



## **Buildout Reduction Program Citizens' Committee (BRPCC)**

SPECIAL MEETING  
Wednesday, November 29, 2017 - 10:00 AM  
2850 Burton Drive Cambria CA 93428

### **AGENDA**

#### **1. OPENING**

- A. CALL TO ORDER
- B. ESTABLISH QUORUM
- C. CHAIRMAN'S REPORT

#### **2. PUBLIC COMMENT**

Members of the public wishing to address the Committee on any item described in this Notice may do so when recognized by the Committee Chairperson prior to Committee's consideration of each agenda item. Public Comment on this agenda will be limited to three (3) minutes per person.

#### **3. REGULAR BUSINESS**

- A. Consideration to Approve the Minutes from the Regular Meeting held on November 27, 2017
- B. Discussion and Consideration of Adoption of Buildout Reduction Program Report

#### **4. FUTURE AGENDA ITEMS**

#### **5. ADJOURN**



**Buildout Reduction Program Citizens' Committee  
(BRPCC)**

REGULAR MEETING  
Monday, November 27, 2017 - 10:00 AM  
2850 Burton Drive Cambria CA 93428

**MINUTES**

**A. CALL TO ORDER**

Committee Member Rochefort called the meeting to order at 10:01 a.m.

**B. ESTABLISH QUORUM**

A quorum was established.

Committee Members Present:

Mark Rochefort, Crosby Swartz, Laura Swartz, Cindy Steidel, Greg Hunter, Jerry McKinnon, Allison Groves

Committee Members Absent:

Bob Sfarzo, Mel McColloch, Ted Siegler

CCSD Staff Present:

Haley Dodson, Confidential Administrative Assistant

**C. CHAIRMAN'S REPORT**

Committee Member Rochefort reported that Chairman Siegler was doing well after surgery.

**1. PUBLIC COMMENT**

Public Comment:

Jim Bahringer

**2. REGULAR BUSINESS**

**A. Consideration to Approve the Minutes from the Regular Meeting held on November 13, 2017**

Committee Member Groves motioned to approve the meeting minutes.

Committee Member Crosby Swartz seconded the motion.

Motion was approved unanimously.

## **B. Discussion and Update of the Buildout Reduction Report**

Committee Member Rochefort gave a preliminary overview of the report from the last meeting to this meeting. We received comments from District Counsel and included those comments in the revised draft. Committee Member Hunter read the report for typos and corrected typos and minor word changes.

The committee discussed the report and made final revisions.

Committee Member Groves moved to eliminate “and wastewater treatment” in the fourth sentence under introductions in the Buildout Reduction Report.

Committee Member Steidel seconded the motion.

Motion Passed: 5-Ayes (Groves, Steidel, Rochefort, Crosby Swartz, Hunter) 2-Nays (Laura Swartz, McKinnon), 3-Absent (Sfarzo, McColloch, Siegler)

Committee Member McKinnon passed out a revised page 11 (attached). The committee discussed this handout.

Committee Member Laura Swartz moved to remove all references to the bond in the Buildout Reduction Report.

The motion failed for a lack of a second.

## **C. Discussion and Consideration of Process to Finalize Report and Prepare to Submit to CCSD**

### **3. FUTURE AGENDA ITEMS**

None.

### **4. ADJOURN**

Committee Member Groves motioned to adjourn the meeting.

The committee unanimously agreed to adjourn the meeting at 12:02 p.m.

The next BRPCC Special meeting will be on Wednesday, November 29, 2017 at 10:00 a.m.

To determine the net number of undeveloped parcels subject to retirement under the BRP, the Committee used the County Assessor's gross list of 2,271 undeveloped parcels. From that list, the Committee deducted APNs that are not subject to the retirement program (such as parcels on the water wait list, grandfathered parcels, etc.) and parcels that are owned by public or private organizations that may not be developed. Table 2 below summarizes adjustments made to the base report to estimate the net number of APNs subject to the Buildout Reduction Program. It should be noted that the net retirement list includes those APNs within Special Project Areas 1 and 2 which were excluded from the 2006 BRP Report. Therefore, the BRP applies to 1,377 undeveloped residential APNs.

Some of the 1,377 undeveloped APNs may be subject to deed restrictions or easements. Verifying the status of any restrictions will be necessary prior to considering the purchase property pursuant to the BRP. The Committee is also aware that some of the properties owned by the CCSD, the County, and conservancies may not be subject to any sort of development limit. The Committee recommends that whoever administers the BRP encourage these entities to formally retire their properties with suitable recorded restrictions or easements.

**Table 2**

**Summary of Undeveloped APNs**

<b>Total Vacant Parcels</b>	2,271
	<del>- 665</del> (WATER WAIT LIST)
	<b>1,606</b>
<b>Less:</b>	
Greenspace	24
CCSD	139
County of San Luis Obispo	9
Kingston Bay	7
Presbyterian Church	5
<del>Water Wait List</del>	<del>665</del>
Grandfathered Meters	36
Letters of Intent	3
HOA and Common Areas	6
<b>Subtotal</b>	<del>894</del>
	<b>229</b>
<b>Total Remaining Parcels</b>	<b>1,377</b>

Therefore, if the CCSD adopts and implements the updated BRP, 1,377 undeveloped parcels would need to be retired to achieve the goal of 4,650 residential connections.

**PG 33**

**ECONOMIC FEASIBILITY**

To determine economic feasibility of the BRP, the Committee estimated the costs of both the acquisition and maintenance phases of the program. An essential element of the BRP both in

**CAMBRIA COMMUNITY SERVICES DISTRICT  
BUILDOUT REDUCTION PROGRAM  
REPORT**

**NOVEMBER \_\_\_\_, 2017**

**Buildout Reduction Program Committee:**

Allison Groves  
Greg Hunter  
Mel McColloch  
Jerry McKinnon  
Sue Robinson\*  
Mark Rochefort  
Bob Sfarzo  
Ted Siegler  
Cindy Steidel  
Crosby Swartz  
Laura Swartz

\*Replaced by Jerry McKinnon

**TABLE OF CONTENTS**

EXECUTIVE SUMMARY ..... 2

INTRODUCTION ..... 4

HISTORY OF THE BUILDOUT REDUCTION PROGRAM ..... 5

    Lot Retirement: A Cambria Tradition ..... 5

    The Original 2006 BRP ..... 5

    The BRP: An Essential Part of Cambria’s Water Planning ..... ~~7~~<sup>76</sup>

    The BRP Going Forward ..... 7

    The Committee’s Work ..... 8

DESCRIPTION OF POTENTIAL BUILDOUT ..... 8

IDENTIFICATION OF UNDEVELOPED PARCELS SUBJECT TO RETIREMENT ..... 10

ECONOMIC FEASIBILITY ..... 11

    The Acquisition Phase ..... 12

    The Maintenance Phase ..... 13

PRICING AND ADMINISTRATION OF REAL PROPERTY PURCHASES ..... ~~14~~<sup>14</sup>

FUNDING THE BUILDOUT REDUCTION PROGRAM ..... ~~15~~<sup>15</sup>

    Spreading the Cost Among Cambria’s Primary Stakeholders in and Beneficiaries of the BRP.  
     ..... ~~15~~<sup>15</sup>

    Funding Mechanisms from the Three Primary Stakeholder Groups ..... ~~16~~<sup>16</sup>

    Property Owners on the Water Wait List ..... 16

    Current Residents and Businesses ..... 17

    Tourists and the Tourist Trade ..... 17

SECONDARY MEANS TO RETIRE UNDEVELOPED PARCELS ..... ~~18~~<sup>18</sup>

    Voluntary Parcel Merger ..... 18

    Retain Ownership with a Conservation Easement ..... ~~19~~<sup>19</sup>

    Sale or Gift to LCSLO for the TDC Program ..... ~~20~~<sup>20</sup>

    Water Meter Transfers ..... ~~20~~<sup>20</sup>

    Public and Private Grants ..... 20

OTHER ECONOMIC CONSIDERATIONS ..... ~~21~~<sup>21</sup>

ORGANIZATIONAL AND ADMINISTRATIVE RECOMMENDATIONS ..... 21

FUTURE ROLE FOR A MODIFIED BUILDOUT REDUCTION PROGRAM CITIZEN’S COMMITTEE.. ~~22~~<sup>22</sup>

CONCLUSION ..... 22

APPENDIX I: REVENUE STREAMS CONSIDERED BUT NOT ADOPTED ..... ~~24~~<sup>24</sup>

APPENDIX II: RECOMMENDATIONS FOR DEED RESTRICTIONS ..... ~~27~~<sup>27</sup>

APPENDIX III: BRP ACRONYM LIST ..... ~~28~~<sup>28</sup>

APPENDIX IV: DEFINITION OF TERMS ..... ~~30~~<sup>30</sup>

## EXECUTIVE SUMMARY

Cambria is a scenic community of approximately 6,000 residents situated on the Central Coast of California. While enjoying an abundance of natural beauty and charm the town's resources are limited, specifically water, ~~wastewater treatment~~ and other infrastructure. These limitations led the Cambria Community Services District (CCSD) in 2008 to adopt the goal of limiting residential water connections to 4,650 ~~connections~~ which was one of the alternatives set for in the Water Master Plan. There are currently 1,377 parcels within the CCSD's service area that are in excess of this target.

As early as 2006, the CCSD undertook to deal with the problem by appointing a citizens' committee to investigate and recommend means to eliminate or substantially reduce in a fair and reasonable manner the number of undeveloped parcels above 4,650. The 2006 citizens committee produced an initial Buildout Reduction Program (BRP) which was incorporated into the Environmental Impact Report for the 2008 Water Master Plan. The CCSD partially implemented the BRP and, over the past decade, a substantial number of undeveloped parcels have been retired primarily through voluntary parcel mergers.

In 2014, the CCSD initiated an application for a regular coastal development permit for the Sustainable Water Facility (SWF) pursuant to which it has certified as final a Subsequent Environmental Impact Report (SEIR). The SEIR provides, among other elements, that the BRP shall be the means to mitigate any growth inducing impacts of the SWF. Additionally, the CCSD re-established a new Buildout Reduction Program Citizens' Committee ("Committee") to review and update the initial BRP, including determining as accurately as possible the number of undeveloped parcels in excess of the 4,650 target. The new Committee was also charged with developing recommendations for realistic revenue sources to provide robust funding to complete the BRP process.

In approaching its task to determine viable new sources of revenue, the Committee adopted the overarching principle that a program which maintains Cambria's natural beauty and charm, allows modest growth while reducing or eliminating development of all undeveloped parcels exceeding 4,650 connections benefits several stakeholder groups. Therefore, those stakeholders who benefit from the program should likewise share fairly in the program's cost.

The Committee identified three distinct stakeholder groups that benefit from, and should share the cost of, the BRP. They are: property owners holding CCSD water wait list positions; current and future owners of ~~developed~~ residential and business parcel within the CCSD service area; and, tourists who obtain lodging from the town's hotels, motels and vacation rentals. The program requires financial contributions by a large number of people spread throughout these three stakeholder groups. However, the proposed BRP set forth in this report distributes the burden so that no group or individual is asked to pay unreasonably or disproportionately to the benefit received.

The Committee recommends three core revenue streams tailored to the stakeholders identified above. With respect to property owners on the CCSD water wait list, we recommend the creation of a Mello-Roos Community Facilities District (CFD) that would contribute to the BRP

by ~~imposition of a special tax on the water wait listed property owners within the CFD either in connection with issuing a bond or without a bond, alternatively, by imposition of a special tax directly on the wait listed property owners within the CFD without a bond.~~ Current and future owners of developed residential and business parcels would be assessed a modest \$100 per year special real property tax that would be specifically dedicated to the BRP. The Committee recommends an additional County Business Improvement District (CBID) assessment of 0.5% on lodging owners which may be passed through to their tourist guests.

Each revenue source must be approved by the stakeholder group to which it applies. The Committee recommends that all three revenue streams sunset after twenty-five-years. The revenues produced by the CFD and the special real property tax would each generate \$10 million over the twenty-five-year term. The CBID assessments would generate \$5 million over a similar term. These funds should be adequate to eliminate or substantially reduce the number of undeveloped parcels and to maintain transferred parcels through the end of the term.

The Committee considered but rejected several other proposed core revenue sources. The principal revenue sources rejected by the Committee are discussed in Appendix I. In addition, this report discusses and recommends several secondary methods to acquire or otherwise retire parcels that do not involve spending core source revenues.

This report lays out an aggressive but feasible buildout reduction program that eliminates or substantially reduces the number of undeveloped parcels above and beyond the 4,650 target on residential water connections. Adopting the program, gaining public approval and following through will require discipline and some economic sacrifice. However, implementing the BRP will assure that the goal of 4,650 residential water connections will be maintained and Cambria's beauty and charm preserved forever.



## INTRODUCTION

Cambria is an unincorporated community located on the North Coast of San Luis Obispo County, California with a population of approximately 6,000. The population grew rapidly from 2,100 in 1970 to over 5,900 in 1990. Since that time, the population reached a peak of 6,400 in 2000 and has declined slightly since then. The primary determinant over the last two decades of population stability is the town's limited resources – most notably potable water, ~~and wastewater treatment~~. The Cambria Community Services District (CCSD)<sup>1</sup> provides Cambria with water, wastewater treatment and fire protection. As a result of chronic water shortages, the CCSD has imposed a moratorium on most new water meter connections since 2001.

California's coastline is a uniquely valuable resource that, by the Coastal Act, is to be protected for and accessible by the citizens of the state. For this reason, coastal development is a particularly sensitive issue. Achieving a balance between growth and no growth is a community value that has dominated Cambria's local politics for decades. Furthermore, reasonable coastal population growth management is an indirect goal of the Coastal Act which seeks to balance protection of natural and scenic resources including habitats while recognizing private property rights, coastal employment and planned and orderly development.

In recognition of the community's limited resources, the CCSD implemented a target of 4,650 residential water connections ~~pursuant to Task 4 of their connection with its~~ 2008 Water Master Plan (WMP). While that goal limits population growth in this small community on California's coastline, it fails to address an important issue. The limit leaves approximately 1,377 undeveloped parcels above and beyond the 4,650 ~~connection target~~. The CCSD's initial Buildout Reduction Program (BRP) report, developed in 2006, addressed the goal of limiting growth by proposing means to acquire undeveloped residential property beyond the 4,650 ~~target~~ and retire it permanently from future development.

The BRP also provides opportunity to stakeholders in Cambria's present and future to preserve the community's small-town culture and preserve open space. Among other things, preserving these 1,377 undeveloped parcels will protect rare pine forest, provide open space between developed properties, and maintain important view-sheds. In addition, by providing an opportunity for property owners to sell undeveloped parcels the BRP substantially reduces the risk of litigation by such property owners related to the issue of water connections and building permits in the future.

The following report is the result of the efforts of a Buildout Reduction Program Citizens' Committee ("Committee") that the CCSD formed in April 2016. The Committee's task was to review and revise the initial 2006 BRP. Pursuant to its task, the Committee reviewed and updated the baseline data underlying the assumptions in the report, estimated the cost of the BRP, and investigated various means to fund the program. The report is based on current economic and monetary values and does not consider future inflation or deflation. Further, the report contains information of possible tax consequences relating to some transactions generally. This tax information is not intended as tax advice for specific transactions or activities.

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<sup>1</sup> For convenience, Appendices III and IV contain, respectively, a list of acronyms and definition of terms used in this report.

Individuals or entities wishing to determine the tax consequences of any specific transactions or activities should consult a tax professional.

We believe the report outlines a practical and achievable means to accomplish the community's goals. However, the program is not free, and it will depend on the community accepting a reasonable financial burden to maintain the small-town, coastal character of Cambria. Assuming full implementation, the Committee believes Cambria will remain the community of Pines by the Sea far into the future.

## HISTORY OF THE BUILDOUT REDUCTION PROGRAM

### Lot Retirement: A Cambria Tradition

Before summarizing the key features of the 2006 BRP program, it is important to note that Cambrians have long embraced the concept of buildout reduction as one way to maintain the character and resources of our town.

Even before the advent of the BRP, local and regional agencies, organizations, businesses and residents used buildout reduction to control unreasonable population growth and protect the local character of the community. For example, the Land Conservancy of San Luis Obispo County (LCSLO) was formed in 1984 to preserve open space and natural habitats by acquiring land and applying conservation easements. Since 1984, by collaborating with the CCSD ~~under the original BRP~~<sup>2</sup> and as administrator of the County's Transfer Development Credit (TDC) program,<sup>3</sup> the LCSLO and the California Coastal Conservancy ("Coastal Conservancy") have through parcel retirement sponsored projects in Cambria such as the Fern Canyon Preserve. The LCSLO has also retired parcels in order to protect view-sheds, creek sides, forest and meadowlands along Highway 1 and Leffingwell Creek. Similarly, since 1988 Greenspace the Cambria Land Trust has purchased land to preserve open space and create pocket parks throughout our town.

The most significant single buildout reduction project to date, however, occurred in 2000 when a coalition including the American Land Conservancy, the Coastal Conservancy, San Luis Obispo County Parks, the CCSD, Cal Trans and local and regional businesses and residents purchased the Fiscalini Ranch creating a 430 acre preserve in perpetuity to benefit local residents and the public at large.

### The Original 2006 BRP

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<sup>2</sup> The LCSLO acts as the holder of conservation easements on 140 parcels acquired by the CCSD ~~pursuant to the BRP~~.

<sup>3</sup> In 1985 the LCSLO was selected as the implementing nonprofit agency required to operate the TDC program which retires parcels in environmentally sensitive areas and sells development credits to builders in less sensitive areas to construct larger homes than otherwise permitted.

The BRP can trace its origin to 2001 when the CCSD declared a Water Code Section 350 water shortage emergency followed by a moratorium on all new water connections. Since that time, development and growth have been essentially on hold.

At the time of the moratorium, the CCSD planned to remedy the water shortage by building a desalination plant. Plans to build such a plant have been resurrected many times since. However, the community was unable to muster the political will, development permits and other resources necessary to accomplish the planned project. The Water Master Plan and associated Program-Level Environmental Impact Report (PEIR), adopted in 2008, assumed construction of a desalination facility. The original BRP was incorporated in the PEIR as mitigation for growth inducing impacts of an enhanced water supply.

The 2006 BRP laid out a program to retire or merge enough potential building sites so that the number of residential connections would not exceed the target of 4,650 established in connection with [Task 4 of](#) the CCSD's Water Master Plan. Relying on existing growth restriction ordinances and other assumptions, the BRP report forecasted that the foregoing match would be achieved within approximately twenty-two (22) years once the program was fully implemented.

The BRP report provided two methods for retiring building sites in Cambria: voluntary merger of adjacent parcels and purchase of undeveloped parcels. The voluntary merger program was implemented by the CCSD and it provides a relatively modest budget (up to \$800 per transaction) to assist property owners to merge adjacent parcels which should reduce the number of building sites from two or more to one. The voluntary merger program has proven to be quite successful; between 2007 and June 2016 there were 298 merger transactions reported, resulting in 327 fewer parcels for development.

The funding for purchase of undeveloped parcels for retirement under the original BRP was to come from four proposed revenue streams:

- (1) increased fees for new water meter connections;
- (2) water rate increases for existing CCSD commercial and residential customers;
- (3) fees for remodels; and,
- (4) the sale of sixty-five (65) unallocated water connections at "market prices" at the rate of three sales per year for the anticipated twenty-two-year term of the program.

Unfortunately, these proposed revenue streams proved to be either impractical or inconsistent with state public financing law.

The BRP: An Essential Part of Cambria's Water Planning The BRP has become an integral part of Cambria's long-term population growth and water planning process. It is an important element to achieve the CCSD's goal of 4,650 residential water connections and to mitigate potential for growth-inducing impacts proposed in the PEIR and the CCSD's 2008 Water Master Plan (i.e. the increased water supply and availability contemplated by the WMP).

The limit of 4,650 on residential water connections and the BRP are also referenced in the August 24, 2008 Revised San Luis Obispo County North Coast Area Plan and, most recently, in the 2016 Cambria Community Services District Urban Water Management Plan. As noted above, the Cambria Sustainable Water Facility Project Final Subsequent Environmental Impact Report includes the original BRP (as it may be revised by the CCSD pursuant to the Committee's recommendations) as the principal mitigation measure to address potential growth-inducing impacts of the Sustainable Water Facility.

#### The BRP Going Forward

As of late 2013, no supplemental water plant had been built. Due to extreme drought, the CCSD authorized construction of an Emergency Water Supply project (EWS) that converts a combination of highly treated wastewater, under-stream flows of fresh water and salt water to drinking water. Currently, as of 2017, the CCSD is seeking a regular development permit and to re-characterize the EWS to a Sustainable Water Facility (SWF). By reducing dependence on the community's two natural aquifers<sup>4</sup> for water during dry periods, the SWF would allow the CCSD to issue intent-to-serve letters for new water connections, eventually allowing the community to grow to its target of 4,650 residential connections, resulting in a population of between 7,700 and 10,500.<sup>5</sup>

One of the requirements for applying for a regular coastal development permit for the SWF was the preparation of a Subsequent Environmental Impact Report (SEIR). Because Cambria is in the Coastal Zone, any development that may promote growth is subject to intense scrutiny. Accordingly, and concurrent with drafting and finalizing the SEIR, the CCSD convened a new citizens' committee to review and revise the BRP, as mitigation of any growth inducing impacts from the SWF. The objective is to assure that the BRP is legal and practical and that the steps for implementation are clearly identified. An effective plan and implementation will comply with the maze of regulations dealing with population growth in a coastal community.

To be clear, the BRP will use public funds to acquire and maintain undeveloped properties. To fully achieve the BRP goals, properties purchased through the program must carry a permanent deed restriction against future water and sewer connections and residential development. See Appendix II for more detail.

Having a goal of limiting growth will impact some property owners. While the Committee is not qualified to speculate on legal issues related to such impacts the Committee does recognize that some property owners may believe they have legal recourse against the CCSD. This is a risk to

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<sup>4</sup> San Simeon and Santa Rosa Creeks.

<sup>5</sup> The degree of population growth depends on the assumed number of residents per household. According to the 2010 US Census, the average household size was 2.18 persons.

our community. One reason to develop a BRP is to provide property owners a market for their properties and, upon acquisition, the CCSD will be able to retire properties from future development. This may not be a perfect solution to a complex problem. However, for a government entity like the CCSD without land-use authority, it is a practical approach.

From the perspective of Cambria's residents, the BRP has the salutary effect of limiting growth and protecting open space throughout the community. The program provides an opportunity to preserve forest, maintain view-shed and provide separation between developed properties. These benefits of open space are inherent to the current character of Cambria and values that most residents want to preserve. They promote the values of the Coastal Act and the County's plans and make our community desirable as both a place to visit and a place to live.

#### The Committee's Work

On April 8, 2016 the CCSD Board reconstituted the Buildout Reduction Program Citizens' Committee, the general purpose of which was to review and update the original BRP, determine practical funding sources for retiring and maintaining undeveloped parcels and report the committee's recommendations to the CCSD Board of Directors for consideration.

The Committee conducted business in regularly noticed public meetings, generally on a bi-weekly basis. Occasionally, representatives of the San Luis Obispo County Planning Department, LCSLO and members of the public participated in the meetings. Ad hoc subcommittees were formed to gather and present data for review and discussion at the Committee's meetings. Written agenda and minutes of each meeting are available on the CCSD's website.

#### DESCRIPTION OF POTENTIAL BUILDOUT

As discussed above, the CCSD Water Master Plan has the goal of limiting the number of residential water connections within Cambria's urban boundaries to 4,650. Currently the CCSD serves 3,766 residential connections. As a result, the WMP allows for 884 additional residential connections. Table 1 summarizes existing connections and commitments.

**Table 1**  
**Summary of Existing Connections and Commitments**

	Active	Outstanding Intent to Serve	Water Wait List	Total	Comments
<b>RESIDENTIAL</b>					
Single Family Residences	3,631	4	665	4,300	
Multi-Family Residences	135	3	11	149	
Grandfathered			36	36	
Affordable Housing Commits			56	56	§ 8.04.110 <sup>6</sup>
<b>Subtotal Residential</b>	<b>3,766</b>	<b>7</b>	<b>768</b>	<b>4,541</b>	
<b>COMMERCIAL</b>					
Lodging	47	1		48	
Other Commercial	184	2	10	196	
<b>Subtotal Commercial</b>	<b>231</b>	<b>3</b>	<b>10</b>	<b>244</b>	
<b>Approx. Commercial EDUs</b>				1,448	Exceeds 20% of total
<b>CCSD INTERNAL ACCOUNTS</b>	22			22	

Residential connections include all single-family homes, whether occupied by permanent residents or weekenders, vacation rentals, and multi-family residences. Multi-family housing and low-income housing require one water meter per dwelling unit.

All told, the CCSD has made commitments for 768 new residential water connections. The largest category of unserved commitments is the CCSD water wait list, comprised of 665 properties. In addition to the CCSD commitments itemized above, the County maintains a waiting list for potential building permits in Cambria. The purpose of the County list is unclear, since it does not have authority to provide water and sewer connections and cannot issue a building permit to any property owner who does not have an intent to serve letter from the CCSD. Therefore, in pursuing its charge to update the BRP based on the WMP target on residential water connections, the Committee has not addressed the County waiting list for potential building permits.

<sup>6</sup> CCSD Municipal Code.

At present, the County has assigned a growth rate of 0% to Cambria in recognition of the community's persistent water emergency. The Committee anticipates that once the water emergency is resolved, the County could increase the growth rate to 1%.<sup>7</sup> At that rate, development of existing commitments could occur at a rate of 38 new homes per year perhaps rising to 45 new homes per year over a period of approximately twenty years. At full buildout, the number of residential water connections would be 4,650.

Potentially, there are 116 service connections not committed under the 4,650 target. At present, the CCSD does not have a plan for how those connections would be allocated, if at all. However, some of these additional service connections may be used for multi-family and low-income housing. But whatever the purpose, the committee recommends the CCSD develop a policy addressing unallocated and uncommitted water positions within the 4,650 target, including, when appropriate, adopting a fair revenue source from these unallocated water positions.

To complete the picture of potential water uses within Cambria's urban boundaries, commercial connections must also be considered. Consistent with the mandates of the Coastal Act, the North Coast Area Plan requires that visitor-serving purposes be given priority over residential purposes. As a result, the CCSD has committed at least 20% of its water service to commercial accounts, the majority of which comprise visitor-serving businesses, such as lodging and restaurants.

## IDENTIFICATION OF UNDEVELOPED PARCELS SUBJECT TO RETIREMENT

A file of all undeveloped Assessor's Parcel Numbers (APNs) within Cambria was prepared by the San Luis Obispo County Building and Planning Department, compiled from the County Assessor's records. The file was prepared as of July 13, 2016 and served as the primary database for the committee's work in identifying undeveloped parcels subject to retirement. The gross number of undeveloped parcels within the CCSD urban boundary identified on the County Assessor's database is 2,271 parcels.

It is noteworthy that the original 2006 BRP Report applied to parcels with a minimum of 50' of street frontage. It was assumed that properties with less frontage did not qualify under CCSD regulations to receive water and sewer connections. The Committee elected to expand its consideration and include all undeveloped properties in the BRP regardless of minimum street frontage for two reasons. First, County policy provides that building permits will generally be issued on lots with less than 50' of frontage; and, second, ordinances against any building on small properties could be challenged on the basis of being a regulatory taking if such ordinances were to deny all viable economic use of a parcel.

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<sup>7</sup> The assumed 1% growth rate is a maximum rate based on current SLO County policy applicable to Cambria. It should be determined whether that growth rate can be supported without straining community resources. There are many factors that will impact the actual growth rate, including the rate of issuing intent to serve letters, pace of development, state mandates, environmental factors, the economy, etc.

To determine the net number of undeveloped parcels subject to retirement under the BRP, the Committee used the County Assessor’s gross list of 2,271 undeveloped parcels. From that list, the Committee deducted APNs that are not subject to the retirement program (such as parcels on the water wait list, grandfathered parcels, etc.) and parcels that are owned by public or private organizations that may not be developed. Table 2 below summarizes adjustments made to the base report to estimate at the net number of APNs subject to the Buildout Reduction Program. It should be noted that the net retirement list includes those APNs within Special Project Areas 1 and 2 which were excluded from the 2006 BRP Report. Therefore, the BRP applies to 1,377 undeveloped residential APNs.

Some of the 1,377 undeveloped APNs may be subject to deed restrictions or easements. Verifying the status of any restrictions will be necessary prior to considering the purchase property pursuant to the BRP. The Committee is also aware that some of the properties owned by the CCSD, the County, and conservancies may not be subject to any sort of development limit. The Committee recommends that whoever administers the BRP encourage these entities to formally retire their properties with suitable recorded restrictions or easements.

**Table 2**

**Summary of Undeveloped APNs**

<b>Total Vacant Parcels</b>	<b>2,271</b>
<b>Less <u>parcels not subject to BRP</u>:</b>	
Greenspace	24
CCSD	139
County of San Luis Obispo	9
Kingston Bay	7
Presbyterian Church	5
Water Wait List	665
Grandfathered Meeters	36
Letters of Intent	3
HOA and Common Areas	6
<b>Subtotal</b>	<b>894</b>
<b>Total <u>Remaining Parcels subject to BRP</u></b>	<b>1,377</b>

Therefore, if the CCSD adopts and implements the updated BRP, 1,377 undeveloped parcels would need to be retired to achieve the goal of 4,650 residential connections.

**ECONOMIC FEASIBILITY**

To determine economic feasibility of the BRP, the Committee estimated the costs of both the acquisition and maintenance phases of the program. An essential element of the BRP both in



estimating costs and assuring the program’s ultimate success is that revenues generated for the program be used solely for the purposes of the program and for no other purpose.

The Acquisition Phase

Before discussing the Committee’s methodologies for valuing undeveloped parcels it is important to recognize that the valuation information discussed below is not intended as an exact forecast of program cost. It is virtually impossible to precisely estimate the cost of the program for, at least, two reasons. First, projecting real estate values over the course of twenty or more years into the future is uncertain, at best. Second, valuing all undeveloped APNs subject to the program assumes that all such parcels will be retired through purchase. The Committee expects that substantial parcel retirements will be achieved, at little or no expense to the CCSD, through continued lot mergers, water meter transfers, donations, the TDC program, retirement of parcels as a result of transfers in accordance with the CCSD Municipal Code, and encouraging owners to place conservation or other restrictive easements on properties not intended for development.

Two valuation methodologies were selected to determine the economic feasibility of the acquisition phase of the BRP. The first method was to use the County Assessor’s property tax valuation to value each APN. The valuations are based on the original purchase price, subject to annual adjustments and to valuation reductions recognized by sales of like properties within the area. Table 3 below reflects the Assessor’s valuations for the 1,377 residential lots subject to retirement under the BRP. According to the assessed valuation method the current value of undeveloped APNs is approximately \$30M.

**Table 3**  
**Summary of SLO County Assessor’s Vacant Parcel Evaluations**

Valuation Range	Number of APNs within Range		Assessed Valuation (\$000)		Average APN Value		Total Acres	
\$0-\$5,000	311	23%	\$1,268	4%	\$4,077	23	14%	
\$5,001-\$10,000	408	30%	\$3,153	11%	\$7,728	38	24%	
\$10,001-\$15,000	165	12%	\$2,012	7%	\$12,191	22	13%	
\$15,001-\$25,000	200	15%	\$3,883	13%	\$19,416	28	17%	
\$25,001-\$50,000	175	13%	\$5,981	20%	\$34,180	22	13%	
\$50,001-\$100,000	79	6%	\$5,571	19%	\$70,521	10	6%	
\$100,001-\$737,000	39	3%	\$7,855	26%	\$201,413	22	13%	
	1,377	100%	\$29,723	100%	\$349,526	165	100%	

The second valuation method was to obtain input from local realtors and historical Multi-Listing Service sales data. The Committee considered sales of undeveloped parcels in Cambria within the last three years, adjusting to cull sales of large value APNs that likely enjoyed a water wait

list position or other factors placing the parcel beyond the reach of the BRP. Using this market based method yielded a valuation of approximately \$34M which is slightly higher than, but in line with, the assessed valuation method discussed above.

Based on the foregoing assessed and market based valuations, the Committee is satisfied that acquisition phase of the BRP is economically feasible.

### The Maintenance Phase

To estimate the costs necessary to maintain undeveloped parcels acquired by the CCSD under the BRP the Committee reviewed and assessed current CCSD budget information. The 2016/17 CCSD Budget includes \$22,000 for outside contractors for weed abatement and removal of dead and dying trees on vacant parcels owned by the CCSD that are within the Fire Department's FHFR Program. In addition, the CCSD estimates that the Facilities and Resources Department spends about 10% of staff time managing all parcels owned by the CCSD including performing additional weed abatement and tree removal (from parcels not included in the FHFR Program), illegal dumping and clearing homeless encampments. The fully loaded cost for this additional staff time is \$34,100. Therefore, the total cost to physically maintain vacant parcels owned by the CCSD is approximately \$56,100.

The CCSD pays real property taxes on a small number of vacant parcels not used for public purposes. The amount of these taxes is minimal, approximately \$600. It is unlikely that parcels acquired under the BRP will be taxable to the CCSD but for the sake of erring on the high side, the Committee makes proportionate allowance for property taxes as an additional maintenance cost for vacant parcels.

In summary, the total estimated maintenance cost including physical maintenance and possible property taxes for the 142 vacant parcels owned and maintained by the CCSD is \$56,700 or about \$400 per year per parcel. Assuming the mix as to size and topography of the parcels to be acquired under the BRP is representative of the mix of parcels currently owned by the CCSD and without considering any efficiencies of scale that may be achieved by adding a substantial number of additional undeveloped parcels under the BRP, a conservative estimate of the annual maintenance expense for 1,377 vacant parcels in 2017 dollars would reach approximately \$550,000. The costs of maintenance would initially be \$0 and would increase as parcels are acquired under the BRP, eventually reaching \$550,000 once the program is fully implemented.

Based on the foregoing information and analysis, the Committee is satisfied that it is economically feasible for the CCSD to acquire and maintain the undeveloped parcels under the BRP. In managing BRP revenues to maintain properties acquired under the program, the Committee recommends that such revenues be allocated only to pay for the activities identified above relating to such properties: weed abatement, removal of dead or dying trees, illegal dumping, clearing homeless encampments and paying real property taxes, if any. BRP revenues should not be used for any other maintenance activity or to maintain property not acquired under the BRP.

## PRICING AND ADMINISTRATION OF REAL PROPERTY PURCHASES

The original 2006 BRP Report recommended that purchases of undeveloped parcels under the program be priced based on individual negotiations between each seller and the CCSD. This “negotiated price” approach necessarily requires that the CCSD either establish a real estate unit to administer the program or outsource that function for a fee. In addition, the original report calculated the total estimated cost of the program based on valuation assumptions relating to vacant parcels projected twenty or more years into the future. The Committee recommends a different approach to pricing which we believe is simpler, less expensive to administer and more accurately projects the cost of the program by tying such cost to proposed core funding streams described in the next section below.

The Committee recommends that the CCSD establish a standard per square footage amount for all undeveloped parcels to be purchased under the program which would then become the standard and uniform purchase price offered to interested sellers. The square footage amount would be based on the estimated revenue generated from the three proposed core funding streams (making allowance for parcel maintenance) divided by the total square footage of vacant lots subject to the program, adjusted for parcels that the District estimates will be acquired or restricted by means other than purchase. The advantage of this approach is that it assures the cost of the program would not exceed revenues from the three proposed core funding streams and, since this approach eliminates individual price negotiations, appraisals, etc., the administrative expense of the program should be reduced.

Some may criticize this approach on the basis that it does not assure retirement of all vacant parcels subject to the program. Necessarily, however, the District must implement any buildout reduction program through voluntary means; thus, no program can guarantee full performance. Further, even if the BRP ultimately is unable to acquire all vacant parcels subject to the program, committing to establish the three core funding streams dedicated to retiring and maintaining vacant parcels will greatly reduce risks associated with the status quo while assuring that Cambria retains its unique beauty and culture.

We recognize that the implementation of any buildout reduction program that contemplates setting prices for the purchase of real property involves complex legal issues. Accordingly, legal counsel will need to be involved in providing guidance on the manner and means of implementing the program.

## FUNDING THE BUILDOUT REDUCTION PROGRAM

Spreading the Cost Among Cambria's Primary Stakeholders in and Beneficiaries of the BRP.

Cambria is a unique community that has a desirable combination of stunning land and ocean vistas, plentiful habitat and mindful conservation of those attributes. Although not always easy, the community strives to protect and maintain these elements while recognizing the consequence for its residents and business community. There is a strong common interest in addressing the issues which often surface when considering population growth, even in modest proportions, as well as buildout reduction.

Sustaining a buildout reduction program for Cambria requires the commitment from a wide range of stakeholders with varying needs. Acceptance of any community-wide program requires identification of shared values among those affected. Building community engagement and seeking diverse stakeholder commitment requires identification of economic, social, environmental and safety concerns.

The Committee has identified three primary stakeholder groups that benefit from the Buildout Reduction Program:

- (1) **Water Wait List Position Holders:** The BRP is an integral part of the Water Master Plan which contemplates modest population growth to be capped at 4650 residential water connections. In recognition of the WMP and implementation of the BRP, property owners on the water wait list will be permitted over time to develop their properties because of the community's commitment to modest but limited population growth.
- (2) **Existing Residents and Businesses:** Retirement of undeveloped parcels benefits homeowners, renters and retail space owners/operators by protecting existing open space, enhancing fire prevention and ensuring habitat preservation. Retention of substantial open space ensures the retention of Cambria's rural beauty and charm and enhances property values. At the same time, permitting modest population growth over time will enhance the CCSD revenue base to help meet operational and capital demands.
- (3) **Tourism:** The BRP promotes open space, natural beauty and rural charm which are features that attract tourists to Cambria and fuel the town's tourist trade. Local lodging owners through a County Tourist Business Improvement District (CBID) already collect a fee from tourists who rent transient lodging in Cambria. As discussed below, the committee proposes a modest increase of the CBID fee to help fund the BRP.

The purchase, retirement and maintenance of properties requires the community of stakeholders and beneficiaries to share equitably in the financial burden. There is no silver bullet to address the financial need. Everyone benefits from the BRP in some form and no single stakeholder group should or will bear the encumbrance entirely. Rather, the Committee has attempted to shape the BRP so that the financial burden is shared, as much as reasonably practicable, by everyone who enjoys or will enjoy Cambria's open space, natural beauty, small-town character and quality of life.

### Funding Mechanisms from the Three Primary Stakeholder Groups

As discussed above, the Committee identified three groups of stakeholders that will derive the primary benefits of the BRP – owners of properties on the water wait list, Cambria residents and businesses, and tourists. In developing the plan for funding, the Committee considered methods to derive revenues from each of these groups. The revenues thus generated form the core of the BRP's resources.<sup>8</sup> The three core revenue streams are intended to be complementary and all three should be adopted to maximize the effectiveness of the BRP. To assure success of the BRP, the Committee recommends that well in advance of any election or other decision-making process engaged by the stakeholder groups, the CCSD, and to the extent they are involved the County, reach out to each of the three stakeholder groups to explain how the program will operate, how it benefits each group and the contributions being asked from each group. This outreach program should be tailored to all current Cambria residents and businesses, owners of all undeveloped parcels on the water wait list and all local lodging operators, the Cambria Tourism Board and the Cambria Chamber of Commerce.

### Property Owners on the Water Wait List

The first recommended fundraising approach is to form a Mello-Roos Community Facilities District (CFD) consisting of the properties on the water wait list. Based upon our initial investigation, formation of such a district is permitted under the Community Facilities Act of 1982. In fact, a number of years ago members of ~~UnLoe~~, a group consisting of water wait list members, were exploring formation of a Mello-Roos CFD and concluded it was legally permissible.

Implementation will require approval by two-thirds of the property owners that would comprise the ~~CFD district~~, since funding is through a special property tax under the provisions of the State Constitution and Proposition 218. While this is a substantial hurdle, the Committee believes CFD formation would be in the best interest of those on the CCSD water wait list, given the critical role the BRP will play as part of the process of obtaining a regular coastal development permit for Cambria's SWF that would allow Cambria to resume modest residential development under the WMP to include all water wait list property owners.

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<sup>8</sup> Numerous possible revenue streams were investigated. Most were rejected because of the complexities of raising taxes and public fees in California or, because they were less efficient than the methods adopted by the Committee. Several of the rejected approaches are identified in Appendix I.

The CFD would be required to produce \$10 million in revenue over a twenty-five-year term toward funding the BRP. The funding may be accomplished through the issuance of a bond to be repaid from the special property tax on water wait list properties within the CFD. Alternatively, other mechanisms should be explored, such as instead of a bond issue having water wait list property owners become contractually obligated to make payments at the time each owner receives an intent to serve letter from the CCSD. The Committee understands that formation of a Mello-Roos CFD typically requires involvement of specialized legal counsel to form the CFD and comply with the many complexities involved. In any event, the essential goal would be that the CFD produce \$10 million of net revenues sources toward the BRP over a twenty-five-year term. The CFD may also wish to permit those within the CFD to satisfy their share of the financial obligation to fund the BRP through the retirement of other properties within the urban boundary of equivalent value to their underlying obligation share.

The CCSD may act as the CFD administrator but should not, in any way, underwrite or guaranty any bond. For those wishing to investigate further the organizational structure of Mello-Roos Community Facilities Districts please see California Government Code, Chapter 2.5, §§53311-53368.3. For a comprehensive review of Community Facilities Districts in California see also, *An Introduction to California Mello-Roos Community Facilities Districts* at the website of Orrick, Herrington & Sutcliffe, LLP, [orrick.com](http://orrick.com).

The CCSD may also want to explore the possibility of asking the County to implement Mitigation Fees (see Appendix I) as an alternative to establishing a Mello Roos District, although, in the judgement of the Committee such an approach is unlikely to yield sufficient funds and may involve substantial legal impediments based on the statutory requirements for such fees (reference Government Code Sections 66000 et. Seq.) and practical complexities.

#### Current Residents and Businesses

The second recommended core revenue mechanism is to assess over a 25-year term an annual special parcel tax of \$100 per developed parcel, both residential and commercial, within the CCSD urban boundary. Such a special parcel tax would require approval by two-thirds of the votes cast by registered voters in compliance with the California Constitution and Proposition 218. The income generated by such a special tax would be approximately \$400,000 per year, or \$10 million over a 25-year period. As with other revenues generated to fund the BRP, the funds generated by this special parcel tax would be used only to acquire and maintain vacant parcels and to provide financial incentives to property owners to place conservation and other restrictive easements on their land consistent with the BRP.

#### Tourists and the Tourist Trade

The third recommended core revenue stream to fund the BRP taps into the substantial number of tourists who enjoy, among other local attractions, Cambria's natural beauty, open space and quaint small-town charm. The recommended means to establish this tourist based revenue stream is to urge local lodging owners to consent to an increase of the CBID fee on each proprietor of a lodging business, existing and future, located within CCSD's urban boundary. The recommended increase is one half of one percent (.5%) of the paid rent charged by the

lodging operator per occupied room per night for all transient occupations. Based on normal tourist trade in Cambria, this assessment should yield approximately \$200,000 per year.

There are two alternative legislative means to create the assessment (see generally Streets and Highways Code Sections 36500 et. seq.). Both require consent by local lodging owners and action by the San Luis Obispo County Board of Supervisors. The first would be to amend the current CBID Ordinance of San Luis Obispo County to create a separate benefit zone for Cambria and then levy an additional .5% assessment on lodging operators within the zone. The state legislation authorizing CBIDs expressly provides for such separate local benefit zones.

The second alternative means to create the assessment is for the County Board of Supervisors to leave the existing ordinance in place but enact a separate ordinance creating a new CBID limited to lodging operators within CCSD's urban boundary and levy the .5% assessment on all such local operators.

Under either legislative means, Cambria's lodging operators could, as they do now under the existing CBID ordinance, pass through the assessment to their transient renters as part of their lodging bill. Thus, the town's tourists would pay a fair share of the cost to preserve Cambria's environmental beauty and cultural charm through the Buildout Reduction Plan.

Under the state enabling statute and the existing local ordinance, the funds generated by the CBID fee must be used for the purposes designated in the legislation to fund the BRP and for no other purpose.

## SECONDARY MEANS TO RETIRE UNDEVELOPED PARCELS

In addition to purchasing undeveloped parcels with funds generated from the three core revenue streams, the Committee recommends that the CCSD support a robust program to retire parcels through the secondary means discussed below. Support of these secondary means of funding will accelerate retirement of parcels pursuant to the BRP while reducing the overall cost of the program.

### Voluntary Parcel Merger

Voluntary merger of parcels is a way to legally join contiguous parcels together into one parcel. Mergers can be an effective way to construct a home over a lot line, adjust setback requirements, or create a desirable buffer zone or view-shed.

The initial 2006 BRP recommended voluntary parcel mergers which the CCSD implemented as a voluntary Lot Merger Program. This program reimburses property owners who wish to merge adjacent parcels up to \$800 of expenses related to the merger transaction. The program benefits the CCSD by retiring parcels at relatively low cost and with no ongoing maintenance expense. So far, the voluntary merger program has been very successful; as noted earlier, through June 2016 the CCSD has sponsored 298 merger transactions resulting in approximately 320 fewer parcels for development. The Committee recommends that the CCSD continue the voluntary

merger program and consider budgeting BRP funds to market and promote the program to owners of adjacent properties.

During the committee's work on the Assessor's Vacant Lot List as of July 2016, we noted there are several hundred vacant parcels (APNs) that are adjacent to each other or adjacent to existing residences owned by the same owner. The Committee recommends that the CCSD make a concerted effort to directly approach these owners to voluntarily and permanently merge the adjacent parcels.

The Committee also recommends that as a condition of receiving public funds, owners who merge their parcels under the program be required to place restrictive easements or other means of restriction on the resulting parcel(s) so they may not subsequently be subdivided to permit construction of additional residential units. Placing such restrictions on their undeveloped merged parcels would not interfere with the owner's intended use of the property and may reduce their overall property taxes.<sup>9</sup> To maintain the effectiveness of the Lot Merger Program, the County should maintain a policy of discouraging future subdivision of previously merged parcels and require that parcels subdivided from previously merged parcels be restricted from commercial or residential development.

#### Retain Ownership with a Conservation Easement

A conservation easement is a voluntary legal agreement between a landowner and a land trust or government agency that permanently limits uses of the land in order to protect its conservation value. Property owners who do not wish to, or cannot, build on their land may for tax or other reasons wish to place a conservation easement on their property.

Following are excerpts from "Guide to Conservation Easements," from The Land Conservancy of San Luis Obispo County:

- **Estate Taxes:** Conservation easements may help reduce estate taxes by excluding the easement value from the taxable value of the estate. This can help a family pass land to the next generation without having to sell, subdivide or develop their family's land to pay for the estate taxes. The Federal Taxpayers Relief Act of 1997 allows beneficiaries to exclude from the taxable estate up to 40% of the value of land for qualifying conservation easements subject to limits.
- **Income Taxes:** The landowner may be able to take an income tax deduction if the easement is permanent and donated as a bona fide charitable contribution.
- **Property Taxes:** The property taxes could be significantly lowered once the easement is placed on the property, however if the landowner's basis in the property is lower than the easement value, there may be no property tax reduction realized.

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<sup>9</sup> Nothing contained in this report or in any action by the CCSD pursuant to this report should be considered as a tax opinion or tax advice. Property owners should consult their own tax professionals to determine the tax consequences of actions taken.



- Capital Gains Tax: Selling an easement is considered as a sale of a capital asset and is treated as capital gain to the extent that the proceeds exceed the basis in the property. The sale of an easement may qualify for a 1031 “in-kind” exchange to defer capital gains taxes while allowing the property owner to acquire additional property.

The Committee recommends that the CCSD consider budgeting BRP funds to promote and market the availability of conservation easements to owners of undeveloped parcels.

#### Sale or Gift to LCSLO for the TDC Program

Selling or donating a parcel to LCSLO achieves parcel retirement in a special way. Since 1984, LCSLO has been a vital and successful part of Cambria’s habitat conservation through, among other activities, its participation in the County’s Transfer of Development Credit Program (TDC).

Every property acquired by LCSLO accumulates a development rights credit that is stored in a virtual bank. Money is generated through the sale of these credits to owners of small residential properties in exchange for the right to increase (build) the existing gross structural area or footprint typically by an additional 100 to 400 sq. ft. depending on parcel size. The Committee recommends that the CCSD continue to participate fully in the TDC program including accepting title to properties with conservation easements tendered by the LCSLO.

#### Water Meter Transfers

CCSD Municipal Code Section 8.04.100 requires that when a water meter or water wait list position is transferred from one parcel to another, the sender or alternate parcel must be retired by recording a restrictive covenant that permanently restricts water service on the sender or alternate parcel, and all lots contained in the receiver parcel be permanently merged. It is recommended that this requirement be continued. To encourage preservation of important forest and habitat resources, an additional incentive is recommended if the retired parcel has been designated "high conservation value" by the LCSLO Vacant Parcel Assessment Report.

#### Public and Private Grants

The Committee recommends that the CCSD establish a disciplined program to supplement funding for the BRP through pursuing public and private grants. While grant funding is not predictable and thus cannot be a steady or reliable core funding mechanism for the BRP, there are sufficient public and private grants which periodically become available to assume some of the economic burden of the BRP.<sup>10</sup>

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<sup>10</sup> The 2006 BRP Report determined that there were no grant programs available to fund buildout reduction. While that conclusion was, and remains, accurate there are several grant programs that provide funds to support ultimate objectives of the BRP such as forest, open space and habitat preservation, etc.

Several grant programs currently exist to preserve and protect forestlands, open space and wildlife habitats and potentially may be available to supplement funding of acquisition and/or maintenance costs of the BRP. These grants are administered by federal and state agencies as well as private corporations, foundations and other Non-Governmental Organizations. Most of the grant programs, especially those that are funded by public agencies, provide grants on a nonrecurring basis. In addition, the availability of grants is dynamic in the sense that each year existing grant programs terminate or expire while new programs are created. Nearly all governmental grant programs require some manner of baseline report to accompany the grant application and, after the grant is issued, continuing compliance monitoring and reporting. Therefore, to take full advantage of grant funding on an ongoing basis, the CCSD must establish a permanent grant function, with expertise in grant writing and compliance.

Grant funding may be available to supplement revenue to accomplish several aspects of the BRP including: the outright purchase of vacant land; acquisition costs, including direct payments to lot owners and processing fees and expenses, incentive payments to place conservation and other restrictive easements on privately held land; and, routine maintenance such as weed abatement as well as extraordinary expense such as tree removal and other forest management activities.

## OTHER ECONOMIC CONSIDERATIONS

The Committee also considered potential adverse impacts of the BRP, specifically what would be the fiscal impact of removing \$30 million of property from the tax base? On the assumption that water wait list properties will be developed as other undeveloped properties are retired, the Committee expects the tax base will remain stable if not increase. Dividing the approximate \$30 million reduction by 665 (the number of water wait list positions), the average increase in property value of new development would only need to exceed \$45,000 to achieve break even. Therefore, as development of these water wait list parcels proceeds, the increased taxes should offset fiscal impact of removing undeveloped parcels from the tax base.

## ORGANIZATIONAL AND ADMINISTRATIVE RECOMMENDATIONS

- The CCSD is the lead agency for the 2008 Water Master Plan and the current Sustainable Water Facility project. In accordance with Mitigation Measure PHG-1 and PHG-2 for the Water Master Plan the CCSD has the ultimate responsibility to ensure funding and administration to retire and maintain undeveloped parcels as required by the Buildout Reduction Program. The committee recommends the CCSD activate its power to acquire and maintain property as mitigation for a district project in accordance with Government Code Section 61100(ae).

- While, as noted above, the CCSD has ultimate responsibility for the BRP, it can delegate specified BRP administrative tasks to other appropriate agencies or organizations. The processing of property purchases could be contracted to a land conservation organization. These organizations have experience in contacting potential sellers, negotiation of the terms of sale, recording title and deed restrictions to retire and conserve the parcels and monitoring compliance

with deed restrictions and conservation easements. The Committee recommends that the CCSD consider the costs and benefits of outsourcing the administration of the BRP to an existing land conservation organization versus administering the program in-house. In this connection, the Committee considered whether to recommend the creation of an open space district to assume some or all BRP responsibilities to be delegated from the CCSD. District legal counsel has advised that the statutes relating to open space districts (Public Resources Code Sections 5500-5595) do not appear to allow for formation of such a district in the Cambria area without an amendment through special legislation. The Committee also concluded that at this time, even if permissible, creating such an open space district, which is a complex and time-consuming process requiring, among other things, approval of the Local Agency Formation Commission, is not feasible.

- The Committee recommends that the CCSD produce an annual report on the progress of the BRP including a financial report, the number of intent to serve letters issued, the number of undeveloped parcels retired under the program, the number of undeveloped parcels subject to the program that have yet to be retired, the number of undeveloped parcels on which deed restrictions or restrictive easements have been placed and an annual inspection documenting compliance with all deed restrictions.
- The Committee recommends that a maintenance advisory board be established to provide forest management expertise and oversight. The CCSD Parks, Recreation and Open Space Commission could be tasked with this function or, alternatively, the CCSD could request the Friends of the Fiscalini Ranch Preserve Board to assume this function.

## FUTURE ROLE FOR A MODIFIED BUILDOUT REDUCTION PROGRAM CITIZEN'S COMMITTEE

To help assure that the BRP is used to aggressively retire undeveloped parcels in Cambria while remaining fiscally viable, it is recommended that the BRP Citizens Committee, as modified, remain in place in an oversight function as a standing committee. For institutional knowledge, we recommend that the standing committee initially include one or two members of the current Citizens Committee. In addition, the standing committee should also include representatives of the three stakeholder groups and other members of the general public whom the Board determines would best represent the interests of the community. The new standing committee should be appointed by the CCSD Board in a size and for terms as the Board deems appropriate and reasonable.

The standing committee would review and report annually to the public on the progress of the BRP. In addition, the standing committee would recommend, as appropriate, modifications to the BRP in response to changing conditions and new demands.

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## CONCLUSION

The Buildout Reduction Program Citizens Committee recommends that the Board adopt the aggressive BRP outlined in this report, gain public approval and implement the program as soon as reasonably practicable. The program will raise \$25 million over 25 years from the primary stakeholder groups that benefit from the program. These funds will be put to use only to remove from development and maintain all undeveloped parcels in excess of the goal of 4,650 on residential water connections that is integral to Cambria's Water Master Plan. To help assure that the BRP is implemented in the thorough and disciplined manner intended, the Committee also recommends the creation of a standing oversight committee to review the activities of the BRP on an annual basis. Through the CCSD and BRP, Cambrians can come together to solve the long-standing imbalance between the town's number of undeveloped parcels and its limited water and wastewater treatment resources. In so doing, the BRP will help to assure that Cambria retains its natural beauty and small-town charm.

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## APPENDIX I: REVENUE STREAMS CONSIDERED BUT NOT ADOPTED

The committee considered but did not adopt a wide variety of potential revenue streams to fund, in whole or in part, the BRP. These revenue streams were not selected for several reasons: some were invalid under current law while others were impractical. In some instances, the Committee concluded that the rejected revenue stream duplicated core funding mechanisms which better tapped the specific stakeholder group. Discussed below are the more significant examples of revenue streams that the committee considered but did not adopt.

**(1) Increased Water Connection and Service Fees for Newly Constructed Homes.**

An obvious potential revenue stream would be to increase fees for newly constructed homes. The Committee considered several such fees from increased water service rates for new homes to increased connection fees to increased fees for the issuance of intent to serve letters. Each of these methods shared a common flaw; such funding is unlawful under state law if revenue exceeds that reasonably necessary to provide the service or facility that is the subject of the fee. Therefore, while the CCSD may increase water rates or connection fees, it may not do so to fund the purchase or maintenance of vacant parcels under the BRP. The Committee's recommendation not to impose increased water rates or connection fees to fund the BRP should not be interpreted as discouraging increased rates or fees for other lawful purposes, as may be necessary or appropriate.

**(2) Mitigation Fees.** The Committee considered mitigation fees, sometimes referred to as development impact fees, under California Government Code sections 66000-66025 for both new home development and substantial home remodels. Mitigation fees are fees imposed on developers to defray all or a portion of the cost of public facilities related to a development project. We do not recommend adopting mitigation fees as a means to fund the BRP because implementation is not within the control of the CCSD and because of other complexities. First, the agency imposing the fee must have land use authority and the CCSD, by statute, does not and cannot have land use authority. Secondly, even if the District did possess land use authority, a mitigation fee must be connected to a legitimate government interest and proportional to the impact on that interest created by the development. Because of these narrow criteria, the Committee felt the imposition of a mitigation fee may spawn unnecessary and costly litigation for the District. Finally, the Committee believes that the creation of a Mello Roos District encompassing property owners on the CCSD water wait list who will be permitted to build new residences on their property is a better and more efficient way to have the new builder group of stakeholders participate in funding the BRP.

The Committee also considered special mitigation fees under California's Quimby Act. We rejected this funding mechanism because the Quimby Act provides for the dedication of property or payment of fees by a developer of a subdivision for park or recreational purposes only. Therefore, Quimby Act fees are too narrowly focused and cannot be used to fund the BRP.

- (3) **Expansion of TDC Program Fees.** The Committee considered proposing an expansion of the current TDC Program such that TDC fees would apply from the first square foot of construction and not just to the marginal square footage purchased with TDC credits. While this proposal would generate significant revenues, such funding would likely be determined to be a mitigation fee subject to the same limitations described in item (2) above.
- (4) **Parcel Retirement as Condition for New Water Connection.** The Committee also discussed adding a requirement that water wait list position holders eligible to receive a water connection donate a parcel to LCSLO ~~(with tax deduction under the TDC program)~~. The donated parcel would be within the urban line and of a size equal to or greater than the parcel receiving the water connection. The Committee rejected this proposal as it may also be deemed an unenforceable indirect mitigation fee.
- (5) **Local Sales and Bed Tax Increases.** The Committee also considered increasing the local sales tax and bed tax<sup>11</sup> as additional revenue streams to fund the BRP. The County imposes these two taxes and they may not be imposed by the CCSD or any other special district. Additionally, these taxes must be imposed only on a county-wide basis. The Committee rejected the local sales tax and bed tax to fund the BRP because it is impractical that residents of San Luis Obispo County would vote to increase such taxes to benefit primarily Cambria.
- (6) **Public Private Partnerships.** Many municipalities throughout the United States have formed public private partnerships to develop public facilities with private funding. An example would be the construction of a new public school with a connected retail and/or residential component that operates independently of the school and for profit. The developer of the commercial component would also fund all or part of the cost to construct the connected school as *quid pro quo* for receiving permits and perhaps tax incentives for the entire project. The Committee rejected funding through public private partnerships because, as a practical matter, Cambria does not have a commercial base sufficient to attract business enterprises with either the motivation or capitalization to participate in a public private partnership sufficient to fund the BRP.
- (7) **Sale of Water Meter Connections to New Home Builders not on the Water Wait List.** The Committee revisited the sale of water meter connections at “market rates” to new home builders not on the water wait list and recommends against including this revenue stream as a mechanism to fund the BRP. The Committee’s recommendation is based on the likelihood that selling such connections to non-wait list purchasers essentially allows these purchasers to leap frog the water wait list exposing the CCSD to potential litigation and possible liability to water wait listed

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<sup>11</sup> The bed tax, which is a tax the County imposes on transient occupancy for the general fund, must be distinguished from the CBID fee, which is a fee imposed by the tourism business improvement district on hotels, motels, etc., for special purposes related to the lodging industry. As discussed above, the committee recommends increasing the CBID fee as a core funding stream for the BRP.

property owners who have paid fees and property taxes for years to secure their place in line to build on their property.

- (8) CCSD to Purchase Small Parcels and Combine them for Resale.** The Committee considered a suggestion by one member of the public that the CCSD form a non-profit public benefit special purpose entity which would purchase smaller contiguous parcels, combine them into larger parcels and sell the larger parcels for a profit for development. The proposal contemplates that the purchaser of the larger parcels would receive expedited treatment with respect to entitlements and permitting. The Committee rejected this suggestion for several reasons. First, it is legally questionable whether the CCSD can engage in a proprietary function of purchasing and selling real property for profit. Second, management of the BRP will be complex enough without requiring the CCSD to take on the added role of real estate trader. Third, the viability of the proposal depends on the CCSD realizing net profits from the transactions sufficient generate income to fund other aspects of the program which is speculative.

## APPENDIX II: RECOMMENDATIONS FOR DEED RESTRICTIONS

1. The BRP requires that undeveloped parcels acquired through the BRP be retired through the imposition of deed restrictions on development.
2. We recommend that the BRP administrator be required to record a restrictive covenant on the title of each parcel acquired through the BRP stating that the parcel will be permanently restricted from water service and any type of residential construction.
3. We recommend that the restrictive covenant specify that all requirements will carry with the land and will be binding on future owners.
4. The best approach to preventing development of retired parcels by future owners is for the restrictive covenant to specify that if the retired parcel changes ownership, the deed restriction must be recorded to permanently document prohibited and permitted uses.

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APPENDIX III: BRP ACRONYM LIST

APN	Assessor's Parcel Number
BRP	Buildout Reduction Program
BRPCC	Buildout Reduction Program Citizens Committee
CBID	County [Tourism] Business Improvement District
CCC	California Coastal Commission
CCSD	Cambria Community Services District
CFD	Community Facilities District (also known as Mello-Roos District)
CEQA	California Environmental Quality Act
EDU	Equivalent Dwelling Unit
EIR	Environmental Impact Report
EWS	Emergency Water Supply project
FHFR	Fire Hazard Fuel Reduction [Program]
GMO	Growth Management Ordinance
GSA	Gross Structural Area
LAFCO	Local Agency Formation Commission
LCSLO	Land Conservancy of San Luis Obispo County
MFR	Multi-Family Residence
NCAP	North Coast Area Plan
NGO	Non-Governmental Organization
PEIR	Program-Level Environmental Impact Report
PROS	Parks, Recreation and Open Space Commission (CCSD)
RWQCB	Regional Water Quality Control Board
SEIR	Subsequent Environmental Impact Report
SFR	Single Family Residence
SLO	San Luis Obispo
SPA 1 & 2	Special Project Areas 1 & 2
SWF	Sustainable Water Facility
TDC	Transfer Development Credit
UWMP	Urban Water Management Plan
WMP	Water Master Plan

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## APPENDIX IV: DEFINITION OF TERMS

Account (CCSD)	Established CCSD customer identification and billing mechanism.
American Land Conservancy	The non-profit land conservancy that assisted in the purchase of the Fiscalini Ranch Preserve.
Assessor's Parcel Number (APN)	An eight-digit number assigned by San Luis Obispo County Assessor's Office as the legal parcel description used for recording and tax purposes.
Brown Act	Enacted in 1953, the act guarantees the public's right to receive notice, attend and participate in meetings of local legislative bodies. Permissible closed meetings are defined.
Buildable Lot	An APN (parcel) which falls within the size, slope and development parameters established by SLO County Planning and Building. Possible additional parameters may apply as defined by the CCSD.
California Coastal Act	A 1976 environmental law which seeks to balance development rights with strong policies to protect resources of the Coastal Zone. It is comprised of standards applied by the Coastal Commission to review coastal development permits and Local Coastal Programs. Seven articles govern all development along the coast and mandate protection of public access, recreational opportunities, and marine and land resources.
California Coastal Commission	The CCC is a state agency which plans and regulates the use of land and water in the coastal zone. Established in 1972, it was made permanent by the Legislature through the Coastal Act in 1976. The policies of the California Coastal Act constitute the statutory standards applied to planning and regulatory decisions of the Coastal Commission.
California Coastal Conservancy	California state agency established in 1976 to enhance coastal resources and access.
California Environmental Quality Act	A California law enacted in 1969 that requires public agencies in the state to evaluate environmental impacts of proposed projects. The act includes a public review period allowing the public and interested parties time to comment on the project and potential impacts.
Cambria Land Trust	A non-profit organization established in 1988 to educate, advocate and protect the ecological system, cultural resources and marine habitats of the North Coast of SLO County.

County Tourism Business Improvement District (CBID)	A district established by San Luis Obispo County assessing a lodging fee that is used by the County or local Tourism Boards to promote tourism.
Community Facilities District	A special district, having limited governmental powers, established to provide specified services to an unincorporated area.
Connection Fee/Hook Up Fee	Fee payable to the CCSD to initiate water and sewer hookup for construction; prior satisfaction of Intent to Serve Letter requirements is needed.
Conservation Easement	A legal agreement between a landowner and a land trust or government agency that permanently limits uses of the land in order to protect its conservation values. The landowner may continue to own and use the land, sell it, donate it or pass it on to heirs subject to the restriction of the easement. A conservation easement runs with the land in perpetuity.
Consolidation Program (APNs)	Program to encourage owners of contiguous lots recorded under multiple APN's to consolidate those lots under a single APN designation through the Assessor's Office. See Voluntary Merger Program.
Core Funding	Funding streams identified by the BRPCC as viable options to support the financial requirements for program execution.
County Assessor's Office (SLO)	County office which maintains legal property description, the associated APN identity, assesses and collects property taxes.
Deed Restriction(s)	An agreement that restricts or limits the use or activities that may take place on property. Upon proper recordation with the County recorder, deed restrictions run with the land and bind subsequent owners.
Eminent Domain Authority	The right of government to take private property for public use.
Equivalent Dwelling Unit	The volume of water allocated by the CCSD to each class of water user (residential class, commercial class, etc.).
Final Subsequent Environmental Impact Report	The Final SEIR for the Cambria Sustainable Water Facility Project (SWF), prepared in accordance with the California Environmental Quality Act (CEQA), was certified July 2017. This SEIR tiers from the CCSD Water Master Plan EIR which was certified in 2008.
Fire Hazard Fuel Reduction Program	A program which provides the Cambria Fire Department the authority to mandate that property owners clear their property of weeds and tree debris to reduce fire hazard to the community.

Grandfathered Meter	A water meter connection fee that was paid or a water meter that was physically installed prior to 2/28/86, but is not currently in use. A minimum bi-monthly service fee is charged to maintain that status.
Greenspace	See Cambria Land Trust.
Impact Fee	A fee imposed by local government on new development to pay for all or a portion of the costs of providing public services.
Intent to Serve (Letter)	A letter stating the District (CCSD) will provide water and sewer services to a particular residential or other project upon satisfactory completion of a number of steps, timely payment of fees and availability of water.
Land Conservancy of San Luis Obispo County (LCSLO)	The Land Conservancy of San Luis Obispo County is a non-profit organization that works to permanently protect and enhance lands having important scenic, agricultural, habitat and cultural values for the benefit of people and wildlife.
Land Use Authority	Regulation of growth and development through statutory law by federal, state and local governments. Cambria is an unincorporated community. Land use authority is held at the County level.
Local Agency Formation Commission	A state mandated agency that oversees the creation of logical service boundaries between cities and special districts and encourages the orderly formation and development of local government agencies.
Local Coastal Program	The programs mandated by the Coastal Act by which local counties manage the conservation and development of coastal resources. SLO County has developed a Local Coastal Program.
Mello-Roos District	A Community Facilities District (CFD) is a special district established as a means to obtain additional public funding, through the sale of bonds or direct assessment of property owners within the CFD. California Senator Henry Mello and Assemblyman Mike Roos were the authors of the legislation.
Mello-Roos Assessment	A parcel (property) tax which is not based on the assessed value of real property, but rather on the payment of a set amount to cover improvements.

Mitigation Fee Act	Enacted in 1987, Government Code 66000, defines the requirements for development impact fee programs, and establishes the criteria of proportionality in both nature and extent.
Mixed Use	A type of urban development that contains a mix of residential, commercial, cultural, institutional or industrial uses.
Non-buildable Lot	An APN parcel which falls outside the size, slope and development parameters established by SLO County Planning and Building. Possible additional parameters may apply as defined by the CCSD.
Non-Governmental Organization	Any non-profit organization or volunteer citizens group organized on a local, national or international level and is independent of any government or governmental agency.
North Coast Area Plan	A plan developed by the County of San Luis Obispo that provides information on population, land use, availability of resources, public services and environmental characteristics. The plan describes county land use policies for the North Coast Planning Area, including regulations that are also adopted as part of the Land Use Ordinances and Local Coastal Plan.
Open Space District	Local public districts that acquire and maintain land or interests in land from willing sellers to protect open space.
Outstanding Service Commitment	See Grandfathered Meter.
Parcel	Land with a legal description and associated Assessor's Parcel Number, recorded through the county assessor's office. A parcel may contain one or more lots.
Parcel Tax	A form of property tax assessed at a rate based on the characteristics of a parcel rather than the assessed value. It is considered a "qualified special tax" and requires a 2/3 voter approval.
Parks, Recreation and Open Space Commission	Established in 1994 by the CCSD to promote plans for new parks, a viable recreation program, protection of open space and development of a trails system.
Planning Department	San Luis Obispo County Department of Planning and Building.
Property(ies)	See definition of Parcel.
Proposition 218	A state constitutional amendment approved by California voters in 1996. Prop 218 imposes the process

	and constraints for establishing and increasing taxes, proposed related fees and assessments.
Regulatory Taking	Situation in which government regulation limits the use of private property to the extent of denying the property owner all viable economic use or value of property in violation of the Fifth Amendment of the United States Constitution.
Restrictive Covenant	A covenant imposing a restriction on the use of land so that the value and enjoyment of adjoining land will be preserved.
Restrictive Easement	The right to use the property of another for a specific purpose. The easement is itself a real property interest, but the title to the underlying land is retained by the owner on which the easement applies. A conservation easement that prohibits the construction of any improvement on land is one form of restrictive easement. Other forms of restrictive easements may restrict the construction of dwellings, but permit other improvements.
Retired Parcel (Lot)	A parcel which may not receive a water connection from the CCSD and therefore may not be developed as a residence.
Secondary Means to Retire Parcels	Funding streams and other means to retire undeveloped parcels recommended by the BRPCC in addition to Core Funding.
Special Districts	A form of local government that provides limited services based upon specific statutes. When residents or landowners want new services or higher levels of existing services, they can form a special district to pay for and administer them.
Special Projects Area 1 and 2	Areas of Cambria designated by SLO county and provided special resource protection. SPA 1 involves issues associated with the Monterey pine forest and forest habitat. SPA 2 involves issues related to the area's visibility from HWY 1.
Subsequent Environmental Impact Report	See Final Subsequent Environmental Impact Report.
Sustainable Water Facility (SWF)	The reverse osmosis water processing facility located near the San Simeon Creek Lagoon that converts salt water brine and processed wastewater effluent into a supplemental potable water source for Cambria.
Transfer Development Credits Program	A program of San Luis Obispo County under which the Land Conservancy of San Luis Obispo County acquires parcels, focusing on high conservation areas, through donation or purchase. Properties purchased by LCSLO

	accumulate a development right credit that is stored in a virtual bank. Money for additional purchases is generated through the sale of these Transfer Development Credits (TDC) to owners of small residential properties wanting to increase the size of their structures within defined parameters.
Unallocated Water Connections	Water service connections not currently committed by the CCSD which would be in addition to the water wait list positions but within the 4,650 residential water connection goal.
Urban Water Management Plan	Cambrian local water management plan prepared in compliance with the Urban Water Management Planning Act, California Water Code. The Plan was last updated in 2017.
Vacant Parcel	An undeveloped parcel without any structural improvement, essentially raw land.
Voluntary Merger Program	A CCSD sponsored program to encourage Homeowners served by the CCSD to merge their adjacent undeveloped parcels into one APN, effectively retiring the parcels from future development.
Water Master Plan	The Water Master Plan defines the long-term water supply strategy for the unincorporated community of Cambria. It was adopted by the CCSD in 2008 and is available on the CCSD website.
Water Meter (CCSD)	The mechanism to connect water services to CCSD customers within the Cambria urban area.
Water Meter Transfer	A process of moving a water position from one parcel to another, where the sending parcel or an equivalent alternative parcel is retired from development. Water positions/meters are restricted in Special Areas 1 and 2.
Water Wait List (Position)	The CCSD maintained list of water applicants, prioritized by date, who are waiting for the opportunity to build a home. Each wait list position is preserved by payment of an Annual Wait List Fee, which is billed in July of each year.