



# **SOUTH MORRO HILLS MARKET ANALYSIS**

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# 1 Background

The City of Oceanside (City) is preparing a Community Plan for the 3,500-acre South Morro Hills (SMH). The SMH Community Plan Area (CPA) encompasses 3,500 acres, and is the city's historic agricultural region, producing a variety of crops, including container plants, berries, avocados, and citrus fruits.

In 2017, the City adopted an Agritourism Strategic Plan for the SMH CPA to inform local policy in the creation of an agritourism area within the city. Agritourism is a form of commercial enterprise that links agricultural production and/or processing with tourism in order to attract visitors onto a farm, ranch, or other agricultural business for the purposes of entertaining and/or educating the visitors and generating income for the farm, ranch, or business owner. In November 2018, the City adopted the Tier 1 Agricultural Zone amendments to allow agricultural property owners to open cafes, wineries, breweries, vegetable and fruit stands, hold U-pick events, and host bed and breakfasts.

In addition to potential commercial uses associated with agritourism, some property owners have expressed interest in developing residential uses in the SMH CPA at greater densities than currently permitted in the Zoning Ordinance. To provide guidance to these development interests, the City plans to prepare a Community Plan intended to establish future land use and growth policies for the area.

The SMH CPA is currently zoned for (A) Agricultural, which allows permitted and limited uses, including residential (day care, single-family, farmworker housing); public and semipublic uses (utilities, cultural institutions, educational programs); commercial uses (horticulture, wineries, U-pick); agricultural and extractive uses (crop production, mining and processing, animal husbandry); and accessory uses (greenhouses, outdoor facilities, horse stables).

The City's objectives in developing the SMH Community Plan include:

- Land use direction in terms of location, type, and intensity
- An infrastructure plan, identifying scale and location of public infrastructure

This report provides a high-level economic overview with respect to:

- small-scale agriculture and agritourism potential; and
- land use compatibility between residential and agricultural uses.

## 2 Key Findings

This section presents the KMA key findings pertaining to the viability of small-scale agriculture/agritourism, the potential for agritourism uses, and the impacts of residential development on agricultural uses.

### 2.1 Background of Small-Scale Agriculture/Agritourism

The KMA key findings with respect to small-scale agriculture/agritourism market conditions are presented in Table 2-1 below.

**Table 2-1: Overview of Small-Scale Agriculture/Agritourism**

<p><b>National</b></p>	<ul style="list-style-type: none"> <li>• In 2018, approximately 90% of farms in the U.S. are considered small, accounting for 48% of all farmland.</li> <li>• Higher agritourism revenue is generated when farms are:               <ul style="list-style-type: none"> <li>○ surrounded by natural amenities</li> <li>○ in close proximity to outdoor activities</li> <li>○ within highly populated counties</li> <li>○ producing certain types of crop and livestock production that involve human interaction and visitor engagement – specifically, grapes, fruit and tree nuts, and specialty livestock farms</li> </ul> </li> </ul>
<p><b>State</b></p>	<ul style="list-style-type: none"> <li>• In 2018, the State of California (State) accounted for 15.1% of all agricultural exports in the U.S.</li> <li>• Agritourism revenue in the state was composed of direct sales (61%), educational activities (11%), entertainment/special events (8%), accommodations (6%), outdoor recreation (4%), and other (10%).</li> </ul>
<p><b>County of San Diego</b></p>	<ul style="list-style-type: none"> <li>• There are approximately 242,554 acres of agricultural land in San Diego County</li> <li>• The top five (5) value crops include: Ornamental Trees &amp; Shrubs; Indoor Flowering &amp; Foliage Plants; Bedding Plants, Color &amp; Herbaceous Perennials; Avocados; and Cacti &amp; Succulents</li> </ul>
<p><b>City of Oceanside</b></p>	<ul style="list-style-type: none"> <li>• Of the approximately 3,500 acres of land in SMH, 2,620 acres are in agricultural use, representing 11% of land in agricultural use in the county</li> <li>• The top five (5) crops in the SMH CPA by size include: Outdoor Container Plants; Strawberries; Avocados; Misc. Trees; and Tomatoes</li> </ul>

## 2.2 Agritourism Potential

Table 2-2 presents the KMA key findings with respect to potential for expansion of agritourism uses in the SMH CPA.

**Table 2-2: Agritourism Potential**

Key Criteria for Successful Agritourism Districts	KMA Ranking of SMH CPA
Located within a highly populated county	Strong
Proximity to regional tourist destinations/amenities	Moderate
Proximity to natural amenities and outdoor activities	Strong
Marketing campaign that highlights farm-to-table, locally grown, and “foodie” culture	Strong
Crop production that leads to direct sales, tours, recreation, and other agritourism activities	Moderate
Diversity in specialty livestock farms	Weak
Road access, adequate parking, and other visitor facilities	Weak
Access to agritourism-related labor/training resources	Strong
<b>Overall Conclusion</b>	
<ul style="list-style-type: none"> <li>• <i>The SMH CPA has moderate potential in the near-term and strong potential in the long-term to develop and enhance agritourism uses.</i></li> <li>• <i>To further strengthen potential for agritourism uses, the SMH CPA could benefit from: (a) the addition of a variety of livestock (i.e., petting zoos and animal exhibitions); and (b) infrastructure improvements, amenities, and services to accommodate increased visitor volumes.</i></li> </ul>	

## 2.3 Impacts of Residential Development on Agriculture

The KMA key findings regarding potential impacts of residential development on agricultural uses are presented in Table 2-3 below.

**Table 2-3: Potential Impacts of Residential Development on Agriculture**

<p><b>Opportunities from New Residential Development</b></p>	<ul style="list-style-type: none"> <li>• Attract a mix of empty nesters, young families, and retirees focused on a healthy lifestyle</li> <li>• Showcase open space and community character</li> <li>• Offer residents the opportunity to connect with agriculture through the creation of community farms/gardens</li> <li>• Provide needed affordable and market-rate housing in the city</li> </ul>
<p><b>Potential Challenges from New Residential Development</b></p>	<ul style="list-style-type: none"> <li>• Generate potential conflicts between existing/new residents and agricultural practices (i.e., pesticide use, noise, etc.)</li> <li>• Cause further pressure to rezone agricultural land</li> </ul>
<p><b>Potential Mitigation Measures to Offset Impacts of Residential Development on Agricultural Uses</b></p>	<ul style="list-style-type: none"> <li>• Require a range of densities depending on location relative to agriculture, including provisions for larger lots sizes adjacent to agriculture uses</li> <li>• Create interactive agricultural/open space amenities</li> <li>• Integrate complementary urban design features, e.g., appropriate architectural styles</li> <li>• Require adequate land use buffers/transition areas</li> </ul>
<p><b>Overall Conclusion</b></p>	<ul style="list-style-type: none"> <li>• <i>There is moderate potential in the near-term and strong potential in the long-term to commingle residential development and agricultural uses within the SMH CPA.</i></li> <li>• <i>Successful integration of residential development into the SMH CPA will be dependent on zoning/land use policies that incorporate appropriate mitigation measures to offset any potential negative impacts of residential development.</i></li> </ul>

## 3 Economic Overview: Small-Scale Agriculture and Agritourism

### 3.1 National

According to the U.S. Department of Agriculture (USDA) report on America's Diverse Family Farms (2019 Edition), most U.S. farms are small farms, with a gross cash farm income (GCFI) of less than \$350,000. Approximately 90% of farms in the U.S. are considered small, accounting for 48% of all farmland. By contrast, large-scale farms (GCFI of \$1,000,000 or greater), accounted for the largest share of production at 46%. In 2018, family farms—a farm where the majority of the business is owned by the principal operator and by individuals who are related to the principal operator—accounted for 98% of farms and 88% of production in the U.S. Between 58% and 81% of small farms operate at a profit margin that indicates a high financial risk, while many of the mid- to large-scale farms operate at a low financial risk.

With respect to production, the USDA publication regarding U.S. Agricultural Projections to 2029 (February 2020) indicates that crop prices are continuing to experience an upward trend. It is also anticipated that energy costs will increase due to crude oil import prices. Net farm income is projected to be \$93.9 billion in 2020 and remain between \$88.8 and \$98.6 billion for the remainder of the decade. It should be noted that the U.S. Agricultural Projections to 2029 were published prior to the onset of the COVID-19 pandemic. The pandemic has had immediate, extraordinary impacts on the global and local economies. The long-term effects of the lasting economic downturn likely to result from the pandemic have not been factored into these projections.

Agritourism can help farmers generate revenue by providing opportunities for recreation and education through walking tours, U-pick operations, sale of products (such as coffee beans or wine), and/or other activities. Between 2002 and 2017, U.S. agritourism revenue more than tripled. More recently, from 2012 to 2017, agritourism grew from \$704 million to \$949 million, or 6.0% per year. However, agritourism revenue is nominal compared to total farm revenue, accounting for just 5.6% of farm-related revenue in 2017. As shown in Table 3-1 below, the top three agritourism income generators include Aquaculture and Other Animal Production (27.8%); Beef Cattle Ranching and Farming (20.1%); and Fruit and Tree Nut Farming (13.2%). In addition, approximately 55% of all agritourism income is generated by establishments primarily engaged in raising animals or producing animal products.



**Table 3-1: U.S. Agritourism Income by North American Industry Classification System (NAICS) (1)**

NAICS Sector (2)	Agritourism Income (3) (\$1,000s)	% of Total
Aquaculture and Other Animal Production	\$264,011	27.8%
Beef Cattle Ranching and Farming	\$190,524	20.1%
Fruit and Tree Nut Farming	\$125,347	13.2%
Other Crop Farming	\$121,079	12.8%
Vegetable and Melon Farming	\$91,910	9.7%
Greenhouse Nursery and Floriculture Production	\$54,185	5.7%
Oil and Grain Farming	\$37,527	4.0%
Sheep and Goat Farming	\$27,550	2.9%
Poultry and Egg Production	\$27,254	2.9%
Hog and Pig Farming	\$5,130	0.5%
Dairy Cattle and Milk Production	\$3,633	0.4%
Cattle Feedlots	\$1,174	0.1%
<b>Total Agritourism Income – U.S.</b>	<b>\$949,324</b>	<b>100.0%</b>

(1) Source: 2017 Census of Agriculture, United States Department of Agriculture, National Agricultural Statistics Service.

(2) Reflects farm industry classification based on the primary business activity taking place on the site.

(3) Includes income from recreational services such as hunting, fishing, farm or wine tours, hayrides, etc.

Based on a review of national trends, the USDA’s Economic Research Service (ERS) concluded that higher agritourism revenue is generated when farms are:

- (1) surrounded by natural amenities
- (2) in close proximity to outdoor activities
- (3) within highly populated counties
- (4) producing certain types of crop and livestock production (raising animals/producing animal products) that involve human interaction and visitor engagement – specifically, grapes, fruit and tree nuts, and specialty livestock farms

### 3.2 State

The California Department of Food and Agriculture (CDFA) California Agricultural Exports 2018-2019 report indicates that in 2018, State agricultural exports were valued \$21.02 billion, or an increase of 1.3% from 2017. In addition, in 2017, the State accounted for 15.1% of all

agricultural exports in the U.S. The State’s top agricultural exports include almonds, pistachios, dairy and related products, wine, walnuts, table grapes, oranges, and rice. As shown in Table 3-2, from 2008 to 2018, the State's agricultural exports grew at an average annual growth rate of 5.0% per year. The decline in export value from 2014 to 2015 can be attributed to a number of factors, including the Statewide drought, which ended in 2016.

**Table 3-2: State of California Agricultural Export Values, 2008-2018** (1)

Year	Export Value (Billions)
2018	\$21.02
2017	\$20.75
2016	\$19.98
2015	\$20.81
2014	\$21.55
2013	\$21.55
2012	\$18.77
2011	\$17.23
2010	\$14.75
2009	\$12.44
2008	\$12.90

(1) Source: CDFA California Agricultural Exports Reports, 2008 to 2018.

Agritourism occurs in various regions throughout the State, including the Bay Area, North Mountains, Eastern Desert, San Joaquin Valley, and along the North, Central, and South Coast. According to the California Agritourism Snapshot (2017) presented by the University of California Agriculture and Natural Resources Division, agritourism revenue in the State was composed of direct sales (61%), educational activities (11%), entertainment/special events (8%), accommodations (6%), outdoor recreation (4%), and other (10%).

### 3.3 Local

According to the San Diego County 2018 Crop Statistics and Annual Report, direct economic output from agricultural production in the County totaled \$1.77 billion in 2018, a 0.2% decrease from 2017. From 2008 to 2018, the County's direct economic output grew at an average annual rate of 1.3% per year as shown in Table 3-3 below. Similar to the State, from 2014 to 2015 direct economic output fell due to many factors, including increased cost of production, land development, inventory reduction due to drought conditions and the associated high cost of water, land availability, and willingness to carry on the family business.

**Table 3-3: San Diego County Direct Economic Output from Agricultural Production, 2008-2018 (1)**

Year	Direct Economic Output (Billions)
2018	\$1.77
2017	\$1.78
2016	\$1.75
2015	\$1.70
2014	\$1.82
2013	\$1.85
2012	\$1.75
2011	\$1.68
2010	\$1.65
2009	\$1.55
2008	\$1.55

(1) Source: San Diego County Crop Statistics and Annual Reports, 2008 to 2018.

The overall acreage of commercial agriculture in the County remained relatively constant at 242,554 acres in 2018. As presented in Table 3-4, from 2008 to 2018, the supply of commercial agriculture land experienced a decline at an average annual rate of 2.5% per year.

**Table 3-4: San Diego County, Commercial Agriculture (1)**

Year	Acres
2018	242,554
2017	243,029
2016	250,720
2015	251,120
2014	268,592
2013	305,573
2012	303,983
2011	300,786
2010	302,713
2009	307,291
2008	312,766

(1) Source: San Diego County Crop Statistics and Annual Reports, 2008 to 2018.

The top ten highest value crops in the County in 2018 are presented in Table 3-5 below.

**Table 3-5: Top Ten Crops by Value, 2018**

<b>Crop</b>	<b>2018 Value</b>
Ornamental Trees & Shrubs	\$443 M
Indoor Flowering & Foliage Plants	\$329 M
Bedding Plants, Color & Herbaceous Perennials	\$260 M
Avocados	\$121 M
Cacti & Succulents	\$104 M
Lemons	\$70 M
Tomatoes	\$61 M
Oranges	\$43 M
Other Cut Flowers & Bulbs	\$39 M
Eggs, Chicken Market	\$33 M
<i>(1) Source: San Diego County Crop Statistics and Annual Reports, 2018</i>	

For comparison purposes, according to the City's Agritourism Strategic Plan (2016), the top ten crops by acreage in the SMH CPA are presented in Table 3-6 below.

**Table 3-6: Top Ten Crops by Size in SMH CPA**

<i>Crop</i>	<i>Acres</i>
Outdoor Container Plants	327
Strawberries	247
Avocados	232
Misc. Trees	165
Tomatoes	161
Lemons	114
Outdoor Cut Flowers	58
Rosemary	19.2
Limes	18.5
Cilantro	14.8

*(1) Source: City of Oceanside Agritourism Strategic Plan, 2016.*

The SMH CPA contains a number of local farms, including Mellano & Company (cut flowers), Nagata Bros. Farm (berries), DM Color Express Nursery (bedding plants/succulents), and Mraz Family Farms (coffee). In addition, the SMH CPA contains the Beach House Winery, the first vineyard and winery established in the City. In November 2016, State voters approved Proposition 64 (The Control, Regulate, and Tax Adult Use of Marijuana Act), which allows for possession, use, and sale of marijuana/concentrated cannabis. In June 2020, the City Council voted to allow for commercial cultivation of recreational cannabis. This action approved numerous business licenses for several proposed cannabis cultivation sites, all of which are located in the SMH CPA.

As a follow-up to the City’s 2017 Agritourism Strategic Plan, the City seeks to work with farmers in the SMH CPA to maintain and expand agritourism activities. In accordance with the Strategic Plan, the City adopted the Tier 1 Agricultural Zone amendments in 2018, which allow for cafes, wineries, U-pick, and visitor accommodations. Prior to adoption of this amendment, agritourism activities in the City were limited to farmers’ markets and farm-to-table dining events.

### **3.4 Assessment of Agritourism Potential in the SMH CPA**

In order to evaluate the viability of agritourism in the SMH CPA, KMA surveyed five (5) case studies of small-scale farms practicing agritourism throughout the State. The purpose of the

survey was to identify key factors of successful agritourism on small farms in order to assess the potential for agritourism/visitor uses within the SMH CPA. The small farms/locations evaluated included: the Julian Apple Orchards in San Diego County, Tanaka Farms in Orange County, Harley Farms in San Mateo County, Naylor’s Organic Family Farm Stay in Tulare County, and Point Reyes Vineyard Inn and Winery in Marin County. A profile of each case study is presented in Exhibit A attached to this report.

Each case study contained a range of key attributes, including proximity to natural/tourist amenities, presence of educational/training services, and various agritourism activities, as follows:

- Natural amenities include hiking/biking trails, beaches/bays, and national and regional parks.
- Tourism activities include museums, historic districts, and entertainment.
- Each case study is located within a region that offers educational/training services to support employment in agricultural and hospitality services.
- Agritourism activities ranged from U-pick/direct sale opportunities to entertainment/wedding venues and farm stays.

Based on a review of these case studies, as well as internet research, KMA identified key criteria that play a part in developing successful agritourism districts. Using these criteria, KMA assessed the potential for the SMH CPA to cultivate agritourism. Table 3-7 below presents the KMA assessment, through strong-moderate-weak rankings, of agritourism potential in the SMH CPA.

**Table 3-7: Assessment of Agritourism Potential in SMH CPA**

Criteria	KMA Ranking of SMH CPA
Located within/near a highly populated County	Strong
Proximity to natural amenities	Strong
Proximity to outdoor activities	Strong
Access to agritourism-related labor/training resources	Strong
Crop production encourages human interaction/visitor engagement including grapes and fruit/tree nuts	Moderate
Proximity to other tourist destinations/amenities	Moderate
Contains road access, adequate parking, and other visitor facilities	Weak

**Table 3-7: Assessment of Agritourism Potential in SMH CPA**

Criteria	KMA Ranking of SMH CPA
Contains a diverse amount of specialty livestock farms that further encourage human interaction/visitor engagement	<b>Weak</b>

As a result of the survey of case studies, and above criteria assessment, KMA believes that the SMH CPA has moderate potential in the near-term and strong potential in the long-term to develop agritourism uses.

The SMH CPA’s strong potential in the long-term is contingent on improvement in the following areas:

- The SMH CPA’s main crops include plants, fruits and vegetables, and herbs. These crops encourage human interaction and some visitor engagement through opportunities for U-pick or wineries; however, the SMH CPA farms do not raise a considerable amount of livestock beyond horseback riding stables. Although agritourism can occur without a variety of livestock, a diverse mix of both crops and livestock appears to be a primary factor for successful agritourism.
- The area’s infrastructure (i.e., roads, parking, and visitor facilities) also presents an opportunity for improvement. Like many of the case studies analyzed, small-scale farms practicing agritourism are in rural areas with limited public access. However, from a market perspective, the SMH CPA would need to add existing public infrastructure to accommodate the increased number of visitors associated with a growth in agritourism.

## 4 Land Use Compatibility Assessment: Residential vs. Agriculture

Positioning residential development adjacent to agriculture uses may result in land use compatibility issues between the two uses. KMA prepared a high-level assessment to measure and mitigate the potential impact of residential development on agricultural uses. This assessment includes:

- an overview of “agrihoods”;
- evaluation of five (5) case studies and identification of best practices; and
- analysis of strengths, weaknesses, opportunities, and threats (SWOT) to assess the potential impacts of residential development on agricultural uses.

### 4.1 Overview of Agrihoods

The State’s agricultural viability continues to face many challenges, including pests, soil quality, water rights, prolonged droughts, environmental regulations, and rapidly advancing technology. Moreover, the pressures of population growth and need for housing in the State, nearly 1.8 million additional units by 2025, has led to development pressures to convert agricultural land to non-agricultural, primarily residential, uses. As such, some developers are promoting collocation between residential and agricultural uses. This new form of mixing residential with agricultural uses is known as creating an “agrihood” development.

Agrihoods can be in rural, suburban, or urban contexts, with housing built on, or adjacent to, existing agricultural land. Typical features include on-site farms/community gardens, farm-to-table restaurants, and connectivity between residential and agricultural uses. To date, more than 90 agrihoods have been developed in the U.S. Agrihoods provide an opportunity to both preserve valuable agricultural land and provide housing units. Well-known agrihoods in the U.S. include the Serenbe Community in Georgia, Agritopia in Arizona, and Willowsford in Virginia.

The Oceanside City Council recently approved the North River Farms project, an agrihood planned for a 215-acre property located at North River Road, between Stallion Drive and Wilshire Road, in the SMH CPA. The project is proposed to include 585 residential units, 44,400 SF of commercial/retail, and 68 acres of agricultural uses (which includes the open space/agricultural preservation of the 37.5-acre Bree Property). In March 2020, a citizens’



petition resulted in the City Council placing a referendum on the project to be considered by City voters on the November 2020 ballot.

## 4.2 Agrihood Development Best Practices

KMA surveyed five (5) agrihoods throughout the State: Rancho Mission Viejo in South Orange County, Miralon in Palm Springs, The Cannery in Davis, the Walden Monterey in Monterey, and San Luis Ranch in San Luis Obispo. The major features of these agrihoods are summarized in Table 4-1 below. Detailed profiles of each case study are presented in Exhibits B through F attached to this report.

**Table 4-1: Survey of Agrihoods in California**

	Rancho Mission Viejo	Miralon	The Cannery	Walden Monterey	San Luis Ranch
<b>Location</b>	Orange County, CA	Palm Springs, CA	Davis, CA	Monterey, CA	San Luis Obispo, CA
<b>Gross Acres</b>	22,815 Acres	309 Acres	100 Acres	609 Acres	131 Acres
<b>Residential Units</b>	14,000 Units	1,150 Units	523 Units	22 Units	614 Units
<b>Residential Unit Types</b>	Single-family, townhomes, apartments	Single-family, stacked flats	Single-family, row homes, stacked flats, lofts, cottages	Single-family	Single-family, townhomes, apartments/ stacked flats

KMA evaluated each case study with respect to the project’s residential and agricultural components, primarily related to land use compatibility between the two uses. Key factors analyzed include residential density, urban design, project/adjacent amenities, agricultural uses, and land use buffers/configuration. Based on this evaluation, KMA compiled a list of best practices pertaining to the successful development of an agrihood as presented in Table 4-2 below.

**Table 4-2: Agrihood Development Best Practices**

<b>1. Density</b>	Between 1.0 and 15.0 Units per residential acre
<b>2. Single-Family Lot Size</b>	Broad range from 2,300 SF to 40,000 SF, concentration/ residential clustering at approximately 3,000 SF

**Table 4-2: Agrihood Development Best Practices**

<p><b>3. Residential Unit Types</b></p>	<ul style="list-style-type: none"> <li>• Single-family</li> <li>• Townhomes</li> <li>• Rowhomes</li> <li>• Apartments/Stacked Flats</li> <li>• Lofts</li> <li>• Cottages</li> <li>• Duplexes</li> <li>• Senior living</li> </ul>
<p><b>4. Urban Design Features</b></p>	<ul style="list-style-type: none"> <li>• Ranch-style</li> <li>• Modern</li> <li>• Davis Farmhouse Revival</li> <li>• The Cannery Americana</li> <li>• The California Farmhouse</li> <li>• Modern Agrarian (Farmhouse)</li> <li>• Craftsman</li> <li>• Contemporary</li> </ul>
<p><b>5. Residential Amenities</b></p>	<ul style="list-style-type: none"> <li>• Clubhouses</li> <li>• Community centers</li> <li>• Recreation centers</li> <li>• Schools</li> <li>• Community parks</li> <li>• Dog parks</li> <li>• Neighborhood retail</li> </ul>
<p><b>6. Agriculture/Open Space Amenities</b></p>	<ul style="list-style-type: none"> <li>• Urban/community farms</li> <li>• Community gardens</li> <li>• Orchards</li> <li>• Hiking trails</li> <li>• Educational centers/facilities</li> <li>• Farm animals</li> <li>• Agricultural processing centers</li> </ul>
<p><b>7. Land Use Buffers Between Residential and Agricultural</b></p>	<ul style="list-style-type: none"> <li>• Distance of 300 feet</li> <li>• Natural barriers (open space, hills, creeks, vegetation)</li> <li>• Open space easements</li> <li>• Roads</li> <li>• Public facilities</li> <li>• Urban/community farms</li> <li>• Landscaping</li> <li>• Fencing/walls</li> <li>• Trees/shrubs</li> </ul>

**Table 4-2: Agrihood Development Best Practices**

<p><b>8. Land Use Configuration/Key Considerations</b></p>	<ul style="list-style-type: none"> <li>• Use a range of residential densities (low to high) to create transition zones within the project. Relative to agricultural land, position low density residential (i.e., single-family) closest and high density (i.e., multi-family) residential furthest away</li> <li>• Incorporate proper land use buffers as listed above</li> <li>• Where possible, develop residential on low value producing agricultural land</li> <li>• Locate trails/parks away from easily accessible agricultural land</li> </ul>
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### 4.3 Strengths, Weaknesses, Opportunities, and Threats

KMA conducted a SWOT analysis to assess the potential impacts of residential development on agricultural uses within the SMH CPA. Table 4-3 below presents the KMA SWOT analysis.

**Table 4-3: SWOT Analysis – Impacts of Residential Development on Agriculture**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Consistent with national and State development trends (i.e., agrihoods)</li> <li>• Requires a vast amount of land</li> <li>• Can be lucrative for current landowners</li> <li>• Continues to attract both new homebuyers and additional development interest</li> <li>• Can be compatible with low intensity agricultural uses</li> <li>• Located near a major highway, State Route 76</li> </ul>	<ul style="list-style-type: none"> <li>• Restricts intensive agriculture/farming operations and production yield</li> <li>• Requires the enhancement of surrounding infrastructure (i.e., roads, water, sewage) to support new development</li> <li>• Demands additional public safety infrastructure</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Attract a mix of empty nesters, young families, and retirees focused on a healthy lifestyle</li> <li>• Showcase open space and community character</li> <li>• Offer residents the opportunity to connect with agriculture through the creation of community farms/gardens</li> <li>• Provide needed affordable and market-rate housing in the City</li> <li>• Promote linkages with the other visitor attractions in the city/sub-region (beaches, Mission, lagoons, Legoland) to attract multi-day visitors</li> </ul>	<ul style="list-style-type: none"> <li>• Generate potential conflicts between existing/new residents and agricultural practices (i.e., pesticide use, noise, etc.)</li> <li>• Cause further pressure to rezone agricultural land</li> </ul>

Based on the above assessment of land use compatibility between residential development and agricultural uses, KMA concludes that there is moderate potential in the near-term and strong potential in the long-term to comingle the two uses within the SMH CPA. The ability to

successfully mitigate the impacts of residential development on agricultural activities in the long-term will be dependent on several factors, including:

- requiring adequate lot sizes and a range of densities (i.e., large lot, low-density single-family residential as a buffer for housing in close proximity to agriculture, and small lot single-family and/or higher-density multi-family when clustered farther away from agriculture),
- creating interactive agricultural/open space amenities,
- integrating complementary urban design features, e.g., appropriate architectural styles, and
- requiring adequate land use buffers/transition areas.

## 5 Limiting Conditions

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.
3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
4. Market feasibility is not equivalent to financial feasibility; other factors apart from the level of demand for a land use are of crucial importance in determining feasibility. These factors include the cost of acquiring sites, relocation burdens, traffic impacts, remediation of toxics (if any), and mitigation measures required through the approval process.
5. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.
6. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.
7. KMA is not advising or recommending any action be taken by the City with respect to any prospective, new or existing municipal financial products or issuance of municipal securities (including with respect to the structure, timing, terms and other similar matters concerning such financial products or issues).
8. KMA is not acting as a Municipal Advisor to the City and does not assume any fiduciary duty hereunder, including, without limitation, a fiduciary duty to the City pursuant to Section 15B of the Exchange Act with respect to the services provided hereunder and any information and material contained in KMA's work product.
9. The City shall discuss any such information and material contained in KMA's work product with any and all internal and/or external advisors and experts, including its own Municipal Advisors, that it deems appropriate before acting on the information and material.

**Exhibit A**

**CASE STUDIES: SMALL-SCALE AGRICULTURE AND AGRITOURISM  
GENERAL PLAN UPDATE - PHASE II  
CITY OF OCEANSIDE**

	Julian Apple Orchards	Tanaka Farms	Harley Farms	Naylor's Organic Family Farm Stay	Point Reyes Vineyard Inn and Winery
<b>A. Location</b>	San Diego County, CA	Orange County, CA	San Mateo County, CA	Tulare County, CA	Marin County, CA
<b>B. Natural/Tourist Amenities</b>	Museums, Hiking Trails, Julian Historic District, Casinos	Hiking Trails, Orange County Great Park, Newport Beach, Regional Parks	Hiking Trails, Pescadero State Beach, Historic State Parks	Blossom Trail, Sun-Maid Raisin Store, Sequoia and Kings Canyon National Parks, Forestiere Underground Gardens	Point Reyes National Seashore, Point Reyes Lighthouse, Bikes and Hike Trails, Kayaking, Camping, Retail, Bird Watching, Horseback Riding
<b>C. Access/Parking</b>	State Route 79, Surface Parking	Interstate 405, Strawberry Farm Road, Surface Parking	California State Route 1, Pescadero Creek Road, Surface Parking	Road 64, Private Parking On-Site	Shoreline Highway, On-Site Surface Parking
<b>D. Key Crops/Livestock</b>	Apples, Pears, Pumpkins, Plums	Strawberries, Other Fruits and Vegetables, Nuts and Dried Fruit	Goats, Llamas, Donkeys, Dogs, Cats, Poultry	Fruit and Nut Orchards	Wine, Dairy
<b>E. Product(s)</b>	Orchard and elder processing company supplying San Diego and Riverside Counties	Jams, Bread, Dairy Products, Dried Fruit, Chips and Salisa	Goat Milk, Bath & Body Products, Goat Dairy, Cheese/Food	N/A	Wine, Dairy, Agriculture-related Gifts/Crafts
<b>F. Agritourism Activities</b>	U-Pick, Events, Weddings, Animal Corral Visits, Direct sale/Wholesale, Hiking, Picnic Sites, Boating, Horseback Riding, Tours	U-Pick, Strawberry Picking, Farm Tours, Field Trips & Group Tours, Pumpkin Patch, Christmas Trees	Farm Shop, Dinners, Weddings, Tours	U-pick, Farm Stays, Farm Tours, Bird Watching, Nature Walks	Farm stays, Vineyard Tours, Farm Tours
<b>G. Potential Network/Training Services</b>	Julian Chamber of Commerce, North County Center for Agriculture, AgriLife Center, Sustainable Agriculture, Wild/Wildflower Farm and Educational Center, School for Sustainable Farming	University of California, Irvine; Orange County Bureau of Great Park, Food Lab, Saddleback College	San Mateo Outdoor Education, San Jose State University, Center for Employment Training - San Jose	Tulare Chamber of Commerce, Cal State University - Fresno, Reedley College	West Marin Chamber of Commerce, Wine & Education College of Marin, Valley College, Regenerative Design Institute, Integrated Community Services

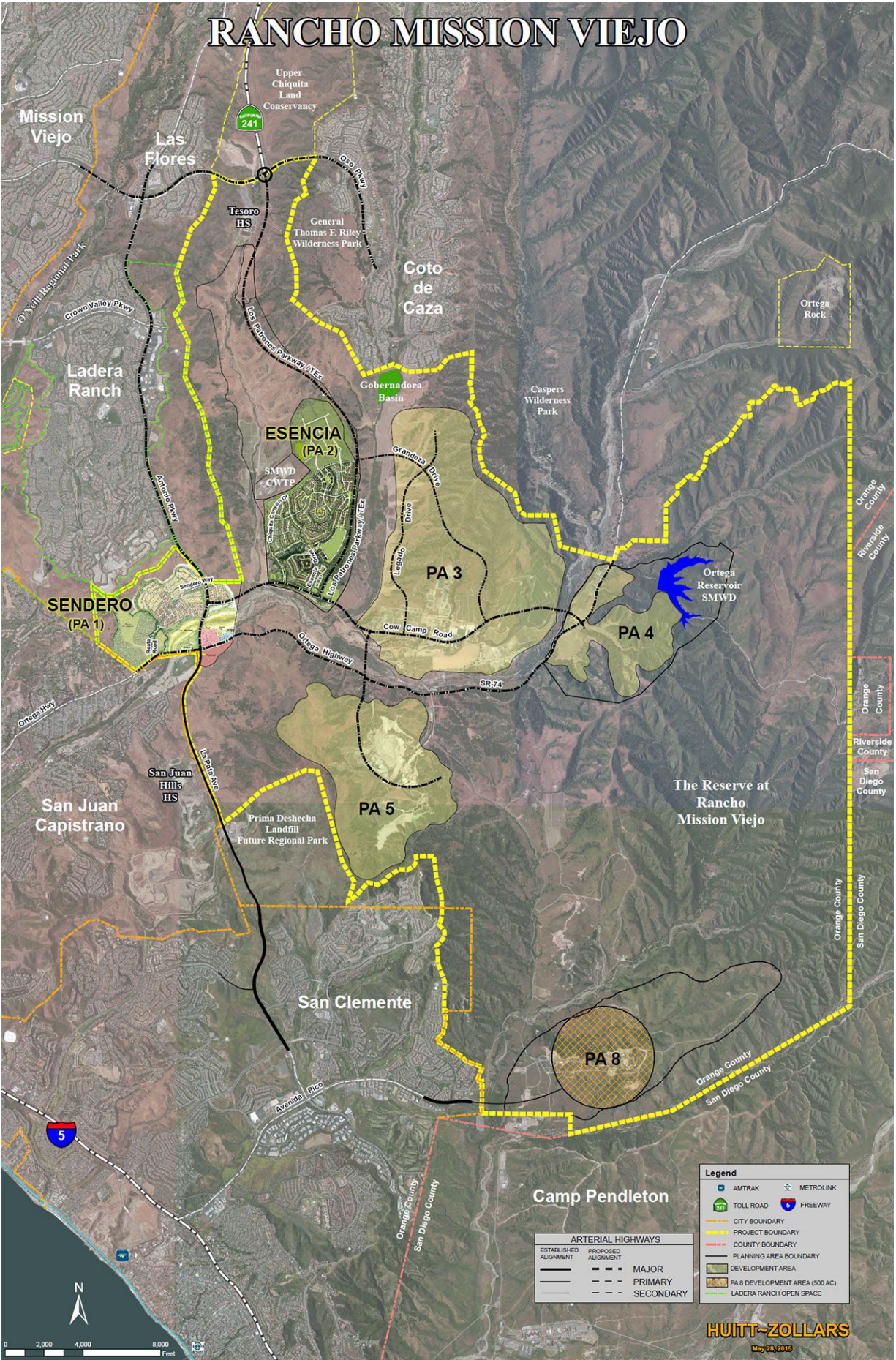
**Exhibit B**

**AGRIHOOD CASE STUDY: RANCHO MISSION VIEJO  
GENERAL PLAN UPDATE - PHASE II  
CITY OF OCEANSIDE**

Rancho Mission Viejo	
<b>I. Site Location</b>	South Orange County
<b>II. Residential</b>	
A. Description	Rancho Mission Viejo is the last working ranch in Orange County, home to acres of citrus groves, miles of protected creeks, and canyons within The Reserve at Rancho Mission Viejo. The area consists of 10 Planning Areas, with five (5) developable Planning Areas. Sendero, the first of the communities opened 2013 with 1,334 units. Esencia is nearing completion with 2,894 units. The third community, Reinda, will consist of 2,700 units and will take six (6) to eight (8) years to complete. At completion, the project will contain 1.5 million SF of commercial space.
B. Site Area	22,815 gross acres with 6,000 residential acres included
C. Density	2.3 units per net acre
D. Single-Family Lot Size	3,000 SF Minimum
E. Number of Units	Completed – 4,228 Proposed (through 2028) – 2,700 To be proposed – 7,072 Total units – 14,000
F. Unit Types	<ul style="list-style-type: none"> <li>• Single-family homes</li> <li>• Townhomes</li> <li>• Stacked flats</li> <li>• Duplexes</li> <li>• Rental apartments</li> <li>• Senior living communities</li> </ul>
G. Urban Design Features	Ranch-style homes/community centers
H. Amenities	<ul style="list-style-type: none"> <li>• Four (4) clubhouses with indoor/outdoor recreational spaces and BBQ pavilions (no minimum age)</li> <li>• Senior community center with lap pool, cabanas, and BBQ areas (55+)</li> <li>• Four (4) community pools</li> <li>• 14-acre K-6 community school, with future plans for 8<sup>th</sup> grade students</li> <li>• Six (6) community parks including two (2) sports parks, a dog park, and multiple neighborhood/pocket parks</li> </ul>
<b>III. Agriculture/Open Space</b>	
A. Description	Farm component includes two (2) farms: Esencia Farm and Sendero Farm. The farms, combined, total approximately one (1) acre in size. The farms provide residents with an opportunity to join a volunteer team to grow and harvest crops and share in the produce. The farms also offer youth programs and educational workshops.
B. Site Area	16,815 acres
C. Uses	<ul style="list-style-type: none"> <li>• 6,500 acres of protected creeks, canyons, wetlands, woodlands, and native grasslands and chaparral</li> <li>• Seven (7) hiking trails and loops</li> <li>• Historic cattle ranch including a functioning ranch with horse pastures, row crops, tack room, and large corrals (Cow Camp, not open to the public)</li> </ul>
<b>IV. Adjacent Amenities</b>	<ul style="list-style-type: none"> <li>• Full-size grocer (Gelson's Market)</li> <li>• Drug store (Rite-Aid)</li> <li>• Coffee shop and juice bar (Starbucks and Nekter Juice Bar)</li> <li>• Fast food and sit-down restaurants (In-N-Out Burger, Jersey Mike's, and Yogurtland)</li> <li>• Bank and other personal services (Chase Bank, The UPS Store, Sport Clips, Sunrise Martial Arts, Nails and Lashes)</li> <li>• Medical, dental, and optical services</li> </ul>
<b>V. Land Use Buffer</b>	Natural amenities (open space, hills, creeks) and easement buffers
<b>VI. Land Use Configuration</b>	Approximately 6,000 acres of residential development area concentrated in the northwest of the Planning Area. The remaining 16,815 acres, primarily to the east, are preserved for open space/agricultural uses. New development also contemplates potential ranch and orchards within these open space/agricultural areas.



# RANCHO MISSION VIEJO



Legend	
	AMTRAK
	METROLINK
	TOLL ROAD
	FREEWAY
	CITY BOUNDARY
	PROJECT BOUNDARY
	COUNTY BOUNDARY
	PLANNING AREA BOUNDARY
	DEVELOPMENT AREA
	PA 8 DEVELOPMENT AREA (500 AC)
	LADERA RANCH OPEN SPACE

ARTERIAL HIGHWAYS	
	ESTABLISHED ALIGNMENT
	PROPOSED ALIGNMENT
	MAJOR
	PRIMARY
	SECONDARY

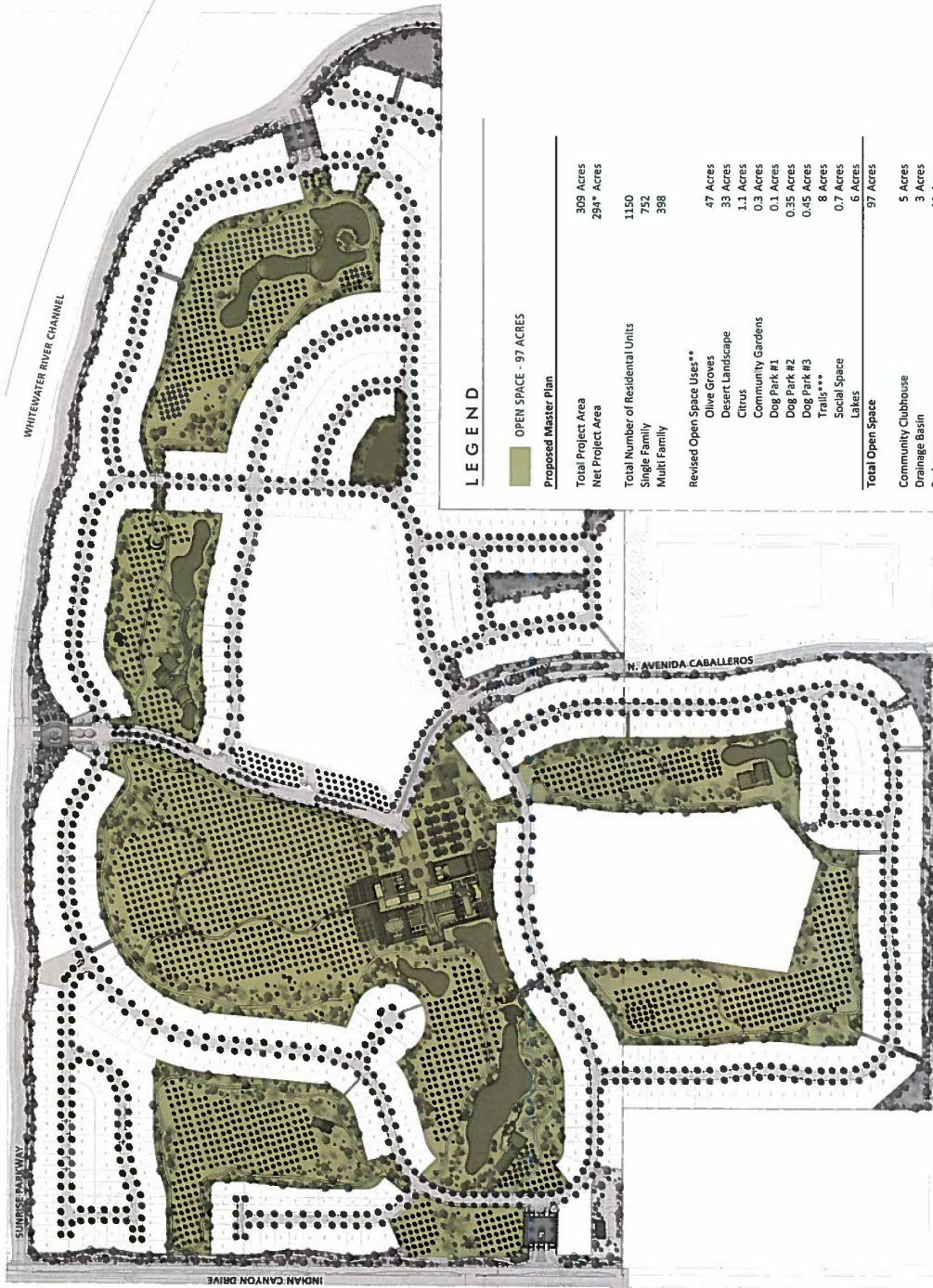


**Exhibit C**

**AGRIHOOD CASE STUDY: MIRALON  
GENERAL PLAN UPDATE - PHASE II  
CITY OF OCEANSIDE**

Miralon	
<b>I. Site Location</b>	Palm Springs, Riverside County
<b>II. Residential</b>	
A. Description	A 309-acre community in Palm Springs, planned to include single-family and multi-family residential units as well as 7,000 olive trees, capable of generating 15,000 gallons of olive oil annually. In addition to olive groves, Miralon will also include walking paths, dog runs, and community gardens. Construction began in early 2019.
B. Site Area	309 gross acres with 209 residential acres included
C. Density	5.5 units per net acre
D. Single-Family Lot Size	4,000 SF - 14,485 SF, average lot size of 5,000 SF
E. Number of Units	1,150 total units
F. Unit Types	<ul style="list-style-type: none"> <li>• Single-family homes</li> <li>• Stacked flats</li> </ul>
G. Urban Design Features	Modern-style reflective of the City's existing architecture. Proposed colors and materials will consist of desert tones.
H. Amenities	<ul style="list-style-type: none"> <li>• Gated community</li> <li>• Community recreation area (The Club) which includes: bocce ball court, family/lap pool, cabanas, outdoor grilling areas, fitness center, café, vegetable plots, and social clubhouse</li> <li>• Dog park</li> </ul>
<b>III. Agriculture/Open Space</b>	
A. Description	Includes community garden plots, 1.5 acres of citrus trees, and 43 acres of desert-themed landscape. Olive trees cover 75 acres of a former golf course and are expected to produce 15,000 gallons of olive oil annually.
B. Site Area	100 acres
C. Uses	<ul style="list-style-type: none"> <li>• Over 7,000 olive trees with potential for 14,000 trees</li> <li>• The Club includes vegetable plots for community use</li> <li>• Seven (7) miles of walking trails</li> </ul>
<b>IV. Adjacent Amenities</b>	Within a few miles from Downtown Palm Springs, which includes shopping, restaurants, and personal services
<b>V. Land Use Buffer</b>	Streets, The Club, and welcome center serve as buffer between residential development and olive groves
<b>VI. Land Use Configuration</b>	Both single-family and multi-family residential uses are located in the south and center of the site. These uses are surrounded by and directly adjacent to open space/agricultural uses which include olive groves, citrus, community gardens, and trails.

MIRALON - PALM SPRINGS



LEGEND

OPEN SPACE - 97 ACRES	
<b>Proposed Master Plan</b>	
Total Project Area	309 Acres
Net Project Area	294* Acres
<b>Total Number of Residential Units</b>	
Single Family	752
Multi Family	398
<b>Revised Open Space Uses**</b>	
Olive Groves	47 Acres
Desert Landscape	33 Acres
Citrus	1.1 Acres
Community Gardens	0.3 Acres
Dog Park #1	0.1 Acres
Dog Park #2	0.35 Acres
Dog Park #3	0.45 Acres
Trails***	8 Acres
Social Space	0.7 Acres
Lakes	6 Acres
<b>Total Open Space</b>	<b>97 Acres</b>
Community Clubhouse	5 Acres
Drainage Basin	3 Acres
Parkways	11 Acres

\* Public street dedication Indian Canyon Drive (1.2 acres) / Sunrise parkway (13.8 acres)  
 \*\* Including SFD Exclusive Use Open Space Acreage (7.6 Acres)  
 \*\*\* Trails (7.4 Miles)



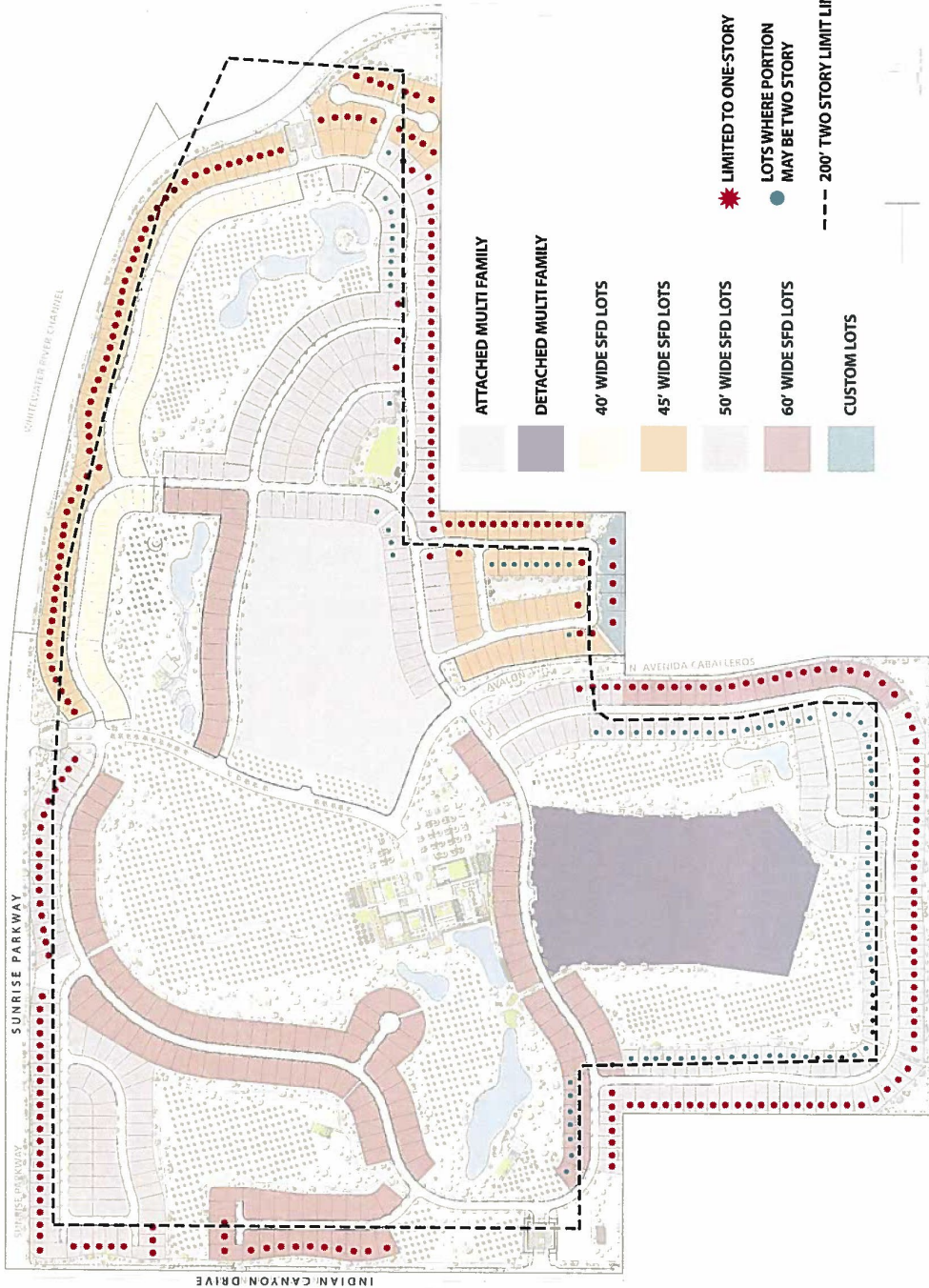
PROPOSED SITE PLAN  
MIRALON

C2 Collaborative R H A  
LANDSCAPE ARCHITECTURE

FREEHOLD COMMUNITIES  
PALM SPRINGS, CA

ROBERT HIBBY ARCHITECTS  
ARCHITECTS

MIRALON - PALM SPRINGS



- ATTACHED MULTI FAMILY
- DETACHED MULTI FAMILY
- 40' WIDE SFD LOTS
- 45' WIDE SFD LOTS
- 50' WIDE SFD LOTS
- 60' WIDE SFD LOTS
- CUSTOM LOTS
- ★ LIMITED TO ONE-STORY
- LOTS WHERE PORTION MAY BE TWO STORY
- - - 200' TWO STORY LIMIT LINE



R H A  
ROBERT HUBEY ARCHITECTS  
10001 VIA VERDE DRIVE  
PALM SPRINGS, CA 92262  
TEL: 760.325.1000  
WWW.RHAA.COM

PROPOSED BUILDING HEIGHT DIAGRAM : NO CHANGE

MIRALON  
PALM SPRINGS, CA

FREEHOLD COMMUNITIES

**Exhibit D**

**AGRIHOOD CASE STUDY: THE CANNERY  
GENERAL PLAN UPDATE - PHASE II  
CITY OF OCEANSIDE**

The Cannery	
<b>I. Site Location</b>	Davis, Yolo County
<b>II. Residential</b>	
A. Description	The Cannery features more than 500 homes on a total land area of over 100 acres. Sustainable living is central to The Cannery's mission, with 7.4 acres dedicated to an organic on-site farm meant to provide fresh produce directly to the Agrihood's residents.
B. Site Area	100.1 gross acres with 53.9 residential acres included
C. Density	9.7 units per net acre (excludes units located in mixed-use development)
D. Single-Family Lot Size	• 2,300 SF - 4,700 SF
E. Number of Units	523 total units
F. Unit Types	<ul style="list-style-type: none"> <li>• Large-lot single-family homes</li> <li>• Rowhomes</li> <li>• Stacked flats</li> <li>• Lofts</li> <li>• Cottages</li> <li>• Bungalow alleys</li> <li>• 4- to 6-court homes</li> </ul>
G. Urban Design Features	Primary styles to create a form-based dominant architectural motif that establishes agricultural theme as the architectural foundation of the neighborhood. These styles include the Davis Farmhouse Revival, The Cannery Americana, and The California Farmhouse.
H. Amenities	<ul style="list-style-type: none"> <li>• Recreational clubhouse for community gatherings</li> <li>• Lap pool and spa</li> <li>• Multiple parks including sporting fields, game areas, and bocce ball courts</li> <li>• Dog park</li> </ul>
<b>III. Agriculture/Open Space</b>	
A. Description	The Cannery Farm District contains 7.4 acres of farmland. The facilities include a small barn, cooler, packing shed, equipment, composting, and storage areas. Landscaping includes fruit trees, a 10-foot multi-use path, and bio-swale.
B. Site Area	7.4 acres
C. Uses	<ul style="list-style-type: none"> <li>• The Cannery Urban Farm is a 5-acre urban farm operated by the Center for Land-Based Learning, and serves as a space for beginning farmers to start growing and selling fresh seasonal produce to the surrounding community</li> <li>• The farm includes a one-acre orchard, mile-long hedgerow, and three acres annual crop plot</li> </ul>
<b>IV. Adjacent Amenities</b>	<ul style="list-style-type: none"> <li>• Full-service neighborhood retail and commercial uses (restaurants, grocery, drug store, and other personal services) are located adjacent to the project.</li> </ul>
<b>V. Land Use Buffer</b>	Per the City of Davis, if development borders agricultural land, a 300-foot buffer is required. The eastern portion of The Cannery borders agricultural land, where the 7.4-acre urban farm serves as a buffer.
<b>VI. Land Use Configuration</b>	Low intensity residential (5.7 du/acre) is located on the northern portion of the site, which abuts agricultural land. Higher intensity residential (7.9 to 18.4 du/acre) is situated at the center of the site, with commercial uses to the south. The 7.4-acre urban farm is positioned on the east end of the site, serving as a buffer between residential development and agricultural land.

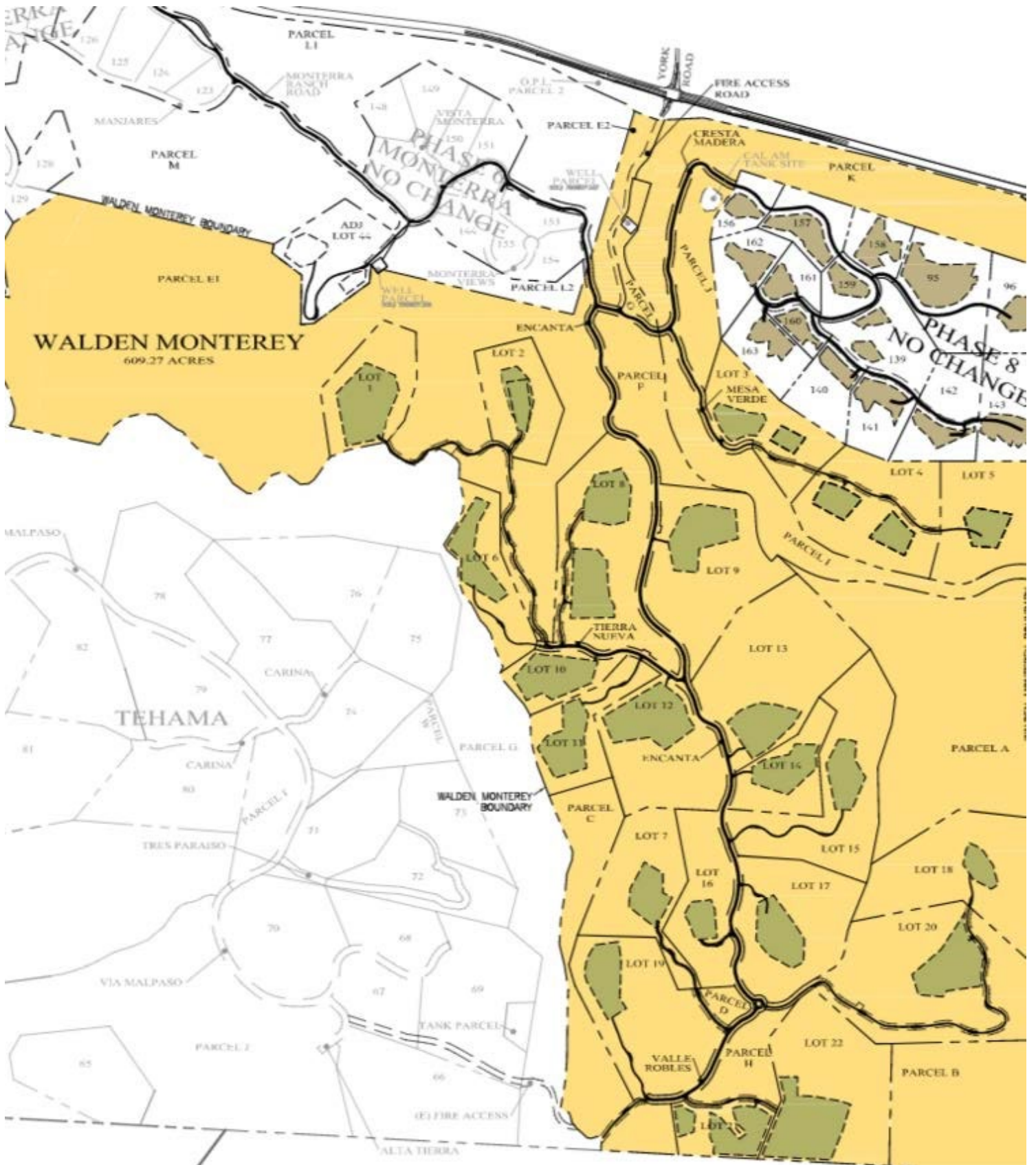
### THE CANNERY - DAVIS



**Exhibit E**

**AGRIHOOD CASE STUDY: WALDEN MONTEREY  
GENERAL PLAN UPDATE - PHASE II  
CITY OF OCEANSIDE**

<b>Walden Monterey</b>	
<b>I. Site Location</b>	Monterey, Monterey County
<b>II. Residential</b>	
A. Description	Walden Monterey is a 22-home enclave set on 609 acres overlooking the California coastline. It is an extension of the Agrihood trend, offering ample green space, farms, and outdoor community kitchens, among other amenities.
B. Site Area	609 gross acres/22 residential acres
C. Density	1.1 units per net acre
D. Number of Units	22 total units
E. Single-Family Lot Size	40,000 SF
F. Unit Types	Home design varies but will generally consist of large-scale single-family homes
G. Urban Design Features	Must use renewable energy resources, prohibited from removing trees currently on the property
H. Amenities	<ul style="list-style-type: none"> <li>• Treehouse for kids</li> <li>• Community gathering spots</li> <li>• Residents have access to a pool, fitness center, golf course, and clubhouse at the nearby Tehama Gold Club in Carmel</li> </ul>
<b>III. Agriculture/Open Space</b>	
A. Description	Open space, consisting of 200-year old oak trees
B. Site Area	200 acres
C. Uses	<ul style="list-style-type: none"> <li>• Outdoor communal farm table</li> <li>• Large trail system</li> <li>• Zen meditation garden</li> </ul>
<b>IV. Adjacent Amenities</b>	Proximity to Silicon Valley, Monterey Regional Airport, Downtown Monterey, and Monterey Bay
<b>V. Land Use Buffer</b>	Not applicable. Development anticipated to have low/net-zero impact on surrounding environment.
<b>VI. Land Use Configuration</b>	Not applicable. Development anticipated to have low/net-zero impact on surrounding environment.





**Exhibit F**

**AGRIHOOD CASE STUDY: SAN LUIS RANCH  
GENERAL PLAN UPDATE - PHASE II  
CITY OF OCEANSIDE**

San Luis Ranch	
<b>I. Site Location</b>	San Luis Obispo, San Luis Obispo County
<b>II. Residential</b>	
A. Description	San Luis Ranch provides sustainable homes with a variety of architectural styles and densities to provide housing opportunities for different household types and sizes. More than 50% of the grounds will be preserved as parkland, open space, and agricultural land. A working organic farm and learning center will be located on-site.
B. Site Area	131 gross acres with 122 residential acres included
C. Density	15.4 units per net acre
D. Single-Family Lot Size	2,400 SF - 3,200 SF
E. Number of Units	614 total units
F. Unit Types	<ul style="list-style-type: none"> <li>• Single-family homes</li> <li>• Townhomes</li> <li>• Apartments/Stacked flats</li> </ul>
G. Urban Design Features	Permitted styles include Modern Agrarian (Farmhouse), Craftsman, and Contemporary.
H. Amenities	Recreational amenities, neighborhood retail, office space, and hotel/conference center
<b>III. Agriculture/Open Space</b>	
A. Description	Open space and agricultural uses wrap around the residential neighborhood and comprise the largest portion of the San Luis Ranch Specific Plan. With 50 percent of the site dedicated to contiguous agricultural land and open space, the San Luis Ranch Specific Plan emphasizes the agricultural history of the City while protecting views along U.S. Highway 101. The Agricultural Heritage Facilities and Learning Center will serve as an agritourism destination with seasonal attractions and promote the region's agricultural history.
B. Site Area	57.8 acres
C. Uses	<ul style="list-style-type: none"> <li>• Agricultural land totals 50 acres and will include a working organic farm, community garden, agricultural processing center, and farm animals</li> <li>• Internal open space accounts for 7.8 acres</li> </ul>
<b>IV. Adjacent Amenities</b>	Promenade Plaza Shopping Center
<b>V. Land Use Buffer</b>	Several mitigation measures to provide agricultural buffers, landscaped buffers, and fencing will be incorporated into the project to provide setbacks, screening, and security between agricultural areas and residences. These buffers include fencing, signage, walls, trees, shrubs, and streets.
<b>VI. Land Use Configuration</b>	Low intensity (single-family residential units on 3,200 SF lots) residential is adjacent to agricultural land. Higher intensity residential (single-family to multi-family residential units on 1,000 SF to 3,000 SF lots) are positioned further away from agricultural land.

