boundary, the amount of which will vary in accordance with the size of each property. (See response (c) above). The increased building area could result in taller buildings, and/or buildings with larger footprints. Any new development would be subject to the City's design regulations and standards as outlined in the Development Code (including standards regulating light and glare), which are designed to maintain the existing visual character and quality of the community. These standards include requirements for lighting to be shielded or recessed so that direct glare and reflections are contained within the boundaries of the parcel, requirements for light to be directed downward and away from adjoining properties and public rights-of-way, and prohibitions against lights that blink, flash, or lights that are of unusually high intensity or brightness. Fixtures are also required to be appropriate in scale, intensity, and height to the use served (Laguna Hills Municipal Code 9-40-170).

Despite the larger building sizes the project would authorize in the HOZ, new development is expected to be of similar size and height to what is currently permitted since many buildings that already exist in the HOZ are large, multi-story office buildings with large building footprints and are between two and six stories. Therefore impacts to light and glare as a result of the Project will be less than significant. Further, no specific development project is under consideration and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered under CEQA and any potential impacts to the existing visual character of the area will be analyzed for significance.

2. Agricultural and Forestry Resources:

In determining whether impacts to agricultural resources are significant environmental effects, lead agencies may refer to the California Agricultural Land Evaluation and Site Assessment Model (1997) prepared by the California Dept. of Conservation as an optional model to use in assessing impacts on agriculture and farmland. In determining whether impacts to forest resources, including timberland, are significant environmental effects, lead agencies may refer to information compiled by the California Department of Forestry and Fire Protection regarding the state's inventory of forest land, including the Forest and Range Assessment Project and the Forest Legacy Assessment project; and forest carbon measurement methodology provided in Forest Protocols adopted by the California Air Resources Board.

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use?	☐	☐	☐	☒
b) Conflict with existing zoning for agricultural use, or a Williamson Act contract?	☐	☐	☐	☒
c) Conflict with existing zoning for, or cause rezoning of, forest land (as defined in Public Resources Code section 12220(g)), timberland (as defined by Public Resources Code section 4526), or timberland zoned Timberland Production (as defined by Government Code section 51104 (g))?	☐	☐	☐	☒
d) Result in loss of forest land or conversion of forest land to non-forest use?	☐	☐	☐	☒

e) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland to non-agricultural use or conversion of forest land to non-forest use?	☐	☐	☐	☒
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Discussion:

a-e.) No Impact. The 2014 ND did not identify any farmland or forest resources within the City of Laguna Hills (City of Laguna Hills, 2009). Since 2014 the California Department of Conservation has not identified any land in Laguna Hills on maps of important farmland in Orange County (California Department of Conservation, 2010). There has been no change to the City's General Plan or Department of Conservation maps pertaining to Laguna Hills since 2014, therefore, no impact will occur.

3. Air Quality:

Where available, the significance criteria established by the applicable air quality management or air pollution control district may be relied upon to make the following determinations.

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Conflict with or obstruct implementation of the applicable air quality plan?	☐	☐	☒	☐
b) Violate any air quality standard or contribute substantially to an existing or projected air quality violation?	☐	☐	☒	☐
c) Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is non-attainment under an applicable federal or state ambient air quality standard (including releasing emissions, which exceed quantitative thresholds for ozone precursors)?	☐	☐	☒	☐
d) Expose sensitive receptors to substantial pollutant concentrations?	☐	☐	☒	☐
e) Create objectionable odors affecting a substantial number of people?	☐	☐	☐	☒

Discussion:

a-b.) Less Than Significant Impact. The 2014 ND determined that the establishment of the HOZ would not conflict with the 2012 AQMP since no specific development project was under consideration. The 2012 AQMP is still in effect. For the proposed FAR increase, emissions modeling was conducted to identify any potential impacts caused by the buildout of the HOZ under the proposed FAR modification. Based on the modelling, full buildout of the HOZ results in nearly the same level of pollutant emissions as those modelled for existing conditions as depicted in the table below:

		NOX	CO	SO2	PM10	PM2.5
EXISTING USES	LBS/DAY	39.51	350.12	0.54	94.26	18.13
HOZ @ 1.0 FAR	LBS/DAY	36.89	296.79	0.46	80.89	15.55
HOZ @ 1.1 FAR	LBS/DAY	41.67	355.08	0.52	91.38	17.57

HOZ @ 1.1 FAR LESS EXISTING USES	LBS/DAY	2.16	4.96	-0.02	-2.88	-0.56
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SCAQMD SIGNIFICANCE THRESHOLDS	LBS/DAY	55	550	150	150	55
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For informational purposes, emissions estimates are shown for buildout of the HOZ at the currently permitted FAR of 1.0 and with the proposed modification (FAR 1.1). Based on the modelling above, full build out of the FAR under the proposed modification would not exceed the Thresholds of Significance adopted by the South Coast Air Quality Management District (SCAQMD) shown above. The impact is therefore less than significant. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and consistency with the applicable AQMP will be analyzed for significance.

- c. Less Than Significant Impact. The 2014 ND determined that the establishment of the HOZ would not increase a criteria pollutant since no specific development project was under consideration. The South Coast Air Basin (SCAB) is a nonattainment area for O₃, PM₁₀, and PM_{2.5} under state and federal standards (CARB 2014; EPA 2015). The nonattainment status in the SCAB is the result of cumulative emissions from motor vehicles, off-road equipment, commercial and industrial facilities, and other emission sources. Projects that emit these pollutants or their precursors (e.g., VOC and NO_x for O₃), potentially contribute to poor air quality. A project would be considered to have a significant cumulative impact if the project's contribution accounts for a significant proportion of the cumulative total emissions (i.e., it represents a "cumulatively considerable contribution" to the cumulative air quality impact) for pollutants for which the SCAB is designated as nonattainment. If a project's emissions would exceed the SCAQMD significance thresholds, it would be considered to have a cumulatively considerable contribution to nonattainment status in the SCAB. If a project does not exceed thresholds and is determined to have less-than-significant project-specific impacts, it may still contribute to a cumulative impact on air quality; however, the basis

for analyzing the project's cumulative considerable contribution under CEQA is the project's potential to exceed SCAQMD thresholds and its consistency with the most recent AQMP. As described above, the project would not exceed the thresholds of significance established by the SCAQMD. Therefore the level of impact is less than significant. The proposed project will not result in a cumulatively considerable net increase of a criteria pollutant. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and impacts related to criteria pollutants will be analyzed for significance.

- d. Less Than Significant Impact. The 2014 ND determined that the establishment of the HOZ would not expose sensitive receptors to substantial pollutant concentrations since no specific development project was under consideration. Since 2014, the City has approved development projects that would add traffic to the area around the HOZ that might have the potential to create a CO hotspot. Typically, high CO concentrations are associated with severely congested intersections operating at an unacceptable level of service (LOS E or worse). The nearest major intersection to the HOZ is the Lake Forest/ Avenida de la Carlota intersection. In 2015 the intersection maintained an LOS of B in the AM peak hour and an LOS of C in the PM peak hour. The proposed project would add 53 AM peak hour trips and 60 PM peak hour trips in addition to the traffic conditions that were analyzed in the 2014 ND. When compared to existing conditions, the additional traffic created by full build-out of the HOZ under the FAR increase to 1.1 would increase by approximately 1 percent and would not result in a change in LOS. Typically, for an intersection to exhibit a significant CO concentration, it would operate at level of service (LOS) E or worse without improvements (Caltrans 1997). Since the project would not result in LOS E or worse at any intersection, the level of impact is less than significant. Additionally, no specific development project is under consideration at this time. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered under CEQA and any potential impacts regarding exposure of sensitive receptors to pollutant concentrations will be analyzed for significance.

- e. No Impact. The 2014 ND determined that the establishment of the HOZ would not create objectionable odors since no specific development project was under consideration. The additional building area the project would allow is not expected to create any objectionable odors. The proposed hotel uses are not the types of uses that are normally associated with odor impacts, such as landfills and agricultural operations. In addition, new development would be subject to the City's property maintenance standards that currently prohibit conditions that could result in fumes and/ or noxious odors such as the storage of debris or the improper storage of waste (Laguna Hills Municipal Code 9-94.050). Therefore the level of impact remains the same as originally evaluated. An increase in the building area allowed within the HOZ will not result in the creation of objectionable odors. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and odor impacts will be analyzed for significance.

4. Biological Resources:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?	☐	☐	☐	☒
b) Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?	☐	☐	☐	☒
c) Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marsh, vernal pool, coastal, etc.) through direct removal, filling, hydrological interruption, or other means?	☐	☐	☐	☒
d) Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites?	☐	☐	☐	☒
e) Conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance?	☐	☐	☐	☒
f) Conflict with the provisions of an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, regional or state habitat conservation plan?	☐	☐	☐	☒

Discussion:

- a-c.) No Impact. The 2014 ND explained that the majority of land within the City of Laguna Hills is developed, with isolated patches of native vegetation occurring in stream channels, drainages, hillsides, and small urban canyons (City of Laguna Hills, 2009). The 2014 ND also identified that there were no documented sensitive plants or wildlife species, habitats, or wetlands in or around the project area (2009). The land use patterns and existing uses within the HOZ remain essentially identical to the conditions that existed in 2014, as well as in immediately surrounding areas. There have been no activities such as habitat restoration projects, the formation or creation of wetlands, the establishment of mitigation land banks, or other similar activities, which could have increased the potential for biological resources to be found in the HOZ or surrounding areas. Therefore the level of impact remains the same as originally evaluated. An increase in the building area allowed within the HOZ will continue to have no impacts to the Biological Resources described in (a)-(c). Additionally, no development project is under consideration at this time. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and any potential impacts to sensitive plants or wildlife species will be analyzed for significance.
- d.) No Impact. The 2014 ND identified that the use of streams and riparian corridors that traverse the City may serve as limited movement corridors for wildlife species (City of Laguna Hills, 2009). It was explained that potential wildlife corridors included Aliso Creek, located in the central part of the City, and Veeh Reservoir and its associated tributaries in the northwestern part of the City. The area affected by the Hospitality Overlay Zone is fully urbanized and is approximately one-half mile from the nearest potential wildlife corridor. Since 2014 there have been no modifications to stream beds or riparian corridors that traverse the City that would change the analysis conducted in 2014 and the level of impact remains the same as originally evaluated. Additionally, no specific development project is under consideration at this time. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered under CEQA and any potential impacts to movement of migratory fish and wildlife will be analyzed for significance.
- e.) No Impact. The 2014 ND identified the City of Laguna Hills' Tree Protection Ordinance as a regulating scheme for the planting, maintenance, protection, and removal of City-owned trees and shrubs in City rights-of-way, parks, and open space (City of Laguna Hills General Plan, 2009). Since 2014 there has been no change in the City's ordinance and the proposed project is not likely to conflict with the City's Tree Protection Ordinance since all development is expected to occur on private property where the City's ordinance does not apply. Therefore the level of impact remains the same as originally evaluated. Further, no specific development project is under consideration. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and

any potential impacts to the City's Tree Protection Ordinance will be analyzed for significance.

- f.) No Impact. The 2014 ND identified that the City of Laguna Hills was included in the County's Natural Community Conservation Plan (NCCP)/Habitat Conservation Plan (HCP), but that no land was designated as being in a "reserve" under the NCCP/HCP within the planning area (City of Laguna Hills, 2009). Since 2014 there have been no changes to the NCCP/HCP affecting Laguna Hills therefore the proposed Project will not conflict with any applicable conservation plans and the level of impact remains the same as originally evaluated. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and any potential impacts to adopted conservation plans will be analyzed for significance.

5. Cultural Resources:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Cause a substantial adverse change in the significance of a historical resource as defined in §15064.5?	☐	☐	☐	☒
b) Cause a substantial adverse change in the significance of an archaeological resource pursuant to § 15064.5?	☐	☐	☐	☒
c) Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature?	☐	☐	☐	☒
d) Disturb any human remains, including those interred outside of formal cemeteries?	☐	☐	☐	☒

Discussion:

- a.) No Impact. The proposed project will not cause a substantial change in the significance of a historical resource as defined in §15064.5. The 2014 ND explained that there were no historic resources located within the HOZ, and no such resources have been designated since. All existing development within the HOZ is approximately 30 years old and is of no significant historic value. Therefore the level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and impacts to historical resources will be analyzed for significant impacts.
- b.) No Impact. The 2014 ND indicated that 14 archaeological sites had been documented within the City based on information contained in the 2009 General Plan EIR, and that there was potential for other archaeological resources to exist (City of Laguna Hills, 2009). The area encompassing the proposed Hospitality Overlay Zone is fully developed, so any archeological resources on the affected properties should have been discovered during their initial development. Since 2014, no new archeological resources have been identified within the HOZ and the level of impact remains the same as originally evaluated. Additionally, no development project is under consideration at this time. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and any potential impacts to archeological resources will be analyzed for significance.

- c.) No Impact. The 2014 ND identified that the level of paleontological resources within the City ranges from no paleontological sensitivity to high sensitivity and that the development of land within the City has the potential to impact known and unknown resources based on information contained in the 2009 General Plan EIR (City of Laguna Hills, 2009). Since 2014, no new resources have been identified within the HOZ. Given that all of the properties within the HOZ are already developed, the likelihood that additional resources will be discovered is expected to be limited since new development would be occurring over existing development. In addition, the proposed project does not involve land development, since a specific development proposal is not under consideration at this time. Therefore the level of impact remains the same as originally evaluated and no impacts will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and any potential impacts to paleontological resources will be analyzed for significance.
- d.) No Impact. The 2014 ND determined that the proposed project would not disturb any human remains since no specific development project was under consideration. Since 2014, no human remains have been discovered within the project vicinity. In addition, given that all of the properties within the HOZ are already developed, the likelihood that any remains will be discovered is expected to be limited since new development would be occurring over existing development. Any such discovery, though unlikely, would be handled in accordance with the applicable California laws and regulations. Therefore, the level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and impacts to human remains will be analyzed for significance.

6. Geology and Soils:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Expose people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:				
i) Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning map, issued by the State Geologist for the area or based on other substantial evidence of a known fault? Refer to Division of Mines and Geology Special Publication 42.	☐	☐	☐	☒
ii) Strong seismic ground shaking?	☐	☐	☐	☒
iii) Seismic-related ground failure, including liquefaction?	☐	☐	☐	☒
iv) Landslides?	☐	☐	☐	☒
b) Result in substantial soil erosion or the loss of topsoil?	☐	☐	☐	☒
c) Be located on a geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on- or off-site landslide, lateral spreading, subsidence, liquefaction or collapse?	☐	☐	☐	☒
d) Be located on expansive soil, as defined in Table 18-1-B of the Uniform Building Code (1994), creating substantial risks to life or property?	☐	☐	☐	☒
e) Have soils incapable of adequately supporting the use of septic tanks or alternative wastewater disposal systems where sewers are not available for the disposal of wastewater?	☐	☐	☐	☒

Discussion:

- a.i-ii.) No Impact. The 2014 ND indicated that the most current (2012) Alquist-Priolo Earthquake Fault Zone map published by the California Department of Conservation (DOC) determined that the City of Laguna Hills was not located within the boundaries of an established Alquist-Priolo Earthquake Fault Zone (California Department of Conservation, 2012). Since 2014, no new maps

affecting Laguna Hills have been published by the DOC and the level of impact remains the same as originally evaluated. In addition, despite the potential for additional building area to be constructed as a result of the proposed project, the additional development is not likely to expose more people or structures to substantial adverse effects from rupture of a known earthquake fault or strong seismic shaking other than under existing conditions since the HOZ is already developed with multiple story buildings and high-occupancy uses such as office buildings and hotels. Further, any development under the proposed project would be subject to State and local building requirements that would address any potential impacts from rupture of a fault or strong seismic shaking such as use of shear paneling, seismic anchoring for walls and equipment, proper structural component sizing in building design, and foundation design appropriate for the seismic zone in which the HOZ is located pursuant to the California Building Standards Codes. In addition no specific development project is under consideration. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and potential impacts will be analyzed for significance.

- a.iii.) No Impact. The 2014 ND identified that a portion of the project area was located within a liquefaction hazard zone generally associated with the south branch of the San Diego Creek channel (City of Laguna Hills, 2009). Since 2014 no additional areas prone to seismic-related ground failure have been identified within the HOZ. Despite the potential for additional building area to be constructed as a result of the proposed project, additional development is not likely to expose more people or structures to substantial adverse effects from seismic related ground failure, including liquefaction, since the HOZ is already developed with multiple story buildings and high-occupancy uses such as office buildings and hotels. Further, any development under the proposed project would be subject to State and local building requirements that would address any potential impacts from liquefaction such as the completion of soils and geotechnical investigations to identify potentially poor soils and geotechnical conditions and appropriate remediation such as over-excavation and re-compaction, and use of properly designed building slabs, footings and foundations. Therefore, the level of impact remains the same as originally evaluated - no impact will occur. In addition no specific development project is under consideration. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and impacts relating to seismic related ground failure and liquefaction zones will be analyzed for significance.
- a.iv.) No Impact. The 2014 ND determined that the project area was not located in an area of the City susceptible to earthquake-induced landslides and other types of slope failures (City of Laguna Hills, 2009). Since 2014, no areas within the HOZ have been identified as being susceptible to earthquake-induced landslides and other types of slope failures. Despite the potential for additional building area to be constructed as a result of the proposed project, additional development is not likely to expose more people or structures to substantial adverse effects from

earthquake-induced landslides and other types of slope failures since the HOZ is already developed with multiple story buildings and high-occupancy uses such as office buildings and hotels. Further, any development under the proposed project would be subject to State and local building requirements that would address any potential impacts from liquefaction such as the completion of soils and geotechnical investigations to identify potentially poor soils and geotechnical conditions, and appropriate remediation such as over-excavation and re-compaction, and use of properly designed building slabs, footings, and foundations. Additionally, the proposed project will not expose people or structures to substantial adverse effects from landslides since no specific development project is under consideration. Therefore, no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and impacts relating to landslides will be analyzed for significance.

- b.) No Impact. The 2014 ND determined the establishment of the HOZ would not result in substantial soil erosion or loss of topsoil since no specific development project is under consideration. Since 2014 no changes to the development pattern of the HOZ or surrounding areas have occurred. The HOZ and surrounding areas are fully urbanized and developed with multiple story buildings and near 100 percent impervious coverage since all properties in the HOZ are developed. The additional building area the project could result in would not affect the amount of water run-off that already exists within the project area. Therefore, the project is not expected to increase the amount of soil erosion or topsoil loss and the level of impact remains the same as originally evaluated - no impact will occur. Further, any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and impacts relating to soil erosion or loss of topsoil will be analyzed for significance.
- c.) No Impact. The 2014 ND explained that the properties affected by the establishment of the HOZ were developed with office, hotel, and other commercial buildings. Since 2014, no new information has become available that identifies any geologic hazards within the HOZ. Further, any development under the proposed project would be subject to State and local building requirements that would address any potential impacts such as the completion of soils and geotechnical investigations to identify potentially poor soils and geotechnical conditions and appropriate remediation such as over-excavation and re-compaction, and use of properly designed building slabs, footings and foundations. The level of impact remains the same as originally evaluated. Therefore, no impact will occur and no mitigation measures are necessary. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and impacts relating to geologic hazards will be analyzed for significance.
- d.) No Impact. The 2014 ND explained that the properties affected by the establishment of the HOZ were developed with office, hotel, and other commercial buildings. Since 2014, no new information has become available that identifies

property within the HOZ as being subject to expansive soils. Further, any development under the proposed project would be subject to State and local building requirements that would address any potential impacts such as the completion of soils and geotechnical investigations to identify potentially poor soils and geotechnical conditions and appropriate remediation such as over-excavation and re-compaction, and use of properly designed building slabs, footings and foundations and the level of impact remains the same as originally evaluated. In addition no specific development project is under consideration. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and impacts relating to expansive soils will be analyzed for significance.

- e.) No Impact. The area is served by the El Toro Water District which provides sewer service to all properties in the HOZ. No impact will occur.

7. Greenhouse Gas Emissions:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Generate greenhouse gas emissions, either directly or indirectly, that may have a significant impact on the environment?	☐	☐	☒	☐
b) Conflict with an applicable plan, policy, or regulation adopted for the purpose of reducing the emissions of greenhouse gasses?	☐	☐	☒	☐

Discussion:

- a.) Less Than Significant Impact. The 2014 ND identified that under the City's twenty year, build-out scenario, annual greenhouse gas emissions would increase by 24% compared to 2008 conditions (City of Laguna Hills, 2009). Thus, any development that occurs in accordance with the General Plan would incrementally contribute towards climate change. For the proposed FAR increase, GHG emissions modeling was conducted to identify any potential GHG impacts caused by the buildout of the HOZ under the proposed FAR modification. Based on the modelling, full buildout of the HOZ results in a slight increase of GHG emissions (approximately 3.4 percent) as compared to those modelled for existing conditions as depicted in the table below:

	Unit	GHG
EXISTING USES	Annual Metric Tons of CO ₂ Equivalent (MTCO ₂ E/ Year)	59,433
HOZ @ 1.0 FAR	MTCO ₂ E/ Year	54,418
HOZ @ 1.1 FAR	MTCO ₂ E/ Year	61,475

HOZ @ 1.1 FAR LESS EXISTING USES	MTCO ₂ E/ Year	2,042
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SCAQMD SIGNIFICANCE THRESHOLDS	MTCO ₂ E/ Year	10,000
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For informational purposes, emissions estimates are shown for buildout of the HOZ at the currently permitted FAR of 1.0 and with the proposed modification (FAR 1.1). Based on the modelling above, full build out of the FAR under the proposed modification would not exceed the Thresholds of Significance adopted by the South Coast Air Quality Management District (SCAQMD) shown above. The impact is therefore less than significant. On this basis, the proposed project's GHG impacts are less than significant. In addition, no specific development proposal is under consideration at this time. Future redevelopment occurring in

the Hospitality Overlay Zone will be evaluated under CEQA and analyzed for significance.

- b.) Less Than Significant Impact. The 2014 ND determined that there would be no conflicts with applicable plans, policies or regulations adopted for the purpose of reducing GHG emissions since no specific development was being considered. The applicable GHG policy document for the City (including the HOZ) is the City's General Plan which was adopted in 2009. The City has not amended its General Plan since 2009 to revise any policies specific to reducing GHG. Many of the 2009 General Plan goals and policies call for the City to encourage new development to reduce GHG emissions through the incorporation of green building standards, site features, renewable energy, facilities for alternative transportation, and other sustainable development strategies that could reduce GHG emissions as the City continues to develop. Additional development in the HOZ would continue to be evaluated against the 2009 General Plan (or as amended) for opportunities to incorporate features associated with sustainable development that reduce GHG emissions.

8. Hazards and Hazardous Materials:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Create a significant hazard to the public or the environment through the routine transport, use or disposal of hazardous materials?	☐	☐	☐	☒
b) Create a significant hazard to the public or the environment through reasonable foreseeable upset and accident conditions involving the release of hazardous materials into the environment?	☐	☐	☐	☒
c) Emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed school?	☐	☐	☐	☒
d) Be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government code Section 65962.5 and, as a result, would it create a significant hazard to the public or the environment?	☐	☐	☐	☒
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles or a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area?	☐	☐	☐	☒
f) For a project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area?	☐	☐	☐	☒
g) Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan?	☐	☐	☐	☒
h) Expose people or structures to a significant risk of loss, injury or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands?	☐	☐	☐	☒

Discussion:

- a-c.) No Impact. The 2014 ND determined that the establishment of the HOZ would have no impacts since no specific development project was under consideration. The buildout of the HOZ area with hotel uses is not expected to result in a

significant increase in the use of hazardous materials. Existing commercial sites within the HOZ use pesticides, fertilizers, cleaning supplies, (and other common supplies that may contain hazardous substances) as a result of routine maintenance activities occurring on the property. It is likely that hotel uses would use similar materials, and that those materials would be properly used and stored pursuant to applicable state, federal and local regulations. Therefore, no impact will occur and no mitigation measures are necessary. Since 2014 there has been no change in the types of land uses that exist in or around the HOZ which increase the risk of exposure of people or structures to hazardous substances, and no new information has become available that indicates property within the HOZ is subject to significant exposure to hazardous substances. The level of impact remains the same as originally evaluated. Additionally, the proposed project is not located within one-quarter mile of an existing or proposed school as confirmed by the City's GIS mapping system. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and impacts relating to hazardous materials will be analyzed for significance.

- d.) No Impact. The 2014 ND indicated that seven properties within the City were listed on the California Environmental Protection Agency's annual Hazardous Waste and Substances List, also known as the "Cortese List" (City of Laguna Hills, 2009). None of these properties were in or near the proposed Hospitality Overlay Zone. A review of the Cortese List on February 12, 2017 indicated that there are no sites listed in Laguna Hills. With no new information indicating properties in or near the HOZ are on the Cortese List, the level of impact remains the same as originally evaluated. No impact will occur. Any future proposal to develop the sites included in the HOZ will be evaluated under CEQA and the Cortese List will be revisited.
- e-f.) No Impact. The 2014 ND indicated the Hospitality Overlay Zone was not located within the boundaries of an airport land use plan or within the vicinity of a public or private airport. This circumstance has not changed and the level of impact remains the same as originally evaluated. No impact will occur.
- g.) No Impact. The 2014 ND did not identify any impacts that would prohibit the implementation of, or interfere with an adopted emergency response plan or evacuation plan. Since 2014, no such plans have been adopted that include properties in or around the HOZ. Future development projects are not likely to result in permanent road closures, or changes in street design that could result in permanent changes that limit emergency access. Emergency access will be maintained during construction with the implementation of traffic control measures. Existing streets adequately serve the HOZ for emergency access purposes and are expected to do so in the future. The proposed project does not include a specific development proposal that will impair or interfere with an adopted emergency response plan or emergency evacuation plan since no development is proposed. No impact will occur. Any future proposal to develop the sites included

in the HOZ will be evaluated under CEQA and impacts will be analyzed for significance.

- h.) No Impact. The 2014 ND determined that the HOZ was not located in a designated fire hazard severity zone such as a “Very High” fire severity area. Since 2014, no properties within the HOZ have been included in any fire hazard severity zone and the level of impact remains the same as originally evaluated. No impact will occur. Any future proposal to develop the sites included in the HOZ will be evaluated under CEQA and impacts will be analyzed for significance.

9. Hydrology and Water Quality:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Violate any water quality standards or waste discharge requirements?	☐	☐	☐	☒
b) Substantially deplete groundwater supplies or interfere substantially with groundwater recharge, such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)?	☐	☐	☐	☒
c) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on- or off-site?	☐	☐	☐	☒
d) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner, which would result in flooding on- or off-site?	☐	☐	☐	☒
e) Create or contribute runoff water which would exceed the capacity of existing or planned stormwater drainage systems or provide substantial additional sources of polluted runoff?	☐	☐	☐	☒
f) Otherwise substantially degrade water quality?	☐	☐	☐	☒
g) Place housing within a 100-year flood hazard area as mapped on a federal Flood hazard Boundary of Flood Insurance Rate Map or other flood hazard delineation map?	☐	☐	☐	☒
h) Place within 100-year flood hazard area structures, which would impede or redirect flood flows?	☐	☐	☐	☒
i) Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam?	☐	☐	☐	☒
j) Inundation by seiche, tsunami, or mudflow?	☐	☐	☐	☒

Discussion:

- a.) No Impact. The 2014 ND found that the proposed project would not violate any water quality standards or waste discharge requirements since no specific development project was under consideration. There has been no change in development patterns or intensity or types of uses in or around the HOZ that would increase the risk of impacts to water quality with the project. In addition, new development would be subject to the City's standards that require compliance with state, federal and local water quality requirements during construction and in the post-construction phase. Appropriate water quality measures would be identified through the City's review and approval process for stormwater pollution prevention plans (SWPPPs) during construction, through the use of structural BMPs (best management practices), and through the approval of water quality management plans that are implemented post-construction over the life of a development. Typical BMPs in construction include erosion control during grading and construction, the use of wash-down areas for vehicles and equipment, use of sand bag barriers to contain run-off, and storm drain inlet protection. Operational BMPs after construction could include the use of vegetated swales, clarifiers, infiltration areas, and detention basins. The level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and impacts relating to water quality standards or waste discharge requirements will be analyzed for significance.
- b.) No Impact. The 2014 ND determined the proposed project would not affect groundwater supplies or interfere with groundwater recharge since no specific development project is under consideration. Since 2014, no properties in or around the HOZ have been converted into facilities that contribute to ground water recharge efforts by any water utility. In addition, all water within the City's planning area is provided through purchases of water from the state water project through the Metropolitan Water District – no water supplies are provided through groundwater. Further, all properties within the HOZ are nearly impervious as a result of prior development activity that has taken place. Upon review of the City's GIS aerial imagery and field investigations, it was determined that sites consist of the building footprint, surrounded by extensive parking areas, with only nominal landscape areas provided for required landscaped building setbacks or small planter areas in parking lots. The proposed increase in FAR is not expected to alter the already existing impervious nature of the area. Therefore the level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered a separate project under CEQA and groundwater impacts will be analyzed for significance.
- c-e.) No Impact. The 2014 ND determined the proposed project would not affect existing drainage patterns since no specific development project was under consideration. Since 2014, there has been no change in topographical conditions

in or around the HOZ and water runoff continues to move downstream from the HOZ as it did in 2014. Neither have there been any changes in the condition of the area's stormdrain capacity since neither the City nor the El Toro Water District, which manage the City's stormdrain network, have undertaken any projects in or around the HOZ. Future development in the HOZ could result in decreased runoff levels since the City requires applicable projects to implement Low Impact Development (LID) requirements that require a certain amount of stormwater runoff to be retained on-site. LID includes specific techniques, tools, and materials to control the amount of impervious surface, increase infiltration, and improve water quality by reducing runoff from developed sites. LID practices include; bioretention facilities or rain gardens, grass swales and channels, vegetated rooftops, rain barrels, cisterns, vegetated filter strips, and permeable pavements. Inclusion of these types of measures will be evaluated for appropriateness as new development is reviewed. The level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and site drainage impacts will be analyzed for significance.

- f.) No Impact. See 9a above. In addition, the 2014 ND determined that no water quality standard would be violated since no specific development project was under consideration. Since 2014, there has been no change in development patterns or intensity or types of uses in or around the HOZ that would increase the risk of a water quality violation with the adoption of the project. The level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be considered under CEQA and water quality impacts will be analyzed for significance.
- g-h.) No Impact. The 2014 ND identified three areas in the City as being in 100-year flood hazard areas as mapped in the Federal Insurance Rate Maps ("FIRM") (City of Laguna Hills, 2009). These areas are located around Aliso Creek, Veeh Reservoir, Mill Creek, and in a zone northwest of Alicia Parkway in the southern portion of the City, outside of the proposed project area. Since 2014, there has been no change to FIRM maps adding properties in the HOZ in a flood hazard area. The level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and flood hazard impacts will be analyzed for significance.
- i.) No Impact. The 2014 ND identified specific areas of the City where there is potential for flooding due to failure of a levee, dam or reservoir (City of Laguna Hills, 2009). These areas include the southeastern edge of the City adjacent to the I-5 Freeway and the area immediately adjacent to the Veeh Reservoir and Sulphur Creek Reservoir. Since 2014, no new levees, dams, or reservoirs have been constructed in the City or in the vicinity of the City, and there is no new information from a county, state or federal agency identifying any new threats to

the City from the failure of a water storage facility. In reviewing county-wide flood hazards and flood threats, the County of Orange did not specify any specific hazards affecting the City from levees, dams, or reservoirs when it revised its Safety Element in 2012, and no planned facilities were identified. Neither have any updates to the County's Safety Element occurred since 2014 that identified new facilities. The level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and flooding due to failure of a dam, levee or reservoir will be analyzed for significance.

- j.) No Impact. The 2014 ND determined that due to its inland location, the City of Laguna Hills is not located within an inundation zone associated with any seiche, tsunami, or mudflow event. This condition has not changed. No impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and any impacts from inundation will be analyzed for significance.

10. Land Use and Planning:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Physically divide an established community?	☐	☐	☐	☒
b) Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect?	☐	☐	☐	☒
c) Conflict with any applicable habitat conservation plan or natural community conservation plan?	☐	☐	☐	☒

Discussion:

- a.) No Impact. The 2014 ND explained that the City of Laguna Hills is a built-out community and that any new development that occurred as a result of the establishment of the HOZ would follow existing development patterns, which are characterized by high-density, 2-6 story office buildings and hotels within the HOZ. The proposed project will increase the allowable building intensity on properties within the HOZ by 10 percent, which will allow for a maximum density (1.1 Floor Area Ratio) to be applied to hotel uses. Based on a review of the City's GIS aerial imagery, staff field investigations and the City's zoning and building permit records,

since 2014, there has been no change in development pattern, land use intensity or land use type in or around the HOZ. Conditions that existed in or around the HOZ in 2014 remain today. Therefore there is no greater risk that development within the HOZ would physically divide an established community than existed in 2014. The level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to land use will be evaluated.

- b.) No Impact. The 2014 ND identified that changes to the City's General Plan and Development Code were necessary to establish the HOZ and its accompanying development standards. No approval from other agencies beyond the City are required for the proposed increase in FAR. The level of impact remains the same as originally evaluated - no impact will occur.

The proposed change is also consistent with the City's 2009 General Plan which generally contemplates that new development occurring within the City will be through infill development. While individual projects will have to be evaluated for consistency with the General Plan, on its face the proposed change will not (as explained elsewhere in this initial study) result in conditions that would be contrary to the goals and policies of the General Plan that promote a safe, healthy, economically viable, and vibrant community. No impact will occur.

- c.) No Impact. The 2014 ND determined that there were no adopted habitat conservation plans or natural community conservation plans in the City of Laguna Hills (City of Laguna Hills, 2009). Since 2014, no studies have been undertaken or plans adopted to include property in or around the HOZ in any conservation plans. The level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to conservation plans will be evaluated.

11. Mineral Resources:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Result in the loss of availability of a known mineral resource that would be a value to the region and the residents of the state?	☐	☐	☐	☒
b) Result in the loss of availability of a locally important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan?	☐	☐	☐	☒

Discussion:

- a-b.) No Impact. The 2014 ND determined that the City was not located within an area that is specifically identified by the California Department of Mines and Geology as having substantial mineral resources (City of Laguna Hills, 2009). Since 2014, the state has not identified any property in or around the HOZ as containing mineral resources of value to the state. The level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to mineral resources will be evaluated.

12. Noise:

Would the project result in:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Exposure of persons to or generation of noise levels in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies?	☐	☐	☐	☒
b) Exposure of persons to or generation of excessive groundborne vibration or groundborne noise levels?	☐	☐	☐	☒
c) A substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?	☐	☐	☐	☒
d) A substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?	☐	☐	☐	☒
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project expose people residing or working in the project area to excessive noise levels?	☐	☐	☐	☒
f) For a project within the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels?	☐	☐	☐	☒

Discussion:

- a.) No Impact. The proposed project will not violate any established noise standard since no specific development project is under consideration. Further, any future development under the proposed project will be subject to the City's noise regulations and standards that regulate temporary noise from construction by limiting the hours of construction, or the operation of machinery or equipment for extended periods of time. The standards contained in the City's General Plan and Noise Ordinance would also serve to mitigate or avoid permanent noise increases that would be inconsistent with the City's standards. Permanent noise sources from future development could be reduced or avoided during the site plan review process by requiring equipment to be enclosed or located away from sensitive receptors. Therefore, no impact will occur. Further, any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and noise impacts will be analyzed for significance.

- b-d.) No Impact. Additional development anticipated as a result of this project would be subject to the City's General Plan policies and the City's Noise Ordinance, contained in Chapter 5-24 of the Laguna Hills Municipal Code, during construction and operations. The City's Noise Ordinance regulates temporary noise from construction by limiting the hours of construction, or the operation of machinery or equipment for extended periods of time. The standards contained in the City's General Plan and Noise Ordinance would also serve to mitigate or avoid permanent noise increases that would be inconsistent with the City's standards. Permanent noise sources from future development could be reduced or avoided during the site plan review process by requiring equipment to be enclosed or located away from sensitive receptors. Chapter 5-24 also limits the hours of construction to avoid causing excessive groundborne vibration during construction. The proposed project will not create or add to existing sources of groundborne vibration or noise since no specific development project is under consideration. Therefore, no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be evaluated under CEQA and impacts relating to groundborne vibration and noise will be analyzed for significance.
- e.) No Impact. The 2014 ND determined that the project area was not located within an area that is subject to the requirements of an airport land use plan or within two miles of a public airport or public use airport (City of Laguna Hills, 2009). Since 2014, no new airports have been built in the region and no airport land use plan has been adopted. The level of impact remains the same as originally evaluated - no impact. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts from airport noise will be evaluated. No impact will occur and no mitigation measures are necessary.
- f.) No Impact. The 2014 ND determined the project area was not located within the vicinity of a private airstrip (City of Laguna Hills, 2009). Since 2014, no new private airstrips have been built in adjacent cities or in the City's planning area. The level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts related to the operation of private airstrips will be evaluated.

13. Population and Housing:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Induce substantial population growth in an area, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of roads or other infrastructure)?	☐	☐	☐	☒
b) Displace substantial numbers of existing housing, necessitating the construction of replacement housing elsewhere?	☐	☐	☐	☒
c) Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere?	☐	☐	☐	☒

Discussion:

a-c.) No Impact. The 2014 ND determined the establishment of the Hospitality Overlay Zone would not directly or indirectly induce substantial population growth since a specific development proposal was not under consideration at that time. The project increases the permitted building intensity for hotel developments within the HOZ and does not modify the City's housing policies. Additional jobs would be created since additional employees would be needed to service the additional 86,000 square feet of building area that could be built. Depending on the quality and service levels provided by the hotel, the number of employees could vary from 1-3 employees per room based on hotel industry standards. The additional development could yield 100-300 new employment opportunities based on the additional 100 rooms expected from the modification. As described in Section 10 above, future development is expected to be consistent with the growth projections outlined in the General Plan and with the Southern California Association of Governments' Regional Transportation Plan and Sustainable Community Strategy. The level of impact remains the same as originally evaluated. No impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to population and housing will be evaluated.

14. Public Services:

Would the project result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities, need for new or physically altered governmental facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times or other performance objectives for any of the public services:

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Fire protection?	☐	☐	☐	☒
b) Police protection?	☐	☐	☐	☒
c) Schools?	☐	☐	☐	☒
d) Parks?	☐	☐	☒	☐
e) Other public facilities?	☐	☐	☐	☒

Discussion:

- a.) No Impact. The 2014 ND determined the establishment of the HOZ would not impact fire protection services since no specific development project was under consideration. Since 2014 there has been no change to the City's fire services that would require additional fire facilities in the City's planning area (OCFA, 2016). The OCFA maintains a ratio of 0.75 firefighters per 1,000 residents for the City. Fire Station #22, which serves Laguna Hills, currently exceeds this ratio. OCFA has also indicated in the 2009 General Plan EIR that no new equipment would be needed to serve the planning area which also considered new development that was anticipated to occur within the City's Urban Village area. Fire Station #22, however, is reportedly one of the busiest stations in Orange County. OCFA has been evaluating potential sites for a new station within the region to house one of the existing fire units located at Station #22 in a proactive effort to maintain response times. On this basis, it is not anticipated that the proposed project will result in any need for new or altered fire protection services facilities. The level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to fire services facilities will be evaluated.
- b.) No Impact. The 2014 ND determined the establishment of the HOZ would not impact police protection services since no specific development project was under consideration. Since 2014 there has been no change to the City's police services that would require additional police facilities in the City's planning area (OCSD 2016). In addition, the Orange County Sheriff's Department (OCSD) currently maintains a ratio of 1.2 sworn officers per 1,000 residents but the City does not utilize a standard personnel-to-population ratio to measure the adequacy of

policing levels within the City. Instead, the City analyzes demographics, calls for service, population, and crime trends to determine the level of police services needed in the planning area. Based on this standard, it is not anticipated that the proposed project will result in any need for new or altered police protection services facilities. The level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to police services facilities will be evaluated.

- c.) No Impact. The proposed project will not have a direct adverse effect on local school services since no provision is being made for housing as part of the project. The increased building area allowed by the project could result in additional employment generation as described in Section 13 above. Even if the project generated maximum employment, it is not expected to result in a significant enrollment in local schools. The Saddleback Valley Unified School District is authorized to charge and collect school impact fees to offset impacts to its schools as a result of new development. New student enrollment occurring as a result of new construction occurring in the HOZ would be offset by the school district's collection of fees. The level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts on schools will be evaluated.
- d.) Less Than Significant Impact. The 2014 ND determined the establishment of the HOZ would not impact park services since no specific development project was under consideration. Since 2014, no properties within the HOZ have been designated as private or public parks therefore the project would not lead to the conversion of property from park space. Neither are any of the properties in the HOZ involved in maintenance activities of private or public parks. Additionally, the City maintains a ratio of 5 acres of open space per 1,000 residents and maintains nearly 200 acres of park acreage – a surplus of over 20 acres. Visitors to the City could utilize City parks, but given the City's surplus, the additional visitors to parks the additional 100 hotel rooms could generate is expected to be less than significant. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to parks will be evaluated.
- e.) No Impact. The 2014 ND determined the establishment of the HOZ would not impact public facilities since no specific development project was under consideration. Since 2014, no properties within the HOZ have been designated as public facilities therefore the project would not lead to the conversion of property from public facilities. Neither are any of the properties in the HOZ involved in a support role for public facilities. The level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to any public facilities will be evaluated.

15. Recreation:

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Would the project increase the use of existing neighborhood and regional parks or other recreational facilities, such that substantial physical deterioration of the facility would occur or be accelerated?	☐	☐	☐	☒
b) Does the project include recreational facilities or require the construction or expansion of recreational facilities, which might have an adverse physical effect on the environment?	☐	☐	☐	☒

Discussion:

- a-b.) No Impact. The 2014 ND determined the establishment of the HOZ would not impact neighborhood parks, regional parks, or other recreational facilities since no specific development project was under consideration. Since 2014, no properties within the HOZ have been developed as private or public recreational facilities, therefore the project would not lead to the conversion of property used as a recreational facility. Neither are any of the properties in the HOZ involved in maintenance activities of public recreational facilities. In addition, see 14d above. City park and recreation facilities could see an increase in use from hotel guests and employees but the expected increase is not anticipated to be high given the transitory nature of hotel guests and employees. Since the City maintains a 20-acre park surplus based on its population, the impact from the proposed increase is not expected to be significant since the City's parkland surplus is equivalent to the park needs for 4,000 residents based on the City's current park ratio of 5-acres per 1,000 residents. The level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to recreational facilities will be evaluated.

16. Transportation and Traffic:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Conflict with an applicable plan, ordinance, or policy establishing measures of effectiveness for the performance of the circulation system, taking into account all modes of transportation including mass transit and non-motorized travel and relevant components of the circulation system, including but not limited to intersections, streets, highways and freeways, pedestrian and bicycle paths, and mass transit?	☐	☐	☒	☐
b) Conflict with an applicable congestion management program, including, but not limited to level of service standards and travel demand measures, or other standards established by the county congestion management agency for designated roads or highways?	☐	☐	☒	☐
c) Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location that results in substantial safety risks?	☐	☐	☐	☒
d) Substantially increase hazards due to a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)?	☐	☐	☐	☒
e) Result in inadequate emergency access?	☐	☐	☐	☒
f) Conflict with adopted policies, plans, or programs regarding public transit, bicycle, or pedestrian facilities, or otherwise decrease the performance or safety of such facilities?	☐	☐	☐	☒

Discussion:

- a.) Less Than Significant Impact. The 2014 ND determined that conflicts with adopted performance measures would be less than significant. Traffic impact analyses are typically focused on evaluating traffic operations during the morning and evening commute peak hours (7:00 to 9:00 a.m., and 4:00 to 6:00 p.m.) on a typical weekday because these are generally when the busiest traffic conditions occur. LOS measures the operating conditions within a traffic system and how drivers and passengers perceive these conditions. Levels of service range from LOS A to overloaded conditions at LOS F. LOS D is typically recognized as the minimum satisfactory service level in urban areas.

According to the Orange County Congestion Management Program (CMP) traffic impact analysis guidelines, LOS E is the minimum acceptable service level at CMP intersections. Based upon the City's traffic study guidelines, the Intersection Capacity Utilization (ICU) methodology was used to determine the volume-to-capacity relationship for signalized intersections (based upon the individual volume-to-capacity ratios for key conflicting traffic movements), and corresponding LOS.

In addition, the 2010 HCM operations methodology was applied in the analysis of all freeway ramp intersections (to address Caltrans traffic impact study requirements). In Chapter 18 of the 2010 HCM, LOS criteria for traffic signals are stated in terms of the average control delay per vehicle.

To evaluate future traffic conditions the project may generate, the City Commissioned a Traffic Impact Study (TIS) to determine traffic levels the project could create at surrounding intersections. Existing traffic conditions were determined by using traffic data from the November 2015 Traffic Study prepared for the Five Lagunas Project. For this project, existing conditions (Year 2017 traffic volumes) were estimated based upon the growth rate utilized in the Five Lagunas study of one percent per year. A total of two percent growth was added to the Year 2015 volumes included in the Five Lagunas study since it was based upon Year 2015 traffic counts. Five study intersections were identified and which included the following:

- Moulton Parkway at Lake Forest Drive
- Moulton Parkway at Ridge Route Drive
- Ridge Route Drive at Avenida de la Carlota
- I-5 Southbound Off-Ramp at Lake Forest Drive
- I-5 Northbound On-Ramp at Lake Forest Drive

The City's General Plan indicates that intersections should not exceed an operational level of LOS D (except for CMP arterials, which should not exceed an LOS E). For the Year 2017 traffic volumes, no study intersection exceeded a Level of Service (LOS) of C in either the AM or PM peak hour traffic condition. At I-5 on/off ramps the HCM methodology was used consistent with CalTrans requirements. Table 3 of the TIS reflects the existing conditions at the study intersections. The information is summarized below:

Study Intersection	Traffic Control ²	Intersection Approach Lane(s) ¹												ICU Methodology ³		HCM Methodology ⁴			
		Northbound			Southbound			Eastbound			Westbound			Critical V/C Ratio		Level of Service		Delay (Seconds)	
		L	T	R	L	T	R	L	T	R	L	T	R	AM	PM	AM	PM	AM	PM
Irvine Center Dr - Moulton Pkwy (NS) at:																			
42. Lake Forest Dr (EW)	TS	2.0	3.0	1.0	2.0	2.5	0.5	2.0	3.0	1.0	2.0	3.0	1>>>	0.455	0.687	A	B	N/A	N/A
43. Ridge Route Dr (EW)	TS	2.0	4.0	1.0	2.0	3.0	1.0	1.0	2.0	1.0	2.0	2.0	1.0	0.360	0.580	A	A	N/A	N/A
Avenida De La Carlota - I-5 SB Ramps (NS) at:																			
49. Lake Forest Dr (EW)	TS	1.0	0.0	2>	2.5	1.5	1.0	0.0	3.5	0.5	2.0	2.5	1.5>>>	0.662	0.766	B	C	26.8	27.5
I-5 NB Ramps (NS) at:																			
50. Lake Forest Dr (EW)	TS	2.0	0.0	2.0	0.0	0.0	0.0	0.0	4.0	0.0	0.0	2.5	1.5>>>	0.400	0.564	A	A	22.8	20.0
Avenida De La Carlota - I-5 SB Ramps (NS) at:																			
52. Ridge Route Dr (EW)	TS	1.0	2.0	0.0	0.0	1.5	0.5	1.0	0.0	1.0	0.0	0.0	0.0	0.434	0.777	A	C	N/A	N/A

A trip generation estimate and peak hour traffic conditions for the project were generated using ITE's 9th Edition Trip Generation Handbook. The following summarizes daily trips and peak hour trips from the project. This information can be found in Table 2 of the TIS.

Land Use	Quantity	Units	Peak Hour						Daily
			AM			PM			
			In	Out	Total	In	Out	Total	
Hotel	100	Rooms	31	22	53	31	29	60	817
Totals			31	22	53	31	29	60	817

When project traffic was applied to the existing Year 2017 traffic volumes, it was determined that there was no change in the LOS to any of the study intersections. Table 4 of the TIS reflects this condition which is also depicted in the table below.

Comparing the proposed project to existing conditions is a conservative approach. Specifically, the 2014 Negative Declaration demonstrated that the HOZ buildout at a FAR of 1.0 would actually reduce existing traffic impacts.

Study Intersection	Traffic Control ²	Intersection Approach Lane(s) ¹												ICU Methodology ³		HCM Methodology ⁴			
		Northbound			Southbound			Eastbound			Westbound			Critical V/C Ratio		Level of Service		Delay (Seconds)	
		L	T	R	L	T	R	L	T	R	L	T	R	AM	PM	AM	PM	AM	PM
Irvine Center Dr - Moulton Pkwy (NS) at:																			
42. Lake Forest Dr (EW)	TS	2.0	3.0	1.0	2.0	2.5	0.5	2.0	3.0	1.0	2.0	3.0	1>>>	0.455	0.687	A	B	N/A	N/A
43. Ridge Route Dr (EW)	TS	2.0	4.0	1.0	2.0	3.0	1.0	1.0	2.0	1.0	2.0	2.0	1.0	0.360	0.580	A	A	N/A	N/A
Avenida De La Carlota - I-5 SB Ramps (NS) at:																			
49. Lake Forest Dr (EW)	TS	1.0	0.0	2>	2.5	1.5	1.0	0.0	3.5	0.5	2.0	2.5	1.5>>>	0.668	0.779	B	C	27.5	28.2
I-5 NB Ramps (NS) at:																			
50. Lake Forest Dr (EW)	TS	2.0	0.0	2.0	0.0	0.0	0.0	0.0	4.0	0.0	0.0	2.5	1.5>>>	0.402	0.565	A	A	22.8	20.0
Avenida De La Carlota - I-5 SB Ramps (NS) at:																			
52. Ridge Route Dr (EW)	TS	1.0	2.0	0.0	0.0	1.5	0.5	1.0	0.0	1.0	0.0	0.0	0.0	0.434	0.779	A	C	N/A	N/A

All study intersections maintained their respective Levels of Service even after project peak hour trips were added.

To evaluate the project's potential cumulative traffic impacts, an additional analysis was conducted to determine if any significant cumulative impacts would be created. The cumulative with project conditions (Year 2018) traffic analysis is shown in Table 6 of the TIS. All study area intersections were found to operate at level of service C or better for these conditions.

Study Intersection	Traffic Control ²	Intersection Approach Lane(s) ¹												ICU Methodology ³				HCM Methodology ⁴			
		Northbound			Southbound			Eastbound			Westbound			Critical V/C Ratio		Level of Service		Delay (Seconds)		Level of Service	
		L	T	R	L	T	R	L	T	R	L	T	R	AM	PM	AM	PM	AM	PM	AM	PM
Irvine Center Dr - Moulton Pkwy (NS) at:																					
42. Lake Forest Dr (EW)	TS	2.0	3.0	1.0	2.0	2.5	0.5	2.0	3.0	1.0	2.0	3.0	1>>	0.460	0.693	A	B	N/A	N/A	N/A	N/A
43. Ridge Route Dr (EW)	TS	2.0	4.0	1.0	2.0	3.0	1.0	1.0	2.0	1.0	2.0	2.0	1.0	0.363	0.586	A	A	N/A	N/A	N/A	N/A
Avenida De La Carlota - I-5 SB Ramps (NS) at:																					
49. Lake Forest Dr (EW)	TS	1.0	0.0	2>	2.5	1.5	1.0	0.0	3.5	0.5	2.0	2.5	1.5>>	0.679	0.790	B	C	27.6	28.6	C	C
I-5 NB Ramps (NS) at:																					
50. Lake Forest Dr (EW)	TS	2.0	0.0	2.0	0.0	0.0	0.0	0.0	4.0	0.0	0.0	2.5	1.5>>	0.409	0.573	A	A	22.8	20.1	C	C
Avenida De La Carlota - I-5 SB Ramps (NS) at:																					
52. Ridge Route Dr (EW)	TS	1.0	2.0	0.0	0.0	1.5	0.5	1.0	0.0	1.0	0.0	0.0	0.0	0.447	0.792	A	C	N/A	N/A	N/A	N/A

Since no intersections exceed an LOS D, the project will not result in any significant impacts either cumulatively, or as a stand-alone project. The level of impact will remain less than significant. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to traffic will be evaluated.

- b.) Less Than Significant Impact. See 13a above. In addition, the 2014 ND determined the establishment of the HOZ would not have any impacts since the adoption of the HOZ would not conflict with an adopted congestion management plan since no specific development project was under consideration. Since 2014, the Orange County Transportation Authority (OCTA) adopted a new CMP for 2015. No roadways in the HOZ are included in the 2015 CMP. However Lake Forest Avenue is a CMP arterial and two intersections are included in the list of study intersections evaluated for traffic impacts as a result of this project. As indicated in 13a above, though, the project will not have any significant traffic impacts at these or any other intersections. The level of impact will be less than significant. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to traffic will be evaluated.
- c.) No Impact. The 2014 ND identified that there were no airports located near the HOZ (City of Laguna Hills, 2009). Since 2014, no new airports have been established in the region and no aviation-related elements are included in this project and no elements of this project will affect existing air traffic patterns. In 2016 commercial airspace over the City was included in the FAA's Southern California Metroplex Project, the implementation of which began in November, 2016. According to the FAA, the SoCal Metroplex project is intended to improve the efficiency of the airspace in Southern California by optimizing aircraft arrival and departure procedures at a number of airports in the region. The Metroplex Project may involve changes in aircraft flight paths and/or altitudes in certain areas of the region. The City has reviewed the changes proposed by the Metroplex

Project and determined that the City is not materially impacted by the proposed changes since flight paths will generally remain the same over the City as they exist today. Therefore the level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to air traffic patterns will be evaluated.

- d.) No Impact. The 2014 ND determined the establishment of the HOZ would not create hazards or incompatible uses since no specific development project was under consideration. Since 2014 there have been no changes to street or right-of-way design in or around the HOZ and no plans have been approved to modify existing conditions. No new uses have been established or approved that could create incompatibility between planned and existing uses of the public-rights-of-way in the area. Therefore the level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and any impacts to design or compatibility will be evaluated.
- e.) No Impact. The 2014 ND determined the establishment of the HOZ would not result in inadequate emergency access since no specific development proposal was under consideration. Since 2014, there have been no new emergency access routes planned, approved or constructed in or around the HOZ, and no changes to the existing points of emergency access have occurred. It is expected that emergency access would be maintained in the HOZ and surrounding areas at all times during construction. Therefore the level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to emergency access will be evaluated.
- f.) No Impact. The 2014 ND determined that the establishment of the HOZ would not conflict with any adopted plans, policies or programs relating to public transit or bicycle and pedestrian facilities since no specific development project was under consideration. The City's Public Service Department has indicated that since 2014, the City has not adopted any new plans, policies, or programs relating to bike and pedestrian facilities, and no new public transit facilities have been approved or are planned by any agency within the HOZ. Therefore the level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to bicycle, pedestrian and public transit plans policies and programs will be evaluated.

17. Tribal Cultural Resources:

Would the project cause a substantial adverse change in the significance of a tribal cultural resource, defined in Public Resources Code section 21074 as either a site, feature, place, cultural landscape that is geographically defined in terms of the size and scope of the landscape, sacred place, or object with cultural value to a California Native American tribe, and that is:

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
g.) Listed or eligible for listing in the California Register of Historical Resources, or in a local register of historical resources as defined in Public Resources Code section 5020.1(k), or	☐	☐	☐	☒
b) A resource determined by the lead agency, in its discretion and supported by substantial evidence, to be significant pursuant to criteria set forth in subdivision (c) of Public Resources Code Section 5024.1. In applying the criteria set forth in subdivision (c) of Public Resources Code Section 5024.1, the lead agency shall consider the significance of the resource to a California Native American tribe.	☐	☐	☐	☒

Discussion:

a.) No Impact. See 5a-5d above.

b.) No Impact. See 5a-5d above. In addition, given that all of the properties within the HOZ are already developed, the likelihood that tribal cultural resources will be discovered is expected to be limited since new development would be occurring over existing development. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to tribal cultural resources will be evaluated.

18. Utilities and Service Systems:

Would the project:	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board?	☐	☐	☐	☒
b) Require or result in the construction of new water or wastewater treatment	☐	☐	☒	☐

facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?				
c) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?	☐	☐	☐	☒
d) Have sufficient water supplies available to serve the project from existing entitlements and resources or are new or expanded entitlements needed?	☐	☐	☐	☒
e) Result in a determination by the wastewater treatment provider, which serves or may serve the project that it has adequate capacity to serve the project's projected demand in addition to the provider's existing commitments?	☐	☐	☒	☐
f) Be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs?	☐	☐	☐	☒
g) Comply with federal, state, and local statutes and regulations related to solid waste?	☐	☐	☐	☒

Discussion:

- a) No Impact. The 2014 ND determined the establishment of the HOZ would not exceed wastewater treatment requirements of the local Regional Water Quality Control Board since no development proposal was being considered. ETWD has indicated that existing sewer line infrastructure in its service area is between four and 24-inches. Existing line sizes are typical of those needed to serve the additional development allowed by the project. The 2014 ND also identified that the El Toro Water District (ETWD) had sufficient wastewater treatment capacity to serve potential development and redevelopment within the City, including the "build-out" scenario of 4,933,549 square feet of commercial development in the North Laguna Hills area (City of Laguna Hills, 2009). Since 2014, the El Toro Water District has performed a detailed hydraulic analysis of its entire sewer collection system as part of its 2014 Sewer System Management Plan. The ETWD analysis determined that the existing collection system has adequate capacity to accommodate existing and future flows. Almost all of the wastewater generated within the ETWD service area is conveyed to its water recycling plant where it is either treated and used for irrigation, or disposed of through the South Orange County Wastewater Authority (SOCWA) effluent transmission main and ocean outfall. In 2014, ETWD submitted its Sewer System Management Plan (SSMP) to the State Water Resources Control Board (SWRCB) in order to comply with Order No. 2006-0003-DWQ (Order) on Statewide General Waste Discharge

Requirements for Wastewater Collection Agencies. The Order requires that each agency properly fund, manage, operate, and maintain the sewage collection system for which it is responsible. The State Water Board issued the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems, Order No. 2006-0003-DWQ (General Order) on May 2, 2006, as amended by Order No. WQ. 2008-0002- EXEC. The General Order requires public agencies that own or operate sanitary sewer systems with greater than one mile of pipes or sewer lines to enroll for coverage under the General Order. The General Order requires Water Recycling Plant agencies to develop sanitary sewer management plans and report all sanitary sewer overflows, among other requirements and prohibitions. ETWD has obtained coverage under the General Order and implemented its requirements. Furthermore, the General Order contains requirements for operation and maintenance of collection systems and for reporting and mitigating sanitary sewer overflows (SSO). In 2014 ETWD reported one incident where its wastewater facilities were not in compliance with the General Order. The District reported that it had one sewer system overflow as a result of an extended "El Nino" rain event. Prior to this event, ETWD reported that it had never had an SSO resulting from insufficient capacity in the collection system.

As a matter of practice, the City routinely reviews development projects in consultation with the appropriate water district to ensure that sufficient wastewater infrastructure capacity continues to be available. Therefore the level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to water/ wastewater treatment facilities will be evaluated.

- b.) Less Than Significant Impact. See 18a above and 18d below. In addition, the proposed project could result in an increase in the maximum build out of North Laguna Hills by less than 2 percent of the current square footage. Information obtained from SOCWA indicated that its three regional water treatment facilities have a capacity to treat 26 million gallons of water per day and that 17.4 million gallons of water per day are currently being treated. The project will allow an increase of approximately 86,000 square feet of building area – the equivalent of 100 hotel rooms. Based on data obtained from the U.S. Environmental Protection Agency's (EPA) ENERGY STAR Data Trends web page, estimated wastewater generation from the increase in FAR would be 12,000 gallons of water per day (120 gallons per room per day) which is well within the capacity remaining at SOCWA's water treatment facilities. Since no additional water or wastewater facilities are expected to be required as a result of the project, the impact will be less than significant. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts resulting from the need for additional water and wastewater facilities will be evaluated.
- c.) No Impact. The 2014 ND determined the existing flood control and storm water drainage systems were sufficient to handle projected runoff (City of Laguna Hills,

2009). Since 2014 there have been no capacity reductions in flood control or storm water drainage systems that serve the City. There have also been no changes to drainage patterns, or increases in the volume of water runoff occurring within the HOZ. Also see 9b above. Therefore the level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to storm water facilities will be evaluated.

- d.) No Impact. The 2014 ND determined no new or expanded water supply facilities would be required for the establishment of the HOZ since no development proposal was being considered. Since 2014 the El Toro Water District, adopted an Urban Water Management Plan (UWMP) in 2016. ETWD expects to have adequate water supply available to meet the demand posed by growth within its jurisdiction through 2040 (El Toro Water District, 2016). This determination considered the “build-out” scenario outlined in the City’s General Plan, as amended, which included the HOZ when ETWD last updated its UWMP. The proposed project could result in an increase in the maximum build out of North Laguna Hills of less than 2 percent of the current square footage. ETWD noted in its 2016 UWMP that it expected to be able to obtain 100% of its water demand in normal years through 2040, regardless of increased demand, which would include demand from the increased development proposed in the HOZ (but this was predicated on the availability of supply from MWD). ETWD indicated its 2015 demand for potable and raw water was 8,649 acre feet of water. Looking forward from 2016, ETWD actually projects a decrease in its need for water from MWD since it extended its availability of reclaimed water to the City of Laguna Woods, which is also located in its service area. The availability of recycled water is expected to reduce demand for potable water by 1,600 acre feet. The 2016 UWMP also indicated ETWD could provide up to 109 percent of demand in single and multiple dry years, which would include demand from the additional development proposed in the HOZ. Additional development from the project would result in demand for an additional 14 acre-feet of water annually. This represents a 0.16% increase in water demand from what was reported for 2015.

Future development within the Hospitality Overlay Zone will be reviewed in consultation with the El Toro Water District to ensure adequate availability of long-term water supplies to new development in the HOZ. Therefore the level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to water supply will be evaluated.

- e.) Less Than Significant Impact. The 2014 ND determined that the South Orange County Wastewater Authority (SOCWA) had indicated that the remaining capacity at its wastewater treatment facilities was sufficient to serve potential new development and redevelopment in Laguna Hills, which includes 4,933,549 square

feet of commercial development in the North Laguna Hills area (City of Laguna Hills, 2009). The proposed project could result in an increase in the maximum build out of North Laguna Hills by less than 2 percent of the current square footage. Information obtained from SOCWA indicated that its three regional water treatment facilities have a capacity to treat 26 million gallons of water per day and that 17.4 million gallons of water per day are currently being treated. The project will allow an increase of approximately 86,000 square feet of building area – the equivalent of 100 hotel rooms. Based on data obtained from the U.S. Environmental Protection Agency's (EPA) ENERGY STAR Data Trends web page, estimated wastewater generation from the increase in FAR would be 12,000 gallons of water per day (120 gallons per room per day) which is well within the capacity remaining at SOCWA's water treatment facilities. Therefore the impact will be less than significant. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to wastewater treatment will be evaluated.

- f.) No Impact. The 2014 ND determined that regional landfills operated by the county will adequately serve the City's solid waste needs for the foreseeable future. The landfill that accepts waste originating from the City is the Frank R. Bowerman Landfill located in eastern Orange County. Information obtained from the County indicates the landfill is expected to continue operating until 2053. Therefore the level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to solid waste will be evaluated.
- g.) No Impact. The 2014 ND determined that future development within the Hospitality Overlay Zone will be required to implement the City's solid waste reduction programs to further the City's goal of remaining in compliance with the California Integrated Waste Management Act of 1989. Since 2014, the City has continued on in its goal to be in compliance with federal, state and local mandates related to solid waste. Therefore the level of impact remains the same as originally evaluated - no impact will occur. Any future proposal to develop the sites included in the Hospitality Overlay Zone will be analyzed under CEQA and impacts to solid waste will be evaluated.

19. Mandatory Findings of Significance:

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less than Significant Impact	No Impact
a) Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory?	☐	☐	☐	☒
b) Does the project have impacts that are individually limited, but cumulatively considerable? ("Cumulatively considerable" means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects.)	☐	☐	☒	☐
c) Does the project have environmental effects, which will cause substantial adverse effects on human beings, either directly or indirectly?	☐	☐	☐	☒

Discussion:

- a.) No Impact. As outlined in responses to "Biological Resources," "Agriculture and Forest Resources," and "Cultural Resources," the proposed project does not have the potential to substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal, or eliminate important examples of major periods of California history or prehistory. Therefore the level of impact remains the same as originally evaluated - no impact will occur.

Less Than Significant Impact. While no specific development proposal is under consideration at this time, this project may lead to future development due to the development standards offered to hotel uses within the overlay zone. Because the project area is a fully developed urban environment, future development is expected to occur reusing existing commercial structures (such as office buildings or hotels). Based on the information and analysis contained in the initial study, there is no evidence that the increase in FAR from 1.0 to 1.1 yielding an additional

86,000 square feet of building area within the HOZ would result in any cumulatively considerable impacts. The checklist evaluated cumulative impacts to air quality, GHG, population and housing, public services, recreation and utilities/ service systems. While the project will result in incremental increases in air pollutant emissions (minor increases in NOX and CO only), GHG emissions, employment, demand for public services such as police and fire, and use in public parks, these increases were not determined to be significant since the increases were either below established significance thresholds established by other agencies such as the SCAQMD, analyzed in regional planning documents such as SCAG's SCS/RTP, were determined to be less than significant, or were considered to be minor in nature such that existing facilities could accommodate the additional demand for services or use in facilities that the project could create as determined by existing community standards of the City. Other impacts resulting from the incremental increase in development will be offset by the payment of fees (such as school district fees). The impact is less than significant. Future development within the Hospitality Overlay Zone will be analyzed under CEQA for cumulative environmental impacts on a project-specific basis.

- c.) No Impact. The initial study evaluated impact categories pertaining to impacts that could have a substantial adverse impact on people such as CO hot spots, noxious odors, fault rupture, ground shaking, ground failure, landslides unstable geologic conditions, expansive soils, unsuitable soils, hazardous materials, water quality, flooding, inundation, excessive noise and vibration, poor emergency access, hazardous street design conditions, and pedestrian safety. Based on the information contained in the entire foregoing initial study, there is no substantial evidence that the project will have an adverse effect on human beings. The impacts of future development within the Hospitality Overlay Zone will be analyzed under CEQA on a project-specific basis.

EXHIBIT A

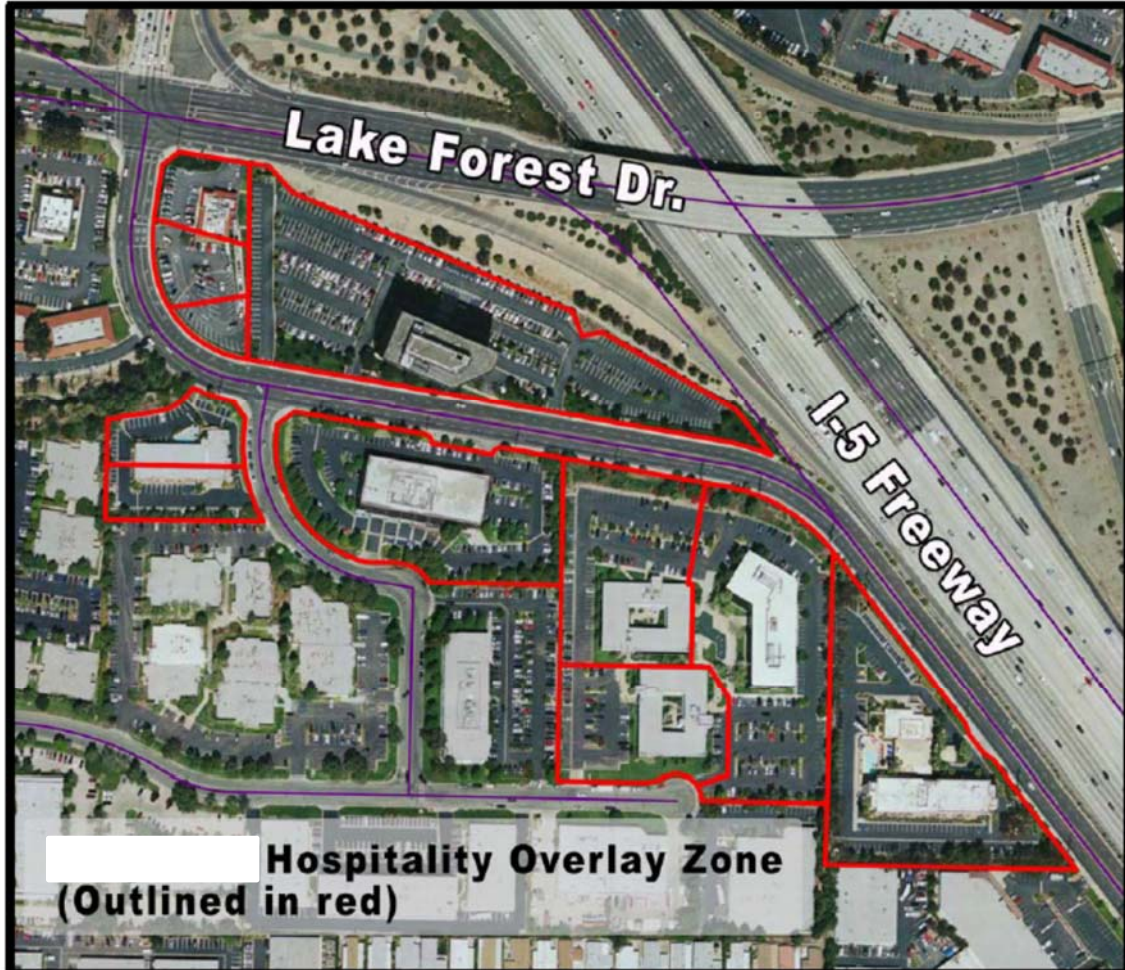


Exhibit B



GPA/ZTA-10-16-3672

Attachment 5

**Proposed Resolution Adopting an Addendum (Addendum
No. 1) to the Previously Adopted 2014 Negative
Declaration for GPA/ZC/ZTA-06-13-2608**

RESOLUTION NO. 2017-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, ADOPTING AN ADDENDUM (ADDENDUM NO. 1) TO A PREVIOUSLY ADOPTED NEGATIVE DECLARATION FOR CASE NO. GPAZTA-10-16-3672, GENERAL PLAN AND DEVELOPMENT CODE AMENDMENTS MAKING MODIFICATIONS TO THE MAXIMUM FLOOR AREA RATIO (FAR) FOR THE HOSPITALITY OVERLAY ZONE DISTRICT.

The City Council of the City of Laguna Hills, California, hereby finds, determines, declares, and resolves as follows:

WHEREAS, on June 24, 2014, the City Council adopted Resolution No. 2014-06-24-3, approving General Plan Amendment 06-13-2608 adding language and increasing maximum intensity for hotel developments within the MU and FC Land Use Designations that would provide greater flexibility to promote the development of hotel uses in North Laguna Hills; and

WHEREAS, on June 24, 2014 the City Council also approved Resolution No. 2014-06-24-2 adopting a Negative Declaration for General Plan Amendment No. 06-13-2608 ("2014 Negative Declaration") pursuant to the California Environmental Quality Act, California Public Resources Code Sections 21000 et seq. ("CEQA") and CEQA's implementing guidelines, California Code of Regulations, Title 14, Sections 15000 et seq.; and

WHEREAS, the City of Laguna Hills now proposes a minor amendment to the Laguna Hills General Plan Land Use Element to increase the allowable building density/intensity for hotel uses within the Mixed Use (MU) and Freeway Commercial (FC) General Plan Land Use Designations from a maximum of 1.0 Floor Area Ratio (FAR) to 1.1 FAR and a corresponding Zoning Text Amendment ("Amendment") in reaction to the recent evolutions of the hospitality industry to provide more guest amenities and services and to provide further encouragement for hotel development; and

WHEREAS, pursuant to Public Resources Code section 21166 and CEQA Guidelines section 15162, the City prepared an initial study to determine whether any further environmental review is required; and

WHEREAS, the initial study concluded that an Addendum to the 2014 Negative Declaration is the appropriate environmental review document for the Amendment pursuant to Public Resources Code section 21166 and CEQA Guidelines sections 15162 and 15164; and

WHEREAS, the City properly noticed the public hearing concerning the adoption of the Amendment pursuant to Government Code section 6061 and as required under Government Code section 65090 which was noticed for March 14, 2017, and continued to April 11, 2017 at which time all interested persons were given an opportunity to be heard; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE, AND ORDER AS FOLLOWS:

SECTION 1. The above recitals are true and correct, and are incorporated herein by reference.

SECTION 2. The City Council has independently considered the 2014 Negative Declaration, the Addendum to the adopted 2014 Negative Declaration prepared by the City, the staff report from the Community Development Department analyzing the Addendum to the 2014 Negative Declaration, and received and considered all written and oral public comments on the environmental effects of the Amendment, and finds that no further environmental documentation is required because: (i) there are no substantial changes within the Amendment that will require major revisions to the 2014 Negative Declaration due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects; (ii) there are no substantial changes with respect to the circumstances under which the Amendment is being undertaken which will require major revisions of the 2014 Negative Declaration due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects; and (iii) there is no new information of substantial importance which was not known and could not have been known with the exercise of reasonable diligence at the time the 2014 Negative Declaration was adopted showing that: (a) the Amendment will have one or more significant effects not discussed in the 2014 Negative Declaration; (b) significant effects previously examined will be substantially more severe than shown in the 2014 Negative Declaration; (c) mitigation measures or alternatives previously found not to be feasible would in fact be feasible, and would substantially reduce one or more significant effects of the Amendment, but those mitigation measures or alternatives have not been adopted; or (d) mitigation measures or alternatives considerably different from those analyzed in the 2014 Negative Declaration would substantially reduce one or more significant effects on the environment, but the mitigation measures or alternatives have not been adopted.

SECTION 3. The City Council on the basis of the whole record before it, finds that no further environmental review is required for the Amendment and hereby adopts Addendum No. 1 to the 2014 Negative Declaration.

SECTION 4. The record of proceedings on which the City Council's decision is based is located at the City of Laguna Hills, 24035 El Toro Road, Laguna Hills, California. The custodian of records of proceedings is the Community Development Director for the City of Laguna Hills.

PASSED, APPROVED, AND ADOPTED this _____ day of _____ 2017.

DON SEDGWICK, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO
HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 201X-
XXX by the City Council of the City of Laguna Hills, California, at a Regular Meeting
thereof held on the _____ day of _____ 201x, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

MELISSA AU-YEUNG, CITY CLERK



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 25, 2017

TO: Mayor and Council Members

FROM: Melissa Au-Yeung
Assistant to the City Manager/City Clerk

ISSUE: Second Reading and Adoption of an Ordinance Amending Chapters 9-103 and 9-04 of Title 9 of the Laguna Hills Municipal Code to Permit the Limited Personal Cultivation of Marijuana Inside a Person's Private Residence and Inside an Accessory Structure to a Person's Private Residence in Accordance with State Law

RECOMMENDATION: That the City Council adopt an Ordinance entitled: "An Ordinance of the City of Laguna Hills, California, adopting Zoning Text Amendment No. 2-17-3793 amending Chapters 9-103 (Marijuana Businesses) and 9-04 (Definitions) of Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code to Permit the Limited Personal Cultivation of Marijuana inside a Person's Private Residence and inside an Accessory Structure to a Person's Private Residence in accordance with State law."

SUMMARY:

This Ordinance will adopt Zoning Text Amendment No. 2-17-3793 amending Chapters 9-103 (Marijuana Businesses) and 9-04 (Definitions) of Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code (LHMC) to permit the limited personal cultivation of marijuana in accordance with Proposition 64. The Ordinance would amend the LHMC to permit the limited personal cultivation of marijuana: (1) inside a person's private residence; and (2) inside an accessory structure to a person's private residence, and expressly prohibit outdoor cultivation of marijuana, as authorized by Proposition 64 (Health & Safety Code section 11362.2 (b)(3)), while reaffirming that marijuana dispensaries, marijuana businesses, and all other marijuana-related uses are prohibited uses in all zoning districts within the City.

Second Reading and Adoption of Ordinance Amending Chapters 9-103 & 9-04 of Title 9
April 25, 2017
Page 2

A copy of the proposed Ordinance and the Staff Report for the introduction of the Ordinance, including attachments, are included as attachments to this report. The City Council introduced the Ordinance by a vote of 4-0-1 (Mayor Sedgwick absent). It is in order to adopt the Ordinance.

ATTACHMENTS:

- Proposed Ordinance
- April 11, 2017 Introduction to Ordinance Staff Report and Attachments-Title 9

ORDINANCE NO. 2017 - X

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, ADOPTING ZONING CODE TEXT AMENDMENT NO. 2-17-3793 AMENDING CHAPTERS 9-103 (MARIJUANA BUSINESSES) AND 9-04 (DEFINITIONS) OF TITLE 9 (ZONING AND SUBDIVISIONS) OF THE LAGUNA HILLS MUNICIPAL CODE TO PERMIT THE LIMITED PERSONAL CULTIVATION OF MARIJUANA INSIDE A PERSON'S PRIVATE RESIDENCE AND INSIDE AN ACCESSORY STRUCTURE TO A PERSON'S PRIVATE RESIDENCE IN ACCORDANCE WITH STATE LAW

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, HEREBY FINDS AND DETERMINES AS FOLLOWS:

WHEREAS, Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code (LHMC) establishes allowable uses of property within all zoning districts in the City; and

WHEREAS, On December 10, 2013, the City Council of the City of Laguna Hills adopted Ordinance No. 2013-2, which amended Title 9 of the LHMC to prohibit medical marijuana dispensaries in all zoning districts within the City; and

WHEREAS, Effective January 1, 2016, the Medical Marijuana Regulation and Safety Act (MMRSA) established a comprehensive regulatory and licensing framework for the operation of marijuana businesses within the State of California. The MMRSA confirmed the authority of cities to control uses of land within their respective jurisdictions and specifically, to regulate or prohibit marijuana businesses; and

WHEREAS, On September 13, 2016, the City Council of the City of Laguna Hills adopted Ordinance No. 2016-4, which amended Title 9 of the LHMC (Zoning and Subdivisions) in accordance with the MMRSA to update clarify, and provide more specificity to the City's ban on marijuana businesses in all zoning districts within the City; and

WHEREAS, On November 8, 2016, California voters approved Proposition 64 – the Control, Regulate, and Tax Adult Use of Marijuana Act, which legalized the recreational (non-medical) use of marijuana in California for persons twenty-one (21) years of age or older and authorized the limited personal cultivation by such persons of not more than six (6) marijuana plants inside a person's private residence and inside an accessory structure to a person's private residence; and

WHEREAS, Proposition 64 authorizes the City to completely prohibit the cultivation of marijuana outdoors upon the grounds of a person's private residence, up to and until a determination by the California Attorney General that nonmedical use of marijuana is lawful in the State of California under federal law; and

WHEREAS, This Ordinance updates Title 9 of the LHMC to exempt limited personal cultivation of marijuana inside a person's private residence and inside an accessory structure to a person's private residence from the City's existing ban on marijuana businesses and of all marijuana-related uses in all zoning districts as required by Proposition 64, and to expressly prohibit the cultivation of marijuana outdoors upon the grounds of a person's private residence as authorized by Proposition 64 (Health & Safety Code section 11362.2 (b)(3)); and

WHEREAS, This Ordinance is a City-initiated zoning text amendment subject to Chapter 9-90 of the LHMC; and

WHEREAS, The City Council of the City of Laguna Hills has held a duly noticed public hearing and considered public comments and written and oral information and testimony presented by City staff, community residents, and other interested parties at a public hearing held on April 11, 2017.

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA,
DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. The above recitals are true and correct, and are incorporated herein by reference.

SECTION 2. The City Council of the City of Laguna Hills hereby finds and determines that this Ordinance is not subject to the California Environmental Quality Act (CEQA) pursuant to California Code of Regulations, Title 14, Chapter 3, Sections 15060 (c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) because it has no potential for resulting in physical change to the environment, directly or indirectly.

SECTION 3. Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, Chapter 9-103 (Marijuana Businesses), Section 9-103.020 (Definitions), is hereby amended by revising the definitions for "Marijuana", "Marijuana business", "Marijuana cultivation site" and "Marijuana dispensary" and by adding definitions for "Personal cultivation of marijuana" and "Private residence" to read as follows:

9-103.020 Definitions.

"Marijuana" shall have the same meaning as is defined by Health & Safety Code section 11018 and the term "cannabis" as that term is defined by California Business & Professions Code section 19300.5(f). If the definition under State law is amended, the City's definition shall be as amended. "Marijuana" shall also mean any "cannabinoid" as defined by Business & Professions Code section 19300.5(e), "cannabis concentrate" as

defined by Business & Professions Code section 19300.5(g), “edible cannabis product” as defined by Business & Professions Code section 19300.5(s), “manufactured cannabis” as defined by Business & Professions Code section 19300.5(ac), “medical cannabis” as defined by Business & Professions Code section 19300.5(af), and “topical cannabis” as defined by Business & Professions Code section 19300.5(al), as those sections exist as of January 1, 2016 or as amended thereafter.

“Marijuana business” shall mean any activity, whether or not carried out for commercial gain, which involves cultivation, possession, manufacture, processing, storage, laboratory testing, labeling, transportation, distribution, or sale of marijuana or any marijuana-infused products. This definition shall include any of the foregoing activities conducted by or on behalf of a qualified patient or the primary caregiver of a qualified patient. All references in this chapter to “marijuana business” shall be synonymous with “marijuana dispensary,” “mobile marijuana dispensary,” and “marijuana cultivation site,” which are defined in this section. The term “marijuana business” shall not include “personal cultivation of marijuana,” as defined in this section.

“Marijuana cultivation site” shall mean any location, whether indoor or outdoor, where marijuana is planted, grown, harvested, dried, cured, graded, or trimmed, or upon which all or any combination of those activities occurs. The term “marijuana cultivation site” shall not include “personal cultivation of marijuana,” as defined in this section.

“Marijuana dispensary” shall mean any dispensary, facility, cooperative, club, individual, business, group, collective, establishment or other association with a storefront or mobile retail outlet where marijuana, in any form, whether for medical, recreational, or any other purpose, is transferred to any person, firm, corporation, association, club, society, or other organization, regardless of whether that activity is undertaken on a for-profit or non-profit basis, or any combination thereof, and regardless of whether the activity is for compensation or is gratuitous.

“Personal cultivation of marijuana” shall mean the possession, planting, cultivation, harvesting, drying, or processing of not more than six (6) living marijuana plants and possession of the marijuana produced by the plants by persons twenty one (21) years of age or older inside a person's private residence or inside an accessory structure to a person's private residence located upon the grounds of a person's private residence that is fully enclosed and secure as authorized by Health and Safety Code Sections 11362.1 and 11362.2, as may be amended, and subject to the following limitations: (a) not more than six (6) living plants may be planted, cultivated, harvested, dried, or processed within a person's single private residence or inside an accessory structure to a person's private residence that is fully enclosed and secure, at one time; and (b) the living plants and any marijuana produced by the plants in excess of 28.5 grams shall be in a locked space, and shall not be visible by normal unaided vision from a public place. The term “personal cultivation of marijuana” shall not include the planting, cultivation, harvesting, drying, or processing of marijuana plants outdoors upon the grounds of a person's private residence.

"Private residence" shall have the same meaning as is defined by Health & Safety Code section 11362.2(b)(5) (i.e., a house, an apartment unit, a mobile home, or similar dwelling), as may be amended.

SECTION 4. Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, Chapter 9-103 (Marijuana Businesses), Section 9-103.030 (Marijuana businesses prohibited), is hereby amended by adding new Subsection F to read as follows:

F. The planting, cultivation, harvesting, drying, or processing of marijuana plants outdoors upon the grounds of a person's private residence is prohibited in every zoning district in the city.

SECTION 5. Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, Chapter 9-04 (Definitions), Section 9-04.130 ("M" Definitions), is hereby amended by revising the definition for "Marijuana business" to read as follows:

"Marijuana business" means any activity, whether or not carried out for commercial gain, which involves cultivation, possession, manufacture, processing, storage, laboratory testing, labeling, transportation, distribution, or sale of marijuana or any marijuana-infused products. This definition shall include any of the foregoing activities conducted by or on behalf of a qualified patient or the primary caregiver of a qualified patient. All references in this section to "marijuana business" shall be synonymous with "marijuana dispensary," "mobile marijuana dispensary," and "marijuana cultivation site," which are defined in Chapter 9-103. The term "marijuana business" shall not include "personal cultivation of marijuana," as defined in Chapter 9-103.

SECTION 6. This Ordinance shall take effect on May 26, 2017, the 31st day following the adoption of this Ordinance by the City Council.

SECTION 7. Upon the effective date of this Ordinance, the provisions hereof shall supersede any inconsistent or conflicting provisions of the Laguna Hills Municipal Code.

SECTION 8. If any section, subsection, subdivision, sentence, clause, phrase, or portion of this Ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more section, subsection, subdivision, sentence, clause, phrase, or portion thereof be declared invalid or unconstitutional.

SECTION 9. The City Clerk shall certify to the adoption of this Ordinance and cause the same to be posted at the duly designated posting places within the City and published once within fifteen days after passage and adoption as may be required by law; or, in the alternative, the City Clerk may cause to be published a summary of this Ordinance and a certified copy of the text of this Ordinance shall be posted in the Office of the City Clerk five days prior to the date of adoption of this Ordinance; and, within

fifteen days after adoption, the City Clerk shall cause to be published, the aforementioned summary and shall post a certified copy of this Ordinance, together with the vote for and against the same, in the Office of the City Clerk.

PASSED, APPROVED, AND ADOPTED this 25th day of April 2017.

DON SEDGWICK, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing Ordinance No. 2017-X was duly introduced and placed upon its first reading at a Regular Meeting of the City Council on the 11th day of April 2017, and that thereafter, said Ordinance was duly adopted and passed at a Regular Meeting of the City Council held on the 25th day of April 2017, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

Laguna Hills, California

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

AFFIDAVIT OF POSTING
AND PUBLICATION

MELISSA AU-YEUNG, being first duly sworn, deposes and says:

That she is the duly appointed and qualified City Clerk of the City of Laguna Hills;

That in compliance with State Laws of the State of California, ORDINANCE NO. 2017-X, being:

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, ADOPTING ZONING CODE TEXT AMENDMENT NO. 2-17-3793 AMENDING CHAPTERS 9-103 (MARIJUANA BUSINESSES) AND 9-04 (DEFINITIONS) OF TITLE 9 (ZONING AND SUBDIVISIONS) OF THE LAGUNA HILLS MUNICIPAL CODE TO PERMIT THE LIMITED PERSONAL CULTIVATION OF MARIJUANA INSIDE A PERSON'S PRIVATE RESIDENCE AND INSIDE AN ACCESSORY STRUCTURE TO A PERSON'S PRIVATE RESIDENCE IN ACCORDANCE WITH STATE LAW

on the 5th day of May 2017, was published in the Saddleback Valley News; and was, in compliance with City Resolution No. 2004-05-25-2, on the 26th day of April 2017, caused to be posted in three places in the City of Laguna Hills, to wit:

Laguna Hills City Hall
Laguna Hills Community Center
La Paz Center

MELISSA AU-YEUNG, CITY CLERK
Laguna Hills, California

Attachment: Proposed Ordinance (1263 : Second Reading and Adoption of Ordinance Amending Chapters 9-103 & 9-04 of Title 9)



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 11, 2017

TO: Mayor and Council Members

FROM: David Chantarangsu
Community Development Director

ISSUE: Zoning Text Amendment No. 2-17-3793 - an Amendment to Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, to Permit the Limited Personal Cultivation of Marijuana Inside a Person's Private Residence and Inside an Accessory Structure to a Person's Private Residence in Accordance with Proposition 64.

RECOMMENDATION: That the City Council: (1) Reopen and Conduct the Public Hearing; and (2) Introduce for First Reading, read by title only, and waive further reading of an Ordinance entitled: "An Ordinance of the City of Laguna Hills, California, adopting Zoning Text Amendment No. 2-17-3793 amending Chapters 9-103 (Marijuana Businesses) and 9-04 (Definitions) of Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code to permit the limited personal cultivation of marijuana inside a person's private residence and inside an accessory structure to a person's private residence in accordance with state law."

SUMMARY:

On March 14, 2017, the City Council conducted a Public Hearing and introduced for First Reading a proposed Ordinance amending the Laguna Hills Municipal Code (LHMC) to permit the limited personal cultivation of marijuana in accordance with Proposition 64. As initially drafted, the proposed Ordinance would have permitted the limited personal cultivation by persons twenty-one (21) years of age or older of not more than six (6) marijuana plants: (1) inside a person's private residence; (2) inside an accessory structure to a person's private residence; and (3) outdoors upon the grounds of a person's private residence (e.g., in an outdoor garden area).

Following the Public Hearing, the City Council discussed and deliberated on the two alternatives presented in the March 14, 2017, Staff Report: (1) modifying the proposed Ordinance to completely prohibit the limited personal cultivation of marijuana outdoors upon the grounds of a person's private residence (e.g., in an outdoor garden area); and (2) enacting a regulatory scheme and permit program for the limited personal cultivation of marijuana within and at a person's private residence. The City Council voted to continue this item to its April 11, 2017 Regular Meeting, directing the City Attorney to revise the proposed Ordinance to effectuate the first alternative – to completely prohibit personal cultivation of marijuana outdoors upon the grounds of a person's private residence, and postponed any decision on pursuing a regulatory scheme and permit program under the second alternative at this time.

The proposed Ordinance, as revised, would amend the LHMC to permit the limited personal cultivation of marijuana: (1) inside a person's private residence; and (2) inside an accessory structure to a person's private residence as required by Proposition 64, and to expressly prohibit outdoor cultivation of marijuana, as authorized by Proposition 64 (Health & Safety Code section 11362.2 (b)(3)), while reaffirming that marijuana dispensaries, marijuana businesses, and all other marijuana-related uses are prohibited uses in all zoning districts within the City.

City staff will continue to monitor the issue of enacting a regulatory scheme and permit program for the limited personal cultivation of marijuana, as well as any legal developments or challenges pertaining to such regulations, including any future guidance that may be issued by the state pertaining to this subject.

Attachment 1 contains the language of the proposed revised Ordinance while Attachment 2 depicts the proposed Code Amendments in redline format. Attachment 3 contains the Staff Report and attachments from the March 14, 2017, City Council meeting and Public Hearing.

BACKGROUND:

Last November, California voters approved Proposition 64, which legalized the recreational (non-medical) use of marijuana for persons twenty-one (21) years of age or older and authorized the limited personal cultivation by such persons of not more than six (6) marijuana plants: (1) inside a private residence; (2) inside an accessory structure to a person's private residence; or (3) outdoors upon the grounds of a person's private residence (e.g., in an outdoor garden area), subject to the following limitations: (a) not more than six living plants may be planted, cultivated, harvested, dried, or processed

Zoning Text Amendment No. 2-17-3793 - Personal Cultivation of Marijuana

April 11, 2017

Page 3

within a person's single private residence, inside an accessory structure to a person's private residence that is fully enclosed and secure, or outdoors upon the grounds of a person's private residence, at one time; and (b) the living plants and any marijuana produced by the plants in excess of 28.5 grams shall be in a locked space and shall not be visible by normal unaided vision from a public place.

As a result of the provisions contained in Proposition 64 that now permit personal cultivation of marijuana plants, a proposed Ordinance was considered by the City Council at the March 14, 2017 meeting, to exempt the limited personal cultivation of marijuana from the current City-wide ban on marijuana-related uses. Included in staff's report were the identification of additional measures allowed by Proposition 64 that authorize local agencies to completely prohibit outdoor cultivation, as well as to implement a regulatory scheme and a permit and inspection program in order to inspect properties for compliance with such locally enacted marijuana cultivation regulations. These alternatives were not recommended by staff for several reasons including the lack of adequate staffing resources to implement regulatory permitting, inspection, and enforcement processes.

The City Council discussed the potential for neighborhood impacts, enforcement methods, and costs of regulation and permitting. Subsequently, the Council voted to direct the City Attorney to revise the proposed Ordinance to completely prohibit outdoor cultivation, which modifications are reflected in the attached revised Ordinance. Furthermore, the Council voted to postpone any decision on pursuing a regulatory scheme and permit program under the second alternative at this time.

CEQA FINDINGS:

Environmental review is not required under the California Environmental Quality Act (CEQA) pursuant to California Code of Regulations, Title 14, Chapter 3, Section 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) because it has no potential for resulting in physical change to the environment, directly or indirectly. The proposed Zoning Code Text Amendment modifies several terms within the City's Zoning Code to conform to Proposition 64 while maintaining the existing ban on all marijuana-related uses to the extent permitted by law.

ALTERNATIVES:

In directing the City Attorney to prepare a revised Ordinance that completely prohibits outdoor cultivation, the City Council postponed any decision on pursuing a regulatory scheme and permit program under the second alternative at this time. The Council still retains the option to enact and enforce regulations to reasonably regulate the personal cultivation of marijuana inside a person's private residence and inside an accessory structure to a person's private residence at a later date; however, state law does not provide any guidance to cities on how to draft such a regulatory program. Consequently, depending on the degree of local regulations, such regulatory programs may be preempted by state law and may be subject to future legal challenge as violating Proposition 64.

FISCAL IMPACT:

There is no Fiscal Impact to the City resulting from the adoption of an Ordinance amending Title 9 of the LHMC to permit the limited personal cultivation of marijuana: (1) inside a person's private residence; and (2) inside an accessory structure to a person's private residence, in accordance with the requirements of Proposition 64.

ATTACHMENTS:

- Attachment 1 - Proposed Ordinance
- Attachment 2 - Proposed Ordinance (Redlined Version)
- Attachment 3 - March 14 Agenda Materials

The seal of the City of Laguna Hills is a circular emblem. It features a central illustration of a horse and rider in a field, with a fence and trees in the background. The text "CITY OF LAGUNA HILLS" is written in a circular path around the top of the seal, and "1991" is at the bottom. The seal is faded and serves as a background for the title text.

Attachment 1

Proposed Draft Ordinance

ORDINANCE NO. 2017 -

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, ADOPTING ZONING CODE TEXT AMENDMENT NO. __-__-__ AMENDING CHAPTERS 9-103 (MARIJUANA BUSINESSES) AND 9-04 (DEFINITIONS) OF TITLE 9 (ZONING AND SUBDIVISIONS) OF THE LAGUNA HILLS MUNICIPAL CODE TO PERMIT THE LIMITED PERSONAL CULTIVATION OF MARIJUANA INSIDE A PERSON'S PRIVATE RESIDENCE AND INSIDE AN ACCESSORY STRUCTURE TO A PERSON'S PRIVATE RESIDENCE IN ACCORDANCE WITH STATE LAW

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, HEREBY FINDS AND DETERMINES AS FOLLOWS:

WHEREAS, Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code (LHMC) establishes allowable uses of property within all zoning districts in the City; and

WHEREAS, On December 10, 2013, the City Council of the City of Laguna Hills adopted Ordinance No. 2013-2, which amended Title 9 of the LHMC to prohibit medical marijuana dispensaries in all zoning districts within the City; and

WHEREAS, Effective January 1, 2016, the Medical Marijuana Regulation and Safety Act (MMRSA) established a comprehensive regulatory and licensing framework for the operation of marijuana businesses within the State of California. The MMRSA confirmed the authority of cities to control uses of land within their respective jurisdictions and specifically, to regulate or prohibit marijuana businesses; and

WHEREAS, On September 13, 2016, the City Council of the City of Laguna Hills adopted Ordinance No. 2016-4, which amended Title 9 of the LHMC (Zoning and Subdivisions) in accordance with the MMRSA to update clarify, and provide more specificity to the City's ban on marijuana businesses in all zoning districts within the City; and

WHEREAS, On November 8, 2016, California voters approved Proposition 64 – the Control, Regulate, and Tax Adult Use of Marijuana Act, which legalized the recreational (non-medical) use of marijuana in California for persons twenty one (21) years of age or older and authorized the limited personal cultivation by such persons of not more than six (6) marijuana plants inside a person's private residence and inside an accessory structure to a person's private residence; and

WHEREAS, Proposition 64 authorizes the City to completely prohibit the cultivation of marijuana outdoors upon the grounds of a person's private residence, up

to and until a determination by the California Attorney General that nonmedical use of marijuana is lawful in the State of California under federal law; and

WHEREAS, This Ordinance updates Title 9 of the LHMC to exempt limited personal cultivation of marijuana inside a person's private residence and inside an accessory structure to a person's private residence from the City's existing ban on marijuana businesses and of all marijuana-related uses in all zoning districts as required by Proposition 64, and to expressly prohibit the cultivation of marijuana outdoors upon the grounds of a person's private residence as authorized by Proposition 64 (Health & Safety Code section 11362.2 (b)(3)); and

WHEREAS, This Ordinance is a City-initiated zoning text amendment subject to Chapter 9-90 of the LHMC; and

WHEREAS, The City Council of the City of Laguna Hills has held a duly noticed public hearing and considered public comments and written and oral information and testimony presented by City staff, community residents, and other interested parties at a public hearing held on [REDACTED], 2017.

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA,
DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. The above recitals are true and correct, and are incorporated herein by reference.

SECTION 2. The City Council of the City of Laguna Hills hereby finds and determines that this Ordinance is not subject to the California Environmental Quality Act (CEQA) pursuant to California Code of Regulations, Title 14, Chapter 3, Sections 15060 (c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) because it has no potential for resulting in physical change to the environment, directly or indirectly.

SECTION 3. Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, Chapter 9-103 (Marijuana Businesses), Section 9-103.020 (Definitions), is hereby amended by revising the definitions for "Marijuana", "Marijuana business", "Marijuana cultivation site" and "Marijuana dispensary" and by adding definitions for "Personal cultivation of marijuana" and "Private residence" to read as follows:

9-103.020 Definitions.

"Marijuana" shall have the same meaning as is defined by Health & Safety Code section 11018 and the term "cannabis" as that term is defined by California Business & Professions Code section 19300.5(f). If the definition under State law is amended, the City's definition shall be as amended. "Marijuana" shall also mean any "cannabinoid" as defined by Business & Professions Code section 19300.5(e), "cannabis concentrate" as defined by Business & Professions Code section 19300.5(g), "edible cannabis product" as defined by Business & Professions Code section 19300.5(s), "manufactured

cannabis” as defined by Business & Professions Code section 19300.5(ac), “medical cannabis” as defined by Business & Professions Code section 19300.5(af), and “topical cannabis” as defined by Business & Professions Code section 19300.5(al), as those sections exist as of January 1, 2016 or as amended thereafter.

“Marijuana business” shall mean any activity, whether or not carried out for commercial gain, which involves cultivation, possession, manufacture, processing, storage, laboratory testing, labeling, transportation, distribution, or sale of marijuana or any marijuana-infused products. This definition shall include any of the foregoing activities conducted by or on behalf of a qualified patient or the primary caregiver of a qualified patient. All references in this chapter to “marijuana business” shall be synonymous with “marijuana dispensary,” “mobile marijuana dispensary,” and “marijuana cultivation site,” which are defined in this section. The term “marijuana business” shall not include “personal cultivation of marijuana,” as defined in this section.

“Marijuana cultivation site” shall mean any location, whether indoor or outdoor, where marijuana is planted, grown, harvested, dried, cured, graded, or trimmed, or upon which all or any combination of those activities occurs. The term “marijuana cultivation site” shall not include “personal cultivation of marijuana,” as defined in this section.

“Marijuana dispensary” shall mean any dispensary, facility, cooperative, club, individual, business, group, collective, establishment or other association with a storefront or mobile retail outlet where marijuana, in any form, whether for medical, recreational, or any other purpose, is transferred to any person, firm, corporation, association, club, society, or other organization, regardless of whether that activity is undertaken on a for-profit or non-profit basis, or any combination thereof, and regardless of whether the activity is for compensation or is gratuitous.

“Personal cultivation of marijuana” shall mean the possession, planting, cultivation, harvesting, drying, or processing of not more than six (6) living marijuana plants and possession of the marijuana produced by the plants by persons twenty one (21) years of age or older inside a person's private residence or inside an accessory structure to a person's private residence located upon the grounds of a person's private residence that is fully enclosed and secure as authorized by Health and Safety Code Sections 11362.1 and 11362.2, as may be amended, and subject to the following limitations: (a) not more than six (6) living plants may be planted, cultivated, harvested, dried, or processed within a person's single private residence or inside an accessory structure to a person's private residence that is fully enclosed and secure, at one time; and (b) the living plants and any marijuana produced by the plants in excess of 28.5 grams shall be in a locked space, and shall not be visible by normal unaided vision from a public place. The term “personal cultivation of marijuana” shall not include the planting, cultivation, harvesting, drying, or processing of marijuana plants outdoors upon the grounds of a person's private residence.

“Private residence” shall have the same meaning as is defined by Health & Safety Code section 11362.2(b)(5) (i.e., a house, an apartment unit, a mobile home, or similar dwelling), as may be amended.

SECTION 4. Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, Chapter 9-103 (Marijuana Businesses), Section 9-103.030 (Marijuana businesses prohibited), is hereby amended by adding new Subsection F to read as follows:

F. The planting, cultivation, harvesting, drying, or processing of marijuana plants outdoors upon the grounds of a person's private residence is prohibited in every zoning district in the city.

SECTION 5. Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, Chapter 9-04 (Definitions), Section 9-04.130 ("M" Definitions), is hereby amended by revising the definition for "Marijuana business" to read as follows:

"Marijuana business" means any activity, whether or not carried out for commercial gain, which involves cultivation, possession, manufacture, processing, storage, laboratory testing, labeling, transportation, distribution, or sale of marijuana or any marijuana-infused products. This definition shall include any of the foregoing activities conducted by or on behalf of a qualified patient or the primary caregiver of a qualified patient. All references in this section to "marijuana business" shall be synonymous with "marijuana dispensary," "mobile marijuana dispensary," and "marijuana cultivation site," which are defined in Chapter 9-103. The term "marijuana business" shall not include "personal cultivation of marijuana," as defined in Chapter 9-103.

SECTION 6. This Ordinance shall take effect on _____, 2017, the 31st day following the adoption of this Ordinance by the City Council.

SECTION 7. Upon the effective date of this Ordinance, the provisions hereof shall supersede any inconsistent or conflicting provisions of the Laguna Hills Municipal Code.

SECTION 8. If any section, subsection, subdivision, sentence, clause, phrase, or portion of this Ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more section, subsection, subdivision, sentence, clause, phrase, or portion thereof be declared invalid or unconstitutional.

SECTION 9. The City Clerk shall certify to the adoption of this Ordinance and cause the same to be posted at the duly designated posting places within the City and published once within fifteen days after passage and adoption as may be required by law; or, in the alternative, the City Clerk may cause to be published a summary of this Ordinance and a certified copy of the text of this Ordinance shall be posted in the Office of the City Clerk five days prior to the date of adoption of this Ordinance; and, within fifteen days after adoption, the City Clerk shall cause to be published, the aforementioned summary and shall post a certified copy of this Ordinance, together with the vote for and against the same, in the Office of the City Clerk.

PASSED, APPROVED, AND ADOPTED this _____ day of _____ 2017.

DON SEDGWICK, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing Ordinance No. _____ was duly introduced and placed upon its first reading at a Regular Meeting of the City Council on the _____ day of _____ 2017, and that thereafter, said Ordinance was duly adopted and passed at a Regular Meeting of the City Council held on the _____ day of _____ 2017, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

Laguna Hills, California

STATE OF CALIFORNIA)
 COUNTY OF ORANGE) ss
 CITY OF LAGUNA HILLS)

AFFIDAVIT OF POSTING
 AND PUBLICATION

MELISSA AU-YEUNG, being first duly sworn, deposes and says:

That she is the duly appointed and qualified City Clerk of the City of Laguna Hills;

That in compliance with State Laws of the State of California, ORDINANCE NO. _____, being:

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, ADOPTING ZONING CODE TEXT AMENDMENT NO. __-__-__ AMENDING CHAPTERS 9-103 (MARIJUANA BUSINESSES) AND 9-04 (DEFINITIONS) OF TITLE 9 (ZONING AND SUBDIVISIONS) OF THE LAGUNA HILLS MUNICIPAL CODE TO PERMIT THE LIMITED PERSONAL CULTIVATION OF MARIJUANA INSIDE A PERSON'S PRIVATE RESIDENCE AND INSIDE AN ACCESSORY STRUCTURE TO A PERSON'S PRIVATE RESIDENCE IN ACCORDANCE WITH STATE LAW

on the _____ day of _____ 2017, was published in the Saddleback Valley News; and was, in compliance with City Resolution No. 2004-05-25-2, on the _____ day of _____ 2017, caused to be posted in three places in the City of Laguna Hills, to wit:

Laguna Hills City Hall
 Laguna Hills Community Center
 La Paz Center

Ordinance No. 2017-x

MELISSA AU-YEUNG, CITY CLERK
Laguna Hills, California

Attachment: April 11, 2017 Introduction to Ordinance Staff Report and Attachments-Title 9 (1263 : Second Reading and Adoption of Ordinance

The seal of the City of Laguna Hills is a circular emblem. It features a central illustration of a person in a white robe, possibly a religious figure, holding a staff. The text "CITY OF LAGUNA HILLS" is arched across the top, and "1991" is at the bottom.

Attachment 2 Proposed Draft Ordinance (Redlined Version)

ORDINANCE NO. 2017 -

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, ADOPTING ZONING CODE TEXT AMENDMENT NO. __-__-__ AMENDING CHAPTERS 9-103 (MARIJUANA BUSINESSES) AND 9-04 (DEFINITIONS) OF TITLE 9 (ZONING AND SUBDIVISIONS) OF THE LAGUNA HILLS MUNICIPAL CODE TO PERMIT THE LIMITED PERSONAL CULTIVATION OF MARIJUANA INSIDE A PERSON'S PRIVATE RESIDENCE AND INSIDE AN ACCESSORY STRUCTURE TO A PERSON'S PRIVATE RESIDENCE IN ACCORDANCE WITH STATE LAW

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, HEREBY FINDS AND DETERMINES AS FOLLOWS:

WHEREAS, Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code (LHMC) establishes allowable uses of property within all zoning districts in the City; and

WHEREAS, On December 10, 2013, the City Council of the City of Laguna Hills adopted Ordinance No. 2013-2, which amended Title 9 of the LHMC to prohibit medical marijuana dispensaries in all zoning districts within the City; and

WHEREAS, Effective January 1, 2016, the Medical Marijuana Regulation and Safety Act (MMRSA) established a comprehensive regulatory and licensing framework for the operation of marijuana businesses within the State of California. The MMRSA confirmed the authority of cities to control uses of land within their respective jurisdictions and specifically, to regulate or prohibit marijuana businesses; and

WHEREAS, On September 13, 2016, the City Council of the City of Laguna Hills adopted Ordinance No. 2016-4, which amended Title 9 of the LHMC (Zoning and Subdivisions) in accordance with the MMRSA to update clarify, and provide more specificity to the City's ban on marijuana businesses in all zoning districts within the City; and

WHEREAS, On November 8, 2016, California voters approved Proposition 64 – the Control, Regulate, and Tax Adult Use of Marijuana Act, which legalized the recreational (non-medical) use of marijuana in California for persons twenty one (21) years of age or older and authorized the limited personal cultivation by such persons of not more than six (6) marijuana plants inside a person's private residence and inside an accessory structure to a person's private residence; and

WHEREAS, Proposition 64 authorizes the City to completely prohibit the cultivation of marijuana outdoors upon the grounds of a person's private residence, up

to and until a determination by the California Attorney General that nonmedical use of marijuana is lawful in the State of California under federal law; and

WHEREAS, This Ordinance updates Title 9 of the LHMC to exempt limited personal cultivation of marijuana inside a person's private residence and inside an accessory structure to a person's private residence from the City's existing ban on marijuana businesses and of all marijuana-related uses in all zoning districts as required by Proposition 64, and to expressly prohibit the cultivation of marijuana outdoors upon the grounds of a person's private residence as authorized by Proposition 64 (Health & Safety Code section 11362.2 (b)(3)); and

WHEREAS, This Ordinance is a City-initiated zoning text amendment subject to Chapter 9-90 of the LHMC; and

WHEREAS, The City Council of the City of Laguna Hills has held a duly noticed public hearing and considered public comments and written and oral information and testimony presented by City staff, community residents, and other interested parties at a public hearing held on [REDACTED], 2017.

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA,
DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. The above recitals are true and correct, and are incorporated herein by reference.

SECTION 2. The City Council of the City of Laguna Hills hereby finds and determines that this Ordinance is not subject to the California Environmental Quality Act (CEQA) pursuant to California Code of Regulations, Title 14, Chapter 3, Sections 15060 (c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) because it has no potential for resulting in physical change to the environment, directly or indirectly.

SECTION 3. Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, Chapter 9-103 (Marijuana Businesses), Section 9-103.020 (Definitions), is hereby amended by revising the definitions for "Marijuana", "Marijuana business", "Marijuana cultivation site" and "Marijuana dispensary" and by adding definitions for "Personal cultivation of marijuana" and "Private residence" to read as follows (additions shown in ***bold/italics***, deletions shown in ~~strikethrough~~):

9-103.020 Definitions.

"Marijuana" shall have the same meaning as ***is defined by Health & Safety Code section 11018 and*** the term "cannabis" as that term is defined by California Business & Professions Code section 19300.5(f) ~~[effective January 1, 2016]~~. If the definition under State law is amended, the City's definition shall be as amended. "Marijuana" shall also mean any "cannab***in***oid" as defined by Business & Professions Code section 19300.5(e), "cannabis concentrate" as defined by Business & Professions Code section

19300.5(g), “edible cannabis product” as defined by Business & Professions Code section 19300.5(s), “manufactured cannabis” as defined by Business & Professions Code section 19300.5(ac), “medical cannabis” as defined by Business & Professions Code section 19300.5(af), and “topical cannabis” as defined by Business & Professions Code section 19300.5(al), as those sections exist as of January 1, 2016 or as amended thereafter.

“Marijuana business” shall mean any activity, whether or not carried out for commercial gain, which involves cultivation, possession, manufacture, processing, storage, laboratory testing, labeling, transportation, distribution, or sale of marijuana or any marijuana-infused products. This definition shall include any of the foregoing activities conducted by or on behalf of a qualified patient or the primary caregiver of a qualified patient. All references in this chapter to “marijuana business,” ~~“marijuana-related business,” or “marijuana dispensary”~~ shall be synonymous with “medical-marijuana dispensary,” “mobile marijuana dispensary,” and “marijuana cultivation site,” which are defined in this section. ***The term “marijuana business” shall not include “personal cultivation of marijuana,” as defined in this section.***

“Marijuana cultivation site” shall mean any location, whether indoor or outdoor, where marijuana is planted, grown, harvested, dried, cured, graded, or trimmed, or upon which all or any combination of those activities occurs. ***The term “marijuana cultivation site” shall not include “personal cultivation of marijuana,” as defined in this section.***

“Marijuana dispensary” shall mean any dispensary, facility, cooperative, club, individual, business, group, collective, establishment or other association with a storefront or mobile retail outlet where marijuana, in any form, ***whether for medical, recreational, or any other purpose***, is transferred to any person, firm, corporation, association, club, society, or other organization, regardless of whether that activity is undertaken on a for-profit or non-profit basis, or any combination thereof, and regardless of whether the activity is for compensation or is gratuitous.

“Personal cultivation of marijuana” shall mean the possession, planting, cultivation, harvesting, drying, or processing of not more than six (6) living marijuana plants and possession of the marijuana produced by the plants by persons twenty one (21) years of age or older inside a person's private residence or inside an accessory structure to a person's private residence located upon the grounds of a person's private residence that is fully enclosed and secure as authorized by Health and Safety Code Sections 11362.1 and 11362.2, as may be amended, and subject to the following limitations: (a) not more than six (6) living plants may be planted, cultivated, harvested, dried, or processed within a person's single private residence or inside an accessory structure to a person's private residence that is fully enclosed and secure, at one time; and (b) the living plants and any marijuana produced by the plants in excess of 28.5 grams shall be in a locked space, and shall not be visible by normal unaided vision from a public place. The term “personal cultivation of marijuana” shall not include the planting, cultivation, harvesting, drying, or processing of marijuana plants outdoors upon the grounds of a person's private residence.

"Private residence" shall have the same meaning as is defined by Health & Safety Code section 11362.2(b)(5) (i.e., a house, an apartment unit, a mobile home, or similar dwelling), as may be amended.

SECTION 4. Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, Chapter 9-103 (Marijuana Businesses), Section 9-103.030 (Marijuana businesses prohibited), is hereby amended by adding new Subsection F to read as follows:

F. The planting, cultivation, harvesting, drying, or processing of marijuana plants outdoors upon the grounds of a person's private residence is prohibited in every zoning district in the city.

SECTION 5. Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, Chapter 9-04 (Definitions), Section 9-04.130 ("M" Definitions), is hereby amended by revising the definition for "Marijuana business" to read as follows (additions shown in ***bold/italics***, deletions shown in ~~striketrough~~):

"Marijuana business" means any activity, whether or not carried out for commercial gain, which involves cultivation, possession, manufacture, processing, storage, laboratory testing, labeling, transportation, distribution, or sale of marijuana or any marijuana-infused products. This definition shall include any of the foregoing activities conducted by or on behalf of a qualified patient or the primary caregiver of a qualified patient. All references in this section to "marijuana business," ~~"marijuana-related business," or "marijuana dispensary"~~ shall be synonymous with ~~"medical-marijuana dispensary," "mobile marijuana dispensary," and "marijuana cultivation site,"~~ which are defined in Chapter 9-103. ***The term "marijuana business" shall not include "personal cultivation of marijuana," as defined in Chapter 9-103.***

SECTION 6. This Ordinance shall take effect on _____, 2017, the 31st day following the adoption of this Ordinance by the City Council.

SECTION 7. Upon the effective date of this Ordinance, the provisions hereof shall supersede any inconsistent or conflicting provisions of the Laguna Hills Municipal Code.

SECTION 8. If any section, subsection, subdivision, sentence, clause, phrase, or portion of this Ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more section, subsection, subdivision, sentence, clause, phrase, or portion thereof be declared invalid or unconstitutional.

SECTION 9. The City Clerk shall certify to the adoption of this Ordinance and cause the same to be posted at the duly designated posting places within the City and published once within fifteen days after passage and adoption as may be required by law; or, in the alternative, the City Clerk may cause to be published a summary of this

Ordinance and a certified copy of the text of this Ordinance shall be posted in the Office of the City Clerk five days prior to the date of adoption of this Ordinance; and, within fifteen days after adoption, the City Clerk shall cause to be published, the aforementioned summary and shall post a certified copy of this Ordinance, together with the vote for and against the same, in the Office of the City Clerk.

PASSED, APPROVED, AND ADOPTED this _____ day of _____ 2017.

DON SEDGWICK, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing Ordinance No. _____ was duly introduced and placed upon its first reading at a Regular Meeting of the City Council on the _____ day of _____ 2017, and that thereafter, said Ordinance was duly adopted and passed at a Regular Meeting of the City Council held on the _____ day of _____ 2017, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

Laguna Hills, California

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

AFFIDAVIT OF POSTING
AND PUBLICATION

MELISSA AU-YEUNG, being first duly sworn, deposes and says:

That she is the duly appointed and qualified City Clerk of the City of Laguna Hills;

That in compliance with State Laws of the State of California, ORDINANCE NO. _____, being:

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, ADOPTING ZONING CODE TEXT AMENDMENT NO. __-__-__ AMENDING CHAPTERS 9-103 (MARIJUANA BUSINESSES) AND 9-04 (DEFINITIONS) OF TITLE 9 (ZONING AND SUBDIVISIONS) OF THE LAGUNA HILLS MUNICIPAL CODE TO PERMIT THE LIMITED PERSONAL CULTIVATION OF MARIJUANA INSIDE A PERSON'S PRIVATE RESIDENCE AND INSIDE AN ACCESSORY STRUCTURE TO A PERSON'S PRIVATE RESIDENCE IN ACCORDANCE WITH STATE LAW

on the _____ day of _____ 2017, was published in the Saddleback Valley News; and was, in compliance with City Resolution No. 2004-05-25-2, on the _____ day of _____ 2017, caused to be posted in three places in the City of Laguna Hills, to wit:

Laguna Hills City Hall
Laguna Hills Community Center
La Paz Center

MELISSA AU-YEUNG, CITY CLERK
Laguna Hills, California

Attachment 3 – March 14, 2017 Agenda Material





City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: March 14, 2017

TO: Mayor and Council Members

FROM: David Chantarangsu
Community Development Director

ISSUE: Zoning Text Amendment No. 2-17-3793, an Amendment to Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, to Permit the Limited Personal Cultivation of Marijuana Inside a Person's Private Residence, Inside an Accessory Structure to a Person's Private Residence, or Outdoors Upon the Grounds of a Person's Private Residence in Accordance with State Law

RECOMMENDATION: That the City Council: (1) Conduct a Public Hearing; and (2) Introduce for First Reading, read by title only, and waive further reading, an Ordinance entitled: "An Ordinance of the City of Laguna Hills, California, adopting Zoning Code Text Amendment No. 2-17-3793 amending Chapters 9-103 (Marijuana Businesses) and 9-04 (Definitions) of Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code to permit the limited personal cultivation of marijuana inside a person's private residence, inside an accessory structure to a person's private residence, or outdoors upon the grounds of a person's private residence in accordance with state law."

SUMMARY:

The proposed Ordinance would amend Chapters 9-103 (Marijuana Businesses) and 9-04 (Definitions) of Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code (LHMC) to permit the limited personal cultivation of nonmedical marijuana, as required by Proposition 64. Revisions to existing Chapters 9-103 and 9-04 are recommended in response to voter approval of Proposition 64 – the Control, Regulate, and Tax Adult Use of Marijuana Act, which legalized the recreational use of marijuana in California for persons twenty-one (21) years of age or older, and authorized the limited personal cultivation by such persons of not more than six (6) marijuana plants inside a person's

Zoning Text Amendment No. 2-17-3793, an Amendment to the Municipal Code to Permit the Limited Person
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private residence, inside an accessory structure to a person's private residence, or outdoors upon the grounds of a person's private residence.

The proposed Ordinance would update Title 9 of the LHMC to permit the limited personal cultivation of marijuana as mandated by Proposition 64, while reaffirming that marijuana dispensaries, marijuana businesses, and all other marijuana-related uses are prohibited uses in all zoning districts within the City. Attachment 1 contains the language of the proposed Ordinance while Attachment 2 depicts changes made to the Zoning Code with changes shown.

Staff's report identifies two alternatives the City Council could consider to implement, including the establishment of a permit and inspection process, and a prohibition against outdoor cultivation. However, the alternatives have not been recommended by staff due to costs and issues with enforcement.

BACKGROUND:

In 2013, Title 9 of the LHMC was amended in order to expressly ban the establishment and operation of medical marijuana dispensaries in all zoning districts within the City. In 2016, Title 9 of the LHMC was again amended in response to the Medical Marijuana Regulation and Safety Act (MMRSA) to expand the City-wide ban on medical marijuana dispensaries to include all marijuana-related businesses. The term "marijuana business" was broadly defined to include marijuana cultivation.

On November 8, 2016, California voters approved Proposition 64 – the Control, Regulate, and Tax Adult Use of Marijuana Act, which legalized the recreational (nonmedical) use of marijuana in California for persons twenty-one (21) years of age or older, and authorized the limited personal cultivation by such persons of not more than six (6) marijuana plants inside a private residence, inside an accessory structure to a person's private residence, or outdoors upon the grounds of a person's private residence (e.g., in an outdoor garden area) subject to the following limitations: (a) not more than six living plants may be planted, cultivated, harvested, dried, or processed within a person's single private residence, inside an accessory structure to a person's private residence that is fully enclosed and secure, or outdoors upon the grounds of a person's private residence, at one time; and (b) the living plants and any marijuana produced by the plants in excess of 28.5 grams shall be in a locked space, and shall not be visible by normal unaided vision from a public place.

Zoning Text Amendment No. 2-17-3793, an Amendment to the Municipal Code to Permit the Limited Person

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Staff is recommending approval of the proposed Ordinance to exempt the limited personal cultivation of marijuana from the City-wide ban on marijuana-related uses, as required by Proposition 64. Additionally, the proposed Ordinance clarifies, confirms, and provides greater specificity to existing land use provisions prohibiting marijuana dispensaries and marijuana businesses within all zoning districts in the City.

The language in Proposition 64 authorizes local agencies to prohibit outdoor cultivation, as well as implement a local permitting process to inspect properties for compliance with local cultivation regulations. These alternatives are not recommended by staff due to the lack of adequate staffing resources to implement permitting, inspection, and enforcement processes.

If the City Council elects to implement a permit process for personal marijuana cultivation, staff believes one additional full-time code enforcement position would ultimately be necessary to establish an adequate program of permitting, inspection, enforcement, and tracking, assuming there is significant community interest in personal cultivation (Proposition 64 passed with 54% of registered Laguna Hills voters voting 'yes'). If the department was limited to using its existing part-time code enforcement officer to implement a cultivation permit process, response times for code enforcement requests for service and the length of time required to clear municipal code property violations is likely to increase. Furthermore, if the City Council chooses to enact a prohibition against outdoor marijuana cultivation, staff believes a consequence of this regulation would be an increase in code enforcement inspection requests to resolve illegal cultivation which would result in additional administrative and financial burdens due to enforcement activities.

Other cities have considered ordinance updates that confront similar alternatives, some resulting in temporary bans/moratoriums, prohibitions on outdoor cultivation, permit requirements, payment of property inspection fees, and inspection/background check requirements. A study of nearby cities and their response to Proposition 64 is as follows:

City	Personal Outdoor Cultivation	Personal Indoor Cultivation
Aliso Viejo	Prohibited	Permit Required
Laguna Niguel	Prohibited	Permit Required
Laguna Woods	No Action	No Action
Lake Forest	Prohibited	No Permit Required
Mission Viejo	Prohibited	No Permit Required

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San Clemente	Prohibited	No Permit Required
San Juan Capistrano	Prohibited	Permit Required

The approaches vary from city to city, with measures enacted based on community culture; however, staff has leaned towards the narrowest interpretation of the state law, which has the least amount of impact on City resources and residents.

ALTERNATIVES:

Although not recommended as described above, Proposition 64 authorizes local agencies to enact regulations that accomplish a certain level of regulation and oversight concerning marijuana cultivation as described below:

- The City Council could elect to modify the proposed Ordinance to completely prohibit the personal cultivation of marijuana outdoors upon the grounds of a person's private residence (e.g., in an outdoor garden area); however, such a provision will become inoperative as a matter of law when the California Attorney General determines that the nonmedical use of marijuana is lawful in the State of California under federal law.
- The City Council could elect to enact and enforce reasonable regulations to reasonably regulate the personal cultivation of marijuana inside a person's private residence, inside an accessory structure to a person's private residence, or outdoors upon the grounds of a person's private residence; however, state law does not provide any guidance to cities on how to draft such a regulatory program. Consequently, depending on the degree of local regulations, such regulatory programs may be preempted by state law and may be subject to legal challenge as violating Proposition 64. The proposed Ordinance would amend Chapters 9-103 (Marijuana Businesses) and 9-04 (Definitions) of Title 9 (Zoning and Subdivisions) of the LHMC to permit the limited personal cultivation of nonmedical marijuana, as required by Proposition 64. Revisions to existing Chapters 9-103 and 9-04 are recommended in response to voter approval of Proposition 64 – the Control, Regulate, and Tax Adult Use of Marijuana Act, which legalized the recreational use of marijuana in California for persons twenty-one (21) years of age or older, and authorized the limited personal cultivation by such persons of not more than six (6) marijuana plants inside a person's private residence, inside an accessory structure to a person's private

Zoning Text Amendment No. 2-17-3793, an Amendment to the Municipal Code to Permit the Limited Person
March 14, 2017
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residence, or outdoors upon the grounds of a person's private residence.

CEQA FINDINGS:

Environmental review is not required under the California Environmental Quality Act (CEQA) pursuant to California Code of Regulations, Title 14, Chapter 3, Section 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) because it has no potential for resulting in physical change to the environment, directly or indirectly. The proposed zoning code text amendment modifies several terms within the City's Zoning Code to conform to Proposition 64 while maintaining the existing ban on all marijuana-related uses to the extent permitted by law.

FISCAL IMPACT:

There is no Fiscal Impact to the City resulting from adoption of an Ordinance amending Title 9 of the LPMC to permit the limited personal cultivation of marijuana inside a person's private residence, inside an accessory structure to a person's private residence, or outdoors upon the grounds of a person's private residence in accordance with Proposition 64.

ATTACHMENTS:

- ATTACH 1 - Draft Ordinance
- ATTACH 2 - Draft Ordinance (with changes shown)

ORDINANCE NO. 2017 -

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, ADOPTING ZONING CODE TEXT AMENDMENT NO. 2-17-3792 AMENDING CHAPTERS 9-103 (MARIJUANA BUSINESSES) AND 9-04 (DEFINITIONS) OF TITLE 9 (ZONING AND SUBDIVISIONS) OF THE LAGUNA HILLS MUNICIPAL CODE TO PERMIT THE LIMITED PERSONAL CULTIVATION OF MARIJUANA INSIDE A PERSON'S PRIVATE RESIDENCE, INSIDE AN ACCESSORY STRUCTURE TO A PERSON'S PRIVATE RESIDENCE, OR OUTDOORS UPON THE GROUNDS OF A PERSON'S PRIVATE RESIDENCE IN ACCORDANCE WITH STATE LAW

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, HEREBY FINDS AND DETERMINES AS FOLLOWS:

WHEREAS, Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code (LHMC) establishes allowable uses of property within all zoning districts in the City; and

WHEREAS, On December 10, 2013, the City Council of the City of Laguna Hills adopted Ordinance No. 2013-2, which amended Title 9 of the LHMC to prohibit medical marijuana dispensaries in all zoning districts within the City; and

WHEREAS, Effective January 1, 2016, the Medical Marijuana Regulation and Safety Act (MMRSA) established a comprehensive regulatory and licensing framework for the operation of marijuana businesses within the State of California. The MMRSA confirmed the authority of cities to control uses of land within their respective jurisdictions and specifically, to regulate or prohibit marijuana businesses; and

WHEREAS, On September 13, 2016, the City Council of the City of Laguna Hills adopted Ordinance No. 2016-4, which amended Title 9 of the LHMC (Zoning and Subdivisions) in accordance with the MMRSA to update clarify, and provide more specificity to the City's ban on marijuana businesses in all zoning districts within the City; and

WHEREAS, On November 8, 2016, California voters approved Proposition 64 – the Control, Regulate, and Tax Adult Use of Marijuana Act, which legalized the recreational (non-medical) use of marijuana in California for persons twenty one (21) years of age or older and authorized the limited personal cultivation by such persons of not more than six (6) marijuana plants inside a person's private residence, inside an accessory structure to a person's private residence, or outdoors upon the grounds of a person's private residence; and

WHEREAS, This Ordinance updates Title 9 of the LHMC to exempt the limited personal cultivation of marijuana from the City's existing ban on marijuana businesses in all zoning districts as required by Proposition 64 and clarifies, confirms and provides greater specificity to the City's existing land use provisions which do not allow marijuana dispensaries or marijuana businesses within any zoning district in the City; and

WHEREAS, This Ordinance is a City-initiated zoning text amendment subject to Chapter 9-90 of the LHMC; and

WHEREAS, The City Council of the City of Laguna Hills has held a duly noticed public hearing and considered public comments and written and oral information and testimony presented by City staff, community residents, and other interested parties at a public hearing held on March 14, 2017.

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA,
DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. The above recitals are true and correct, and are incorporated herein by reference.

SECTION 2. The City Council of the City of Laguna Hills hereby finds and determines that this Ordinance is not subject to the California Environmental Quality Act (CEQA) pursuant to California Code of Regulations, Title 14, Chapter 3, Sections 15060 (c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) because it has no potential for resulting in physical change to the environment, directly or indirectly.

SECTION 3. Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, Chapter 9-103 (Marijuana Businesses), Section 9-103.020 (Definitions), is hereby amended by revising the definitions for "Marijuana", "Marijuana business", "Marijuana cultivation site" and "Marijuana dispensary" and by adding definitions for "Personal cultivation of marijuana" and "Private residence" to read as follows:

9-103.020 Definitions.

"Marijuana" shall have the same meaning as is defined by Health & Safety Code section 11018 and the term "cannabis" as that term is defined by California Business & Professions Code section 19300.5(f). If the definition under State law is amended, the City's definition shall be as amended. "Marijuana" shall also mean any "cannabinoid" as defined by Business & Professions Code section 19300.5(e), "cannabis concentrate" as defined by Business & Professions Code section 19300.5(g), "edible cannabis product" as defined by Business & Professions Code section 19300.5(s), "manufactured cannabis" as defined by Business & Professions Code section 19300.5(ac), "medical cannabis" as defined by Business & Professions Code section 19300.5(af), and "topical cannabis" as defined by Business & Professions Code section 19300.5(al), as those sections exist as of January 1, 2016 or as amended thereafter.

"Marijuana business" shall mean any activity, whether or not carried out for commercial gain, which involves cultivation, possession, manufacture, processing, storage, laboratory testing, labeling, transportation, distribution, or sale of marijuana or any marijuana-infused products. This definition shall include any of the foregoing activities conducted by or on behalf of a qualified patient or the primary caregiver of a qualified patient. All references in this chapter to "marijuana business" shall be synonymous with "marijuana dispensary," "mobile marijuana dispensary," and "marijuana cultivation site," which are defined in this section. The term "marijuana business" shall not include "personal cultivation of marijuana," as defined in this section.

"Marijuana cultivation site" shall mean any location, whether indoor or outdoor, where marijuana is planted, grown, harvested, dried, cured, graded, or trimmed, or upon which all or any combination of those activities occurs. The term "marijuana cultivation site" shall not include "personal cultivation of marijuana," as defined in this section.

"Marijuana dispensary" shall mean any dispensary, facility, cooperative, club, individual, business, group, collective, establishment or other association with a storefront or mobile retail outlet where marijuana, in any form, whether for medical, recreational, or any other purpose, is transferred to any person, firm, corporation, association, club, society, or other organization, regardless of whether that activity is undertaken on a for-profit or non-profit basis, or any combination thereof, and regardless of whether the activity is for compensation or is gratuitous.

"Personal cultivation of marijuana" shall mean the possession, planting, cultivation, harvesting, drying, or processing of not more than six (6) living marijuana plants and possession of the marijuana produced by the plants by persons twenty one (21) years of age or older inside a person's private residence, inside an accessory structure to a person's private residence located upon the grounds of a person's private residence that is fully enclosed and secure, or outdoors upon the grounds of a person's private residence (e.g., in an outdoor garden area) as authorized by Health and Safety Code Sections 11362.1 and 11362.2, as may be amended, and subject to the following limitations: (a) not more than six (6) living plants may be planted, cultivated, harvested, dried, or processed within a person's single private residence, inside an accessory structure to a person's private residence that is fully enclosed and secure, or outdoors upon the grounds of a person's private residence, at one time; and (b) the living plants and any marijuana produced by the plants in excess of 28.5 grams shall be in a locked space, and shall not be visible by normal unaided vision from a public place.

"Private residence" shall have the same meaning as is defined by Health & Safety Code section 11362.2(b)(5) (i.e., a house, an apartment unit, a mobile home, or similar dwelling), as may be amended.

SECTION 4. Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, Chapter 9-04 (Definitions), Section 9-04.130 ("M" Definitions), is hereby amended by revising the definition for "Marijuana business" to read as follows:

"Marijuana business" means any activity, whether or not carried out for commercial gain, which involves cultivation, possession, manufacture, processing, storage, laboratory testing, labeling, transportation, distribution, or sale of marijuana or any marijuana-infused products. This definition shall include any of the foregoing activities conducted by or on behalf of a qualified patient or the primary caregiver of a qualified patient. All references in this section to "marijuana business" shall be synonymous with "marijuana dispensary," "mobile marijuana dispensary," and "marijuana cultivation site," which are defined in Chapter 9-103. The term "marijuana business" shall not include "personal cultivation of marijuana," as defined in Chapter 9-103.

SECTION 5. This Ordinance shall take effect on _____, 2017, the 31st day following the adoption of this Ordinance by the City Council.

SECTION 6. Upon the effective date of this Ordinance, the provisions hereof shall supersede any inconsistent or conflicting provisions of the Laguna Hills Municipal Code.

SECTION 7. If any section, subsection, subdivision, sentence, clause, phrase, or portion of this Ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more section, subsection, subdivision, sentence, clause, phrase, or portion thereof be declared invalid or unconstitutional.

SECTION 8. The City Clerk shall certify to the adoption of this Ordinance and cause the same to be posted at the duly designated posting places within the City and published once within fifteen days after passage and adoption as may be required by law; or, in the alternative, the City Clerk may cause to be published a summary of this Ordinance and a certified copy of the text of this Ordinance shall be posted in the Office of the City Clerk five days prior to the date of adoption of this Ordinance; and, within fifteen days after adoption, the City Clerk shall cause to be published, the aforementioned summary and shall post a certified copy of this Ordinance, together with the vote for and against the same, in the Office of the City Clerk.

PASSED, APPROVED, AND ADOPTED this _____ day of _____ 2017.

DON SEDGWICK, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO
HEREBY CERTIFY that the foregoing Ordinance No. _____ was duly introduced
and placed upon its first reading at a Regular Meeting of the City Council on the
_____ day of _____ 2017, and that thereafter, said Ordinance
was duly adopted and passed at a Regular Meeting of the City Council held on the
_____ day of _____ 2017, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

Laguna Hills, California

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

AFFIDAVIT OF POSTING
AND PUBLICATION

MELISSA AU-YEUNG, being first duly sworn, deposes and says:

That she is the duly appointed and qualified City Clerk of the City of Laguna Hills;

That in compliance with State Laws of the State of California, ORDINANCE NO. _____, being:

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, ADOPTING ZONING CODE TEXT AMENDMENT NO. __-__-____ AMENDING CHAPTERS 9-103 (MARIJUANA BUSINESSES) AND 9-04 (DEFINITIONS) OF TITLE 9 (ZONING AND SUBDIVISIONS) OF THE LAGUNA HILLS MUNICIPAL CODE TO PERMIT THE LIMITED PERSONAL CULTIVATION OF MARIJUANA INSIDE A PERSON'S PRIVATE RESIDENCE, INSIDE AN ACCESSORY STRUCTURE TO A PERSON'S PRIVATE RESIDENCE, OR OUTDOORS UPON THE GROUNDS OF A PERSON'S PRIVATE RESIDENCE IN ACCORDANCE WITH STATE LAW

on the _____ day of _____ 2017, was published in the Saddleback Valley News; and was, in compliance with City Resolution No. 2004-05-25-2, on the _____ day of _____ 2017, caused to be posted in three places in the City of Laguna Hills, to wit:

Laguna Hills City Hall
Laguna Hills Community Center
La Paz Center

MELISSA AU-YEUNG, CITY CLERK
Laguna Hills, California

ORDINANCE NO. 2017 -

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, ADOPTING ZONING CODE TEXT AMENDMENT NO. 2-17-3793 AMENDING CHAPTERS 9-103 (MARIJUANA BUSINESSES) AND 9-04 (DEFINITIONS) OF TITLE 9 (ZONING AND SUBDIVISIONS) OF THE LAGUNA HILLS MUNICIPAL CODE TO PERMIT THE LIMITED PERSONAL CULTIVATION OF MARIJUANA INSIDE A PERSON'S PRIVATE RESIDENCE, INSIDE AN ACCESSORY STRUCTURE TO A PERSON'S PRIVATE RESIDENCE, OR OUTDOORS UPON THE GROUNDS OF A PERSON'S PRIVATE RESIDENCE IN ACCORDANCE WITH STATE LAW

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, HEREBY FINDS AND DETERMINES AS FOLLOWS:

WHEREAS, Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code (LHMC) establishes allowable uses of property within all zoning districts in the City; and

WHEREAS, On December 10, 2013, the City Council of the City of Laguna Hills adopted Ordinance No. 2013-2, which amended Title 9 of the LHMC to prohibit medical marijuana dispensaries in all zoning districts within the City; and

WHEREAS, Effective January 1, 2016, the Medical Marijuana Regulation and Safety Act (MMRSA) established a comprehensive regulatory and licensing framework for the operation of marijuana businesses within the State of California. The MMRSA confirmed the authority of cities to control uses of land within their respective jurisdictions and specifically, to regulate or prohibit marijuana businesses; and

WHEREAS, On September 13, 2016, the City Council of the City of Laguna Hills adopted Ordinance No. 2016-4, which amended Title 9 of the LHMC (Zoning and Subdivisions) in accordance with the MMRSA to update clarify, and provide more specificity to the City's ban on marijuana businesses in all zoning districts within the City; and

WHEREAS, On November 8, 2016, California voters approved Proposition 64 – the Control, Regulate, and Tax Adult Use of Marijuana Act, which legalized the recreational (non-medical) use of marijuana in California for persons twenty one (21) years of age or older and authorized the limited personal cultivation by such persons of not more than six (6) marijuana plants inside a person's private residence, inside an accessory structure to a person's private residence, or outdoors upon the grounds of a person's private residence; and

WHEREAS, This Ordinance updates Title 9 of the LHMC to exempt the limited personal cultivation of marijuana from the City's existing ban on marijuana businesses in all zoning districts as required by Proposition 64 and clarifies, confirms and provides greater specificity to the City's existing land use provisions which do not allow marijuana dispensaries or marijuana businesses within any zoning district in the City; and

WHEREAS, This Ordinance is a City-initiated zoning text amendment subject to Chapter 9-90 of the LHMC; and

WHEREAS, The City Council of the City of Laguna Hills has held a duly noticed public hearing and considered public comments and written and oral information and testimony presented by City staff, community residents, and other interested parties at a public hearing held on [REDACTED], 2017.

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA,
DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. The above recitals are true and correct, and are incorporated herein by reference.

SECTION 2. The City Council of the City of Laguna Hills hereby finds and determines that this Ordinance is not subject to the California Environmental Quality Act (CEQA) pursuant to California Code of Regulations, Title 14, Chapter 3, Sections 15060 (c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) because it has no potential for resulting in physical change to the environment, directly or indirectly.

SECTION 3. Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, Chapter 9-103 (Marijuana Businesses), Section 9-103.020 (Definitions), is hereby amended by revising the definitions for "Marijuana", "Marijuana business", "Marijuana cultivation site" and "Marijuana dispensary" and by adding definitions for "Personal cultivation of marijuana" and "Private residence" to read as follows (additions shown in ***bold/italics***, deletions shown in ~~strikethrough~~):

9-103.020 Definitions.

"Marijuana" shall have the same meaning as ***is defined by Health & Safety Code section 11018 and*** the term "cannabis" as that term is defined by California Business & Professions Code section 19300.5(f) ~~[effective January 1, 2016]~~. If the definition under State law is amended, the City's definition shall be as amended. "Marijuana" shall also mean any "cannab***in***oid" as defined by Business & Professions Code section 19300.5(e), "cannabis concentrate" as defined by Business & Professions Code section 19300.5(g), "edible cannabis product" as defined by Business & Professions Code section 19300.5(s), "manufactured cannabis" as defined by Business & Professions Code section 19300.5(ac), "medical cannabis" as defined by Business & Professions Code section 19300.5(af), and "topical cannabis" as defined by Business & Professions

Code section 19300.5(al), as those sections exist as of January 1, 2016 or as amended thereafter.

"Marijuana business" shall mean any activity, whether or not carried out for commercial gain, which involves cultivation, possession, manufacture, processing, storage, laboratory testing, labeling, transportation, distribution, or sale of marijuana or any marijuana-infused products. This definition shall include any of the foregoing activities conducted by or on behalf of a qualified patient or the primary caregiver of a qualified patient. All references in this chapter to "~~marijuana business,~~" "~~marijuana-related business,~~" or "~~marijuana dispensary~~" shall be synonymous with "~~medical~~-marijuana dispensary," "mobile marijuana dispensary," and "marijuana cultivation site," which are defined in this section. ***The term "marijuana business" shall not include "personal cultivation of marijuana," as defined in this section.***

"Marijuana cultivation site" shall mean any location, whether indoor or outdoor, where marijuana is planted, grown, harvested, dried, cured, graded, or trimmed, or upon which all or any combination of those activities occurs. ***The term "marijuana cultivation site" shall not include "personal cultivation of marijuana," as defined in this section.***

"Marijuana dispensary" shall mean any dispensary, facility, cooperative, club, individual, business, group, collective, establishment or other association with a storefront or mobile retail outlet where marijuana, in any form, ***whether for medical, recreational, or any other purpose***, is transferred to any person, firm, corporation, association, club, society, or other organization, regardless of whether that activity is undertaken on a for-profit or non-profit basis, or any combination thereof, and regardless of whether the activity is for compensation or is gratuitous.

"Personal cultivation of marijuana" shall mean the possession, planting, cultivation, harvesting, drying, or processing of not more than six (6) living marijuana plants and possession of the marijuana produced by the plants by persons twenty one (21) years of age or older inside a person's private residence, inside an accessory structure to a person's private residence located upon the grounds of a person's private residence that is fully enclosed and secure, or outdoors upon the grounds of a person's private residence (e.g., in an outdoor garden area) as authorized by Health and Safety Code Sections 11362.1 and 11362.2, as may be amended, and subject to the following limitations: (a) not more than six (6) living plants may be planted, cultivated, harvested, dried, or processed within a person's single private residence, inside an accessory structure to a person's private residence that is fully enclosed and secure, or outdoors upon the grounds of a person's private residence, at one time; and (b) the living plants and any marijuana produced by the plants in excess of 28.5 grams shall be in a locked space, and shall not be visible by normal unaided vision from a public place.

"Private residence" shall have the same meaning as is defined by Health & Safety Code section 11362.2(b)(5) (i.e., a house, an apartment unit, a mobile home, or similar dwelling), as may be amended.

SECTION 4. Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, Chapter 9-04 (Definitions), Section 9-04.130 ("M" Definitions), is hereby amended by revising the definition for "Marijuana business" to read as follows (additions shown in ***bold/italics***, deletions shown in ~~strike through~~):

"Marijuana business" means any activity, whether or not carried out for commercial gain, which involves cultivation, possession, manufacture, processing, storage, laboratory testing, labeling, transportation, distribution, or sale of marijuana or any marijuana-infused products. This definition shall include any of the foregoing activities conducted by or on behalf of a qualified patient or the primary caregiver of a qualified patient. All references in this section to "marijuana business," ~~"marijuana-related business," or "marijuana dispensary"~~ shall be synonymous with "medical-marijuana dispensary," "mobile marijuana dispensary," and "marijuana cultivation site," which are defined in Chapter 9-103. ***The term "marijuana business" shall not include "personal cultivation of marijuana," as defined in Chapter 9-103.***

SECTION 5. This Ordinance shall take effect on _____, 2017, the 31st day following the adoption of this Ordinance by the City Council.

SECTION 6. Upon the effective date of this Ordinance, the provisions hereof shall supersede any inconsistent or conflicting provisions of the Laguna Hills Municipal Code.

SECTION 7. If any section, subsection, subdivision, sentence, clause, phrase, or portion of this Ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more section, subsection, subdivision, sentence, clause, phrase, or portion thereof be declared invalid or unconstitutional.

SECTION 8. The City Clerk shall certify to the adoption of this Ordinance and cause the same to be posted at the duly designated posting places within the City and published once within fifteen days after passage and adoption as may be required by law; or, in the alternative, the City Clerk may cause to be published a summary of this Ordinance and a certified copy of the text of this Ordinance shall be posted in the Office of the City Clerk five days prior to the date of adoption of this Ordinance; and, within fifteen days after adoption, the City Clerk shall cause to be published, the aforementioned summary and shall post a certified copy of this Ordinance, together with the vote for and against the same, in the Office of the City Clerk.

PASSED, APPROVED, AND ADOPTED this _____ day of _____ 2017.

DON SEDGWICK, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO
HEREBY CERTIFY that the foregoing Ordinance No. _____ was duly introduced
and placed upon its first reading at a Regular Meeting of the City Council on the
_____ day of _____ 2017, and that thereafter, said Ordinance
was duly adopted and passed at a Regular Meeting of the City Council held on the
_____ day of _____ 2017, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

Laguna Hills, California

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

AFFIDAVIT OF POSTING
AND PUBLICATION

MELISSA AU-YEUNG, being first duly sworn, deposes and says:

That she is the duly appointed and qualified City Clerk of the City of Laguna Hills;

That in compliance with State Laws of the State of California, ORDINANCE NO. _____, being:

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, ADOPTING ZONING CODE TEXT AMENDMENT NO. ____-____-____ AMENDING CHAPTERS 9-103 (MARIJUANA BUSINESSES) AND 9-04 (DEFINITIONS) OF TITLE 9 (ZONING AND SUBDIVISIONS) OF THE LAGUNA HILLS MUNICIPAL CODE TO PERMIT THE LIMITED PERSONAL CULTIVATION OF MARIJUANA INSIDE A PERSON'S PRIVATE RESIDENCE, INSIDE AN ACCESSORY STRUCTURE TO A PERSON'S PRIVATE RESIDENCE, OR OUTDOORS UPON THE GROUNDS OF A PERSON'S PRIVATE RESIDENCE IN ACCORDANCE WITH STATE LAW

on the _____ day of _____ 2017, was published in the Saddleback Valley News; and was, in compliance with City Resolution No. 2004-05-25-2, on the _____ day of _____ 2017, caused to be posted in three places in the City of Laguna Hills, to wit:

Laguna Hills City Hall
Laguna Hills Community Center
La Paz Center

MELISSA AU-YEUNG, CITY CLERK
Laguna Hills, California

CITY OF LAGUNA HILLS MEMORANDUM

DATE: March 14, 2017

TO: Mayor Sedgwick and City Council Members

FROM: David Chantarangsu, Community Development Director

SUBJECT: CITY COUNCIL AGENDA ITEM NO. 5.2 – ZONING TEXT AMENDMENT NO. 2-17-3793, AN AMENDMENT TO TITLE 9 (ZONING AND SUBDIVISIONS) OF THE LAGUNA HILLS MUNICIPAL CODE, TO PERMIT THE LIMITED PERSONAL CULTIVATION OF MARIJUANA INSIDE A PERSON'S PRIVATE RESIDENCE, INSIDE AN ACCESSORY STRUCTURE TO A PERSON'S PRIVATE RESIDENCE, OR OUTDOORS UPON THE GROUNDS OF A PERSON'S PRIVATE RESIDENCE IN ACCORDANCE WITH STATE LAW

After the staff report was published, staff received confirmation from the City of Laguna Niguel that no permit is required for personal indoor cultivation of marijuana within city limits.

The table referenced in the staff report is revised as follows:

City	Personal Outdoor Cultivation	Personal Indoor Cultivation
Aliso Viejo	Prohibited	Permit Required
Laguna Niguel	Prohibited	No Permit Required
Laguna Woods	No Action	No Action
Lake Forest	Prohibited	No Permit Required
Mission Viejo	Prohibited	No Permit Required
San Clemente	Prohibited	No Permit Required
San Juan Capistrano	Prohibited	Permit Required



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: April 25, 2017
TO: Chair and Agency Members
FROM: Cindy Sands
Admin. Assistant to City Manager
ISSUE: Approval of Minutes for April 11, 2017, Regular Meeting

RECOMMENDATION: That the Planning Agency approve the Minutes for the April 11, 2017, Regular Meeting.

ATTACHMENTS:

- PA Minutes 41117

3.8 2017 Memorial Day Event and Marine Tribute Banners

Council Member Kogerman pulled Item No. 3.8 from the Consent Calendar to note that adjustments may be made to the Event Budget as a few non-profit organizations were entitled to the non-profit rate of \$150 and may have been charged the commercial rate.

Recommendation: That the City Council: (1) Receive and file the pre-event planning report; and (2) Approve the installation of 3/5 Marine Battalion Tribute Banners as recommended by staff in this report.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Barbara D. Kogerman, Council Member
SECONDER:	Dore J. Gilbert, M.D., Council Member
AYES:	Melody Carruth, Mayor Pro Tempore; Dore J. Gilbert, M.D., Council Member; Janine Heft, Council Member; Barbara D. Kogerman, Council Member
ABSENT:	Don Sedgwick, Mayor

4. PLANNING AGENCY

Mayor Pro Tempore Carruth recessed the City Council meeting and acting in the capacity of Vice Chair, called the Regular Meeting of the Planning Agency of the City of Laguna Hills, California, to order at 7:16 p.m.

4.1 ROLL CALL OF PLANNING AGENCY MEMBERS

Attendee Name	Title	Status	Arrived
Don Sedgwick	Chair	Absent	
Melody Carruth	Vice Chair	Present	
Dore J. Gilbert, M.D.	Agency Member	Present	
Janine Heft	Agency Member	Present	
Barbara D. Kogerman	Agency Member	Present	

4.2 PUBLIC COMMENTS

There were no Public Comments.

4.3 APPROVAL OF MINUTES FOR MARCH 14, 2017, REGULAR MEETING

4.3.1 Approval of Minutes for March 14, 2017, Regular Meeting

Recommendation: That the Planning Agency approve the Minutes of the March 14, 2017, Regular Meeting.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Dore J. Gilbert, M.D., Agency Member
SECONDER:	Barbara D. Kogerman, Agency Member
AYES:	Melody Carruth, Vice Chair; Dore J. Gilbert, M.D., Agency Member; Janine Heft, Agency Member; Barbara D. Kogerman, Agency Member
ABSENT:	Don Sedgwick, Chair

4.4 ADMINISTRATIVE REPORTS

There were no Administrative Reports.

4.5 PLANNING AGENCY PUBLIC HEARINGS

There were no Planning Agency Public Hearings.

PLANNING AGENCY ADJOURNMENT

Mayor Pro Tempore Carruth reconvened the City Council meeting at 7:17 p.m. All Council Members were present with the exception of Mayor Sedgwick.

5. CITY COUNCIL PUBLIC HEARINGS

5.1 Zoning Text Amendment No. 2-17-3793 - an Amendment to Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code, to Permit the Limited Personal Cultivation of Marijuana Inside a Person's Private Residence and Inside an Accessory Structure to a Person's Private Residence in Accordance with Proposition 64.

Senior Planner Wu reviewed the information provided in the Staff Report and provided a brief PowerPoint presentation. Council Members requested additional information from City Attorney Simonian regarding Proposition 64 and this Amendment.

Mayor Pro Tempore Carruth reopened the Public Hearing.

Dave Wheeler, a resident of Laguna Hills, expressed his concerns regarding this Amendment.