Buildout Reduction Program Citizens' Committee

(BRPCC)

REGULAR MEETING
Monday, September 18, 2017 - 10:00 AM
2850 Burton Drive Cambria CA 93428

AGENDA

A. CALL TO ORDER

B. ESTABLISH QUORUM

C. CHAIRMAN'S REPORT

1. PUBLIC COMMENT

Members of the public may now address the Committee on any item of interest within the jurisdiction of the Committee but not on its agenda today. In compliance with the Brown Act, the Committee cannot discuss or act on items not on the agenda. Each speaker has up to three minutes. Speaker slips (available at the entry) should be submitted to the District Clerk.

2. REGULAR BUSINESS

A. Consideration to Approve the Minutes from the Regular Meeting held on September 11, 2017

B. Discussion and Update of the Buildout Reduction Report

3. FUTURE AGENDA ITEMS

4. ADJOURN

Buildout Reduction Program Citizens' Committee

(BRPCC)

REGULAR MEETING
Monday, September 11, 2017 - 10:00 AM
2850 Burton Drive Cambria CA 93428

MINUTES

A. CALL TO ORDER

Chairman Siegler called the meeting to order at 10:00 a.m.

B. ESTABLISH QUORUM

A quorum was established.

Committee Members Present:
Ted Siegler, Crosby Swartz, Greg Hunter, Mel McColloch, Jerry McKinnon, Laura Swartz, Cindy Steidel.

Allison Groves arrived at 10:03 a.m.

Committee Members Absent:
Bob Sfarzo, Mark Rochefort

CCSD Staff Present:
Haley Dodson, Confidential Administrative Assistant

C. CHAIRMAN'S REPORT

Chairman Siegler stated there was no chairman's report.

1. PUBLIC COMMENT

None.

2. REGULAR BUSINESS

A. Consideration to Approve the Minutes from the Regular Meeting held on August 28, 2017

Committee Member McColloch stated his comment under Regular Business Item 2.B. should read "Committee Member McColloch would like to see commercial and multi-family residential included in the Mello-Roos, and affordable housing should not be included."

Committee Member Laura Swartz stated her comment under Regular Business Item 2.B. should read "Committee Member Laura Swartz stated the Mello-Roos District and the ten million dollar bond."

Committee Member Laura Swartz stated Chairman Siegler's comment under Regular Business Item 2.B. should read "Chairman Siegler asked Committee Member Laura Swartz what it would take for her to vote for it, how to overcome the objections, and he will come back with a financial analysis at the next meeting."

Committee Member McColloch motioned to approve the minutes as amended.

Committee Member Crosby Swartz seconded the motion.

Motion was approved unanimously.

B. Discussion and Update of the Buildout Reduction Report

Chairman Siegler stated he received answers from the District Counsel regarding Mello-Roos. There is no reason to not include commercial in Mello-Roos. There is no reason that the CCSD would end up with an obligation with respect to a bond issued by the Community Facilities Services District. He passed out three different cash flow models (attached). The committee discussed the handouts.

Committee Member Groves suggested meeting with Committee Member Laura Swartz to add raising concerns and acknowledgement of the concerns for the Buildout Reduction Report proposal.

Chairman Siegler accepted her suggestion to work with Committee Member Laura Swartz. He asked her to write it in a way that it fits with what's already in the report or it can be an appendix item.

Committee Member Hunter passed out a Summary of Vacant APN Lots and a Summary of SLO County Assessor’s Vacant Lot Valuations (attached).

The committee discussed pages 2-10 of the report.

3. FUTURE AGENDA ITEMS

4. ADJOURN

Committee Member Groves motioned to adjourn the meeting.

The committee unanimously agreed to adjourn the meeting at 12:04 p.m.

The next BRPCC meeting will be on Monday, September 18, 2017 at 10:00 a.m.

Half and Hallf

Year	Principal	Bond Interest (4%)	10 Yr Treasuries (2.3%)	From M-R Revenue	# Residential Connections	# Intent to serve (1%)	Cum Intent to Serve	Half Paying Annually	Annual Payment	Revenue	Half Pay Lump Sum	Paymnet	Revenue	Gross M-R Revenue	Less Interest	Net M-R Revenue	Cum Net M-R Revenue
1	10,000,000	(400,000)	230,000	170,000	3,766	37	37	332	860	285,520				285,520	(170,000)	115,520	115,520
2	10,000,000	(400,000)	230,000	170,000	3,803	38	75	332	860	285,520				285,520	(170,000)	115,520	231,040
3	10,000,000	(400,000)	230,000	170,000	3,841	38	113	332	860	285,520				285,520	(170,000)	115,520	346,560
4	10,000,000	(400,000)	230,000	170,000	3,879	38	151	332	860	285,520				285,520	(170,000)	115,520	462,080
5	10,000,000	(400,000)	230,000	170,000	3,917	39	190	332	860	285,520				285,520	(170,000)	115,520	577,600
6	10,000,000	(400,000)	230,000	170,000	3,956	39	229	332	860	285,520				285,520	(170,000)	115,520	693,120
7	10,000,000	(400,000)	230,000	170,000	3,995	39	268	332	860	285,520				285,520	(170,000)	115,520	808,640
8	10,000,000	(400,000)	230,000	170,000	4,034	40	308	332	860	285,520				285,520	(170,000)	115,520	924,160
9	10,000,000	(400,000)	230,000	170,000	4,074	40	348	332	860	285,520	16	21,500	344,000	629,520	(170,000)	459,520	1,383,680
10	10,000,000	(400,000)	230,000	170,000	4,114	41	389	332	860	285,520	41	21,500	881,500	1,167,020	(170,000)	997,020	2,380,700
11	10,000,000	(400,000)	230,000	170,000	4,155	41	430	332	860	285,520	41	21,500	881,500	1,167,020	(170,000)	997,020	3,377,720
12	10,000,000	(400,000)	230,000	170,000	4,196	41	471	332	860	285,520	41	21,500	881,500	1,167,020	(170,000)	997,020	4,374,740
13	10,000,000	(400,000)	230,000	170,000	4,237	42	513	332	860	285,520	42	21,500	903,000	1,188,520	(170,000)	1,018,520	5,393,260
14	10,000,000	(400,000)	230,000	170,000	4,279	42	555	332	860	285,520	42	21,500	903,000	1,188,520	(170,000)	1,018,520	6,411,780
15	10,000,000	(400,000)	230,000	170,000	4,321	43	598	332	860	285,520	43	21,500	924,500	1,210,020	(170,000)	1,040,020	7,451,800
16	10,000,000	(400,000)	230,000	170,000	4,364	43	641	332	860	285,520	43	21,500	924,500	1,210,020	(170,000)	1,040,020	8,491,820
17	10,000,000	(400,000)	230,000	170,000	4,407	24	665	332	860	285,520	24	21,500	516,000	801,520	(170,000)	631,520	9,123,340
18	10,000,000	(400,000)	230,000	170,000	4,431			332	860	285,520				285,520	(170,000)	115,520	9,238,860
19	10,000,000	(400,000)	230,000	170,000	4,431			332	860	285,520				285,520	(170,000)	115,520	9,354,380
20	10,000,000	(400,000)	230,000	170,000	4,431			332	860	285,520				285,520	(170,000)	115,520	9,469,900
21	10,000,000	(400,000)	230,000	170,000	4,431			332	860	285,520				285,520	(170,000)	115,520	9,585,420
22	10,000,000	(400,000)	230,000	170,000	4,431			332	860	285,520				285,520	(170,000)	115,520	9,700,940
23	10,000,000	(400,000)	230,000	170,000	4,431			332	860	285,520				285,520	(170,000)	115,520	9,816,460
24	10,000,000	(400,000)	230,000	170,000	4,431			332	860	285,520				285,520	(170,000)	115,520	9,931,980
25	10,000,000	(400,000)	230,000	170,000	4,431			332	860	285,520				285,520	(170,000)	115,520	10,047,500
	(10,000,000)																
	-	(10,000,000)	5,750,000	4,250,000		665		332		7,138,000	333		7,159,500	14,297,500	(4,250,000)	10,047,500	

Assumptions

* The number of intents to serve equals 1% of the base of residential connections
* Assume property owners on the first half of the wait list will choose annual payments
* Assume property owners on the second half of the wait list will choose lump sum payments

Year	Principal	Bond Interest (4%)	10 Yr Treasuries (2.3%)	From M-R Revenue	# Residential Connections	# Intent to serve (1%)	Cum Intent to Serve	Half Paying Annually	Annual Payment	Revenue	Half Pay Lump Sum	Paymnet	Revenue	Gross M-R Revenue	Less Interest	Net M-R Revenue	Cum Net M-R Revenue
1	10,000,000	(400,000)	230,000	170,000	3,766	37	37	-	860	-	37	21,500	795,500	795,500	(170,000)	625,500	625,500
2	10,000,000	(400,000)	230,000	170,000	3,803	38	75	-	860	-	38	21,500	817,000	817,000	(170,000)	647,000	1,272,500
3	10,000,000	(400,000)	230,000	170,000	3,841	38	113	-	860	-	38	21,500	817,000	817,000	(170,000)	647,000	1,919,500
4	10,000,000	(400,000)	230,000	170,000	3,879	38	151	-	860	-	38	21,500	817,000	817,000	(170,000)	647,000	2,566,500
5	10,000,000	(400,000)	230,000	170,000	3,917	39	190	-	860	-	39	21,500	838,500	838,500	(170,000)	668,500	3,235,000
6	10,000,000	(400,000)	230,000	170,000	3,956	39	229	-	860	-	39	21,500	838,500	838,500	(170,000)	668,500	3,903,500
7	10,000,000	(400,000)	230,000	170,000	3,995	39	268	-	860	-	39	21,500	838,500	838,500	(170,000)	668,500	4,572,000
8	10,000,000	(400,000)	230,000	170,000	4,034	40	308	-	860	-	40	21,500	860,000	860,000	(170,000)	690,000	5,262,000
9	10,000,000	(400,000)	230,000	170,000	4,074	40	348	-	860	-	40	21,500	860,000	860,000	(170,000)	690,000	5,952,000
10	10,000,000	(400,000)	230,000	170,000	4,114	41	389	-	860	-	41	21,500	881,500	881,500	(170,000)	711,500	6,663,500
11	10,000,000	(400,000)	230,000	170,000	4,155	41	430	-	860	-	41	21,500	881,500	881,500	(170,000)	711,500	7,375,000
12	10,000,000	(400,000)	230,000	170,000	4,196	41	471	-	860	-	41	21,500	881,500	881,500	(170,000)	711,500	8,086,500
13	10,000,000	(400,000)	230,000	170,000	4,237	42	513	-	860	-	42	21,500	903,000	903,000	(170,000)	733,000	8,819,500
14	10,000,000	(400,000)	230,000	170,000	4,279	42	555	-	860	-	42	21,500	903,000	903,000	(170,000)	733,000	9,552,500
15	10,000,000	(400,000)	230,000	170,000	4,321	43	598	-	860	-	43	21,500	924,500	924,500	(170,000)	754,500	10,307,000
16	10,000,000	(400,000)	230,000	170,000	4,364	43	641	-	860	-	43	21,500	924,500	924,500	(170,000)	754,500	11,061,500
17	10,000,000	(400,000)	230,000	170,000	4,407	24	665	-	860	-	24	21,500	516,000	516,000	(170,000)	346,000	11,407,500
18	10,000,000	(400,000)	230,000	170,000	4,431			-	860	-				-	(170,000)	(170,000)	11,237,500
19	10,000,000	(400,000)	230,000	170,000	4,431			-	860	-				-	(170,000)	(170,000)	11,067,500
20	10,000,000	(400,000)	230,000	170,000	4,431			-	860	-				-	(170,000)	(170,000)	10,897,500
21	10,000,000	(400,000)	230,000	170,000	4,431			-	860	-				-	(170,000)	(170,000)	10,727,500
22	10,000,000	(400,000)	230,000	170,000	4,431			-	860	-				-	(170,000)	(170,000)	10,557,500
23	10,000,000	(400,000)	230,000	170,000	4,431			-	860	-				-	(170,000)	(170,000)	10,387,500
24	10,000,000	(400,000)	230,000	170,000	4,431			-	860	-				-	(170,000)	(170,000)	10,217,500
25	10,000,000	(400,000)	230,000	170,000	4,431			-	860	-				-	(170,000)	(170,000)	10,047,500
	(10,000,000)																
	-	(10,000,000)	5,750,000	4,250,000		665		-		-	665		14,297,500	14,297,500	(4,250,000)	10,047,500	

Assumptions

* The number of intents to serve equals 1% of the base of residential connections
* Assume all property owners will choose lump sum payments

Year	Principal	Bond Interest (4%)	10 Yr Treasuries (2.3%)	From M-R Revenue	# Residential Connections	# Intent to serve (1%)	Cum Intent to Serve	Half Paying Annually	Annual Payment	Revenue	Half Pay Lump Sum	Paymnet	Revenue	Gross M-R Revenue	Less Interest	Net M-R Revenue	Cum Net M-R Revenue
1	10,000,000	(400,000)	230,000	170,000	3,766	37	37	665	860	571,900				571,900	(170,000)	401,900	401,900
2	10,000,000	(400,000)	230,000	170,000	3,803	38	75	665	860	571,900				571,900	(170,000)	401,900	803,800
3	10,000,000	(400,000)	230,000	170,000	3,841	38	113	665	860	571,900				571,900	(170,000)	401,900	1,205,700
4	10,000,000	(400,000)	230,000	170,000	3,879	38	151	665	860	571,900				571,900	(170,000)	401,900	1,607,600
5	10,000,000	(400,000)	230,000	170,000	3,917	39	190	665	860	571,900				571,900	(170,000)	401,900	2,009,500
6	10,000,000	(400,000)	230,000	170,000	3,956	39	229	665	860	571,900				571,900	(170,000)	401,900	2,411,400
7	10,000,000	(400,000)	230,000	170,000	3,995	39	268	665	860	571,900				571,900	(170,000)	401,900	2,813,300
8	10,000,000	(400,000)	230,000	170,000	4,034	40	308	665	860	571,900				571,900	(170,000)	401,900	3,215,200
9	10,000,000	(400,000)	230,000	170,000	4,074	40	348	665	860	571,900	-	21,500	-	571,900	(170,000)	401,900	3,617,100
10	10,000,000	(400,000)	230,000	170,000	4,114	41	389	665	860	571,900	-	21,500	-	571,900	(170,000)	401,900	4,019,000
11	10,000,000	(400,000)	230,000	170,000	4,155	41	430	665	860	571,900	-	21,500	-	571,900	(170,000)	401,900	4,420,900
12	10,000,000	(400,000)	230,000	170,000	4,196	41	471	665	860	571,900	-	21,500	-	571,900	(170,000)	401,900	4,822,800
13	10,000,000	(400,000)	230,000	170,000	4,237	42	513	665	860	571,900	-	21,500	-	571,900	(170,000)	401,900	5,224,700
14	10,000,000	(400,000)	230,000	170,000	4,279	42	555	665	860	571,900	-	21,500	-	571,900	(170,000)	401,900	5,626,600
15	10,000,000	(400,000)	230,000	170,000	4,321	43	598	665	860	571,900	-	21,500	-	571,900	(170,000)	401,900	6,028,500
16	10,000,000	(400,000)	230,000	170,000	4,364	43	641	665	860	571,900	-	21,500	-	571,900	(170,000)	401,900	6,430,400
17	10,000,000	(400,000)	230,000	170,000	4,407	24	665	665	860	571,900	-	21,500	-	571,900	(170,000)	401,900	6,832,300
18	10,000,000	(400,000)	230,000	170,000	4,431			665	860	571,900				571,900	(170,000)	401,900	7,234,200
19	10,000,000	(400,000)	230,000	170,000	4,431			665	860	571,900				571,900	(170,000)	401,900	7,636,100
20	10,000,000	(400,000)	230,000	170,000	4,431			665	860	571,900				571,900	(170,000)	401,900	8,038,000
21	10,000,000	(400,000)	230,000	170,000	4,431			665	860	571,900				571,900	(170,000)	401,900	8,439,900
22	10,000,000	(400,000)	230,000	170,000	4,431			665	860	571,900				571,900	(170,000)	401,900	8,841,800
23	10,000,000	(400,000)	230,000	170,000	4,431			665	860	571,900				571,900	(170,000)	401,900	9,243,700
24	10,000,000	(400,000)	230,000	170,000	4,431			665	860	571,900				571,900	(170,000)	401,900	9,645,600
25	10,000,000	(400,000)	230,000	170,000	4,431			665	860	571,900				571,900	(170,000)	401,900	10,047,500
	(10,000,000)																
	-	(10,000,000)	5,750,000	4,250,000		665		332		14,297,500	-		-	14,297,500	(4,250,000)	10,047,500	

Assumptions

* The number of intents to serve equals 1% of the base of residential connections
* Assume all property owners on the wait list will choose annual payments
* Assume property owners on the second half of the wait list will choose lump sum payments

Summary of Vacant APN Lots

	Total
Total Vacant Parcels	2,235
Less:	
Greenspace	24
CCSD	142
County of San Luis Obispo	9
Kingston Bay	7
Presbyterian Church	5
Wait List (666)	652
Grand Fathered Meters	10
Letters of Intent	3
HOA and Common Areas	6
	858
Total Vacant Parcels Remaining	1,377

SUMMARY OF SLO COUNTY ASSESSOR'S VACANT LOT VALUATIONS

VALUATION RANGE	NUMBER OF APN's WITHIN RANGE		ASSESSED VALUATION ($000)		AVERAGE APN VALUATION	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%

~~C~~Cambria
Buildout Reduction Program
Report Draft

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[Insert]

EXECUTIVE SUMMARY

[Insert]

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) provides Cambria with water, wastewater treatment and fire protection.

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 cap of 4,650 residential water connections when it adopted its Water Master Plan (WMP) in 2008. While that cap ~~drives~~ limits ~~to~~ 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 that ~~will~~may never receive services within Cambria's urban boundaries. The CCSD's initial Buildout Reduction Program (BRP) report, ~~which was~~ developed in 2006, addressed the goal of limiting growth by ~~defining~~proposing means to acquire undeveloped residential property beyond the 4,650 cap and retire it permanently from future development. ~~It is beyond the scope of this report to speculate on legal claims by property owners related to possible rights to future service. However, the likelihood that property owners will attempt to assert what they perceive to be their rights is a risk that the community cannot ignore. The BRP will provide an opportunity to those property owners to sell undeveloped land for a fair price.~~

~~Beyond risk mitigation, the~~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 ~~1,377~~ parcels will protect rare pine forest, provide open space between developed properties, and maintain important view-sheds. In addition, by providing an opportunity to property owners to sell undeveloped parcels the BRP substantially reduces the risk of litigation by such property owners to compel water connections and building permits in the future.

The following report is the result of the efforts of a Citizens' Committee that the CCSD formed in April 2016. The committee's task was to review and revise the ~~original~~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.
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 ~~as~~ far ~~as we can see~~ 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 (LCSLOC) was formed in 1984 to preserve open space and natural habitats by acquiring land and applying conservation easements. By collaborating with the CCSD under the original BRP[1] and as administrator of the Transfer Development Credit (TDC) program,[2] the LCSLOC has sponsored projects in Cambria such as the Fern Canyon Preserve and protection of creek sides, forest and meadowlands along Leffingwell Creek. Since 1984, the LCSLOC has retired ~~350~~numerous parcels in Fern Canyon and along Highway 1. Similarly, since 1988 Greenspace~~,~~ ~~The~~ 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 State Coastal Conservancy, San Luis Obispo County Parks, the CCSD, Cal Trans and local and regional businesses and residents

[1] The LCSLOC acts as the holder of conservation easements on 162 parcels acquired by the CCSD pursuant to the BRP.

[2] In 1985 the LCSLOC 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 not permitted.

purchased the Fiscalini Ranch creating a 430 acre preserve in perpetuity to benefit local residents and the public at large.

- **The Original 2006 BRP**

The BRP can trace its origin to 2001 when the CCSD declared a Water Code 350 stage 1 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 ~~remaining~~ number of ~~such sites within CCSD's service area nearly match the 4650 cap on existing and new~~ residential ~~water~~ connections would never exceed the 4650 cap established by 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 ~~provided~~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 statutes and laws.

- **The BRP has been 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 cap of 4650 residential water connections to mitigate potential for growth-inducing impacts proposed in the ~~Program-Level Environmental Impact Report supporting~~PEIR that supports CCSD's 2008 Water Master Plan (i.e. the increased water supply and availability contemplated by the WMP).

The 4650 cap 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 Draft November 28, 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 but due to extreme drought, the CCSD authorized construction of an Emergency Water Supply project (EWS) that converted low concentration brine (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 regular development and operating permits to re-characterize the EWS to a Sustainable Water Facility (SWF). By reducing dependence on the community's two natural aquifers[3] for water during dry periods, the SWF would allow the CCSD to issue intent-to-serve letters ~~permitting~~ for new water connections, eventually allowing the community to grow to its maximum of 4,650 residential connections. This would result in a population of between 7,700 and 10,500 once the town's maximum buildout is complete.

One of the requirements of applying for a regular development permit for the SWF is production of a ~~Supplemental~~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 ~~comport~~ comply with the maze of regulations dealing with population growth in a coastal community.

Limited growth has the effect of denying development opportunities to some property owners. While the BRP Citizens' Committee is not qualified to speculate on legal issues associated with such loss of development opportunity the committee does recognize that some property owners may believe they have a cause of action. This becomes a risk to our community. One reason to

[3] San Simeon and Santa Rosa Creeks

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 ~~creating~~ protecting open space throughout the community. The program provides an opportunity to preservee 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, ~~SLOCLC~~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 ~~official~~ website.

DESCRIPTION OF POTENTIAL BUILDOUT

As discussed above, the CCSD Water Master Plan caps the number of residential water connections within Cambria's urban boundaries at 4,650. Currently the CCSD serves 3,766 residential connections. As a result, the WMP allows for a capped maximum of 884 additional residential connections. The following table summarizes existing connections and commitments:

Summary of Existing Connections and Commitments

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	Active	Outstanding Intent to Serve	Wait List	Total	
Residential					
Single Family Residence	3631	4	665	4300	
Multi-family Residence	135	3	11	149	
Grandfathered			36	36	
Committed Affordable Housing Ordinance			56	56	CCSD 8.04.110
Subtotal	3766	7	768	4541	
Commercial					
Lodging	47	1		48	
Other Commercial	184	2	10	196	
Subtotal	231	3	10	244	
Approximate Commercial EDUs				1448	Exceeds 20% of total
CCSD Accounts	22			22	

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Lodging	47	1		48	
Other Commercial	184	2	10	196	
Subtotal	231	3	10	244	
Approximate Commercial EDUs				1448	Exceeds 20% of total
CCSD Accounts	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 ~~only~~ one water meter per dwelling unit.

All told, the CCSD has made commitments for 769 new non-commercial water connections. The largest category of unserved commitments is the CCSD water wait list, comprised of 665~~6~~ ~~[NEED TO ADJUST TO 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 ~~discharging~~ persuing its charge to update the BRP based on the WMP cap on residential water connections, the committee has ~~disregarded~~ not addressed the County waiting list for potential building permits.

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 ~~will~~ could increase the growth rate to 1%. 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 the conclusion of this twenty year period, the number of water connections would be capped at 4,65~~56~~0 and there would be no further growth within the CCSD urban boundary.

There are potentially 115 service connections not committed under the 4,650 cap. 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 ~~covering~~ addressing unallocated and uncommitted water positions within the 4,650 cap.

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 PROPERTY SUBJECT TO RETIREMENT

A file of all ~~vacant~~ 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 2,235 parcels.

Preliminarily, it is noteworthy that the original 2006 ~~Buildout Reduction Program~~BRP Report applied to parcels with a minimum of 50' of street frontage~~, because i~~. 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 building on small properties could be viewed as regulatory taking in the same regard as other limitations on development.

To determine the net number of undeveloped parcels subject to retirement under the BRP, the committee ~~from~~ used the County Assessor's gross list of 2,235 undeveloped parcels. From that list, the committee deducted ~~all~~ APNs that are not subject to the retirement program~~,~~ (such as parcels on the water wait list, grandfathered parcels) and parcels that are owned by public or private organizations that may not be developed. The table below summarizes adjustments made to the base report to ~~arrive~~ estimate at the net number of ~~undeveloped residential~~ APNs subject to the Buildout Reduction Program. It should be noted that the net retirement list includes those APNs within Special ~~Districts~~ 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 ~~any offer 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 the BRP Administrator encourage these entities to formally retire their properties with suitable recorded restrictions or easements.

Summary of Undeveloped APNs

		Total
Total Vacant Parcels		2,235
Less:		
Greenspace		24
CCSD		142
County of San Luis Obispo		9
Kingston Bay		7
Presbyterian Church		5
Wait List (666)		652
Grand Fathered Meters		10
Letters of Intent		3
HOA and Common Areas		6
		858
Total Vacant Parcels Remaining		1,377

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~~Grand Fathered Meters~~	~~10~~
~~Letters of Intent~~	~~3~~

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~~HOA and Common Areas~~	~~6~~
	~~858~~
~~Total Vacant Parcels Remaining~~	~~1,377~~

Therefore, if the CCSD adopts and implements the updated BRP, ~~population growth~~residential connections will be capped at 4,650 ~~residential water connections~~ and 1,377 undeveloped parcels would be retired.

ECONOMIC FEASIBILITY

To determine economic feasibility of the BRP, the Committee ~~scoped~~ estimated the costs of both the acquisition and maintenance phases of the program.

- **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 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, donations, the TDC program 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. The chart 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.

SUMMARY OF SLO COUNTY ASSESSOR'S VACANT LOT VALUATIONS

VALUATION RANGE	NUMBER OF APN's WITHIN RANGE		TOTAL ASSESSMENT VALUATION		AVERAGE APN VALUATION	TOTAL ACRES	
$ 0 - $5,000	311	23%	$ 1,267,858	4%	$ 4,077	23.4	14%
$5,001 - $10,000	408	30%	$ 3,152,849	11%	$ 7,728	38.3	23%
~~$10,001 - $15,000~~	~~165~~	~~12%~~	~~$ 2,011,575~~	~~7%~~	~~$ 12,191~~	~~21.6~~	~~13%~~
$15,001 - $25,000	200	15%	$ 3,883,153	13%	$ 19,416	27.5	17%
$25,001 - $50,000	175	13%	$ 5,981,459	20%	$ 34,180	22.1	13%
$50,001 - $100,000	79	6%	$ 5,571,131	19%	$ 70,521	9.6	6%
$100,001 - $737,000	39	3%	$ 7,855,113	26%	$201,413	22.1	13%
	1,377	100%	$ 29,723,138	100%	$349,525	164.4	100%

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$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 methodology 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 scope 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. ~~This data is consistent on a per parcel basis with historical maintenance expenses reported by the Land Conservancy of San Luis Obispo County.~~

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 be approximately $550,000.

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.

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. However, because the CCSD does not possess eminent domain authority, 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.

Because the implementation of any buildout reduction program that contemplates setting prices for the purchase of real property involves complex legal issues, we recommend that the CCSD consult legal counsel concerning 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) **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 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 capped population growth.

(2) Existing Residents and Businesses: Retirement of undeveloped parcels benefit homeowners, renters and retail space owners/operators by providing additional 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.

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 reasonable 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. Numerous possible revenue streams were investigated, but most were rejected because of the complexities of raising taxes and public fees in California or, because they were less efficient as the methods adopted by the committee. Several of the rejected approaches are identified in Appendix I.

(1) 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. Formation of such a district is permitted under the Community Facilities Act of 1982. Implementation 1will require approval by two-thirds of the property owners that would comprise the district. While this is a substantial hurdle, the committee believes CFD formation would be in the best interest of those on the water wait list, given the critical role the BRP will play in obtaining the regular operating permit for Cambria's SWF which would allow Cambria to resume modest residential development under the WMP to include all water wait list property owners.

Mechanically, once the CFD is established, the administrator would issue a bond that would be repaid from funds generated by fees charged to property owners in the CFD. The committee proposes raising $10 million through this mechanism. The average assessment would depend on several assumptions:

- The interest rate on the bond would be 4%
- The fund balance would be invested in 10-year US Treasuries, currently yielding 2.3%
- When interest income and fees are paid into the Community Facilities District fund, they would be used first to pay interest expense and then for purposes of the BRP
- Therefore, the fund balance would always be $10 million
- The assessment would average approximately $21,500 per parcel on the Water Wait List.

Actual assessments would vary by property size and any modifications to the assumptions above. The committee recommends that the CFD agreement be drafted to allow property owners to pay fees either on a pro rata annual basis or in a lump sum within a year of becoming eligible for an intent-to-serve. In all cases, the full fee would have to be paid prior to repayment of the bond.

Assuming the CCSD is the CFD fund administrator, the committee recommends that the CCSD engage in outreach to the property owners on the wait list to solicit viewpoints and recommendations for structuring and implementing a CFD before drafting a final plan for a vote.

The CCSD may also want to explore the possibility of asking the County to implement Mitigation Fees (see Appendix__) as an alternative, although, in the judgement of the committee such an approach is unlikely to yield sufficient funds and may involve substantial legal impediments and practical complexities.

(2) Current Residents and Businesses

The second recommended core revenue mechanism is to assess a parcel tax of $100 per developed parcel, both residential and commercial, within the urban boundary annually for a period of 25 years. Such a parcel tax would require approval by two-thirds of the community's registered voters. The income generated by such a tax would be approximately $400,000 per year, or $10 million over a 25-year period.

(3) 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 levy an assessment on each proprietor of a lodging business, existing and future, located within CCSD's urban boundary. The recommended assessment 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. Both require action by the San Luis Obispo County Board of Supervisors. The first would be to amend the current Tourism Business Improvement District (TBID) 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 town. The state legislation authorizing TBIDs 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 TBID 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 TBID 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.

The proposed tourist based revenue stream has several advantages. Raising the TBID fee: accomplishes part of the goal to share the cost of the BRP among stakeholders, specifically tourists who enjoy Cambria's beauty, open space and charm; a TBID fee already applies to local lodging operators and the proposed fee increase is relative small; and, under the state enabling statute and the existing local ordinance, and the funds generated by the TBID fee must be used for the purposes designated in the legislation—to fund the BRP and for no other purpose. To assure success, the committee recommends that the CCSD and County reach out to local lodging operators in advance of introducing legislation in order to discuss the assessment, its purpose and importance to the continued viability of Cambria as a tourist destination.

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 pursuant to which the CCSD implemented a voluntary Lot Merger Program to reimburse 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 327 fewer lots 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.

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.[4] 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 mergers receiving public funding be restricted to receive only one water connection for one residential unit.

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.

[4] 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.

- For a cost example [**CHECK SOURCE**], the Land Conservancy of San Luis Obispo (LCSLO) requests a donation for each conservation easement it acquires. The amount can vary, but it is usually 3% of the easement value for purchased easements, and a minimum of $10,000 for donated easements. For the property owner, there are potential costs for appraisal, surveying, lot maintenance, legal counsel, County filing fees (e.g., Clerk Recorder $7), and property taxes. No permit is required.

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 LCSLOC for the TDC Program

Selling or donating a parcel to LCSLOC achieves lot retirement in a special way. Since 2008, LCSLOC has been a vital and successful part of Cambria's habitat conservation through, among other activities, its participation in the Transfer of Development Credit Program (TDC).

Every property acquired by LCSLOC 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 by an additional 100 to 400 sq. ft. (depending on lot 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 LCSLOC.

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 sending parcel must be retired by recording a deed restriction, and the receiving parcels are 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 LCSLOC 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.[5]

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 NGOs. Most of the grant programs, especially those that are funded by public agencies, provide grants on a nonrecurring annual 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 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.

ORGANIATIONAL 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 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. As a cautionary preliminary step, the committee recommends the CCSD activate its power to acquire and maintain property as mitigation for a district project in accordance with Govt Codes 61000 to 61250.

[5] 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.

● 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 administrating 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. The committee concluded that, at this time, creating such an open space district, which requires 5,000 supporting signatures, 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 undeveloped parcels retired under the program, 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 PROS 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 THE 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 committee remain in place in an oversight function as a standing committee. 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.

The committee recommends that the new standing committee be appointed by the CCSD Board in a size and for terms as the Board deems reasonable. The appointees should represent a cross-section of Cambria's general population, including but not limited to the stakeholders in the BRP.

CONCLUSION

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 and the core funding better tapped the specific stakeholder class. 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 District 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. In light 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 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 class 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, more than required to fund the entire BRP, such funding would likely be determined to be a disguised mitigation fee subject to the same flaws described in item (2) above.

(4) Local Sales and Bed Tax Increases. The committee also considered increasing the local sales tax and bed tax[6] 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.

(5) 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.

(6) 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 District to potential litigation and possible liability to water wait listed property owners who have paid fees and property taxes for years to secure their place in line to build on their property.

[6] The bed tax, which is a tax the County imposes on transient occupancy for the general fund, must be distinguished from the tourism business improvement district (TBID) 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 TBID fee as a core funding stream for the BRP.

(7) 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

7/29/17	**Definition of Terms (DRAFT)**
Account (CCSD)	Established CCSD customer identification and billing mechanism
American Land Conservancy	The non-profit land conservancy that assisted in the purchase of th Fiscalini Ranch Preserve
Assessors Parcel Number (APN)	An eight digit number assigned by San Luis Obispo County Assesso Office as the legal parcel description used for recording and tax pu
Brown Act	Enacted in 1953, the act guarantees the public's right to attend an participate in meetings of local legislative bodies. Permissible closed meetings are defined.
Buildable Lot	An APN (parcel) which falls within the size and elevation paramete established by SLO County Planning and Building. Possible additional parameters may apply as defined by the CCSD within the Cambria Urban Area.
California Coastal Act	A 1976 environmental law which seeks to balance the right to dev with strong policies to protect resources. It is comprised of standards used by the Coastal Commission in review of 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 lan 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 commission.
California Coastal Conservancy	State agency in California established in 1976 to enhance coastal resources and access
California Environmental Quality Act	~~A California law enactedin 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 agencies time to comment on the project and potential impact.~~

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Cambria Land Trust	A non-profit organization established 1988 to educate, advocate a protect the ecological system, cultural resources and marine habitats of the North Coast of SLO County
~~Community Facility District~~	~~A special district (Geographic Area) established as a means of obtaining additional public funding, through the sale of bonds. Also known as Mello-Roos District.~~
~~Community Services District~~	~~The generic title for a special district (geographic area) established to provide services, such as water and wastewater services and various government services, to a community.~~
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 needed
Conservation Easement	A legal agreement between a landowner and a land trust or gover agency that permanently limits uses of the land in order to protect its conservation values. The landowner many 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 is in perpetuity.
Consolidation Program (APNs)	Program to encourage owners of contiguous lots recorded under r APN's to consolidate those lots under a single APN designation through the Assessor's Office.
County Assessors Office (SLO)	County office which maintains legal property description, the asso APN identity, assesses and collects land taxes.
Deed Restriction	~~Deed restrictions are private agreements that restrict the use of real estate in some way, and are listed in the deed. A seller may add a restriction to the title of property.~~A conservation easement or other restrictive easement. At a minimum, a deed restriction must prohibit a water connection on the subject parcel.
Emanate Domain Authority	The right of government to take private property for public use. C does not possess this authority.
~~Emergency Water Facility~~	~~A brackish water facility brought on line January 2015 to recharge the San Simeon well field aquifer with advance treated water, in order to avoid projected draught enduced water supply shortages, prevent seawater intrusion into fresh water streams/aquifer and protect well pumps from losing suction.~~
~~Environmental Impact Report~~	~~A study of all the factors which a land development or construction project would have on the environment in the area, including population, traffic, schools, fire protection, endangered species, archeological artifacts, and community beauty.~~
Final Subsequent Environmental Impact Report	The Final SEIR for the Cambria Sustainable Water Facility Project (S 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.

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Grandfathered Meter	A water meter connection fee that was paid or a water meter that physically installed prior to 2/28/86, but is not currently in use, and pays minimum bi-monthly service fees to maintain that status.
~~Growth Management Ordinance~~	~~A San Luis Obispo County ordinance that meters the number of residential dwelling units that can be built in the unincorporated areas of the county during any one fiscal year.~~
Greenspace	See Cambria Land Trust
Hard Cap	Development cap for the Cambrian urban boundaries, established 2008 Water Master Plan
Impact Fee	A fee imposed by local government on new development to pay fo a position of the costs of providing public services.
Intent to Serve (Letter)	A letter stating the District (CCSD) will provide water and sewer se to a particular project upon satisfactory completion of a number of steps, timely payment of fees and availability of water.
Land Conservancy of San Luis Obispo (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 f state and local governments. Cambria is an unincorporated community. Land use Authority is held at the County level.
Lot	The basic element of the Cambria Subdivision Map
Mello-Roos District	A Community Facilities District (CFD), which is a special district (geographic area) established as a means of obtaining additional public funding, through the sale of bonds. Mello and Roos were authors of the legislation.
Mello-Roos Tax	A parcel (property) tax which is not based on the assessed value of property, but rather on the payment of principal and interest on a bond established within a Community Services District.
Mitigation Fee Act	Enacted in 1987, Government Code 66000, defines the requiremer development impact fee programs, and establishes the criteria of proportionality in both nature and extent
Mixed Use	A type of urban development that blends residential, commercial, cultural, institutional or industrial uses.
Non-buildable Lot	An APN parcel which falls outside the size and elevation paramete established by SLO County Planning and Building. Possible additional parameters may apply as defined by the CCSD within the Cambria Urban Area.

~~North Coast Area Plan~~	~~Plan developed by the County of San Luis Obispo which provides information on population, land use, availability of resources and public services and environmental characteristics. It describes county land use policies for the North Coast Planning Area, including regulations which are also adopted as part of the Land Use Ordinances and Local Coastal Program.~~	
Open Space District	Local public agencies that acquire and maintain land or interests ir from willing sellers to protect open space.	**Formatted:** Right: 0"
Outstanding Service Commitment	See Grandfathered Meter	**Formatted:** Right: 0"
Parcel	Land with a legal description and associated Assessors Parcel Num recorded through the county assessors office. A parcel may contain one or more lots.	**Formatted:** Right: 0"
Parcel Tax	A form of property tax assessed at a rate based on the characterist parcel rather than the assessed value. It is considered a "qualified special tax" and requires a 2/3 voter approval. See discussions under Mello-Roos.	**Formatted:** Right: 0"
~~Program Level Environmental Impact Report~~	~~Type of EIR allowed under the California Environmental Quality Act (CEQA) that is used to evaluate a plan or program with multiple components that are related through application of rules or regulations, or as logical parts of a long-term plan.~~	
Planning Department	San Luis Obispo County Department of Planning and Building	**Formatted:** Right: 0"
Property(ies)	See definition of Parcel	**Formatted:** Right: 0"
Proposition 218	An initiative constitutional amendment approved by California vot 1996. It imposes the process and constraints for establishing and assessing special district taxes.	**Formatted:** Right: 0"
~~Restrictive Easement~~	~~The right to use the real property of another for a specific purpose. The easement is itself a real property interest, but legal title to the underlying land is retained by the original owner for all other purposes.~~	
Retired Parcel (Lot)	A parcel which has been removed from availability to build which r may not carry legal deed restrictions.	**Formatted:** Right: 0"
Special Districts	Basic form of local governments, special to the state of California. residents or landowners want new services or higher levels of existing services, they can form a special district to pay for and administer them.	**Formatted:** Right: 0"
Special Projects Area 1 and 2	Areas of Cambria designated by SLO county and provided special r protection. SPA 1 involves issues associated with the Monterey pine forest and forest habitat. SPA2 involves issues related to the area's visibility from HWY 1.	**Formatted:** Right: 0"
~~Subsequent Environmental Impact Report~~	~~Update of an original EIR during and resulting from project maturation.~~	

~~Sustainable Water Facility~~	~~Brackish water reclamation facility originally brought on line in January 2015 as an emergency facility.~~
Tourism Business Improvement District (TBID)	A district established at the SLO County level, assessing a tourism t businesses within the county.
Transfer Development Credits Program	The Land Conservancy of SLO 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 their properties within defined parameters, as well as those remodeling existing structures or establishing new structures.
Unallocated Water Connections	Water service connections not currently committed by the CCSD, v exist in addition to the water wait list but are within the 4,650 Water Master Plan build cap
Urban Water Master Plan	Cambrian local water management plan prepared in compliance w Urban Water Management Planning Act, California Water Code.
Vacant Parcel	A parcel without improvement
Voluntary Merger Program	Program to encourage parcel owners of contiguous APN's to merg into a single APN, effectively retiring those undeveloped parcels.
Water Meter (CCSD)	The mechanism of providing water and sewer services to CCSD par owners within the Cambria urban area.
Water Meter Transfer	A process of moving a water position from one parcel to another, the sending parcel is retired from development. Water positions/meters are restricted in Special Areas 1 and 3.
Water Wait List (Position)	The CCSD maintain a list of water applicants, prioritized by date, w waiting for the opportunity to build a project. Each wait list position is preserved by payment of an Annual Wait List Fee, which is billed in July of each year.

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APPENDIX III

7/29/17	Buildout Reduction Program Acronym List (DRAFT)
APN	Assessor's Parcel Number
BRP	Buildout Reduction Program
BRPCC	Buildout Reduction Program Citizens Committee
CCC	California Coastal Commission
CCSD	Cambria Community Services District
CFD	Community Facilities District (also known as Mello-Roos)
CEQA	California Environmental Quality Act
EIR	Environmental Impact Report
EWS ~~(ESWF)~~	Emergency Water Supply project
GMO	Growth Management Ordinance
GSA	Gross Structural Area
LCSCO	Land Conservancy of San Luis Obispo
MFR	Multi-Family Residence
NCAP	North Coast Area Pan
PEIR	Program-Level Environmental Impact Report
RWQCB	Regional Water Quality Control Board
SEIR	Subsequent Environmental Impact Report
SFR	Single Family Residence
SLO	San Luis Obispo
~~SLOCLC~~	~~San Luis Obispo County Land Conservancy~~
SPA 1 & 2	Special Project Areas 1 & 2
SWF	Sustainable Water Facility
TDC	Transfer Development Credit
UWMP	Urban Water Master Plan