



14.3 Buildout Reduction Program Information

Buildout Reduction Program Report

EXECUTIVE SUMMARY

By the Buildout Reduction Program Citizens Finance Committee

TOWN HALL MEETING Final Draft May 16, 2006

Committee Members

Wayne Parrack, Committee Chairman, Bill Allen, Wayne Attoe, Ron Crummitt, Bob Hill,
Jeannette Johnson, John Linder, Gail Robinette, and Wayne Ryburn

CCSD Staff

Tammy Rudock, Bob Gresens, Art Montandon,
Kathy Choate, and Patrick Bradley

Outside Consultants

The Natelson Dale Group: Roger Dale
RBF Consulting: Steve Bein, Jim McPherson, and Glenn Lajoie
Davidson Associates: Connie Davidson
Accounting: Leslie McGarry

Executive Summary

This report summarizes the work completed by the Buildout Reduction Program Citizens Finance Steering Committee, along with its recommendations for financing a buildout reduction program. The CCSD Board of Directors formed a Citizens Steering Committee during its December 15, 2005 Board meeting to bolster the CCSD's continuing effort to reduce buildout potential in Cambria. The buildout reduction effort is in alignment with an earlier Coastal Commission recommendation made during a 2001 Periodic Review of the San Luis Obispo County Local Coastal Program. The CCSD's goal of not exceeding a total of 4,650 existing and outstanding residential connections is also in alignment with the County's recently adopted Environmental Impact Report (EIR) on the "Cambria and San Simeon Acres Community Plans of the North Coast Area Plan."

The main purpose for reducing build out potential in Cambria is to maintain a balance between potential growth and the sustained availability of public services. A significant resource within Cambria is the area's Monterey pine forest. A fair and equitable buildout reduction plan seeks to support the long range planning developed for the area, while also maintaining Cambria's appeal for residents and visitors by significantly limiting future loss of forest and open space areas.

Water is a limited resource within Cambria, and the CCSD is planning to develop a desalination project to protect against future droughts, and to secure a reliable long-term water supply¹. To address the potential growth-inducing effects from the desalination project, the buildout reduction plan will be incorporated into the CCSD's Water Master Plan program-level EIR. This document is currently being completed by the CCSD and its consultant for public review later this year.

The Buildout Reduction Program seeks to retire or merge enough potential building sites so that there is a near match between those who are authorized to build under the cap of 4,650 existing and new residential water connections, and the number of suitable building sites. This will happen over a projected 22 years.

Funding would come from four suggested sources: an additional fee for new water connections, a special water rate increase, an additional fee for remodels, and sale of some unallocated water connections that fall within the 4,650 existing and future residential connections cap. Without the last source of funds, the first three increases would have to be much higher.

Local land trusts would sell three unallocated water connections a year over the projected 22-year life of the program, and use the proceeds to purchase and retire potential building sites. Sale of properties to the land trusts would be voluntary; no landowner would be forced to sell. Lots would be retired with a deed restriction or conservation easement, after which most would be transferred to CCSD.

The result will be a Cambria that retains the qualities residents and visitors appreciate, preserves its natural environment, and matches its size to available resources and infrastructure.

Summary of Data

- Maximum number of existing and new residential water connections
4,650
- Total number of lots to remain undeveloped
3,357

¹ A project cooperation agreement was fully executed with the Army Corps of Engineers on April 3, 2006.

- Lots already retired, owned by conservation entities or in special projects areas
1,526
- Residential lots to be retired and/or merged under this program
1,831
- Lots retired voluntarily through mergers, Transfer Development Credits (TDC) program, and water transfers
952
- Lots that will be purchased at fair market value (average from \$33,000-\$50,000)
879

Program Costs for Residential, Commercial and CCSD Waitlist Customers

- Residential water rate increase (per month, per customer)
\$8.81
- Commercial water rate increase (per month, per customer)
\$39.40
- One-time buildout reduction fee (part of connection fees) for new residents
\$10,127
- One-time commercial buildout reduction fee (part of connection fees)
\$10,127

**Total Program Costs (lot purchases, transaction costs, initial maintenance)
\$38,827,800**

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Funding would come from four suggested sources: an additional fee for new water connections, a special water rate increase, an additional fee for remodels, and sale of some unallocated water connections that fall within the 4,650 existing and future residential connections cap. Without the last source of funds, the first three increases would have to be much higher.

Local land trusts would sell three unallocated water connections a year over the projected 22-year life of the program, and use the proceeds to purchase and retire potential building sites. Sale of properties to the land trusts would be voluntary; no landowner would be forced to sell. Lots would be retired with a deed restriction or conservation easement, after which most would be transferred to CCSD.

The result will be a Cambria that retains the qualities residents and visitors appreciate, preserves its natural environment, and matches its size to available resources and infrastructure.

Summary of Data

| | |
|---|---------------------|
| • Maximum number of existing and new residential water connections | 4,650 |
| • Total number of lots to remain undeveloped | 3,357 |
| • Lots already retired, owned by conservation entities or in special projects areas | 1,526 |
| • Residential lots to be retired and/or merged under this program | 1,831 |
| • Lots retired voluntarily through mergers, Transfer Development Credits (TDC) program, and water transfers | 952 |
| • Lots that will be purchased at fair market value (average from \$33,000-\$50,000) | 879 |
| Program Costs for Residential, Commercial and CCSD Waitlist Customers | |
| • Residential water rate increase (per month, per customer) | \$8.81 |
| • Commercial water rate increase (per month, per customer) | \$39.40 |
| • One-time buildout reduction fee (part of connection fees) for new residents | \$10,127 |
| • One-time commercial buildout reduction fee (part of connection fees) | \$10,127 |
| Total Program Costs (lot purchases, transaction costs, initial maintenance) | \$38,827,800 |

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Purpose of the Program

To ensure long-term demand for residential water connections in Cambria (primarily single family homes) does not exceed 4,650 existing and new connections, the committee recommends that CCSD develop a program to retire or reduce the potential number of residential building sites.²

The overall goal of the Buildout Reduction Program is to retire and/or merge³ enough potential building sites in Cambria so that the remaining number of suitable building sites roughly matches the 864 (total) additional outstanding residential water connections that have been approved by the CCSD.⁴ Thus, when Cambria is built out to that level, there will be only a few available building sites left, with little potential for future growth. The result will be a Cambria that is still in the pines--an enjoyable place to live that also appeals to visitors.

The reduction in the number of building sites will be accomplished largely by attrition through existing lot retirement objectives and programs, and by acquiring lots and retiring them. Acquisition will be through donation or purchase, and will be voluntary; no property owner will be forced to sell their land for the purposes of this program.

Facts about property and residential water connections

The following summarizes the number of vacant and built residential lots in Cambria. Information in this report was obtained from CCSD records and through the assistance of their consultants using geographic information system technology.

| <u>Category of residential zoned lots</u> | <u>Single-family</u> | <u>Multi-family</u> | <u>Total residential</u> |
|---|----------------------|---------------------|--------------------------|
| Total existing lots in Cambria: | 11,613 | 310 | 11,923 |
| Developed lots: | 6,647 | 191 | 6,838 |
| Vacant lots: | 4,966 | 119 | 5,085 |
| Existing residential water connections | 3,569 | 217 | 3,786 |
| Pending connections | 3 | 3 | 6 |
| Intent to serve letters outstanding | n/a | n/a | 31 |
| Grandfathered meters | n/a | n/a | 42 |
| Existing CCSD waitlist positions | 666 | 35 | 701 |
| Potential additional CCSD connections | n/a | n/a | 84 |
| Maximum total connections | | | 4,650 |

Applying the County's current 1% growth rate, total buildout will be complete in 22 years, and this is the term upon which the Program cost and funding assumptions are based.

² A building site for our purposes has a minimum 50-foot frontage on a street, and a minimum of 3,500 square feet. It can be composed of one lot or more. It might have one APN or more. [A lot is a legal unit, which can be sold and taxed. An APN is an Assessors Parcel Number used by the County for taxing purposes.]

³ Lot retirement means to make a parcel permanently ineligible for a water connection using zoning restrictions and/or title restrictions, specifically, a conservation easement or a covenant not to build or seek water service. All lots acquired through this Program will be retired using strict legal restrictions to prohibit future building. Merging a lot means legally encompassing it with an adjacent lot or parcel, thus eliminating it from consideration as an individual legal entity.

⁴ The proposed desalination plant will be sized for 4,650 residential water connections, making this the maximum number to be permitted in Cambria: 3,786 (existing connections) + 864 (approved additional connections) = 4,650.

Retired Lots Under This Program

Under the adopted cap of 4,650 existing and new residential connections, 3,357 residential lots are to remain vacant.⁵ However, the program will target potential building sites, not all vacant lots. This will reduce Program costs because many lots do not qualify for development since they are already retired, are owned by conservation groups, are in protected Special Project Areas,⁶ or are too small to acquire water rights.

The number of lots that need to be retired and/or merged are as follows:

| | |
|---|--------------|
| Lots to remain undeveloped | 3,357 |
| Lots already retired | 289 |
| Lots owned by conservation entities (but not retired) | 36 |
| Surplus lots owned by County | 30 |
| Lots in Special Project Area 1 | 579 |
| Lots in Special Project Area 2 | 337 |
| Orphaned lots ⁷ | <u>255</u> |
| Total Non-buildable lots | 1,526 |
| Remaining residential lots to be retired and/or merged | 1,831 |

In addition, the high cost of developing certain lots, and certain permitting hurdles, will discourage development on lots that are steeper than 30% and those in “fire chimneys,” which are forested valleys that due to their configuration would tend to draw fire up.

In keeping with the spirit of this Program to reduce buildout, the transfer of development credits is prohibited on lots purchased through the Buildout Reduction Program.

Retiring lots with little or no cost

While the Program will depend largely on purchasing lots that are part of potential building sites, there are ways to retire building sites with little or no cost:

Voluntary/Program retirement of lots

We expect that some lot owners will voluntarily retire potential building sites with deed restrictions or conservation easements.⁸ Owners might accomplish the same thing by donating a parcel and then retiring it. Because it is a condition associated with moving a water connection or waitlist position, or because they may find potential tax benefits (See footnote 9), owners may do this to support the Program,

⁵We assume an average of two lots per new residence, so 5,085 vacant lots minus the 1,728 (2 lots per 864 approved new water connections) = 3,357.

⁶ Special Project Areas #1 and #2 are special planning areas designated by the county because of #1 trees and habitat, and #2, viewshed and habitat. Water entitlements cannot be transferred into them unless the building site is already on the CCSD waitlist for water connections. (This is currently true only for SPA #1. The CCSD Board would need to pass an ordinance for SPA #2).

⁷Orphaned lots are below the minimum size required for development, are surrounded by previously developed properties, and are not in common ownership with adjacent properties. Therefore, their likelihood of being merged with an adjacent property to make a legally sized building site is considered remote.

⁸To promote specified conservation goals (like forest and habitat protection), conservation easements restrict what can happen on a lot, typically prohibiting building construction.

Voluntary/Program merger of lots

We expect some lot owners to voluntarily merge vacant lots with existing built-upon lots for similar reasons. Or they may purchase part of an adjacent building site and merge it with their own home site. The County offers incentives for mergers; the program budget allows incentives as well. There may be tax benefits, too⁹.

Our consultant estimates that by using these means, the number of lots that need to be purchased could be reduced as follows:

| | |
|---|-------------------|
| Total lots to be retired, merged or acquired | 1,831 |
| Retirements contingent on transfer of commercial EDUs | 16 |
| Voluntary/Program retirements | 542 ¹⁰ |
| Mergers of vacant lots with existing built lots | 394 ¹¹ |
| Remaining lots to be acquired | 879 |

Costs of other acquisitions

Lot size and views are key factors in Cambria land costs. Our cost assumptions take them into account, based on asking prices and sales over the last six months:¹²

| | Single-family | Multi-family |
|--------------------------------------|-------------------|-----------------------|
| Average lot size | 2,500 square feet | 6,500 square feet |
| Percent view lots | 25% | 0% |
| Price per square foot, view lots | \$30.00 | \$30.00 ¹³ |
| Price per square foot, non-view lots | \$ 7.50 | 7.50 |
| Weighted average | \$13.12/sf | \$ 7.50/sf |
| Average price per lot | \$33,000 | \$50,000 |

Ways to Fund Acquisitions

Committee members and consultants have looked at a number of funding options, and settled on four. The ones ruled out are:

Grants: We know of no programs currently supporting this kind of acquisition, but we will continue to research.

⁹ Property owners need to consult with their tax advisor to assess their unique financial situation against existing tax codes. The Land Trust Alliance web site (LTA.org) may also provide additional information on the potential benefits for donating properties. The committee also learned of a Natural Heritage Preservation Credit program, which expires June 30, 2008. This direct state income tax credit program requires additional research, and was beyond the scope of the committee’s assignment.

¹⁰ Historically, 5% per year of the waitlist move a meter to another property and participate in the TDC program. With this as a basis, over the 22 years of the Program, we can expect 542 lots to be retired voluntarily.

¹¹ According to our consultants, there are a total of 1,360 lots that are part of groups of lots that are in common adjacent ownership (CAO). If they assumed that ALL of these CAO groups merged into single lots, a total of 986 vacant lots would be merged. Based on an analysis of the various CAO ownership scenarios that exist (e.g., single vacant lots that are attached to built lots, vacant lot groups that have “odd” numbers of lots such that they are unlikely to be divisible into more than one legal building site, etc.), the consultants have conservatively projected that 394 voluntary mergers would occur (i.e., 40% of the theoretical maximum of 986 lots).

¹² Our analyses show that over the last six months, vacant lots without a water meter sold for an average of \$13.12/square foot, or \$18,750 to \$75,000 for a single (25 x 70) lot, depending on the location.

¹³ No multi-family lots are currently for sale, so we use the per square foot figure for single-family lots.

Special Assessment or Bond: A vote by residents and/or lot owners would take time and money to set up, and if it were not successful, we would be where we are now—but with lost time.

The first two funding measures that the committee agreed to recommend are (1) an increase in water rates and (2) an increased water connection fee for new construction. The rationale for the first measure is to spread costs among existing and future homeowners who will benefit from maintaining the existing character of Cambria, and preserving property values. The rationale for the second measure is that the buildout reduction program is among the mitigations being implemented to address the secondary environmental impacts from future water projects. As the program is implemented, there will also be costs associated with maintaining the retired properties that will be need to be supported by rate payers. Rates and fees would be tied to a cost-of-living index, and reviewed periodically by CCSD.

The third (3) funding source recommended by the committee is an additional fee for remodels, while the fourth (4) is the sale of 65 of the unallocated water connections. Among the 4,650 maximum existing and future water connections are 84 that are not allocated. This Program proposes that CCSD donate from this group the equivalent of three residential water connections a year to approved land trusts like the Land Conservancy of San Luis Obispo County and Greenspace—The Cambria Land Trust. The land trusts would sell the connections on the open market¹⁴ to lot owners not on the CCSD waitlist¹⁵ but wanting to build. The land trusts would use the proceeds of those sales to purchase and retire lots that are part of potential building sites, minus fees for administration¹⁶ of the program and future lot maintenance. At the rate of 3 sales per year, this would not distort the market.

Raising funds in this way and purchasing properties through land trusts makes sense because:

1. It takes these decisions out of the hands of the CCSD Board,
2. CCSD would not have to increase staff to handle these new roles,
3. Confidentiality could better be assured for these business dealings,
4. Donations to these non-profit charitable organizations could have tax or related benefits to donors.

In light of the County's current 1% growth cap in Cambria, there could be competition between those who purchase a water connection through the Program and people on the waitlist, since a limited number of Intent to Serve letters would be offered each year. Three ways to avoid this are:

1. The County could authorize the approval of three connections purchased under the Program in addition to the connections amounting to 1% growth. The argument in favor of this is that the three purchased connections per year are in large part funding lot retirements—the very purpose of the Program.
2. In any given year there could be a gap between the number of Intent to Serve letters and the number of owners actually ready to build at that time. The three purchased meters could make up or partially make up that difference. However uncertainty about when a purchased connection would become viable for service would reduce their salability and appeal and would render them largely unsalable for years, and eliminate a large portion of the program funding.
3. Connections purchased under the Program could be placed at the end of the waitlist. However, like item 2, this would render them largely unsalable for years, and eliminate a large portion of the Program funding.

¹⁴ Recently, single connections have sold for from \$200,000 to \$366,000.

¹⁵ Lot owners not on the CCSD water waitlist have several options: 1). Acquire and move a meter from another lot; 2). Purchase an unallocated water connection from a land trust; 3). Simply retain their property (do nothing); 4). Sell their property; 5). Donate their property; 6). Merge their property with an adjacent parcel.

¹⁶ Based on experience, a fee of 10% seems appropriate, but would be re-evaluated periodically.

Another option would be to use only the special water rate increase and additional connection fees to fund the Program. The Committee does not endorse this option because rates are substantially higher than the costs described in the program budget discussion that follows. The approximate difference in costs by not applying the unallocated connections are summarized below.

Cost Comparison With and Without the Sale of Unallocated Water Connections

| <u>Residential</u> | <u>With Sale of 65 Connections</u> | <u>Without Sale of 65 Connections</u> |
|------------------------|--|---|
| Water Rate Increase | | |
| For Lot Acquisition | \$57 per year | \$118 per year |
| For Lot Maintenance | \$49 per year | \$49 per year |
| Total | \$106 per year | \$167 per year |
| Buildout Reduction Fee | \$10,127 one time, per EDU | \$20,960 one time, per EDU |
| <u>Commercial</u> | | |
| Water Rate Increase | | |
| For Lot Acquisition | \$255 per year | \$528 per year |
| For Lot Maintenance | \$218 per year | \$218 per year |
| Total | \$473 per year | \$746 per year |
| Buildout Reduction Fee | \$10,127 one time, per EDU | \$20,960 one time, per EDU |

Lot owners who purchase a water connection under the Program, like those on the waitlist, would be subject to the Buildout Reduction Program connection fee.

In addition to raising funds through the sale of unallocated water connections, the land trusts would receive the funds raised through the water rate increase which similarly would be used to purchase and retire lots, minus the fee for administration.

An evaluation of Program effectiveness will be conducted annually by CCSD.

Criteria for Retiring Lots

Land trusts in the Program would have flexibility in choosing lots for purchase and retirement, as long as transactions retire a potential building site. Among the factors they could consider are

1. Adjacency to other retired lots
2. Least cost for greatest benefit
3. Strategic importance for habitat or open space protection

Program Budget

The following describes the build our reduction program costs, funding sources, and related rate adjustments. Land acquisition costs were based on a review of current market conditions, which showed a cost of \$33,000 per single-family lot, and \$50,000 per multi-family lot purchased.

A. Gross Program Costs (through buildout)

| Cost Item | Property Acquisition Costs | Annual O&M Costs |
|---------------------------------|----------------------------|------------------|
| Land Acquisition ¹⁷ | \$29,313,000 | |
| Program Administration | \$2,200,000 | |
| Initial Weed Abatement | \$439,500 | |
| Transaction Costs ¹⁸ | \$2,931,300 | |
| Merger Incentive Costs | \$3,549,600 | |
| Lot Maintenance ¹⁹ | | \$283,284 |
| Total | \$38,827,800 | \$283,284 |

B. Program Funding Sources

| Funding Source | Property Acquisition Funding | % | Annual O&M Funding ²⁰ |
|--|------------------------------|-----|----------------------------------|
| Sale of 65 unallocated water connections | \$19,500,000 | 50 | |
| Remodel Fees | \$1,100,000 | 3 | |
| Water Rate Increase - Residential | \$5,832,896 | 15 | \$226,627 |
| Water Rate Increase - Commercial | \$1,458,224 | 4 | \$56,657 |
| Buildout Reduction Fee - Residential | \$8,749,344 | 23 | |
| Build-out Reduction Fee - Commercial | \$2,187,336 | 5 | |
| Total | \$38,827,800 | 100 | \$283,284 |

¹⁷ 861 lots at \$33,000 each, and 18 lots at \$50,000 each.

¹⁸ These costs include appraisal, title insurance, recording fee, escrow agent, buyer-paid commissions, and miscellaneous closing costs.

¹⁹ The O&M cost shown is an average annual expense that covers the first 22 years of the program. The cost is less during the initial years of the program as lots are acquired, and levels off at \$370,325 per year after all the lots are acquired.

²⁰ The O&M funding sources shown are for the average funding during the initial 22 years of the program. At program completion, and after all the lots are acquired, the annual O&M funding increases to \$296,260 per year for residential, and \$74,065 for commercial, or a total of \$370,325 per year. After 22 years, the property acquisition funding need from the water rate increases shown reduces to zero.

C. Calculation of Maximum Costs Per Water Account (or Per Connection)

| Funding Fee | Property Acquisition Funding | Annual O&M Funding |
|------------------------------------|------------------------------|--------------------|
| <u>Residential</u> | | |
| Water Rate Increases ²¹ | | |
| For lot acquisition | \$ 70 per year | |
| Maximum lot maintenance | | \$ 63 per year |
| Buildout Reduction Program Fees | \$10,108 one time | |
| <u>Commercial</u> | | |
| Water Rate Increases ²² | | |
| For lot acquisition | \$299 per year | |
| Maximum lot maintenance | | \$283 per year |
| Buildout Reduction Program Fees | \$10,108 one time, per EDU | |

Residential

Water Rate Increases

| | |
|---------------------------------|-------------------|
| For lot acquisition | \$ 70 per year |
| Maximum lot maintenance | \$ 63 per year |
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Commercial

Water Rate Increases

| | |
|--------------------------------|----------------------------|
| For lot acquisition | \$299 per year |
| Maximum lot maintenance | \$283 per year |
| Buildout Reduction Program Fee | \$10,108 one time, per EDU |

Potential tax benefits or other financial incentives

Existing homeowners and those constructing new homes will benefit from most aspects of this program; however, it is unlikely that there will be tax benefits from it. This needs to be analyzed on a case-by-case basis. In some cases CCSD and/or the County may offer incentives for merging lots.

²¹ This rate increase will apply to current users and waitlist owners who build. The lot maintenance component will begin as a very small number in the first years of the program (few lots to maintain) and build toward the maximum amount at the end of the program. Of course at the end of the program the lot acquisition fee will disappear.

²² The fees shown for commercial customers are based on an overall average consumption per commercial connection. The rate increase for commercial customers is planned to be the same percentage that would apply to residential customers.

Other measures needed to ensure success

1. Limit water/wastewater service to lots within current CCSD boundaries.
2. The desalination plant has been designed for 4,650 residential connections so there is no excess capacity available.
3. Special Project Area 2 should include the same restrictions for development that applies to Special Project Area 1.
4. The requirement to retire a 'lot' when transferring a meter or water position needs to be changed to retiring a potential 'building site.'
5. Staff/resources to carry out the program

Program Implementation

1. Approve Buildout Reduction Program
2. Approve and Adopt Water Master Plan Program EIR
3. Adopt Water Master Plan
4. Incorporate Proposed Water Rate Adjustment into Water and Wastewater Rate Analysis and Modeling Study to be performed by Black and Veatch
5. As funds accumulate, make them available for lot purchases and retirements.
6. Offer conditional Intent to Serve Letters to a portion of the waitlist
7. Begin donating meters (3 a year) to land trusts for sale, subject to lifting of moratorium
8. Lift moratorium once the desalination project has made substantial progress and is nearing completion.

Program Timing

Following adoption of the Water Master Plan and completion of the Water and Wastewater Rate Analysis and Modeling Study, we estimate the Buildout Reduction Program could be launched as early as Spring 2007.

Public Outreach

There are three groups most affected by the Cambria Buildout Reduction Program:

- CCSD residential and commercial customers
- Individuals on the CCSD water waitlist
- Lot owners not on the CCSD water waitlist

Following are the methods we recommend in communicating the Program and subsequent updates to the above individuals:

1. **Town Hall Meeting – May 16, 6:00 p.m. Veterans Memorial Building, Cambria**
The community will have an opportunity to learn about the Program and ask questions.
2. **Letters to waitlist and lot owners.** Ongoing communication.
3. **CCSD web site, newsletter and billing inserts.** Updates, Frequently Asked Questions, Reports, etc. will be posted to the CCSD web site. Some of this information will also go out to CCSD water/wastewater customers as billing inserts. Updates will also be provided in the CCSD newsletter.
4. **Press releases.** Updates will be communicated to the local media on Program developments and community meetings.

FAQs: Frequently Asked Questions – Revised May 16, 2006

- 1. Who will benefit from the Buildout Reduction Program (BRP)?**
Cambria residents, landowners and visitors will benefit from a community that matches human impacts with environmental values and infrastructure capacity. The BRP will ensure that Cambria remains ‘in the pines’—enjoyed by residents and visitors alike.
- 2. How will the BRP be paid for?**
Over the projected 22-year span of the BRP, costs would be paid from

 - Sale of 65 unallocated water connections.
 - A fee for new water connections.
 - A specified water rate increase.
 - A specified fee for remodels.
- 3. How will this affect my water rates?**
Residential rates will increase by \$8.81 a month (\$17.62 per billing period)
Commercial rates will increase \$39.40 per month per EDU (\$78.80 per billing period)
- 4. How will this affect people on the CCSD wait list?**
The 701 properties on the CCSD single family and multi family residential water waitlist will be eligible for water connections which will be made available over a period of 22 years or less.
- 5. Is the CCSD wait list tied to specific lots?**
Yes, you have to own a lot to hold a wait list position.
- 6. Since the CCSD wait list is tied to specific lots, could the BRP attempt to guide where the additional connections are to be located?**
No, it is better for the natural operation of the real estate market to guide the placement of the additional water connections. Also the fact that the CCSD wait list positions are tied to a specific lot does not guarantee that this is where the water meter will be eventually placed. Meter and wait list position transfers are allowed today and occur frequently.
- 7. How does the BRP relate to the desal plant?**
This BRP is designed to mitigate potential growth-inducing consequences of a desalination plant by retiring building sites that exceed the maximum of 4,650 water connections that has been adopted.
- 8. Where did the number 4,650 maximum water connections come from?**
It is the sum of existing residential water connections, pending connections, outstanding Intent to Serve Letters, grandfathered meters, existing CCSD waitlist positions, and unallocated connections. It is consistent with the proposed North Coast Area Plan and the recommendations of the Coastal Commission.

9. Why 22 years for the BRP?

Based on the County's current 1% growth rate, it will take 22 years to achieve buildout at 4,650 connections.

10. What happens to people with a buildable lot and no CCSD wait list position?

They have several options:

- Acquire and move a meter or CCSD waitlist position from another lot.
- Purchase an unallocated water connection from a land trust.
- Simply retain their property (do nothing).
- Sell their property.
- Donate their property.
- Merge their property with an adjacent parcel.
- Wait until the end of this 22-year implementation period to find out if they are eligible of the unallocated water meters.

11. What are the two Special Project Areas, and why the special restrictions?

Special Project Areas #1 and #2 are special planning areas designated by the county because of #1 trees and habitat, and #2, viewshed and habitat. Water entitlements cannot be transferred into them unless the building site is already on the CCSD waitlist for water connections. The BRP did not include these areas because there are other acquisition programs that focus on these areas. (This is currently true only for SPA #1. The CCSD Board would need to pass an ordinance for SPA #2).

12. Why do Commercial water customers have a higher water rate increase than Residential ones?

Commercial water rates are currently higher than residential rates, which is the common practice throughout the nation. The rate increase proposed is the same percentage increase for both commercial and residential. Residential customers will pay 15% of the costs of the BRP while commercial customers will pay 4%.

13. How does the BRP impact multi-family water connections?

The BRP includes multi-family water connections and lots.

14. How does the BRP impact commercial meters?

Future commercial water connections are limited to 20% of the water allocated for each year. The BRP limits the number of residential water connections. The commercial connections will therefore be limited to 20% of the water allocated for residential.

15. Who will own the lots and what will they be used for?

Most of the lots will be owned and maintained by CCSD with open space easements over them held by land trusts, but some might be owned by land trusts if they complement forest and open space reserves that already exist. Most will simply be open space and forest habitat.

- 16. What will the lots that have been acquired look like?**
These lots will look like the 100's of lots already acquired and retired. They are and will remain as permanently dedicated open space.
- 17. Who will maintain the retired lots?**
The owner of the lot is responsible for maintenance. If the lots are merged with another lot the owners of the merged lot will be responsible for maintenance. If a land trust owns the lot it will be required to maintain the lot. If the CCSD owns the lot it will have to maintain the lot. Maintenance will largely be weed abatement and fuel reduction. The cost of maintenance by the CCSD will be funded through the BRP.
- 18. Which lots, and how many, will be purchased?**
A projected 879 lots that are part of potential building sites will be purchased.
- 19. Who will own the retired lots?**
The CCSD, land trusts and private property owners who have either merged building sites into their property or agreed to covenants or easements to retain the lots as open space will own the retired lots.
- 20. Who will decide on which lots to purchase?**
Land trusts in the BRP will have flexibility in choosing lots for purchase and retirement, as long as transactions retire a potential building site. Among the factors they could consider are
- Adjacency to other retired lots
 - Least cost for greatest benefit
 - Strategic importance for habitat or open space protection
- 21. Why are Greenspace and the Land Conservancy of SLO County chosen to help implement the BRP?**
Local land trusts have knowledge of the community and experience in acquiring land for conservation purposes here.
- 22. Why doesn't CCSD sell the meters itself?**
- It takes these decisions out of the hands of the CCSD Board.
 - The CCSD would not have to increase staff to handle this new role.
 - Confidentiality can better be assured for these business dealings.
 - Donations to these non-profit charitable organizations could have tax or related benefits to donors.
- 23. How is the average selling price (\$300,000) of unallocated water connections justified?**
Recently, single connections have sold for from \$200,000 to \$366,000.

- 24. How will the market value of a lot be determined?**
Market value will be determined by an appraisal by a qualified real estate appraiser.
- 25. Will lot retirement be voluntary?**
Yes. Lot retirement will be accomplished by donations, dedications, or voluntary sale for market value.
- 26. How will variances from the projected total BRP costs be dealt with?**
The costs and funding for the BRP are based upon our best projections today. It is expected that there will be some variances over the 22 years that the BRP is implemented. The expenses and revenues will be monitored and adjusted as necessary by the CCSD Board to accomplish the BRP's goals.
- 27. How do we know the price tag is accurate?**
The sum was based upon actual lot sales and water commitments. The land acquisition costs were based upon an analysis of the current average sale price of lots. The total lots to be retired are the actual numbers based upon current water usage, water commitments, and the current vacant lots. This information is the best and most accurate available today. As stated above in the answer to question 26, expenses and revenues will be monitored and adjusted as necessary to accomplish the BRP's goals.
- 28. How can we make sure County-owned surplus lots are qualified as part of BRP?**
The best we can do is request that the County of San Luis Obispo participate in our BRP by dedicating its lots to permanent open space.
- 29. Why not fund the BRP entirely with the sale of meters?**
Under the 4,650 cap on residential connections there are not enough unallocated connections available to pay for the projected cost of the BRP.
- 30. Why not accelerate the BRP by selling meters faster?**
The County caps the growth rate. Also, offering many water connections for sale at a time could distort the market.
- 31. Could building site retirement happen at a faster rate than the approval of water connections?**
Yes, the building sites could and should be retired as soon as possible to insure that the BRP continues to meet the yearly allocation of building permits by the County.
- 32. Is the number of CCSD wait list positions solid? Might there be attrition?**
Rarely someone on the wait list forfeits his or her position. The CCSD could add more to the wait list but this is very unlikely because under the County current application of its growth control ordinance the growth rate in Cambria is 1%.

Applying this to our projections it will be 22 years before the wait list is exhausted.

33. Are lots retired for reasons other than preventing building, i.e. protect trees?

The most significant reason for the CCSD to retire lots is water conservation. Retirement reduces the future need for water. Another significant reason for reducing building sites is that the public infrastructure for Cambria is significantly deficient. (E.g. roads, sewer, police services, etc.) Growth beyond that envisioned by the BRP would create a very unsafe situation because this growth would far exceed available public services and infrastructure. Other reasons are for fire safety, habitat and open space protection, and recreational opportunities

34. How long will lot retirement last?

The retired lot will remain retired forever.

35. How do we know the lots won't be sold for development at a later time?

Lots transferred to CCSD will have deed restrictions or conservation easements held by land trusts to prohibit building. Land trusts that retain lots similarly will retire those lots.

36. When will we begin the BRP? When will it be completed?

The CCSD can begin to implement the BRP after the water master plan is approved. (Approximately one year). The BRP ends when all of the lots are retired.

37. In 22 years after the BRP is implemented what will Cambria look like?

The lot reduction BRP will effectuate the retirement of lots to eliminate most of the available building sites thus capping the potential growth of Cambria. Cambria will most likely look the same as today.

38. Has a BRP like this worked elsewhere?

This exact program has not been implemented elsewhere. The BRP was developed over many years to fit the unique constraints and needs of the Cambria community. A team of qualified consultants and staff have researched potential methods, received community input, recommended viable solutions, and with the guidance of the CCSD Board and the Buildout Reduction Program Citizens Finance Steering Committee, collaborated to develop this program tailored to fit the issues presented in Cambria.

39. How will the land trusts and CCSD deal with potential legal action against them?

The CCSD agreement with the land trusts could include a clause requiring the CCSD to defend and indemnify them from lawsuits.

40. How does this Program relate to the Desal Project?

The declaration of the Water Code Section 350 water shortage emergency and the moratorium require the CCSD to find a long-term supplemental water source to resolve the water shortage and allow the moratorium to be lifted. The CCSD is adopting a Water Master Plan (“WMP”) that will identify supplemental water sources. The Desal Plant is the most feasible. State law requires that the EIR for the WMP consider the growth-inducing impacts of the WMP and requires the CCSD to adopt and implement all feasible mitigation measures to these impacts. The BRP is a feasible mitigation measure and will be part of the WMP and a requirement for permitting of the Desal Plant. As a monitored mitigation measure, it can be enforced by a citizen lawsuit.

41. Will there be a referendum to create an Urban Growth Boundary, and how will that prohibit growth beyond the current CCSD service boundary?

This has two parts: the supply of water outside the CCSD boundary and the supply of water to the area being annexed. The supply of water outside the CCSD boundary will require a vote by CCSD electorate. The supply to areas being annexed is not fully resolved, but should require a vote prior to the CCSD informing the Local Agency Formation Commission (LAFCO) that sufficient water exists. Annexed areas could also require a voter-approved amendment to the WMP.

42. Doesn't this Program 'take' property without compensating owners?

- No one will be forced to sell his or her property under this Program.
- Under existing CCSD ordinances, certain properties have been ineligible for water service for decades--i.e., lots smaller than 3,500 square feet and with less than 50 feet of street frontage; and lots in Special Project Area 1 that do not already have a water allocation.
- The cap of 4,650 water connections is based upon the County's EIR on the Cambria and San Simeon Acres Community Plans of the North Coast Area Plan.
- The purchase of land in the District has never constituted a guarantee of water service.
- In conjunction with the Desal Project, the BRP will allow CCSD waitlist people to receive Intent to Serve letters, will allow other people to purchase waitlist positions with the expectation of water service, and will allow purchase of water connections from a land trust.

43. Why do current ratepayers have to subsidize new water connections?

Everyone who has to pay for water service in Cambria will benefit from the desalination plant. The water will be more dependable during drought conditions, eliminating the need for severe water conservation measures and water rate surcharges. The BRP is a required mitigation measure to the permitting of the

Desal Plant that will provide current water customers with a dependable water supply. Water rate increases are projected to comprise only 15% of the Program costs. Those on the waitlist will contribute 23% in the form of a special connection fee. Fifty percent of the Program is funded through sale of the 65 unallocated water connections.

44. How do I find out if my lot is on the list of lots to be purchased?

There is no master list of lots to be purchased. We do not know who is willing to sell his or her lot. We simply know that to make the number of available lots match the number of available water allocations, 879 lots need to be purchased. This will happen over the 22-year life of the Program. The lots to be purchased will depend on factors like cost, attributes for habitat and forest protection, proximity to other open space, relationship to existing development, etc.

45. Why are you ignoring people on the County waitlist?

The CCSD's BRP assumes that the County's growth control ordinance will continue to operate as it has done. The BRP is based upon a 1% growth rate or about 25-30 Single Family Residential (SFR) building permits a year. Based on this, when the moratorium is lifted, the CCSD's current wait list will not be exhausted for another 22 years. The total estimated time from today is 26 years. Thus the issue of what happens to the people on the County's wait list won't be addressed for over two decades. The people on this list are not in any worse situation with the CCSD's adoption and implementation of the BRP. County waitlist people can still purchase a water meter, purchase a CCSD wait list position, sell their property, or wait for 20+ years until future Boards of Supervisors and CCSD Boards decide who receive the 19 remaining water entitlements under the 4,650 cap. It is impossible to give the public a more precise answer because whatever we decide today can be undone and handled differently by future legislative action.

46. How solid are the numbers in the Program budget?

They are based on historical patterns in Cambria and conservative and professional judgments by our staff and consultants. We believe the Program is sufficiently innovative that it could be eligible for grants, and that there might be ways to augment Program income in new ways to reduce costs.

**BUILDOUT REDUCTION PROGRAM QUESTIONS FROM
MAY 16, 2006 TOWNHALL MEETING**

Isn't the BRP a growth control measure and therefore not part of the CCSD's business?

The BRP is a feasible mitigation for the growth-inducing impacts of the CCSD Water Master Plan EIR. The CCSD is required to comply with California Environmental Quality Act (CEQA) in its water planning and to consider the growth-inducing impacts of water projects and implement feasible mitigations to reduce significant environmental impacts caused by this growth. The CCSD has the authority to mitigate these impacts via its authority and obligation to conserve water by reducing future water demand.

How does affordable housing fit into the BRP? Is it within the 4,650 maximum residential water connections?

Affordable housing would be supplied within the 4,650 maximum residential water connections as encouraged by the County housing programs. The CCSD has a history of assisting, where legal, the establishment of affordable housing in Cambria.

Why does the BRP use "water connections" instead of numbers of people?

The CCSD has authority only over water connections.

Why doesn't the BRP address the implementation of the Forest Management Plan?

The BRP addresses the practical and economic feasibility of implementing a buildout reduction plan in Cambria, not the best way to manage the retired lots. This maintenance activity will be considered later using the Forest Management Plan as a guide.

How many commercial water connections will be permitted under the BRP?

Current permits require that 20% of the CCSD new water connections be allocated to commercial uses. Approximately 140 commercial EDUs are possible (20% of 701).

How can the BRP so callously ignore the people who have building sites and no water position? My child cannot afford to buy a meter at the prices mentioned in the report.

The BRP was developed with the basic premise that fair market value be paid for lots that are purchased and retired. These lot owners will be in the same, if not better, position than they were prior to the BRP. It should be noted that the

CCSD does not set the price for water waitlist positions or water meters. If you own a lot without a water entitlement before the BRP is implemented you can buy a meter, buy a CCSD waitlist position, sell your lot at fair market value, or wait the almost 30 years to see how the remaining water meters will be allocated.

If you own a lot without a water entitlement after the BRP is implemented you can buy a meter (there will be more for sale), buy a CCSD waitlist position, sell your lot at fair market value (these lots will be acquired under the BRP and by other buyers), or wait the almost 30 years to see how the remaining water meters will be allocated.

If the BRP is implemented and water connections are sold, how soon can buyers expect to build?

The earliest these connections could be used is when the CCSD Board lifts its moratorium. The CCSD Board can consider lifting the moratorium when the desalination plant is far enough along so that supplemental water would be produced in time to meet the new demand.

Will the increase in water rates for the BRP be fixed for everyone or be related to how much water is used?

It may be handled either way or a combination of both.

With some lots costing more than a million dollars, how can 879 lots be purchased?

The money collected for the BRP will be used to acquire the most lots for the least amount of money. The least expensive lots that meet the criteria of size and location will be purchased. It is unlikely that any million-dollar lots will be acquired.

What is the total cost to rate payers?

A current rate study by Black and Veatch is being done to look at all the rates including the proposed BRP increase, which will not be implemented until all the rate modifications are studied to alleviate a major financial burden on our customers.

Will some commercial users be paying more than others based upon the type of business?

All commercial users will receive the same percentage increase in rates. This is the same percentage increase in residential rates.

What happens if the 1% growth cap is raised?

Development could occur faster, but the 4,650 maximum residential connections would remain the same regardless of how fast it is reached.

How does the Transfer of Development Credits Program relate to the BRP and the retirement of lots?

The BRP does not allow for the transfer of development credits from any lot acquired with BRP funds. Therefore the TDC program is unaffected by the BRP.

How and why were the committee members chosen and how might they benefit personally from the BRP?

Since the BRP could impact people with different interests in the Cambria community, the CCSD Board appointed a committee to undergo an extensive public review process. This committee represents a cross section of constituencies and stakeholders to review and comment on the BRP. Committee members commenting on the BRP have no conflict of interest just as no member of the public does. The public's comments and recommendations are as valuable as the committee's.

How can the CCSD, which deals with water and wastewater, justify buying lots?

The CCSD has the authority to acquire lots for parks, recreation and open space. It may also acquire lots for water conservation and fire prevention. The BRP is a legal mitigation for the growth-inducing impacts of the CCSD Water Master Plan EIR, which studies the desalination plant. The CCSD is required to consider the growth-inducing impacts of the desalination plant and implement feasible mitigations to reduce the significant environmental impacts caused by this growth. Under the BRP the lots will be acquired by land trusts who may transfer the lots to the CCSD if the land trust retains an open space easement over the lots.

Why don't you put this matter (BRP) up for a community vote?

In August 2000, the CCSD sent registered voters, District customers, and property owners on the water wait list an advisory ballot to obtain their views on constructing a desalination plant. Fifty eight percent of respondents voted in favor of desalination. On July 23, 2003, as part of Water Master Plan Phase 4, the CCSD Board of Directors approved desalination as the alternative water source for Cambria and specified that the plant capacity be limited to 4,650 total residential hookups. A vote is not required to adopt the remaining portions of the BRP.

Years ago another District Counsel opined that the CCSD is legally prohibited from denying anyone water once desalination is developed. What, if anything, has changed this?

The BRP decreases the future demand for water by reducing potential building sites. When the required number of lots is retired, there will be no lots left that will require water service.

Will the lots be retired forever and can the government condemn lots?

The likelihood of government exercising condemnation authority to acquire enough lots to defeat the purposes of the BRP is slim to none. There must be a public purpose to acquire land by condemnation. Since the acquired lots will already be dedicated to a public purpose, the public purpose for condemnation must be greater than the need for open space and forest preservation.

Has a graduated connection fee that increases proportionately to the square footage of a residence been considered?

It has been considered, but determined to be too complex to administer. It won't save money for any one household.



CAMBRIA COMMUNITY SERVICES DISTRICT

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RESPONSE BY CCSD AND CITIZENS FINANCE COMMITTEE FOR THE BUILDOUT REDUCTION PROGRAM TO QUESTIONS FROM RICHARD L. WATKINS ABOUT THE CCSD BUILDOUT REDUCTION PROGRAM

Richard L. Watkins distributed written questions in August 2006 throughout the central coast real estate business community (including Cambria) about the CCSD Buildout Reduction Program (BRP), and the CCSD and Citizens Finance Committee for the BRP provides the following responses.

1. How was the decision made that a Buildout Reduction Program is the only way to mitigate the potential growth inducing element of increased water supply associated with the completion of the desal plant?

The California Environmental Quality Act requires that the CCSD study the growth inducing impacts of all water projects and implement all feasible mitigation measures. The BRP is feasible and thus must be implemented as part of the approval process of the desalination plant. Along with all of the other identified mitigation measures.

2. Many other communities have concerns about water supply and growth, but have any within Coastal Commission jurisdiction undertaken a similar Buildout Reduction Program.

Yes, most communities on the California coast have concerns over buildout and water. These include Santa Monica (<http://www.coastal.ca.gov/web/fire/ucsbfire.html>); San Mateo (http://coastsider.com/images/uploads/planning/midcoastlcp/CCC_BOS_03-07-05.pdf#search='california%20coastal%20commission%20and%20buildout%20reduction'); Santa Barbara (www.countyofsb.org/plandev/toro/feir/5-0Policies.doc); and Monterey (http://www.co.monterey.ca.us/gpu/Reports/Existing%20Plans/1noco_lup.html). As you can see, they all have some form of a buildout reduction program.

Quoting from the Santa Monica plan:

"The proximity of the Malibu/Santa Monica Mountains to the Los Angeles metropolitan region coupled with it's coastal location, breath taking views, access to undisturbed natural areas, and sense of rural living make this a very desirable area. With proper land use planning, site planning, building codes and vegetation clearance it is possible to significantly reduce the threat of fire in the Chaparral community. However, the problem in the Santa Monica Mountains is there are literally thousands of existing legal

undeveloped parcels comprising hundreds of acres of land area that are located in very remote, topographically constrained, and environmentally sensitive areas. These factors make it quite difficult to mitigate the threat of fire and adverse environmental impacts.

There are also a number of very poorly planned subdivisions that were divided in the late 1920s and 1930s with lot sizes of less than an acre and many more typically 5,000 to 10,000 sq. ft. in size. These subdivisions were primarily designed for weekend cabin type of use. However, today the expensive homes built on these parcels are occupied on a year-round basis. There are approximately 6,000 of these ill-conceived small parcels in the Santa Monica Mountains. These subdivisions have very narrow winding roads, which cannot accommodate fire equipment and are for the most part very heavily wooded with both natural and exotic plant species.

These types of subdivisions are disasters just waiting to happen. In order to reduce the buildout of these subdivisions and remote environmentally sensitive parcels the California Coastal Commission developed the Transfer of Development program in the Malibu/Santa Monica Mountains Area of the Coastal Zone. Simply the Transfer of Development program requires that any time a new parcel is created through the subdivision process, the equivalent development rights on designated small lot subdivision lots or remote environmentally sensitive parcels have to be retired. In theory, the newly created subdivisions are located in areas more suitable for this type of development. To date 924 substandard lots have been retired in small lot subdivisions and some 800 acres of remote environmentally sensitive parcels have been retired. Making the Malibu/Santa Monica Mountains Transfer of Development program one of the most successful in the United States." Sound familiar?

3. What will prevent the remaining water positions and grandfathered meters from gravitating via transfers to parcels with the highest potential built-out value?

This is expected and accounted for in the BRP's analysis.

4. If that ongoing process of "water movement" continues, what is the likely impact to the supply of newly constructed workforce and affordable housing in the community?

The CCSD has and will have a separate list of water services for affordable housing and multifamily housing.

5. When the sites with the highest built-out value are developed, probably with structures approaching the largest gross structural area that planning standards allow, what changes will occur to Cambria community character based on charm and small town ambiance?

The San Luis Obispo County zoning laws limit the size of homes in Cambria. Without the BRP more lots would be built upon. As such the BRP acts to protect the character of Cambria.

6. The parcels with highest built-out value are concentrated in near coast and fine ocean view areas of Cambria. Few, if any, of those lots will be retired because of their relatively high value. Won't these areas experience a high degree of tree removal over time and aren't those areas the most visited by locals and tourists?

If lots near the ocean and with ocean views are the ones that will be developed less trees will be removed. San Luis Obispo County can require tree replacement upon the lots retired by operation of the BRP to maintain the health and continued sustainability of the forest. The BRP actually acts to affirmatively protect the forest forever. Without the BRP more trees would be cut because more lots would be built upon and there would be no control over where open space is preserved in light of the health of the entire forest.

7. Lots (and the trees thereon) purchased during the Buildout Reduction Program will be concentrated in areas farther from the coast that aren't often frequented by locals or tourists. The ecology of these slopes is not the same as those with direct coastal exposure. Is the CCSD focused on saving representative coastal habitats or actually more interested in saving money while attempting to control overall growth and the economic status of those able to afford newly constructed housing?

The inquirer does not see the forest for the trees removed. The land trust(s) that will acquire the lots will, to fulfill their mission, purchase lots to preserve the sustainability of the entire forest. It will be protected by the implementation of the Forest Management Plan with the advice of a certified forester or ecologist. This is already done on the Fiscalini Ranch Preserve where many acres of coastal forest are protected.

8. The \$20,000,000 (+/-) to be raised by increasing water rates and using supplemental water hook-up fees will remove money from the local economy. Retiring lots is ultimately a dead end in an economic sense. What is the cumulative economic impact of reducing the amount of money that is spent within the community by \$20,000,000?

The premise of this question misstates the dollars presumed to be lost to the community of Cambria. It assumes that over the 22 years of the program the money used to pay for connect fees and water service would be spent in the community. Assuming for argument's sake that all of the \$8.81 a month increase in water rates would have all been spent in the local Cambria economy it would equal about \$35,240 a month ($\$8.00 \times 4,000 \text{ customers} = \$35,240$). Even if this was true you would have to subtract the amount new residents and businesses would spend in the community. There will be an additional 785 residential and 157 commercial connections for a total of 942. The total amount each business (including their customers) and the people living in each residence would have to spend each month to break even would be $\$35,240/942 = \37.41 . In other words if each new home or business spent \$37.41 a month there would be no net loss to the local economy. This is equal to one minor shopping trip to the grocery, a meal for two, or a few gallons of gas. If this amount was doubled to \$74.81 it would cover the connect fees which by no stretch of logic would ever be spent

in Cambria by lot owners who could not build. It is logical to conclude that there will be a significant net gain to the local economy.

9. The Department of Housing and Community Development believes communities should strive to match their housing supply with needs of the community, i.e., "take care of their own." How many current residents of Cambria can afford newly constructed housing, even now? It's been over a year since a new house sold for less than \$1,000,000.

The provision of affordable housing is part of this program and has been a CCSD goal for many years. The CCSD provides separate water service for affordable housing and is currently actively working with People's Self-Help Housing Corporation and Habitat for Humanity to provide new affordable housing in Cambria.

10. If the CCSD is willing to spend \$40,000,000 of the community's money to retire lots that could potentially serve as sites for moderately priced new housing, would they consider setting aside a portion of that money to provide no interest loans for the renovation of the substantial number of substandard existing housing units and also offer low interest loans to fund additions to existing housing?

First, there is no guarantee that if lots were not acquired that they would be developed as moderate or low income housing. To accomplish this would require a government regulated and subsidized program to acquire and build such housing. There are already programs in place and the CCSD does have a separate water wait list for multi-family and affordable housing.

Second, the CCSD cannot use water rates and connect fees to sponsor affordable housing, including low interest renovation loans, as it violates the California Constitution.

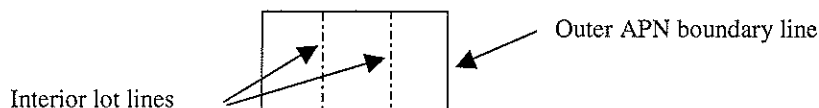
Third, low interest loans for renovation and additions without significant resale controls would create the very problem suggested by the questions above. It would make homes more expensive and spoil the "charm and small town ambience" of Cambria.

Wayne Parrack, Chair/Citizens Finance Committee for the BRP
Art Montandon, CCSD District Counsel
Tammy Rudock, CCSD General Manager

For more information: Contact Tammy Rudock, General Manager, at 805-927-6230, or email at trudock@cambriacsd.org.

Definitions Used in Buildout Reduction Program

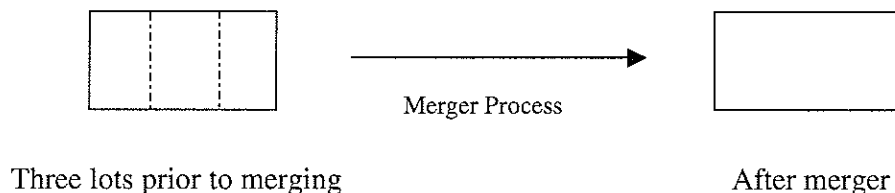
1. **LOT** – A legal unit of property that can be conveyed to another owner.
2. **ASSESSOR'S PARCEL NUMBER (APN)** - A lot or lots identified by the County Assessor for real property taxation purposes. Each parcel is assigned an APN or an assessor's parcel number.



Example of one assessor's parcel number (APN) with three interior lots

3. **BUILDING SITE** – A lot or lots eligible to receive the transfer of a water entitlement. Under the CCSD's current ordinance 8.04.100, B, 1, in effect since the 1980s, to receive the transfer of a water entitlement a lot must be at least 3500 square feet or two lots with at least 50 feet of street frontage outside of Special Projects Area 1.

4. **LOT MERGER** - Combining two or more legal lots into one legal lot. Under the BRP the new lot would be restricted from re-subdividing by the County's development laws and/or by agreements with the CCSD.



5. **RETIRED LOT** - A lot is retired when it is legally restricted from obtaining any future water entitlement into perpetuity. This has and will be accomplished by:

- a) Conservation and open space easements.
- b) Merger with other lots.
- c) Zoning and water use restrictions that prohibit construction or the availability of water.

Buildout Reduction



PRESERVING CAMBRIA'S
QUALITY OF LIFE FOREVER.





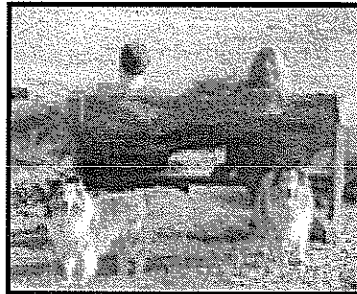
Introduction

For decades, Cambria's natural beauty and small-town charm have attracted residents and visitors from around the world.

And, like many communities across America, Cambria is at a crossroads. The town has experienced significant growth, straining its already limited water supply, infrastructure and public services. A substantial amount of Monterey pine forest and open space has vanished.

Without careful planning, the things that make Cambria special will be gone forever and it will become like so many other faceless towns...congested with traffic, devoid of open space, and burdened with the high cost of additional infrastructure.

The Cambria Community Services District (CCSD) is proud to present an innovative Buildout Reduction Plan (BRP) to ensure Cambria's small-town character, natural resources, and quality of life remain intact.



TOTAL BUILDOUT

| Water Meter Allocations | Single-family | Multi-family | Total Residential |
|--|---------------|--------------|-------------------|
| Existing residential water connections | 3,569 | 217 | 3,786 |
| Pending connections | 3 | 3 | 6 |
| Intent to serve letters outstanding | n/a | n/a | 31 |
| Grandfathered meters | n/a | n/a | 42 |
| Existing CCSD waitlist positions | 666 | 35 | 701 |
| Potential additional CCSD connections | n/a | n/a | 84 |
| Maximum total connections | | | 4,650 |

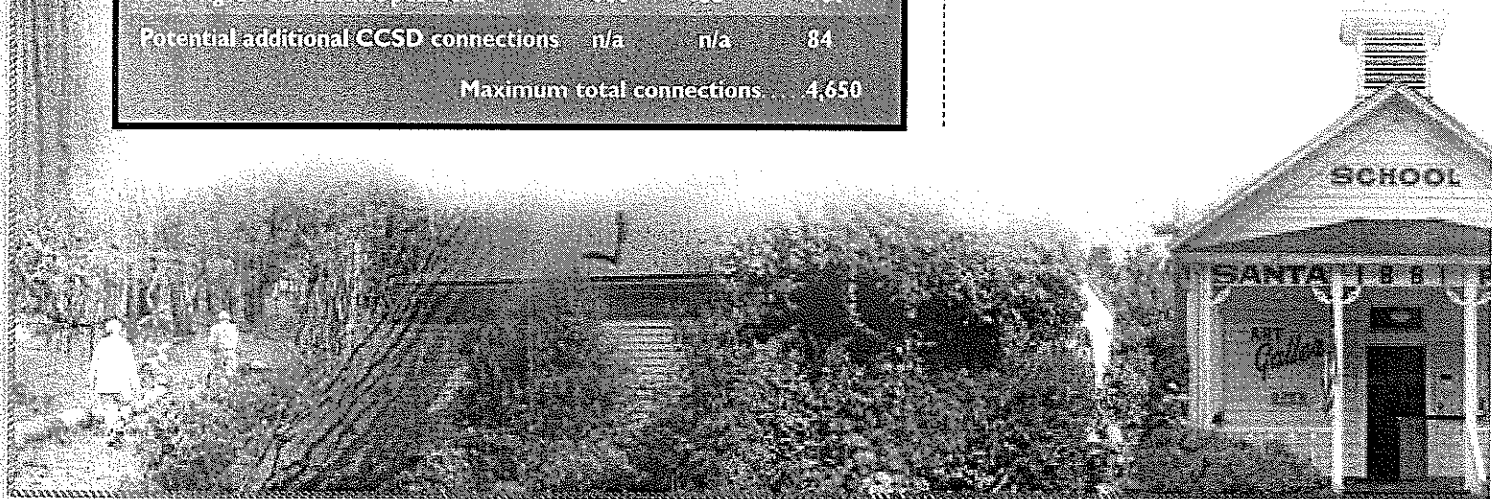
Background

Following decades of severe water supply challenges, the CCSD Board declared a water emergency in 2001 and stopped the issuance of all new water connections until a viable water supply could be identified.

The CCSD is developing a Water Master Plan, scheduled for completion in 2007, which identifies a maximum of 4,650 residential water connections as the target capacity for final Cambria buildout. This is considered a sustainable number based on Cambria's limited infrastructure, services and resources. It includes 3,784 current residential water connections and 866 pending connections (701 are on the CCSD waitlists).

Buildout reduction and the target 4,650 residential water connections are consistent with County and California Coastal Commission recommendations.

In early 2006, the Citizen's Finance Committee, a broad cross-section of Cambria stakeholders, was appointed by the CCSD Board to develop a Buildout Reduction Plan (BRP). They completed their work and presented a report in May 2006, which is the basis for most of the information in this brochure.





Concept

The BRP's main goals are to conserve water, minimize infrastructure impacts, and preserve the town's dwindling forests and open space, allowing Cambria to retain its small-town character and quality of life. The

BRP also satisfies the California Environmental Quality Act's requirement to mitigate any growth-inducing impacts of the Water Master Plan.

The BRP seeks to retire or merge building sites¹ that exceed the approved maximum 4,650 water connections. This includes multi-family connections and lots. It does not include commercial connections, which are limited to 20% of the residential water allocation in a given year.

Most of the estimated 879 lots to be retired will be owned and maintained by the CCSD with open space easements held by land trusts. Some may be owned by land trusts if they complement existing forest and open space reserves. Most will be open space and forest habitat.

It's not known who will sell their lots, so there is no master lot list. The purchase of the 879 lots will occur over the 22-year life of the BRP. The choice of lots will depend on cost, habitat and forest protection attributes, open space proximity, and relationship to existing development.

Controlling growth on the edge of Cambria complements the BRP. In November 2006, Cambrians will have an opportunity to vote for the creation of a water service growth boundary. This measure would require voter approval for adjacent areas to be annexed and to obtain water and sewer connections.

¹ A building site must be a minimum of 3,500 square feet or have two underlying lots and at least 50 feet of street frontage.

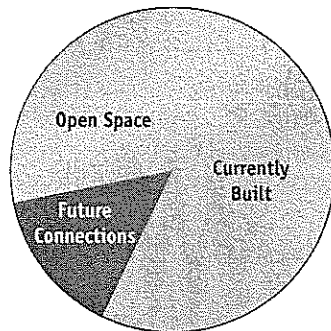
How the BRP Works

Of the 4,650 maximum residential connections, 84 are unallocated. Of these, 65 would be sold through the BRP. Selected local land trusts with land acquisition experience and community knowledge would sell three of the 65 unallocated water connections a year over the 22-year life of the program and use the proceeds to purchase and retire potential building sites. Property sales to the land trusts would be voluntary; no landowner would be forced to sell. Lots would be retired with a deed restriction or conservation easement. Once a lot is retired, it would remain retired forever. Market value of lots will be determined by a qualified real estate appraiser.

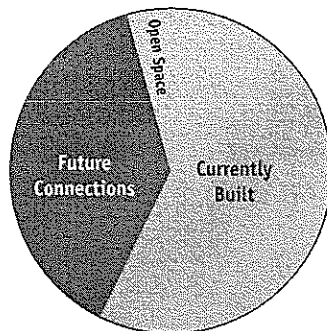
Land trusts will have flexibility in choosing lots for purchase and retirement as long as a potential building site is retired. Factors for consideration include adjacency to other retired lots, least costs for greatest benefit and strategic importance for habitat or open space protection.

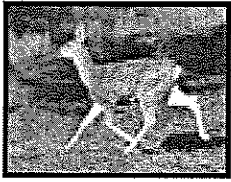
Lot maintenance will be the responsibility of the lot owner—private party, land trust or CCSD—and will consist mainly of weed abatement and fuel reduction for fire safety. CCSD cost of maintenance will be funded through the BRP.

► With Buildout Reduction



► Without Buildout Reduction





Timing

Based on the County's current 1% growth rate, complete buildout will be achieved in approximately 22 years. If this growth rate is increased, development could occur

faster, but the 4,650 maximum residential connections would remain the same. Building site retirement can occur faster than approval of water connections.

The CCSD could begin implementing the BRP sometime in 2007 when the Water Master Plan is approved. The BRP ends when all the lots are retired.

When the BRP is implemented and water connections are sold, buyers can expect to build when the CCSD Board lifts its moratorium and when a water supply project is far enough along to ensure that supplemental water is available to meet the new demand.

Program Implementation

Following is the sequence of steps to implement the BRP:

1. Approve Buildout Reduction Program
2. Approve and adopt Water Master Plan Program EIR
3. Adopt Water Master Plan
4. Incorporate proposed water rate adjustment into Water and Wastewater Rate Analysis and Modeling Study currently underway
5. As funds accumulate, make them available for lot purchases and retirements
6. Offer conditional Intent to Serve Letters to a portion of the CCSD waitlist
7. Begin donating meters (three a year) to land trusts for sale, subject to lifting of moratorium
8. Lift moratorium once a viable water supply project has made substantial progress and is nearing completion

FOR MORE INFORMATION:

For more details on the Buildout Reduction Program, please go to the CCSD website at www.cambriacsd.org and click on "Buildout Reduction Report" on the home page. You may also contact CCSD General Manager Tammy Rudock at 805-927-6230 or by email at trudock@cambriacsd.org.

LOT OWNERS NOT ON CCSD WAIT LIST

Please note that no one will be forced to sell his or her property. Due to their size or location, many properties have been ineligible for water service for decades. The purchase of land in the CCSD has never guaranteed water service.

For those lot owners who have a buildable lot but are not on the CCSD water wait list, several options are available under the BRP:

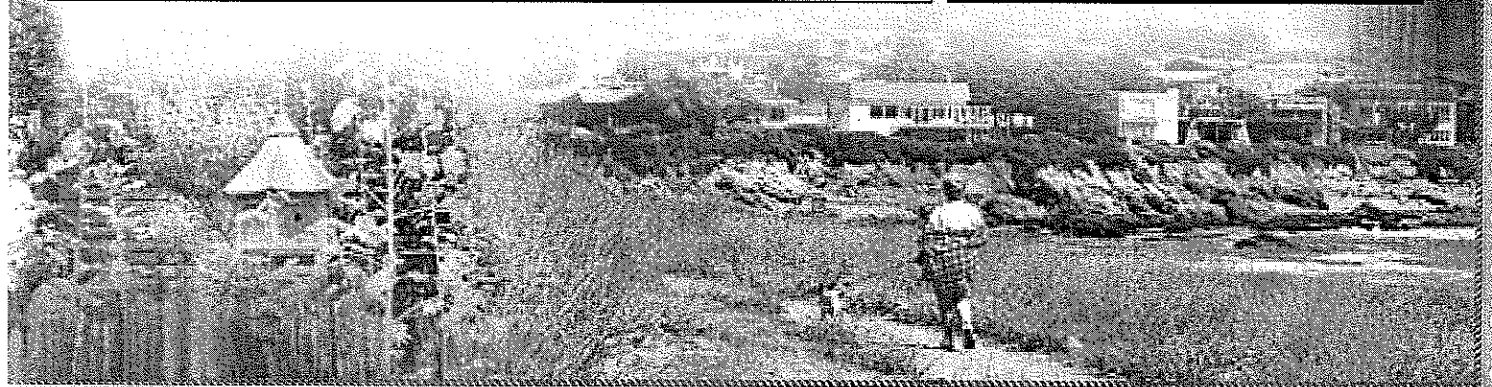
- Acquire and move a meter or CCSD waitlist position from another lot
- Purchase an unallocated water connection from a land trust
- Sell the property at fair market value
- Donate the property
- Merge the property with an adjacent parcel
- Retain the property

LOT OWNERS WITH A CCSD WATER POSITION

The 701 properties on the CCSD water wait lists will receive water connections during the 22-year projected life of the BRP.

SPECIAL PROJECT AREAS

Special Project Areas 1 and 2 are County planning areas with restrictions because of their unique resources, i.e. the trees and habitat of Area 1 and the viewshed and habitat of Area 2. Water entitlements may not be transferred to Area 1 and, after September 24, 2007, may not be transferred to Area 2 either. These areas are not included in the BRP because other acquisition programs are already in place for them.



Funding



BRP funding would come from a fee for new water connections, water rate increases for existing CCSD commercial and residential customers, a fee for remodels, and the sale of 65 unallocated water connections (3 per year for the 22-year program).

A current study is underway to review all water rates including the proposed BRP increase. Preliminary rate projections to fund the BRP are \$8.81 per month for residential customers and \$39.40 per EDU per month for commercial accounts. All commercial users will receive the same percentage rate increase as residential users. A one-time buildout reduction fee for new residential and commercial connections is estimated at \$10,127. A fee for major remodels would be approximately \$1,000.

ESTIMATED BRP COSTS

| Cost Item | Property Acquisition Costs |
|---|----------------------------|
| Land Acquisition ² | \$29,313,000 |
| Program Administration | \$2,200,000 |
| Initial Weed Abatement | \$439,500 |
| Transaction Costs ³ | \$2,931,300 |
| Merger Incentive Costs | \$3,549,600 |
| TOTAL | \$38,433,400 |
| Annual operational/maintenance fees estimated at \$283,284 ⁴ | |

² 861 lots at \$33,000 each and 18 lots at \$50,000 each.

³ Costs include appraisal, title insurance, recording fee, escrow agent, buyer-paid commissions and miscellaneous closing costs.

⁴ The O & M cost shown is an average annual expense that covers the first 22 years of the program. The cost is less during the initial years as lots are acquired, and levels off at \$370,325 per year after all the lots are acquired.

⁵ To promote specified conservation goals (like forest and habitat protection), conservation easements restrict what can occur on a lot, typically prohibiting construction.

⁶ From September 2005 – February 2006, vacant lots without a water meter sold for an average of \$13.12/sq. ft. or \$18,750 to \$75,000 for a single (25 x 70 sq. ft.) lot, depending on location.

Lot Mergers and Retirements

Under the 4,650 maximum water connections, 3,357 lots would remain vacant. The program, however, will target only potential building sites, not all vacant lots. This will reduce program costs because many lots are already retired, owned by conservation groups, in protected Special Project Areas, or too small to acquire water rights.

Some lot owners may voluntarily merge vacant lots with existing improved lots or may purchase part of an adjacent building site and merge it with their own home site. The County and CCSD offer incentives for mergers. There may also be tax benefits for merging lots. Other owners may elect to voluntarily retire a potential building site with deed restrictions or conservation easements.⁵

Acquisition Costs

The BRP generates funds to pay lot owners who want to sell their lots at fair market value. No one will be forced to sell his or her property. Lot size and views are key factors in Cambria land costs. Below are estimates based on asking prices and sales from September 2005 through February 2006.⁶

| | Single family Residence |
|--------------------------------------|-------------------------|
| Average lot size | 2,500 sq ft |
| Percent view lots | 25% |
| Price per square foot, view lots | \$30.00 |
| Price per square foot, non view lots | \$7.50 |
| Weighted average | \$13.12/sq ft |
| Average price per lot | \$33,000 |





CAMBRIA
COMMUNITY
SERVICES
DISTRICT

P.O. Box 65
Cambria, CA 93428



For more information:

CCSD General Manager Tammy Rudock
805-927-6230 • E-mail: trudock@cambriacsd.org • www.cambriacsd.org

Citizens Finance Committee*

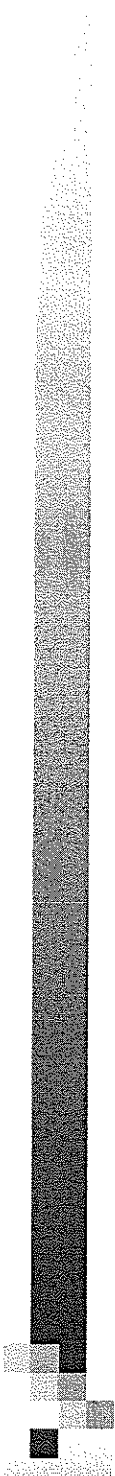
Bill Allen, Wayne Attoe, Ron Crummitt, Bob Hill, Jeannette Johnson, John Linder,
Wayne Parrack, Gail Robinette, Wayne Ryburn

Other Contributors

Art Montandon, CCSD Legal Counsel; Bob Gresens, CCSD Engineer; Tammy Rudock,
CCSD General Manager; Roger Dale, The Natelson Group;
Steve Bein, Jim McPherson, Glenn Lajoi, RBF Consulting.

Photography by Merle Bassett

** This Committee was appointed by the CCSD Board of Directors.*



Buildout Reduction Program Citizens Finance Committee Report

Committee Members:

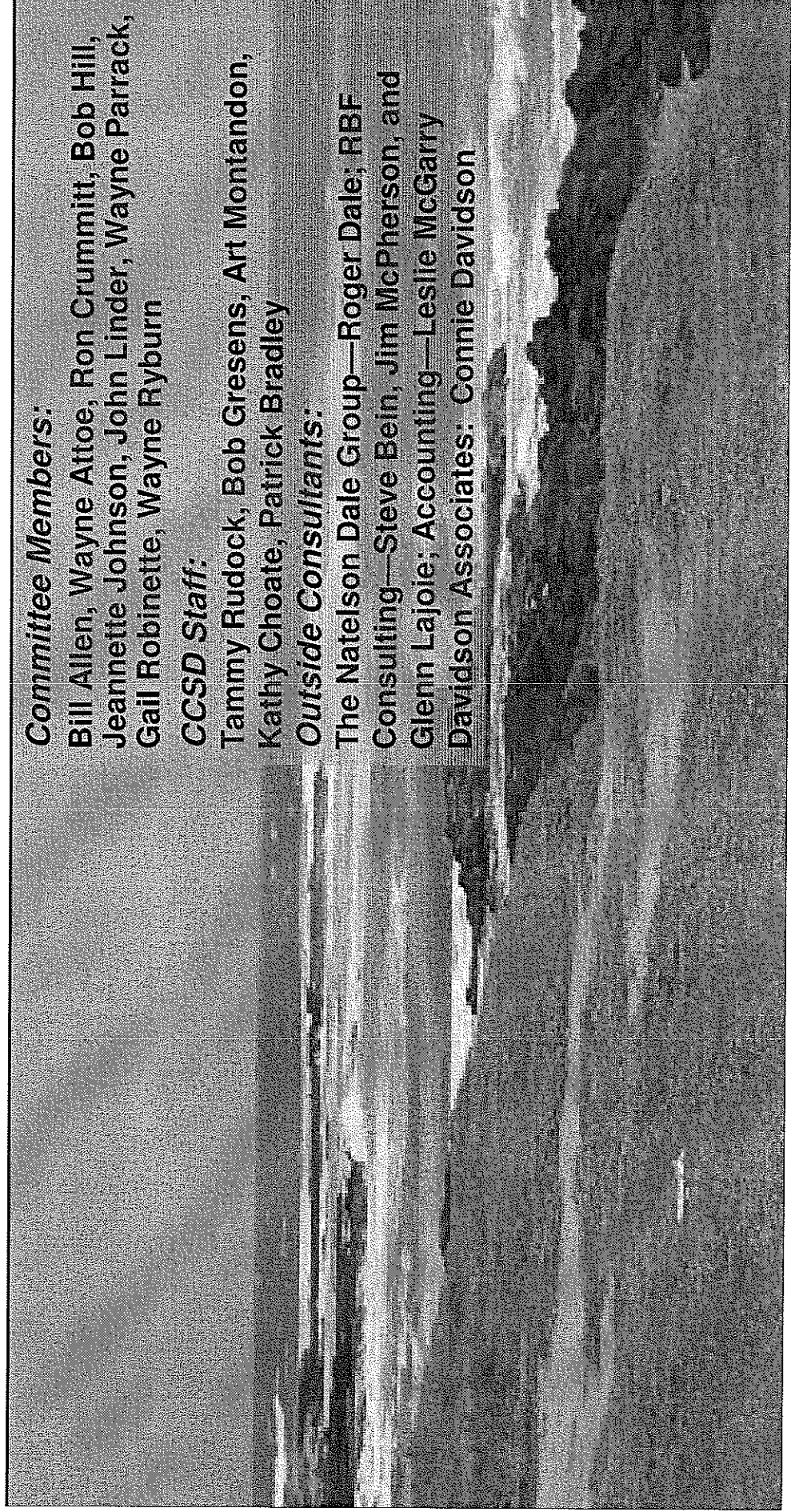
Bill Allen, Wayne Attoe, Ron Grummitt, Bob Hill,
Jeannette Johnson, John Linder, Wayne Parrack,
Gail Robinette, Wayne Ryburn

CCSD Staff:

Tammy Rudock, Bob Gresens, Art Montandon,
Kathy Choate, Patrick Bradley

Outside Consultants:

The Natelson Dale Group—Roger Dale; RBF
Consulting—Steve Bein, Jim McPherson, and
Glenn Lajoie; Accounting—Leslie McGarry
Davidson Associates: Connie Davidson





Purpose of Reducing Buildout

- Maintain Cambria's quality of life
- Protect Cambria's forest and open space
- Conserve water
- Limit the growth-inducing impact of the desalination project
- Preserve a balance between potential growth and the sustained availability of public services



Goals of Buildout Reduction

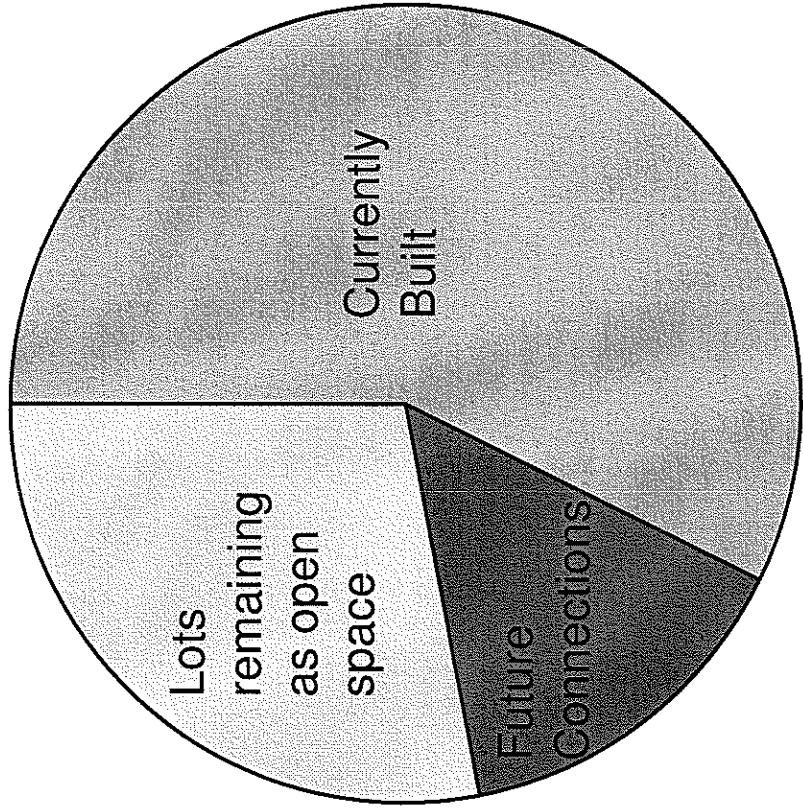
- Retire/merge enough building sites to match the 4,650 existing and outstanding residential water connections approved by the County Supervisors and CCSD Directors
- Meet a Coastal Commission recommendation made during a 2001 Periodic Review of the San Luis Obispo County Local Coastal Program
- Coordinate with the County's Environmental Impact Report (EIR) on the "Cambria and San Simeon Acres Community Plans of the North Coast Area Plan" and CCSD Water Master Plan Program EIR
- Determine funding sources and an equitable distribution of the costs for buildout reduction



Outcome of Buildout Reduction

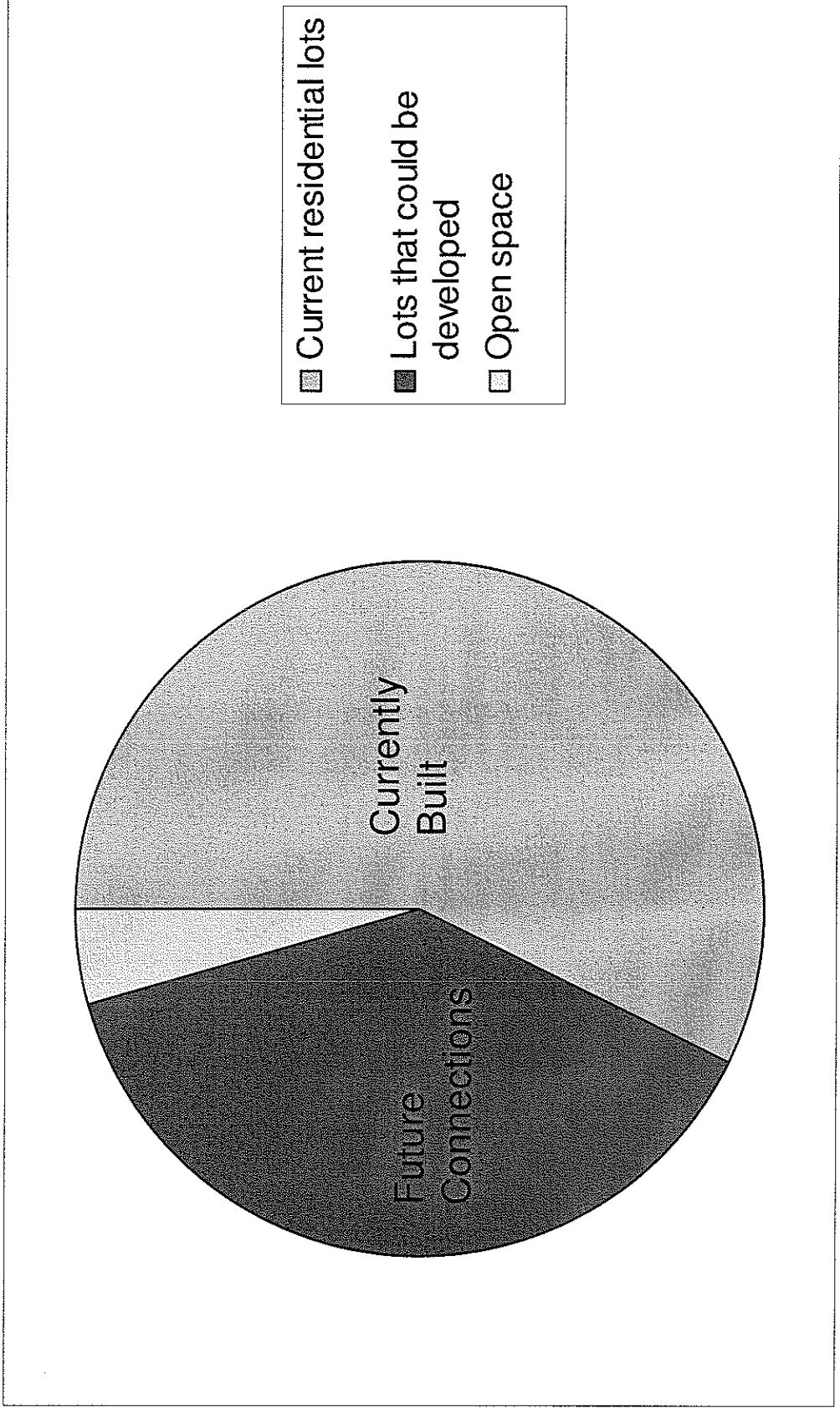
- 3,357 undeveloped lots preserved in perpetuity (28% of all lots in Cambria)
- A Cambria that is still in the pines
- A community that retains the qualities residents and visitors appreciate
- Resolution of future and long-standing planning and water shortage problems

Residential Lots With Buildout Reduction

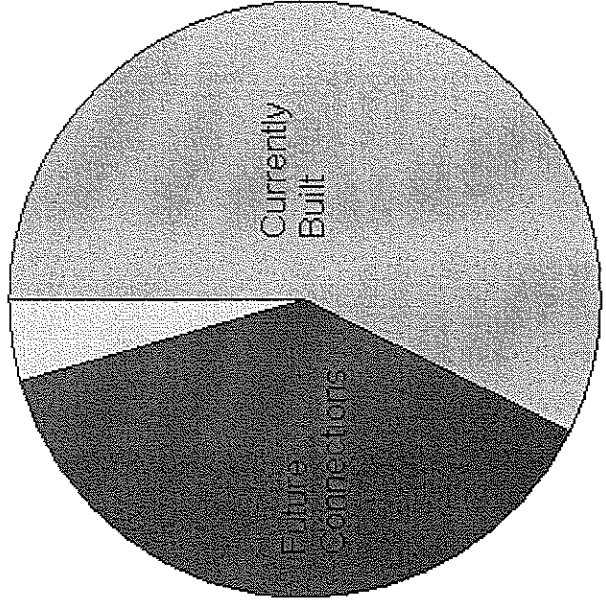


- Current residential lots
- Wait list, unallocated connections
- Open Space

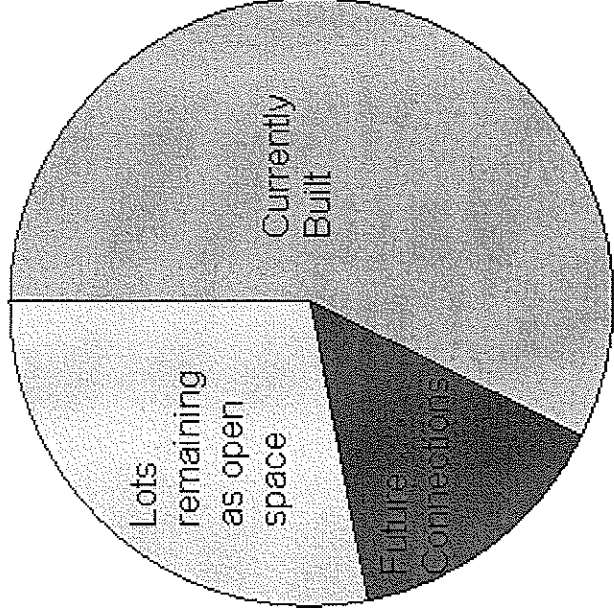
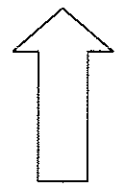
Residential Lots Without Buildout Reduction



Residential Lots With & Without Buildout Reduction



Without Buildout Reduction



With Buildout Reduction

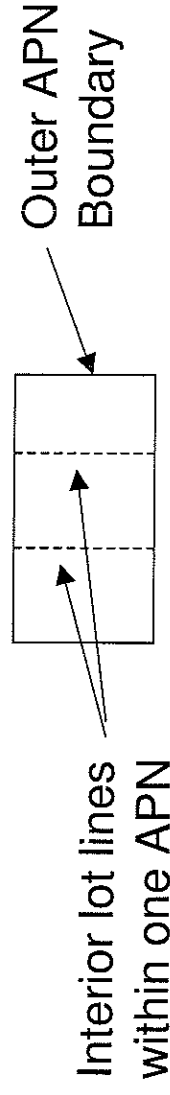


Is Buildout Reduction Feasible?

- YES, it is economically feasible

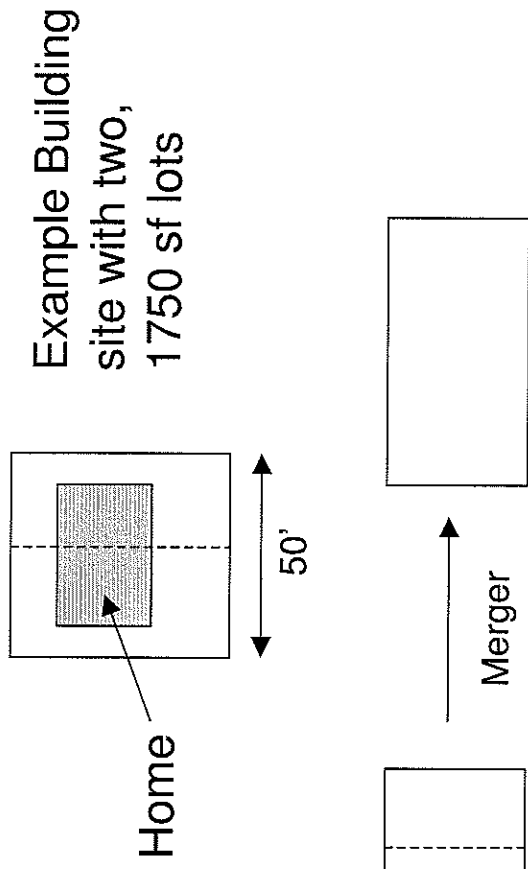
Key Definitions

- Lot
 - Legal unit of property that can be conveyed to another owner
 - May or may not be a building site
- Assessor's Parcel Number (APN)
 - Used for tax purposes
 - One APN can be one lot or several lots



Key Definitions - continued

- Building Site
 - Typically required to be > 3500 sf minimum & 50 feet of street frontage
 - Two or more single lots often required in small lot subdivisions



- Lot Merger:

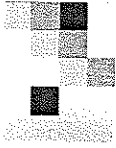
Combining two or more lots into a single legal lot: e.g.,

One APN w/ 3 lots

One APN & 1 lot

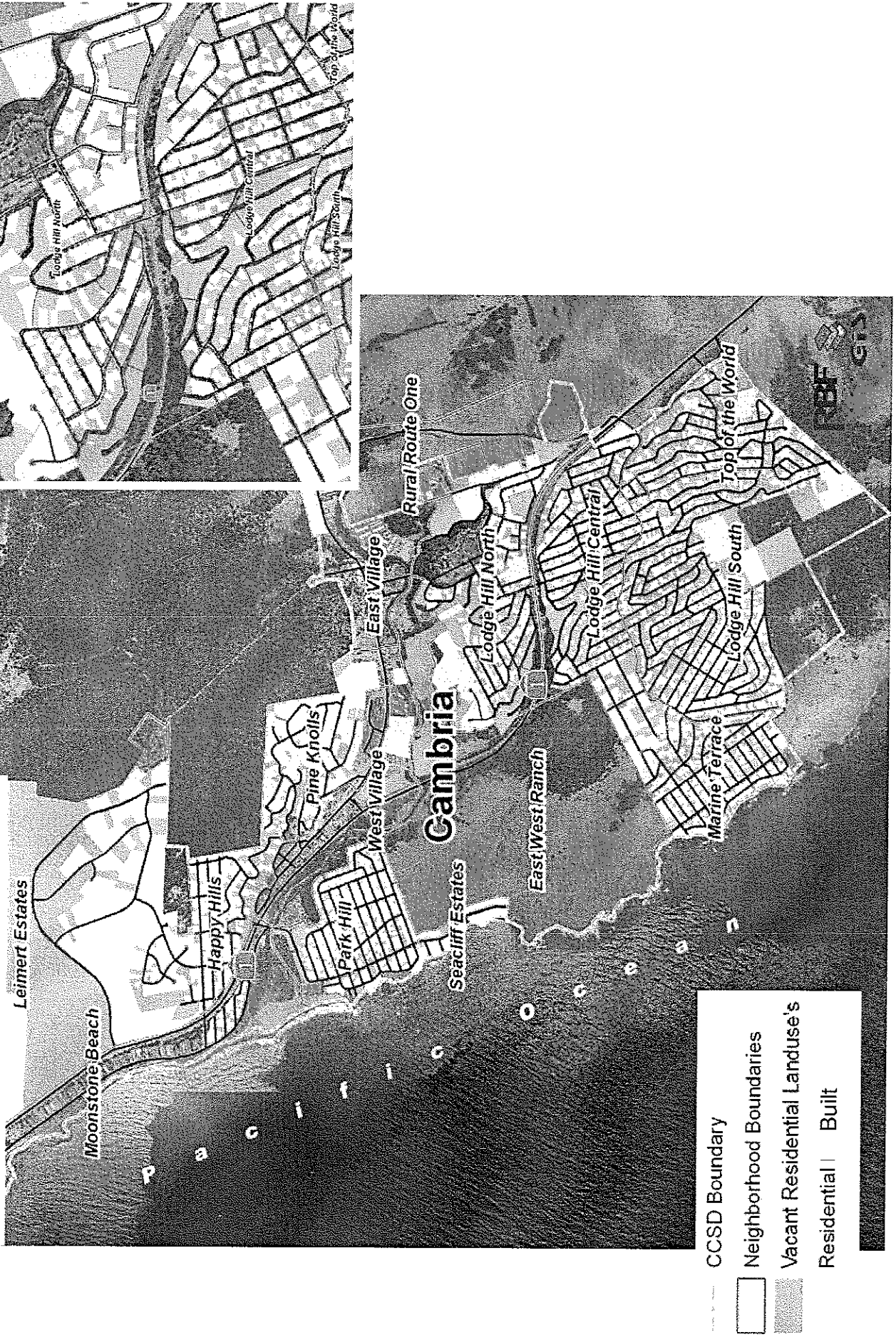
Key Definitions - continued

- Retired lot - legally restricted from obtaining any future water entitlement.
- Means for retiring lots:
 - Conservation & open space easements
 - Merger with other lots
 - Zoning & water use restrictions prohibiting construction or availability of water

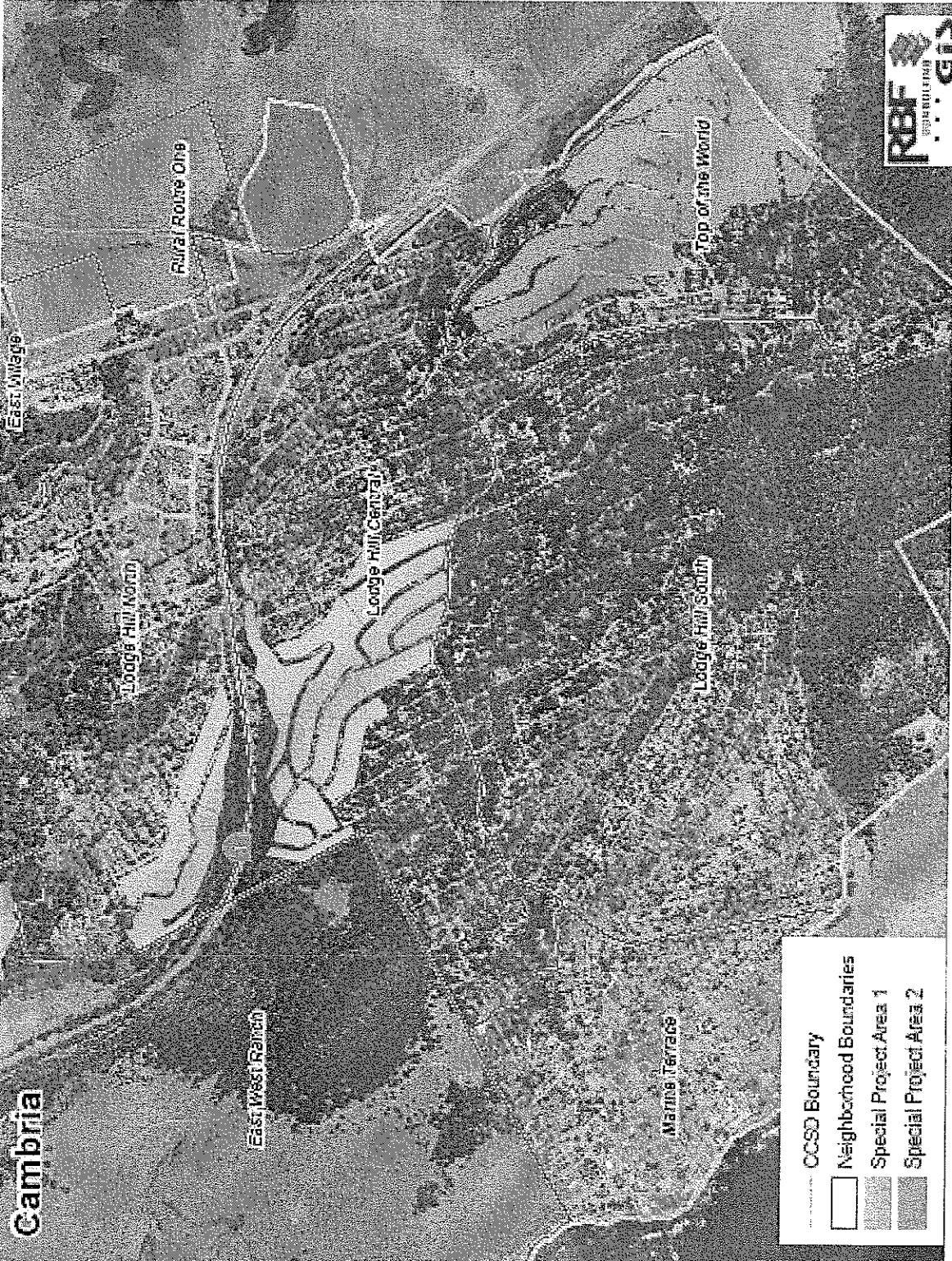


Residential Lots

Vacant vs Built



Cambria



Vacant/Built Residential Lots

- 11,923: Total existing lots
- 6,838: Developed lots
- 5,085: Vacant lots
- 3,786: Current residential water connections
- 6: Pending connections
- 31: Outstanding Intent to Serve Letters
- 42: Grandfathered meters
- 701: Existing CCSD Wait List positions
- 84: Potential other CCSD water positions
- 4,650: Total maximum connections

Costs for Residential, Commercial and CCSD Waitlist Customers

- Residential water rate increase per month ~ \$ 8.81/ month
- Commercial water rate increase per month ~ \$ 39.40/month *
(* varies depending upon use)
- One-time residential buildout reduction fee (part of connection fees) for new construction \$10,127
- One-time commercial buildout reduction fee (per EDU) for new construction \$10,127
- One-time buildout reduction fee for major remodels (estimated) \$ 1,000

Total Cost of Program Over 22-Year Buildout Period

| | |
|------------------------------------|---------------------|
| ■ Land acquisition | \$29,313,000 |
| ■ Program Administration | 2,200,000 |
| ■ Initial Weed Abatement | 439,500 |
| ■ Transaction Costs ^[1] | 2,931,300 |
| ■ Merger Incentive Costs | 394,000 |
| ■ Contingency (10%) | 3,549,600 |
| ■ Total Program Costs: | \$38,827,400 |

^[1] These include appraisal, title insurance, recording fee, escrow agent, buyer-paid commissions, and miscellaneous closing costs.



Program Funding Sources

- Additional fee for new water connections
- Special water rate increase
- Additional fee for remodels
- Sale of 65 of the 84 unallocated water connections that fall within the 4,650 cap



Steps in the Process of Selling Unallocated Water Positions

- CCSD transfers three unallocated residential water connections per year to approved land trusts
- Local land trusts sell the three water connections
- Proceeds used to purchase/retire potential building sites on the open market
- Lots retired with deed restriction or conservation easement
- Maintain lots and monitor restrictions after retirement

Lot Retirement Criteria

- Land trusts to choose lots for purchase or retirement only if property is a potential building site
- Adjacent to other retired lots
- Least cost for greatest benefit
- Important for habitat or open space protection
- No lot owner would be forced to sell

Cost Comparison with & without Sale of Unallocated Water Connections

| | <u>With Sale of 65 Connections</u> | <u>Without Sale of 65 Connections</u> |
|---------------------------|------------------------------------|---------------------------------------|
| <u>Residential</u> | | |
| Water Rate Increase: | | |
| For Lot Acquisition | \$57 per year | \$118 per year |
| For Lot Maintenance | \$49 per year | \$49 per year |
| Total | \$106 per year | \$167 per year |
| Buildout Reduction Fee: | \$10,127 one time | \$20,960 one time |
| <u>Commercial</u> | | |
| Water Rate Increase: | | |
| For Lot Acquisition | \$255 per year | \$528 per year |
| For Lot Maintenance | \$218 per year | \$218 per year |
| Total | \$473 per year | \$746 per year |
| Buildout Reduction Fee: | \$10,127 one time, per EDU | \$20,960 one time, per EDU |



Key Lot Data

- 4,650: max. existing/new residential connections
- 3,357: Lots to remain undeveloped
- 1,526: Lots already retired, owned by conservation groups, or in Special Project Areas
- 1,831: Lots to be retired/merged
- 952: Lots to be retired voluntarily
- 879: Lots to be purchased at fair market value



Program Funding Details

| | | |
|---------------------------------------|--------------|------|
| Sale of Unallocated Water Connections | \$19,500,000 | 50% |
| Remodel Fees | \$1,100,000 | 3% |
| Water Rate Increase - Residential | \$5,832,896 | 15% |
| Water Rate Increase - Commercial | \$1,458,224 | 4% |
| Buildout Reduction Fee - Residential | \$8,749,344 | 23% |
| Buildout Reduction Fee - Commercial | \$2,187,336 | 5% |
| Total | \$38,827,800 | 100% |



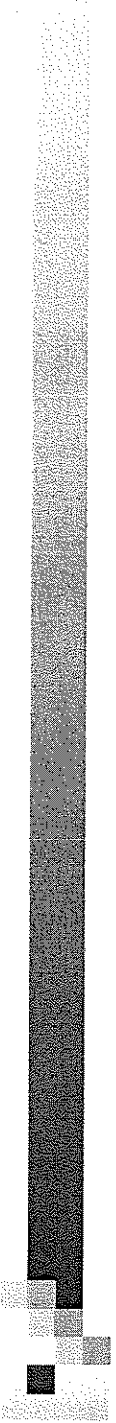
Program Implementation

- Approve Buildout Reduction Program
- Approve and Adopt Water Master Plan Program EIR
- Adopt Water Master Plan
- Incorporate Proposed Water Rate Adjustment into Water and Wastewater Rate Analysis and Modeling Study to be performed by Black and Veatch
- As funds accumulate, make them available for lot purchases and retirements.
- Begin transferring meters (three a year) to land trusts for sale, subject to lifting of moratorium
- Lift moratorium once the desalination project has made substantial progress and is nearing completion.
- Begin offering Intent to Serve Letters to waitlist positions



Program Timing

- Following adoption of the Water Master Plan and completion of the Water and Wastewater Rate Analysis and Modeling Study, portions of the Buildout Reduction Program could be launched as early as Spring 2007



Actions Needed to Ensure Success of Program

- Limit water/wastewater service to building sites within current CCSD boundaries
- Incorporate Buildout Reduction Program into EIR for Water Master Plan as a monitored mitigation measure
- Special Project Area 2 to have same development restrictions as Area 1



Public Outreach

- Town Hall Meeting – May 16, 2006
- Letters to wait list and lot owners following Town Hall meeting
- CCSD newsletter, web site and billing inserts for ongoing updates
- Press releases for local newspaper coverage



Recap of Program Benefits

- Maintain Cambria's quality of life
- Protect Cambria's forest and open space
- Conserve water
- Limit the growth-inducing impact of the desalination project
- Preserve a balance between potential growth and the sustained availability of public services



Contact

- Questions and/or comments should be addressed to CCSD General Manager
Tammy Rudock
(trudock@cambriacsd.org)