

- 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

P.O. Box 65 • Cambria, CA 93428 • Telephone: (805) 927-6223 • Fax: (805) 927-5584

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.

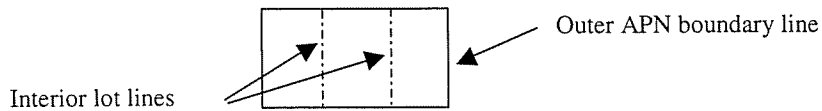
Third, low interest loans for renovation and additions without significant resale controls would create the very problem suggested by the questions above. It would make homes more expensive and spoil the "charm and small town ambience" of Cambria.

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

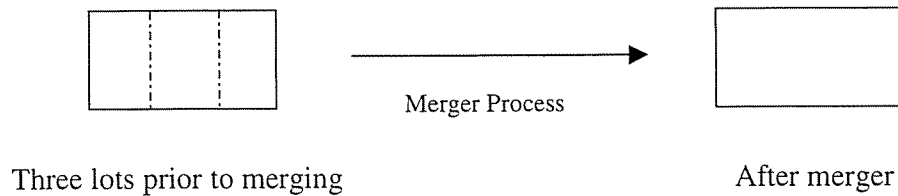
1. **LOT** – A legal unit of property that can be conveyed to another owner.
2. **ASSESSOR'S PARCEL NUMBER (APN)** - A lot or lots identified by the County Assessor for real property taxation purposes. Each parcel is assigned an APN or an assessor's parcel number.



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.