




LAFCO - San Luis Obispo - Local Agency Formation Commission
SLO LAFCO - Serving the Area of San Luis Obispo County

TO: MEMBERS, FORMATION COMMISSION

FROM: DAVID CHURCH, AICP, EXECUTIVE OFFICER 

DATE: OCTOBER 20, 2011

SUBJECT: CONSIDERATION OF THE SPHERE OF INFLUENCE UPDATE/MUNICIPAL SERVICE REVIEW/ INITIAL STUDY-MITIGATED NEGATIVE DECLARATION, FOR THE CITY OF PISMO BEACH

Recommendation. It is respectfully recommended that the Commission take the following actions by resolution to update the Sphere of Influence for the City of Pismo Beach:

1. Certify the Initial Study/Mitigated Negative Declaration found in the Public Review Draft of the Sphere of Influence Update and Municipal Service Review is complete and adequate with changes found in Attachment E.
2. Give "Great Weight" to the Memorandum of Agreement that has been approved by the Pismo Beach City Council and the County Board of Supervisors found in Attachment D.
3. Approve the Sphere of Influence Update and Municipal Service Review which adds Study Area Four (Godfrey) to the SOI with the conditions found in Attachment A and the proposed changes in Attachment E.

Other Options. The Commission has the discretion to maintain the existing Sphere of Influence or change the Sphere of Influence based on LAFCO policies, the Cortese-Knox-Hertzberg Act, and local conditions and circumstances. The Commission may also continue the hearing to another date.

Summary

Sphere of Influence (SOI) is defined by the Cortese-Knox-Hertzberg (CKH) Act as "...a plan for the probable physical boundary and service area of a local agency or municipality...". A SOI is generally considered a 20-year planning boundary for a jurisdiction. The CKH Act further requires that a Municipal Service Review be conducted prior to, or in conjunction with, the update of a Sphere of

Attachments

A: Recommended Conditions of Approval and Sphere of Influence Map

B: Comments

C: Response to Comments

D: City-County Approved MOA

E: Proposed Changes to the Public Review Draft

F: Draft Resolution Approving Pismo Beach's SOI/MSR

COMMISSIONERS

RICHARD ROBERTS
Chair, Public Member

BRUCE GIBSON
Vice Chair,
County Member

MURIL CLIFT
Special District Member

ED EBY
Special District Member

JAMES R. PATTERSON
County Member

DUANE PICANCO
City Member

KRIS VARDAS
City Member

ALTERNATES

ROBERTA FONZI
City Member

FRANK R. MECHAM
County Member

TOM MURRAY
Public Member

VACANT
Special District Member

STAFF

DAVID CHURCH
Executive Officer

RAYMOND A. BIERING
Legal Counsel

MIKE PRATER
Analyst

DONNA J. BLOYD
Commission Clerk

Influence and boundary. The CKH Act also requires LAFCO to update the Spheres of Influence for all applicable jurisdictions in the County every five years or as needed. Pismo Beach's last update to its Sphere of Influence (SOI) was completed in 2002.

A Sphere of Influence Update and Municipal Service Review have been prepared for the City of Pismo Beach in accordance with the CKH Act. The Sphere Update contained in Chapter Two of the document proposes that the Study Area Four (Godfrey) be added to the existing Sphere of Influence with conditions of approval included in Attachment A. The Municipal Service Review addresses the service capabilities of the City and the six factors found in the CKH Act. The Initial Study and Mitigated Negative Declaration and other documents can be found at www.slolafco.com under the Current Projects tab.

Background

The City's existing Sphere of Influence is approximately 1,093 acres and includes four properties: Los Robles Del Mar 182 acres (Study Area Seven), PCI-Loughead 182 acres (Study Area Six), Big Bird 258 acres (Study Area Five), and King South Ranch 471 acres (Study Area three). Within the existing Sphere of Influence several projects are at various phases of the development process. The Los Robles Specific Plan was approved by the City (an application for annexation has been submitted which is pending after the completion of SOI/MSR Update), and Price Canyon Specific Plan is being prepared by the City for future re-release along with an updated EIR.

Pismo Beach's previous update to its Sphere of Influence (SOI) was completed in 2002. Prior to that time, the San Luis Obispo Local Agency Formation Commission extended the SOI in 1998 to include the 440-acre Cottonwood development (now commonly referred to as Big Bird and PCI-Loughead properties (Study Areas Five & Six 6). In 2002, LAFCO prepared a Sphere of Influence Update and Municipal Services Review that evaluated expansion of the SOI boundaries to include the 471-acre South Ranch (Study Area 3) and the 20-acre Thille properties were recommended for inclusion within the Sphere of Influence for the City of Pismo Beach. The 20-acre Thille property did not complete the lot line adjustment and therefore is not included in the SOI. The first Los Robles Del Mar annexation application was denied by LAFCO in 2008. Another application has been submitted by the City for LAFCO review. This application would be considered after the SOI Update is completed.

Chapter 1 - Introduction and Executive Summary. This chapter of the Sphere of Influence Update introduces terms and definitions, summarizes the purpose of the documents and describes the process of updating the SOI. The Executive Summary provides a brief summary of each of the factors considered in the Municipal Service Review and the recommendation regarding the SOI.

Chapter 2 - Sphere of Influence Update. The Sphere of Influence Chapter describes the requirements of the CKH Act and provides background regarding the existing SOI. It also identifies the Study Areas that were evaluated in determining the SOI, describes the City-County memorandum of agreement (MOA), and the LAFCO staff recommendation along with the conditions of approval. Also addressed are the factors that are required by CKH Act for establishing a SOI.

Chapter 3 - Municipal Service Review. The Municipal Service Review has been prepared in accordance with Section 56430 of the California Government Code as a means of evaluating the public services provided by the City of Pismo Beach. It responds to the requirement that LAFCO

conduct a MSR to study the delivery of services and update the Sphere of Influence. The legislative authority for conducting Service Reviews is provided in the CKH Act. The Act states, "That in order to prepare and to update Sphere of Influences in accordance with Section 56425, LAFCOs are required to conduct a review of the municipal services provided in the County or other appropriately designated area..." A Service Review must address the following factors in order to update a Sphere of Influence:

1. Growth and population projections for the affected area
2. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies
3. Financial ability of agencies to provide services
4. Status of, and opportunities for, shared facilities
5. Accountability for community service needs, including governmental structure and operational efficiencies
6. Any other matter related to effective or efficient service delivery, as required by commission policy

Information regarding each of the above factors is provided in the Service Review. The City of Pismo Beach has provided information regarding the Municipal Service Review. The Service Review is used as an information base to update the SOI. As required, written determinations for each factor have also been prepared for the Commission's consideration.

Conditions of Approval – Recommended Map – Attachment A

The following Conditions of Approval are in response to various issues identified over the past several months. Conditions of approval have been included based on the Sphere of Influence Update, Municipal Service Review, Memorandum of Agreement, the Initial Study and Mitigated Negative Declaration, and public input to be consistent with LAFCO Policies and the current circumstances. The conditions of approval are shown as proposed changes found on page 2-16 of the Document in Attachment E. The conditions of approval are below and attached to the LAFCO Draft Resolution found below and in Attachment A of this staff report:

1. Water

- a. As a condition of an annexation application being filed with LAFCO, the City shall document with a water supply analysis that an adequate, reliable, and sustainable water supply is available and deliverable to serve the areas proposed for annexation.
- b. Future development shall be prohibited from using groundwater from the Oak Park Aquifer, with the exception of Coastal Christian School which is allowed to be developed under the conditions of its County approved permit. Future annexations shall use deed restrictions, covenants or other appropriate measures to ensure that the groundwater is not pumped from this aquifer.

- c. Other groundwater basins in the area proposed for use shall document the safe yield of the basin and the future reliability of the aquifer.

Rationale. This condition requires that a reliable, adequate, and sustainable water be documented prior to the annexation being considered by LAFCO. This means that the State Water must be available and deliverable (contracts in place) to the City prior to annexation. The Oak Park Aquifer is a small aquifer used by many property owners with a safe yield estimated at 270 afy in the groundwater assessment prepared by Fugro for LAFCO. The City indicates in its 2010 Urban Water Management Plan that it does not intend to use this aquifer as a water supply for future development. Many property owners in the area have expressed concern about the use of this aquifer and the impact on their wells. Prohibiting the use of the groundwater in the Oak Park area responds to a number of concerns and provides the City with clear guidance regarding this water source. The City of Arroyo Grande intends to pump as much as 160 afy from this aquifer. This would leave a very small amount (if any) to be pumped by the City of Pismo Beach or private entities.

2. Phasing and Build-out

- a. In order to avoid a "leap-frog" development pattern, encourage orderly growth in the area, and discourage urban sprawl, any proposals within the Sphere of Influence shall be phased such that properties adjacent to the existing City Limits are developed as part of the first phase of development.
- b. As a condition of an annexation application, the development on vacant or underused parcels already within the boundaries of the City shall be evaluated. The City shall provide LAFCO with a build-out estimate or inventory and document how it was prepared.

Rationale. A pattern of leap-frog development is inconsistent with LAFCO policies. The areas adjacent to the City shall be developed prior to development being completed on the inland properties. In the previous EIR the City proposed a pattern of leap-frog development with the phasing of North Ranch and Godfrey properties first. This condition makes clear to the City the type of phasing plan that is required to be considered for annexation. The evaluation of City build-out is based on LAFCO's policies regarding in-fill development and the build out of vacant properties. This information is needed prior to an annexation being considered by the Commission.

3. Agriculture-Open Space

- a. The City shall identify all agricultural and open space lands to be protected in the SOI areas when preparing a Specific Plan.
- b. Prior to LAFCO filing the certificate of completion (if an annexation is approved), conservation easement(s) shall be recorded on the deed(s) of the properties affected by the annexation specifying the areas to be protected in perpetuity.

Rationale. The City has proposed large areas of agriculture and open space lands as part of past projects. The preservation of those areas in perpetuity is a key element in any future annexation. Conservation easements are a mechanism that if executed properly can permanently protect land proposed for preservation. Once the City has identified an area to be preserved that area should

have a Conservation Easement in place before the annexation is complete. This is consistent with LAFCO's past practice for other recently approved annexations.

4. **Wilde/Preserve Property** – Prior to inclusion into the City of Pismo Beach's Sphere of Influence, a Lot Line Adjustment or other land use mechanism for the 20-acre Preserve property shall be completed with the remaining land intended to be placed in a conservation easement.

Rationale. The City has indicated that the approximately 20-acre area adjacent to the City may be considered for annexation if the parcel could be created through a land use process. The balance of this area would likely be placed in open space. The area to be included is below the 200 foot contour, adjacent to the City, and could provide an opportunity for development in the future.

Map. The proposed Sphere of Influence is found in Attachment A and includes the existing Sphere of Influence with the addition of Study Area Four the Godfrey Property. The Conditions are intended to be applied to the entire Sphere of Influence.

Public Outreach-Comments-Attachment B

The Sphere of Influence Update documents have been available online at www.slolafco.com and were released for a 45-day public review on May 13, 2011. The Public Comment period was extended to and closed on October 3, 2011. Attachment B contains all of the comment correspondence received regarding the Sphere Update including letters, emails, postcards, and petitions. It also includes questions posed by the audience at the public workshop on September 21 and responses to those questions. A 21-day Notice of Hearing was published in the in a newspaper of general distribution (The Tribune) as required by the CKH Act. The notice was also mailed directly to interested agencies and parties, media organizations, and property owners adjacent to the proposed SOI additions. The documents were also mailed directly to the City, interested parties and agencies.

The Commission conducted a mobile tour of the Study Areas on July 21st. The purpose of the tour was to provide the Commission and others with an "on the ground" perspective of the Sphere of Influence being considered for Pismo Beach. The tour was well attended stopping at three locations to get an overlook and provide information about each Study Area. As a result, LAFCO staff along with City and County representatives conducted a Public Workshop on September 21st at the Pismo Beach Veterans Hall to explain the process, discuss the documents prepared respond to questions and receive input.

At the September 21st Public Workshop the discussion started with introductions and ground rules, followed by LAFCO's responsibilities, and the City and County roles, then the City Staff discussed its General Plan Policies, what has been done and how they plan to proceed. The SOI/MSR/MOA documents were summarized as well. Numerous questions were asked regarding the LAFCO process, the Sphere of Influence, and possible conditions and/or mitigations. Similar comments to those given in writing were given by citizens who attended. Below are summary notes of the concerns expressed at the Public Workshop.

- Many of the questions and concerns were related to a specific project for the Price Canyon area regarding road locations, land buffers, land use, traffic, etc.

- The reasons for adding Study Area Four (Godfrey), the potential for leap-frog development, urban sprawl, groundwater impacts and Vetter Lane access.
- Requests that City consider the interests of the areas impacted by its development
- City's goals and policies and if these are still relevant.
- Adding Godfrey suggests that the Price Canyon Project will move forward and be annexed.
- Inland Arterial, what are the alternatives given the Mankin's property and their position.
- Water supply, reliability, impacts on the Oak Park Aquifer.

Response to Comments – Attachment C

The responses to the comments are found in Attachment C and are grouped by topic. The following bullets summarize the topics from the written comments received:

- General concerns regarding water, traffic, air quality (GHG), loss of habitat, quality of life, property rights, cost to taxpayers, fire hazards, and open space/agriculture protection.
- Water supply and Basin overuse, reliability of water sources.
- Urban sprawl, leap-frog and phasing of development.
- Ample available land in the City and population trends.
- The use of eminent domain powers to create an easement through Mankins ranch.
- Thorough analysis and fully vetted process for future development
- Compatibility with the surrounding neighborhood
- Costs to County and City Taxpayers
- Affordable housing, head of household jobs and the regional jobs/housing balance.

Overall Response. Extending the Sphere of Influence to include Study Area Four the Godfrey property may eventually result in the City annexing the property sometime in the future. However, expansion of the Sphere of Influence to include Godfrey does not guarantee or mandate approval of the annexation by LAFCO. Many of the comments received are in response to the previous planning efforts by the City regarding this area. The release of the EIR in 2010 was the primary document that stimulated very specific responses from people (and agencies) in the area. Also, the City has indicated that the description of development released in 2010 will be significantly different from what was proposed in the EIR.

The Sphere is a planning tool that helps a jurisdiction and LAFCO plan for future growth and the probable physical boundaries and service area of a jurisdiction. Currently no annexation application for the Price Canyon Area has been filed with LAFCO; however the City is in the process of preparing a Specific Plan and revising the EIR. The City intends to send these documents out for public review and comment. Numerous issues will need to be addressed and actions taken by the City prior to an annexation being considered by LAFCO:

- 1) **Planning Process.** A Specific Plan and Environmental Impact Report (EIR) would need to be approved and certified by the City. This would require the preparation of the Specific Plan, public review of the plan and preparation and certification of the Environmental Impact Report. The EIR would include an evaluation of the impacts (water, air quality, traffic, etc.) raised in the comment letters.
- 2) **Water.** The City must have a reliable, sustainable, and adequate water supply to serve any area prior to annexation. The City has indicated that the developer is responsible for obtaining a water supply for any future annexations and that State Water is one primary source of water to supply future proposals. This supply must be documented and ready for delivery prior to the annexation. Obtaining State Water is a process that takes time and money; but it may be accomplished. A condition of approval has required a Water Supply Analysis to document the sources of water. Also, a prohibition on the use of the Oak Park Aquifer is recommended as part of the conditions of approval. The Oak Park aquifer is a small aquifer that should not be used to justify urban expansion associated with the SOI.
- 3) **Memorandum of Agreement.** When prepared, the Specific Plan should be consistent with the City/County Memorandum of Agreement which specifies a number of provisions that are expected to be included in the design of the development. These provisions are summarized in the section on the next few pages and the MOA is found in Attachment D. The City and County will meet and discuss the future plans for development in the SOI area.
- 4) **Agricultural/Open Space Lands.** The City is required to record conservation easements on the areas that will be set aside as agriculture land and open space prior to the annexation being completed. This requirement is intended to insure that the agricultural and open space land rezoned by the City is protected in perpetuity.
- 5) **Phasing-Buildout.** In the MOA the phasing of the annexation intends that the properties further inland be annexed after planning for the properties adjacent to the City has been completed. LAFCO policies strongly discourage leap-frog development and a pattern of urban sprawl. A condition of approval has been added to clarify the intent of the phasing of any future proposals.

Memorandum of Agreement - Attachment D

The City Council approved a Memorandum of Agreement (MOA) between the City of Pismo Beach and the County of San Luis Obispo on March 1, 2011. The Board of Supervisors approved the MOA on April 5, 2011. The MOA is included with this report in Attachment D. The CKH Act requires that this agreement be given "Great Weight" by the Commission in making its decision regarding the

update of the City's SOI. The City and the County agreed upon the extent of the City's Sphere of Influence and the provisions for future development of the area. The general approach of the MOA is to ensure close coordination and cooperation between the City and County on the future planning and development of the areas within the City's SOI boundary. Key provisions of the MOA include the following:

- **Water Supply.** The City policies require that the proponent of an annexation obtain a water supply prior to completing an annexation. A key water resource identified by the City includes contracting for additional State Water allocation prior to annexation. Other water resources will be evaluated and documented consistent with LAFCO policies, the City's Urban Water Management Plan, and State Law such as SB 610 when applicable. For the purpose of carefully managing water resources, a limited quantity of recycled water and groundwater that is within the documented safe yield of a groundwater basin may be considered for use for outdoor landscaping and agriculture rather than using State Water for such uses.
- **Phasing.** Future development proposed within the Sphere of Influence will be phased to promote orderly and logical growth and development of the City's boundaries. The properties adjacent to the existing City Limits are intended to be appropriately planned for prior to annexation. The properties further inland are intended to be annexed after plans for the properties adjacent to the City have been approved by the City. The intent is for the City to be able to construct needed infrastructure, roads, pipelines, etc., in a manner that logically extends these services and connections into the areas adjacent to the City. This phasing of development is intended to help increase the financial feasibility of constructing the needed infrastructure in areas adjacent to the City. The gradual phasing of the development would influence the amount of initial financial investment for infrastructure construction and allow for existing connections to be used for extending services into adjacent properties.
- **Guiding Principles for Future Development.** The City and County agree that the following principles should help guide development that is proposed within the City's Sphere of Influence:
 - *Direct development toward existing incorporated areas and unincorporated urban areas with logical infrastructure connections*

Phase urban development in a compact manner, first using vacant or underutilized "infill" parcels and lands next to or near existing development and adjacent infrastructure. Include a range of land uses and housing types and densities affordable to a wide range of incomes to be developed in the beginning phases of development adjacent to the City Limits as described in section number seven.
 - *Create walkable and transit friendly neighborhoods that have logical connections to other parts of the City*

Areas proposed for future growth should address roadway distances that would connect the new areas of development together with the existing City and would promote maximum connectivity between different land uses through walkways, bike

paths, transit, or other means.

- *Provide for a variety of transportation choices that are feasible and financially viable*

Insure adequate densities of development that are conducive to supporting transit service.

- *Create a range of housing opportunities and choices*

Future development plans should clearly define a program for including a balanced variety of housing types; one that includes multi-family development and options for higher-density housing. The development should maximize the opportunities to offer a greater range of housing choices that are affordable to people with a variety of income levels.

- *Take advantage of compact building design*

The proposed development should be designed in a compact form that encourages transit, walkability and connectivity to existing city infrastructure within the areas proposed for development. The goals are to 1) develop compact neighborhoods that contain residential uses that are affordable by design and efficient in land and energy consumption and 2) minimize the number of large lots by encouraging a variety of housing densities.

- *Improve the regional or sub-regional jobs/housing balance*

Plan for land uses that provide opportunities for employment and in particular, explore creating opportunities for head-of-household jobs.

The Memorandum of Agreement also calls for the City and County to meet and discuss the preparation of the Specific Plan and Environmental Impact Report. The purpose of these meetings are to discuss future land uses and ensure a coordinated review of the policies and standards of both General Plans.

Changes – Attachment E

Attachment E reflects the changes proposed to the Pismo Beach SOI/MSR Update based on comments received or other corrections noted by staff. Overall, the changes are limited in scope as most commenter's focused on the issues associated with the possible expansion of the SOI. The actual content of the documentation was not the target of the comments submitted. A small number of changes to the documents are recommended, including adding several properties identified by the public that add to the potential buildout of the City because existing sites within the City limits have approved housing projects that could fulfill future housing needs as infill before SOI expansion.

A list of these properties was added to page 3-14. Other changes include updates to the City's 2010 Urban Water Management Plan, conditions of approval, and change to the mitigated negative declaration to allow the Coastal Christian School to use groundwater from the Oak Park Aquifer. Additional minor edits were also made.

Initial Study/Mitigated Negative Declaration (www.slolafco.com under Current Projects tab)

LAFCO is the Lead Agency for the proposed Sphere of Influence Update and Service Review. As Lead Agency, LAFCO is responsible for the preparation of the attached Initial Study/Mitigated Negative Declaration that address any impacts associated with the Sphere Update and Service Review.

The Initial Study/Mitigated Negative Declaration assesses the potential environmental impacts and identifies appropriate mitigation measures associated with the proposed Sphere of Influence Update and Municipal Services Review for the City of Pismo Beach. Together with other studies prepared for this project and other environmental documents incorporated by reference, this analysis serves as the environmental review for the proposed project. This review is required by the California Environmental Quality Act of 1970 (CEQA) as amended (Public Resources Code Section 21000 et. seq.) and the State CEQA Guidelines as well as Guidelines for the Implementation of CEQA adopted by the San Luis Obispo Local Agency Formation Commission.

The Initial Study/Mitigated Negative Declaration has been prepared in a manner which provides complete and adequate California Environmental Quality Act (CEQA) coverage for all actions and approvals associated with the proposed project. These actions include approval of the proposed Sphere of Influence Update and Municipal Services Review for the City of Pismo Beach and certification of the Initial Study/Mitigated Negative Declaration.

City Participation

The City's Community Development Department has been involved in discussions with the County Department of Planning and Building, LAFCO, the Price Canyon Specific Plan representative and the public regarding the Sphere Update and Service Review. In September 2010, the City of Pismo Beach released a draft EIR for the Price Canyon Specific Plan, to which LAFCO provided comments. Subsequently, the City has put that proposal on hold until the SOI/MSR is completed. City Staff participated and helped develop the Memorandum of Agreement with the County through a series of meetings with Staff. The City Staff also participated in the Public Workshop held on September 21st at the Pismo Beach Veteran's Hall from 7:00-9:20 pm. The Community Development Director has been LAFCO's liaison with the City and has provided information and constructive input throughout the process.

County Participation

The County Department of Planning and Building Staff have participated in a series of meetings with City and LAFCO staff to help prepare the Memorandum of Agreement, discuss County involvement in the Pismo Beach SOI update and the pending Price Canyon Specific Plan. The Board of Supervisors considered and approved the Memorandum of Agreement. The County participated in the Public Workshop held on September 21st.