

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 21, 2010
**SUBJECT: STUDY SESSION-CITY OF PISMO BEACH PRICE CANYON
DRAFT ENVIRONMENTAL IMPACT REPORT AND THE
SPHERE OF INFLUENCE UPDATE/MUNICIPAL SERVICE
REVIEW**

COMMISSIONERS

DUANE PICANCO
Chair, City Member

RICHARD ROBERTS
Vice Chair,
Public Member

KATCHO ACHADJIAN
County Member

DAVID BROOKS
Special District Member

Ed Eby
Special District Member

BRUCE GIBSON
County Member

KRIS VARDAS
City Member

ALTERNATES

MURIL CLIFT
Special District Member

Roberta Fonzi
City Member

TOM MURRAY
Public Member

JAMES R. PATTERSON
County Member

STAFF

DAVID CHURCH
Executive Officer

RAYMOND A. BIERING
Legal Counsel

MIKE PRATER
Analyst

DONNA J. BLOYD
Commission Clerk

Recommendation. It is respectfully recommended that the Commission consider the information provided at this study session and give direction and comments to staff as appropriate.

Summary. This study session is to provide the Commission with information regarding the Price Canyon Specific Plan Program Environmental Impact Report (PCSP EIR) released by the City of Pismo Beach in early September 2010. Exhibit A is a summary of the proposal and a description of the various land uses, water demand, and proposed phasing. Exhibit B contains several comment letters previously submitted by LAFCO regarding the proposal. Exhibit C is the City's October 19, 2010 Staff Report requesting authorization for the City Staff to help facilitate a discussion with the Carpinteria Valley Water District regarding the acquisition of State Water.

Background. The Sphere of Influence Update and Municipal Service Review for the City of Pismo Beach have been drafted and are nearly complete. The recent release of the Price Canyon Specific Plan EIR has caused LAFCO to postpone the release of the SOI Update/MSR for Pismo Beach to enable the Commission to consider the EIR as part of its decision making process regarding the SOI/MSR. The comment period for the Draft EIR ends on October 27, 2010. This staff report and today's study session will be incorporated into the comment letter prepared by LAFCO Staff and submitted to the City by the October 27, 2010 deadline for the PCSP Draft EIR. A link to the 1,700+ page Draft EIR and Technical Appendices can be found at the SLOLAFCO website www.slolafco.com under Current Projects.

Exhibit A: Draft EIR
Summary - Maps

Exhibit B: Prior
LAFCO Comment
Letters - Reports

Exhibit C: City's
Resolution re: State
Water Acquisition

The Price Canyon Specific Plan Draft EIR has regional implications in terms of the land use pattern, traffic and circulation, water resources, air quality, agricultural resources, and visual resources. Due to the regional nature of this proposal several agencies may be attending today's study session, including the County Planning Department, Agricultural Commissioner's Office, Air Pollution Control District (APCD), and the San Luis Obispo Council of Governments.

Price Canyon Specific Plan EIR - (Exhibit A)

The Draft EIR for this proposal has been released and the Specific Plan will be prepared based on the responses to the DEIR. Currently, the Specific Plan has not been prepared but the project description includes the following components:

- 280 acres of vineyards (NR)
- Winery, Tasting, Retail, Deli (NR)
- Equestrian facilities (NR)
- 9-hole golf course (SR/Phase 3)
- 697 Residential dwelling units (500 SF/197 MF)
- 10,000 square-foot wellness center
- 28 acres of parks-public and private
- 63 units/10% Affordable Housing
- 40 workforce housing units
- 200 hotel units (NR/SR)
- 20,000 square-foot conference area (SR)
- 5,000 square-foot wine center (SR)
- 10.4 miles of trails
- 466 acres of permanent open space (27%)

NR-North Ranch SR-South Ranch

The proposal anticipates development throughout the 1,700-acre area, while zoning 448 acres in agriculture and 466 acres in open space within the City limits. The proposal would create an agriculture zoning category within the City's general plan to preserve some of the agricultural land uses in the area. Also conservation easements would be used to preserve the agricultural and open space areas. In general, the proposal would develop uses on about 46% of the land and preserve 54% in agriculture and open space. Exhibit A provides a breakdown of each property under the same ownership and shows the development pattern, amount of land in agricultural and open space, and the water demand required for build-out.

The plan for water is to use Indian Knob Groundwater (40-50 afy), Pismo Creek Underflow during the wet seasons (70 afy), and an allocation of (500 afy) of State Water to be obtained from the County or other State Water purveyor. Also, reclaimed water is eventually intended to recharge Pismo Creek. The water supply situation is discussed in more detail later in this report.

Past LAFCO Comments/Reports - (Exhibit B)

LAFCO has provided comment letters regarding the Price Canyon Master/Specific Plan during its formulation, participated in proposal briefings, and prepared several status reports advising the Commission with regard to the proposal. LAFCO has provided specific guidance throughout this process: a January 27, 2009 letter from the Chairman advising the City of the Commission's concern with regard to the use of groundwater based on the results of the LRDM proposal, a May 13, 2009 comment letter submitted with regard to the

development of the Constraints Analysis, and an October 9, 2009 Notice of Preparation comment letter which included these prior letters and provided more specifics regarding LAFCO concerns as a responsible agency. These letters and reports are included in Exhibit B.

The proposal does not appear to have changed substantially, with many details regarding the proposal to be developed in the Specific Plan that would be prepared in the future. The phasing plan appears to propose that Spanish Springs North Ranch develop in phase one even though it is the property furthest from the City Limits (Phasing Plan Map 1-19). Table I-3 on page I-26, however, shows a different phasing plan. Also, the Draft EIR continues to promote the processing of the Sphere of Influence Update and Annexation concurrently. LAFCO has been clear throughout this process that the SOI should be updated first and then an annexation application consistent with the updated SOI could be submitted for consideration. The Draft EIR continues to use groundwater (Indian Knob 40 afy - 50 afy - Pismo Creek 70 afy) as a way to serve project components. Also, a 500 afy allocation of State Water is to be obtained from the County or other purveyor sometime in the future.

Discussion

LAFCO Process. One of the purposes of the Draft Program EIR is to address the Sphere of Influence boundary change and annexation of the Price Canyon Specific Plan concurrently. LAFCO Staff has recommended that the SOI be updated first and then an annexation application submitted for consideration. In this way, the proponent and the City would know with some certainty what areas might be considered for annexation into the City. Also, more detailed information is needed to consider an annexation, particularly one of this size and complexity. The Draft EIR does not appear to have adequate and/or specific information about the timing and availability of critical infrastructure and resources in order for LAFCO to use it as the CEQA documentation for an annexation.

For example, State Water is planned to be used to serve the proposal; however at this point in time the plan for obtaining State Water is at the conceptual stage and the allocation has yet to be negotiated with the County or other purveyor. Purchasing a State Water allocation is an involved process that will take time and commitment of financial resources. These steps are discussed later in this report. At this point in the process the water supply would not be considered an "adequate, reliable, or sustainable" water supply because it is in the very early planning stages and is essentially "paper water". The same could be said for the reclaimed water supply to be used to recharge Pismo Creek which is in the planning stages as well. A long-term adequate, sustainable and reliable water supply that is available should be clearly documented by a jurisdiction. LAFCO has approved previous City and District annexations based on this clearly stated policy regarding water.

These are expensive and complex projects (water, wastewater upgrades and road improvements) that have a number of details to be worked out, including financing, obtaining entitlements and approvals, and the construction of infrastructure. Typically,

these details have been worked out by the jurisdiction and proponent prior to an annexation. The Sphere of Influence requires less detailed information, but is still established based on the documentation found in the Municipal Service Review.

The project description (page I-1) indicates that the purpose of the Draft EIR is to assess the impacts of the General Plan Update, SOI Boundary change, the annexation and Specific Plan. The City proposes two General Plan policies in regard to LAFCO processing:

- LU-R-43 calls for the concurrent processing of the GP Update, SOI, Annexation and Specific Plan.
- LU-R-45 calls for a more step by step process with the SOI being considered first and separate land use approvals (and CEQA documentation) occurring for different properties.

These two policies appear inconsistent with each other and should be clarified.

WATER

The plan for water proposed by the Developer in the Price Canyon Specific Plan Draft Program EIR calls for a combination of sources including groundwater, reclaimed water, and State Water. The State Water Project would be used for domestic uses and supplemented with groundwater extraction from the Pismo Creek through a recharge and recovery program that would include recycled water from the wastewater treatment plant. The Indian Knob groundwater basin would be used to supply the water needs for irrigation of vineyards, landscaping, and uses on the North Ranch. Components of an SB 610 Water Supply Assessment are found in the Draft EIR, but a separate document that meets the intent and requirements of SB 610 does not appear to have been prepared.

For projects over 500 units, **SB 610** requires that each source of water supply be carefully documented as to its availability and reliability with either groundwater reports or contracts that have been entered into by the water provider for a particular source. The assessment must cover a 20-year projection of water demands and supplies including existing and planned water users. SB 610 has specific criteria that if followed would lead to a water supply assessment that clearly documents the sources of supply for a specified project demand. Under SB 610, for a new source of water to be considered, the water supply assessment must document that the water purveyor has secured water rights, can obtain capital funding for infrastructure and can identify and secure the required regulatory approvals.

State Water. While in concept obtaining water from the State Water Project (SWP) may appear viable, there are several significant challenges to be met before this water supply becomes a reality. The Developer has just started the involved process to determine if SWP is a feasible water supply for this project. Numerous steps need to be completed to obtain the additional 500 afy of State Water allocation from the San Luis Obispo County

Flood Control and Water Conservation District (District) and the Central Coast Water Authority. Before doing so, the Countywide Master Water Plan must be completed pursuant to existing policy of the District's Board of Supervisors. The District is in the process of updating the plan. The estimate for completing the Master Water Plan is 2011.

As part of those efforts, the District is in the process of completing a system capacity study that will determine if any excess pipeline capacity is available or if pipeline constraints need to be addressed to further improve capacity before additional SWP can be allocated to any jurisdiction.

After the capacity study is completed the District/Board of Supervisors would then consider and adopt policies to guide the Board in determining which jurisdictions might receive a portion of the District's SWP allocation that is currently unused. In addition, negotiations with the Central Coast Water Authority and the California Department of Water Resources to determine how much SWP is available and what the buy-in costs/options might be for an allocation use of additional pipeline and water treatment plant capacity would be necessary. The final step would be a revised contract negotiated between the City, the District, the Central Coast Water Authority and the California Department of Water Resources. Each of these steps are extensive and the outcome is, at this point, uncertain.

Another option that recently came to light is the City and Developer negotiating with the Carpinteria Valley Water District to purchase an allocation of State Water. Those negotiations are just now getting underway. Some of the same steps discussed above would apply to this State Water being transferred to the City of Pismo Beach. The City's October 19, 2010 staff report and resolution regarding this option is found in Exhibit C.

A section of the EIR evaluates acquiring additional State Water resources for use by the project. EIR - page V-B7 requires State Water financing would come from the developers and then the City would commit to acquiring the water from the District or other purveyor. This would apparently occur after annexation; however to make State Water a sustainable, reliable, and adequate water supply consistent with LAFCO policy (and SB 610) this supply (wet water) should be in place prior to any annexation. This is the standard that has been applied to other annexations by LAFCO.

Reclaimed Water. The process to develop a reclaimed water supply for recharging the Pismo Creek groundwater resource is also in the early stages. The necessary steps to produce a recycled water program include implementing the financing mechanisms to facilitate construction, upgrading the Wastewater Treatment Plant, and infrastructure construction. Input and approvals from Regional Water Quality Control Board would also be needed for such a program. The reclaimed water is expected to come on-line in phase two of the project.

Groundwater Resources. The project proposes to use groundwater from the Indian Knob groundwater basin and the Pismo Creek Alluvium Groundwater. LAFCO's letter sent by the Chairman of the Commission, David Brooks in January 2009 letter stated the following:

In light of the recently denied Los Robles Del Mar proposal, it is very important that water resources be studied in a comprehensive manner that clearly articulates the water supply situation. This is particularly the case with regard to the use of groundwater as a possible supply. Using groundwater as a significant source of water for the project would likely trigger a repeat of the Los Robles Del Mar situation. That path is not preferable and would likely create a controversial and intense debate over water resources in the area.

The Draft EIR spends considerable resources in studying the use of groundwater as a supply for this proposal. The Indian Knob Basin would be limited to pumping 40-50 afy and Pismo Creek to 70 afy. The proposal states that 75 afy is currently being pumped from the aquifer for agricultural use. The Oak Park Basin which is under the Los Robles Del Mar site was previously considered by the Commission as inconsistent with LAFCO's water policy. The proposal has stated that the Oak Park aquifer is not intended for use. It should be noted that the Godfrey Ranch has four (4) existing deep formation wells and Spanish Springs South Ranch has two (2) existing deep formation wells that could draw from the Oak Park aquifer. The Draft EIR requires mitigation that limits the pumping of the Indian Knob aquifer to 40-50 afy. Spanish Springs North Ranch has six (6) existing wells that could draw from this basin. The Draft EIR also limits the pumping of Pismo Creek to 70 afy during the wettest six months from December to May. Spanish Springs South Ranch has six (6) existing wells that could draw from this water supply.

Agricultural/Open Space Resources. A total of 448 acres would be zoned agricultural with 280 acres planned for vineyards. The Draft EIR indicates that a total of 73.5 acres of prime agricultural soils is within the Specific Plan area with an additional 124 acres of planted vineyards. An additional 91 acres qualify as local potential farmland. It appears that the proposal could meet the LAFCO 1:1 mitigation ratio of preserving 99 acres of prime farmland. What would help in making this determination is a clear and concise statement with a map showing the area for future preservation. Additional agricultural operations would continue on the Big Bird property however the amount and type are not specified. Grazing currently occurs throughout the planning area. It is unclear if grazing activities will continue. The concept for preserving the agricultural and open space land is to have a contractual agreement between the landowner, City, and a third party (such as a conservation organization) to ensure protection of the land in perpetuity. The Draft EIR proposes a General Plan Policy that would require existing and planned vineyards to be permanently preserved using a conservation easement; however, the mitigation measures identify specific lots that do not appear to include all of the areas planned for vineyards. The timing of these easements is intended to occur with final tract map recordation. Tract maps may be recorded as final over 20+ years depending on if a map is in phase one, two, three or four of the development. It appears that easements for North Ranch would occur in phases one and two. Easements for South Ranch are planned to be completed in phases three and four.

The Draft EIR proposes zoning 466 acres in Open Space with approximately 300 acres to be preserved through conservation easements. The Draft EIR does not appear to require easements on the Loughhead and Big Bird properties. Habitat easements with regard to the Pismo Clarkia and Lupine are to be mapped and recorded in the future. The Pismo Creek corridor is intended to be placed in a conservation easement.

Land Use Pattern/Urban Sprawl. The proposal would change the character of the Price Canyon corridor and add low density large lot development throughout the 1,700-acre area. In previous comments LAFCO has stated that this appears to be a project that encourages urban sprawl. The project has not been significantly changed in terms of the proposed land use pattern and phasing to alleviate this concern. The potential for preserving about 950 acres in open space and agricultural lands presents a significant benefit and is consistent with LAFCO policies.

Phasing of Development. The project is anticipated to be completed in four phases. The Phasing Plan promotes a leapfrog development pattern that has been pointed out in prior LAFCO comments. North Ranch continues to be considered for development in phase one (Phasing Map I-19). North Ranch would include 44 five-acre lots and a 40-unit hotel. These would be served using groundwater from Indian Knob basin and would be on septic wastewater systems. It would appear that this development should remain in the County as it is rural development that does not require urban services. Phasing the development in such a manner that the properties closest to the City are developed first would be a more logical and orderly way to proceed.

The maps found in Exhibit A show the proposed phasing that would be implemented over a 20 year period depending on market conditions. Also, the Draft EIR shows two different phasing plans; one on map I-19 found on page I-56 and the other in Table I-3 on page I-26. The phasing plan map shows the Big Bird property as being developed in phases three and four. Table I-3 shows parts of Big Bird being developed in phases one, two, three, and four. Which phasing plan is applicable should be clarified in the EIR.

Infrastructure Financing and Time. A number of major infrastructure improvements would be required to facilitate the Price Canyon Specific Plan including: Inland Arterial, wastewater treatment plant upgrades for recycled water program, SWP and associated water lines, local streets and trail/bikeways. The framework for developer agreements, necessary financing, responsibilities and timing to complete these infrastructure improvements has not fully been discussed.

CONCLUSION

The Draft EIR is intended to be used to develop and prepare a specific plan for this area. Based on analysis of the Draft EIR, it is not recommended that it be used by LAFCO for consideration of an annexation. It may be used to assist in the evaluation of the Sphere of

Influence; however LAFCO retains discretion in determining the SOI. Inconsistencies in the Draft EIR should be corrected in the Final EIR.

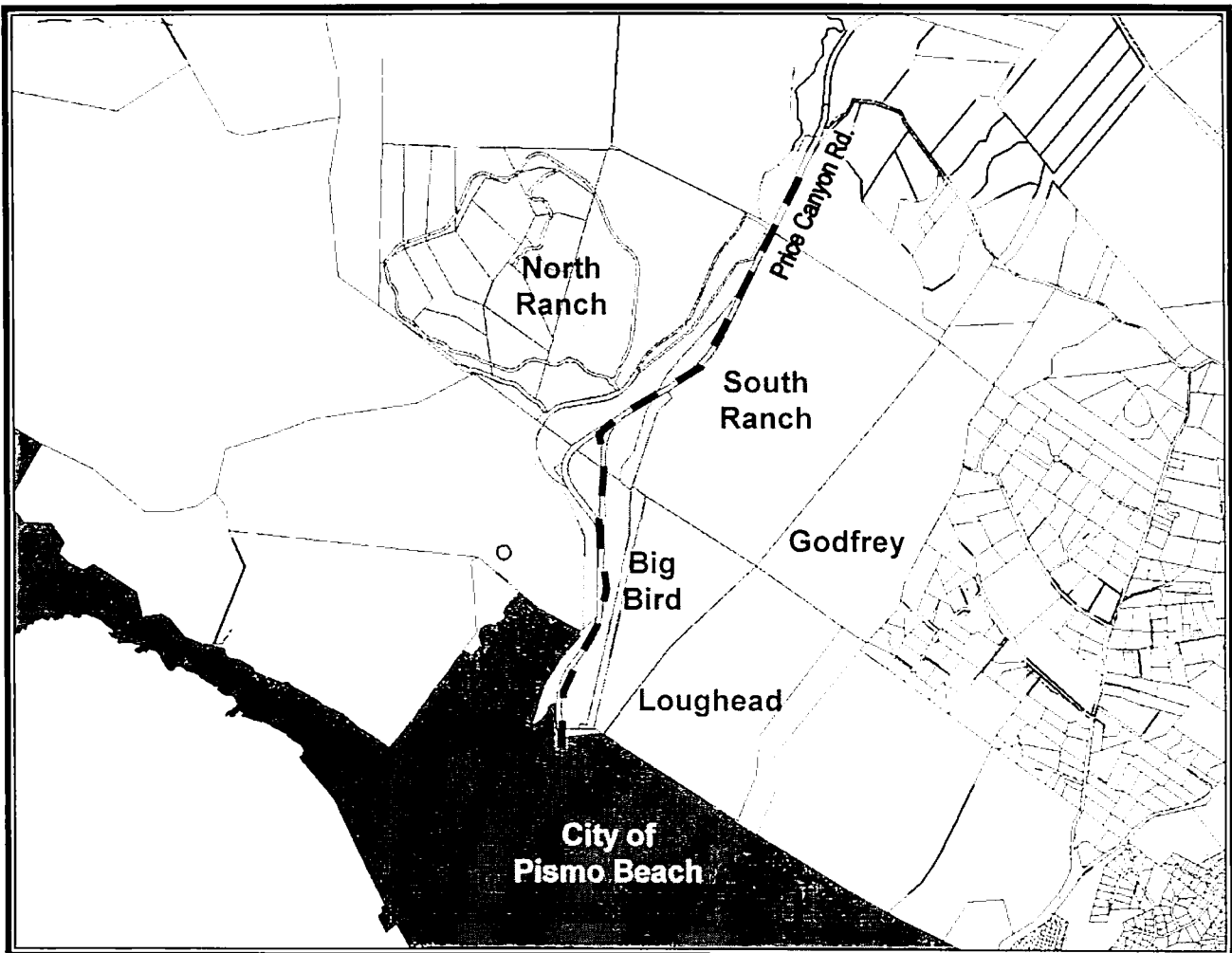
The lack of a well documented water supply that is reliable, sustainable and adequate is a key finding from the review of the EIR. The phasing plan promotes urban sprawl and is not consistent with LAFCO policies regarding leapfrog development and promoting logical and orderly growth. Also, the economic feasibility of developing this type of project in the City over the next 20 years is unclear. It would appear that there are financial constraints that may hinder the development of this project.

A better approach would be for the City to obtain an adequate, sustainable, and reliable water supply and then apply for annexation as other jurisdictions have done to comply with the LAFCO policy. Also, the Big Bird and Loughhead properties which are closest to the City, should be developed first, before other properties to the north are developed. This would be a more logical and orderly way to approach future expansion of the City. LAFCO staff will prepare and submit a comment letter highlighting many of the points found in this report and the comments received at the Study Session.

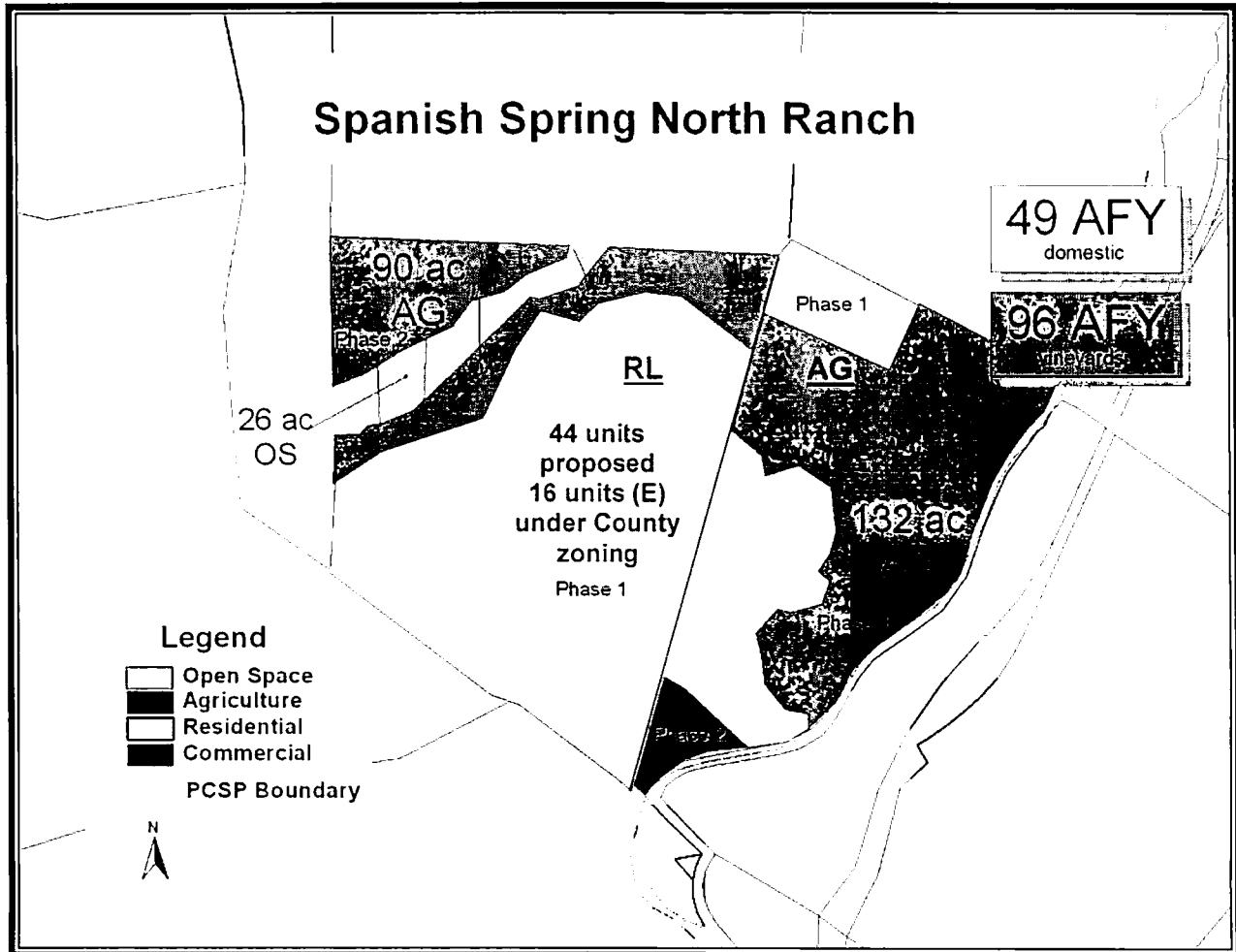
Exhibit A

PCSP EIR Summary Maps

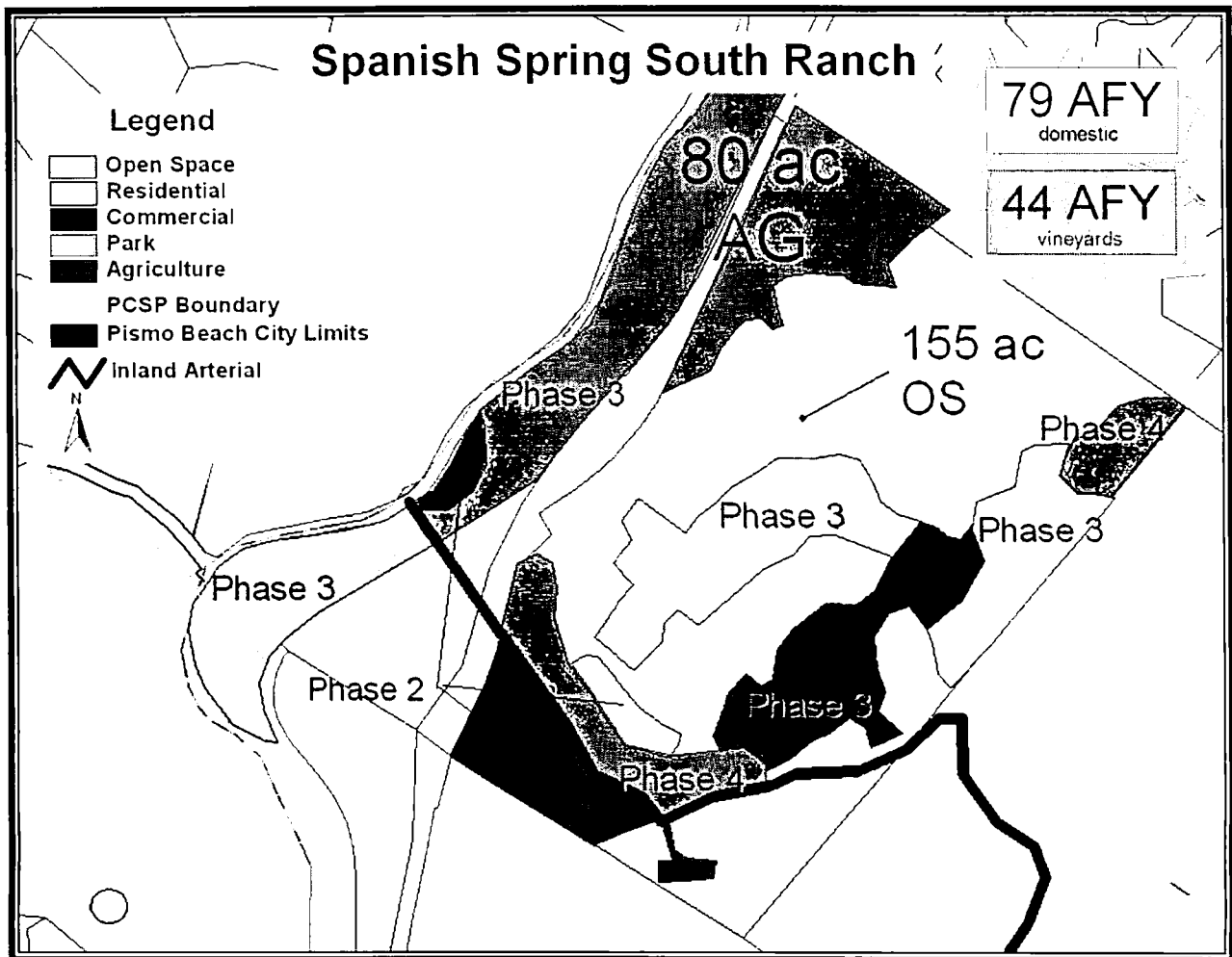
Overall – Price Canyon Specific Plan (PCSP). The development would add largely low density development of 697 residential units and 200 visitor-serving units throughout the 1,700 acre area while zoning 448 acres agriculture within the City limits and setting aside 466 acres in open space. The proposal would develop uses on 46% of the land and preserve 54% in agriculture and open space. The total water demand required for the PCSP development is 592 afy. The following Exhibits provides a breakdown of each property under the same ownership and shows the development pattern, amount of land in agricultural and open space, and the water demand required for build-out.



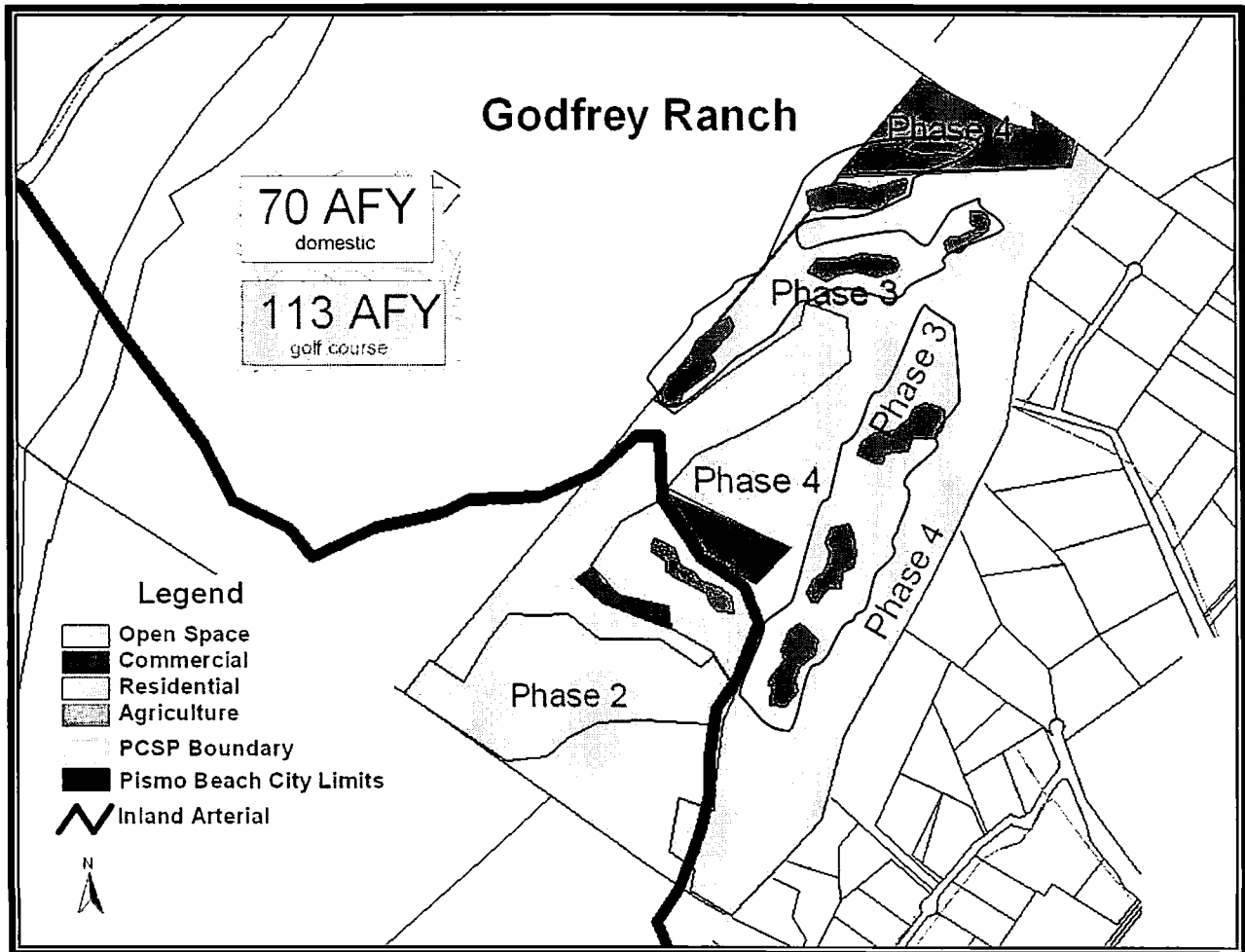
Study Area #2 – King North Ranch. This area is owned by Spanish Springs LLC and consists of two parcels that are located north and west of Price Canyon Road. The parcel closest to Price Canyon Road is designated "Agriculture" by the County. The parcel contiguous to the North Ranch is designated "Rural Lands" by the County, which obtained approvals for a subdivision application in the county to subdivide this site into sixteen 20-acre parcels. The PCSP Proposal would include 44 residential units, 40 hotel units, and preserve 222 acres of agriculture land with 191 acres planned for vineyards. North Ranch is primarily planned to be built-out in Phase 1 and supplied initially by the Indian Knob and Pismo Creek groundwater basin with 108 afy of groundwater demand. In total North Ranch land uses would demand 145 afy of water supply if annexed and fully built-out. As pointed out earlier having Spanish Springs North Ranch develop in phase one.



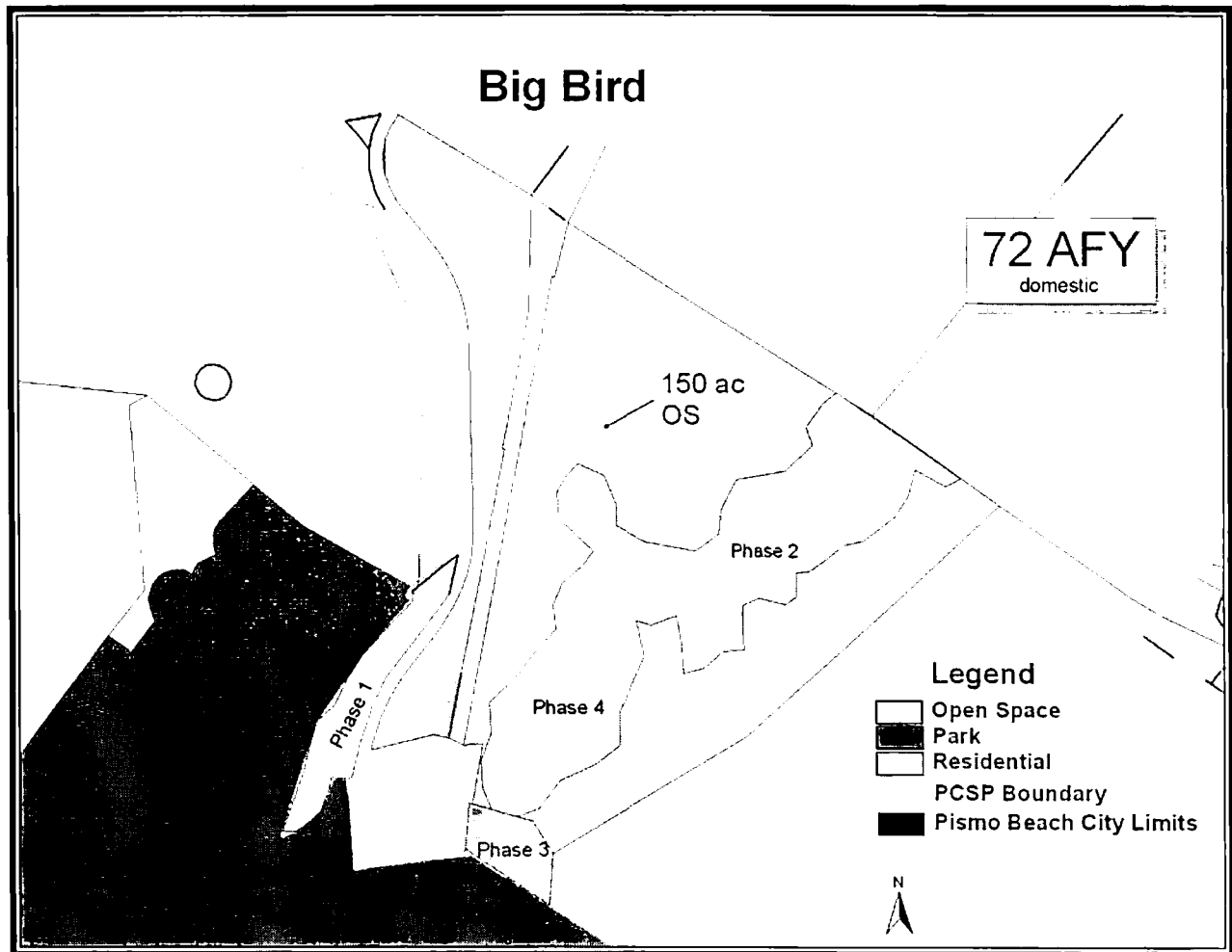
Study Area #3 – King South Ranch. This area includes 471 acres was owned by Spanish Springs II LLC but is now owned by Textron Financial Corp and located just south and east of Price Canyon Road. This area was added to the City of Pismo Beach's Sphere of Influence during the 2002 update. This parcel is designated "Agriculture" by the County. The PCSP Proposal would add 145 residential units, 160 hotel units, and preserve 80 acres of agriculture land with 89 acres planned for vineyards (the proposal would preserve AG land on non-prime soils). In addition, 155 acres of open space is proposed for preservation. The South Ranch hotel units would be built in Phase 2 along with the Inland Arterial. Phase 3 would include residential, parks, and agriculture uses. The total water demand for all land uses requires 123 afy for South Ranch development. The vineyards are proposed to use reclaimed groundwater while the domestic uses would use State Water.



Study Area #4 – Godfrey Parcel. This parcel is owned by Palm Dunes LLC and is approximately 250 acres in total area located adjacent to and east of the Spanish Spring South Ranch. This parcel is designated as "Rural Lands" under the County's General Plan. The PCSP Proposal would add 156 residential units, 9-hole golf course, and create 20 acres of agriculture land. The Godfrey Ranch would be built in Phases two, three, and four with approximately 50 residential units built in Phase 2 located around the Inland Arterial. Phases 3 & 4 would include residential, golf course and associated commercial, and agriculture uses. The PCSP proposes to use 113 afy reclaimed water to irrigate the golf course and 70 afy of State Water for all domestic needs. The total water demand for all land uses requires 183 afy for Godfrey development.



Study Area #5 – Big Bird. This approximately 200-acre parcel is owned by Big Bird PTP and is located to the immediate north and west of the Price House property. This site is designated "Agriculture" under the County's General Plan. The PCSP Proposal would add 194 residential units. The property owner has states their intent to continue some agricultural operation however it is unspecified in the PCSP EIR and not identified in the proposed Land Use Map. Big Bird would provide some development in all four Phases. The total water demand for all land uses requires 72 afy of State Water for Big Bird development. This property along with the Loughead property should be considered for annexation prior to the other properties rather than the land use pattern currently shown throughout the 1,700 acre site.



Study Area #6 – Loughead. This parcel is owned by Palm Dunes Price Canyon Investments LLC and includes approximately 200 acres of land. The site is accessed from Highland Drive in Pismo Beach, and presently contains a City water reservoir and distribution main water line in the lower southeastern corner of the site. This parcel is designated as "Rural Lands" by the County General Plan. The PCSP Proposal would add 158 residential units. PCI - Loughead would provide some development in the first three Phases. The total water demand for all land uses requires 69 afy of State Water for Loughead development. This property along with the Big Bird property should be considered for annexation prior to the other properties.

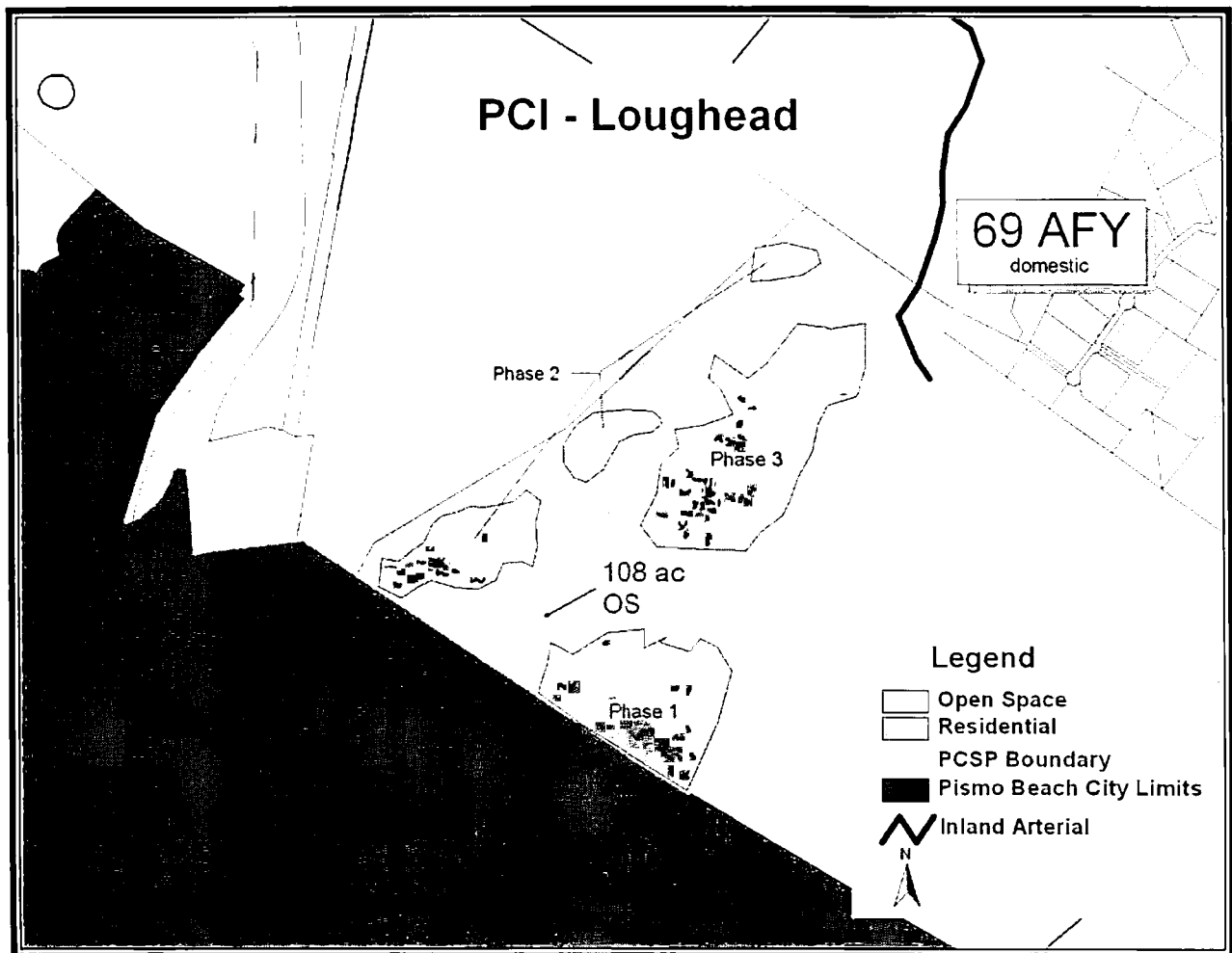


Exhibit B

LAFCO • The Local Agency Formation Commission
Serving the Area of San Luis Obispo County



October 9, 2009

David Foote, ASLA
c/o Firma
1034 Mill Street
San Luis Obispo, CA 93401

COMMISSIONERS

DAVID L. BROOKS
CHAIR, Special District
Member

DUANE PICANCO
Vice-Chair,
City Member

K.H. "KATCHO" ACHADJIAN
County Member

BRUCE GIBSON
County Member

BARBARA MANN
Special District Member

Richard Roberts
Public Member

ALLEN SETTLE
City Member

ALTERNATES

ED EBY
Special District Member

TOM MURRAY
Public Member

JAMES R. PATTERSON
County Member

KRIS VARDAS
City Member

STAFF

PAUL L. HOOD
Executive Officer

David Church
Deputy Executive Officer

RAYMOND A. BIERING
Legal Counsel

DONNA J. BLOYD
Commission Clerk

Subject: Notice of Preparation Draft Master Environmental Impact Report, Price Canyon General Plan Update, SOI Change, Annexation and Master Plan MEIR

Dear Mr. Foote:

Thank you for the opportunity to comment on the Notice of Preparation for the draft Master Environmental Impact Report being prepared by the City of Pismo Beach regarding the development proposal being considered for the Price Canyon area. Please consider the following comments when completing the EIR:

1. Name of Contact Person. David Church, Deputy Executive Officer, San Luis Obispo Local Agency Formation Commission, 1042 Pacific Street, Suite A. San Luis Obispo, CA 93401. (805) 788-2096. Dchurch@SLOLAFCO.COM
2. Permit(s) or Approval(s) Authority. LAFCO is responsible for approving spheres of influence and annexations for jurisdictions throughout the County. Under the Cortese/Knox/Hertzberg Act a jurisdiction is required to obtain LAFCO's approval prior to serving a territory outside of its service area. Please see Government Code Section 56000 et al of the Cortese/Knox/Hertzberg Act for more information about LAFCO's legislative mandate, authority and procedures. As a Responsible Agency, LAFCO may use the EIR to consider the Sphere of Influence Update and the possible Annexation of 1700 acres into the City of Pismo Beach. Attached is a copy of Policies and Procedures that will be used by San Luis Obispo LAFCO to help evaluate the proposal. It should be noted that an annexation application for this proposal has yet to be submitted to LAFCO. Also, LAFCO understands that currently the City intends for the Sphere of Influence Update and the Annexation to be processed concurrently. LAFCO Staff continues to recommend that the SOI Update be completed first and then annexation.

1042 Pacific Street, Suite A, San Luis Obispo, California 93401
Tel: 805.781.5795 Fax: 805.788.2072
www.slolafco.com

3. Environmental Information. In order for LAFCO to consider updating the City's Sphere of Influence and possible Annexation of this area, an adequate environmental document must be prepared for use by LAFCO. It is recommended that the EIR for this project fully address the potential environmental impacts of these proposed actions. "Probable significant environmental effects" based on the Constraints Analysis are identified in the NOP. It is assumed that these impacts will be studied as "significant". Additionally, several impacts were not listed in the NOP as potentially significant impacts, including:

- Public Services
- Utilities
- Land Use/Planning
- Population and Housing
- Traffic/Transportation (Specific to the Project not just Cumulative.)

As a Responsible Agency LAFCO requests that the above listed impacts be analyzed as potentially significant impacts. Identifying these issues as potentially significant impacts ensures a more thorough analysis of the impacts. This also improves the legal defensibility of the document if a CEQA lawsuit is filed. The information and mitigation regarding these topics would also be used by LAFCO to help prepare a Municipal Service Review which needs to be completed prior to the Sphere of Influence Update. This level of analysis also provides the public with a high level of disclosure with regard to the environmental impacts of the project.

The Land Use and Planning section should address LAFCO's policies and procedures. As currently proposed the Project Description appears inconsistent with several LAFCO Annexation and Sphere of Influence policies. Also, an analysis that inventories vacant land available for development within City Limits should be completed as part of the EIR. Given the proposed pattern of development and phasing of the project, the issue of Urban Sprawl and leapfrog development should be addressed in this section as well.

A Water Supply Assessment pursuant to SB 610 should be completed as part of the Draft EIR process. The water supply assessment documents sources of water supply, quantifies water demands, evaluates drought impacts, and provides a comparison of water supply and demand that is the basis for an assessment of water supply sufficiency. The Water Supply Assessment is required for projects that would exceed 500 units or 10% of the current connections served by a jurisdiction with under 5,000 connections. The total number of units anticipated for the project is 697. Under Water Code Section 10910 et seq., the assessment must be completed prior to the issuance of a draft Environmental Impact Report or proposed Negative Declaration.

A comprehensive analysis of the projects impacts and the City's ability to provide water and wastewater services to these areas should be prepared as part of the EIR. The analysis should address the capability of the City to provide services to existing and future residents with regard to water supply and demand, wastewater capacity and demand, fire and police response, financial impacts, and a variety of other service-related factors.

The phasing and timing of the development and the construction/funding of infrastructure needs to be clearly evaluated and articulated. Also, the proposed phasing of the development in the project description encourages a pattern of leapfrog development that is inconsistent with LAFCO's policies and legislative mandate. Inland rural areas are to be developed prior to areas that are contiguous to the City, creating a very irregular development pattern.

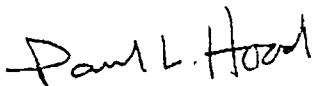
4. **Permit Stipulations/Conditions.** LAFCO may place conditions of approval on the proposed SOI Update and/or Annexation at the time of consideration.
5. **Alternatives.** A range of alternatives that provides decision making bodies with options and discretion should be studied. In particular, various boundary configurations for the Sphere of Influence boundary and potential annexation to the City should be evaluated. A smaller boundary that includes a more compact urban area to be served by the City should be analyzed. Placing agricultural areas in long term conservation easements while remaining in the County should be studied to a same level as the proposed project. As previously commented by LAFCO, placing areas of agricultural land into a city is not LAFCO's preferred pattern for annexation. Also the NOP indicates that the alternatives will address a project without Godfrey and North Ranch in the SOI to a "more limited depth". This analysis should be done to the same level of detail as the proposed project to allow the City Council and other agencies the discretion to select a different alternative than just the proposed project. Also an alternative that studies the annexation of the properties already in the existing SOI should be evaluated.
6. **Reasonable Foreseeable Projects, Programs, or Plans.** The information provided in the EIR would be used as reference information for future SOI Updates and annexations considered by LAFCO.
7. **Relevant Information.** San Luis Obispo LAFCO's Policies and Procedures are attached for your consideration. Also attached are two comment letters submitted to the City by LAFCO on the proposal. The Cortese/Knox/Hertzberg Act is available upon request and is on-line as well. Please note that the City has been advised by LAFCO to complete the Sphere of Influence Update first, prior to moving forward with the Annexation. The City continues to process the two LAFCO actions concurrently. If the areas requested for inclusion into the existing SOI, (Spanish Springs North and Godfrey) are not included into the SOI they cannot be annexed into the City. Prior to any annexation, a property must be within the City's SOI as required by the CKH Act. The approach of concurrently processing the SOI Update and Annexation together requires substantially more resources and analysis to process.

Studying only the SOI Update would take fewer resources and the outcome would provide guidance with regard to future steps for the area.

8. Further Comments. Please note that the Thille property is not part of the City's Sphere of Influence because the lot line adjustment was not approved by the Coastal Commission and is no longer being considered. The lot line adjustment was to be completed if the area was to be within the City's SOI. Also, the Constraints Study references an EIR that was prepared for the SOI Update and Municipal Service Review completed in 2002. An EIR was not completed for this LAFCO action.
9. EIR Requested. A copy of the Draft EIR would be appreciated when it is available. A hard copy and CD copy would be useful.

If you have any questions regarding these comments please contact me at 781-5795.

Sincerely,



Paul L. Hood
LAFCO Executive Officer

cc. Members, Formation Commission

Attachments: San Luis Obispo LAFCO Policies and Procedures
May 13, 2009 Letter from LAFCO to the City of Pismo Beach
January 27, 2009 Letter from LAFCO to the City of Pismo Beach

LAFCO • The Local Agency Formation Commission
Serving the Area of San Luis Obispo County



TO: MEMBERS, FORMATION COMMISSION
FROM: PAUL L. HOOD, EXECUTIVE OFFICER **PLH**
DATE: JUNE 18, 2009
SUBJECT: PRICE CANYON MASTER PLAN REPORT (Information Only)

COMMISSIONERS

DAVID L. BROOKS
CHAIR, Special District
Member

DUANE PICANCO
Vice-Chair,
City Member

K.H. "KATCHO" ACHADJIAN
County Member

BRUCE GIBSON
County Member

BARBARA MANN
Special District Member

Richard Roberts
Public Member

ALLEN SETTLE
City Member

ALTERNATES

ED EBY
Special District Member

TOM MURRAY
Public Member

JAMES R. PATTERSON
County Member

KRIS VARDAS
City Member

STAFF

PAUL L. HOOD
Executive Officer

RAYMOND A. BIERING
Legal Counsel

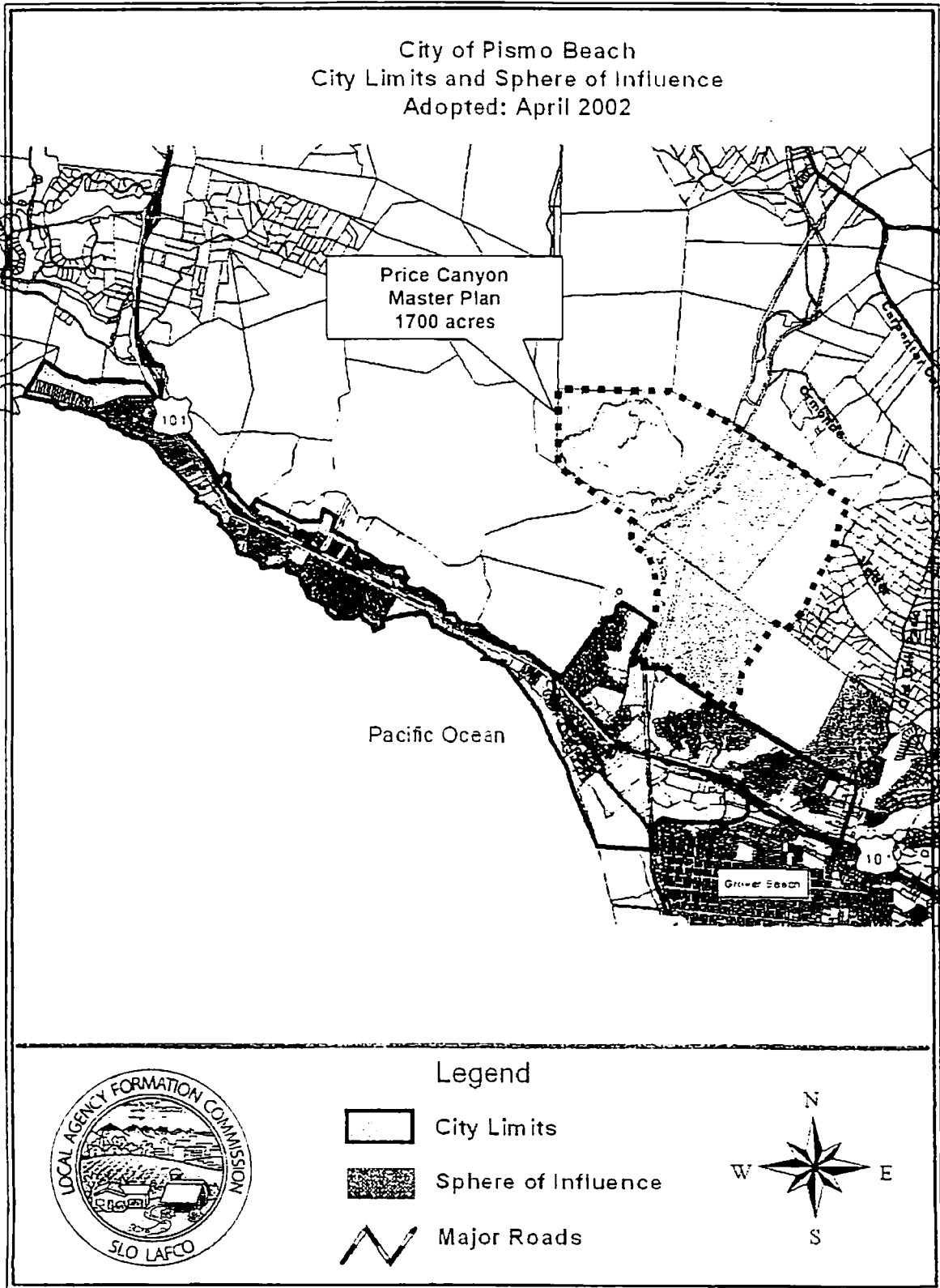
DAVID CHURCH
Deputy Executive Officer

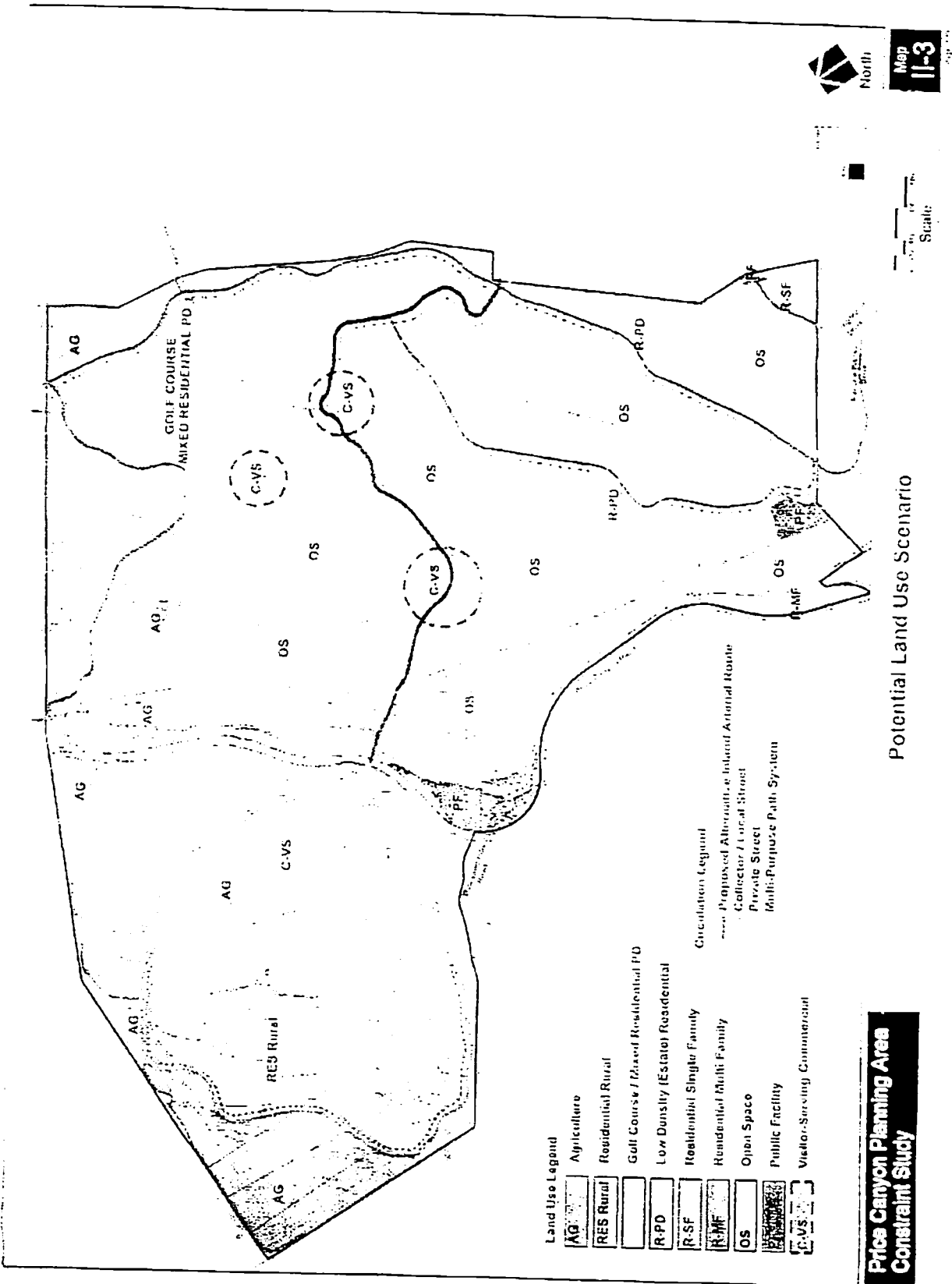
DONNA J. BLOYD
Commissioner/Clerk

LAFCO Staff has continued to monitor the Price Canyon Master Plan process and submitted the attached letter commenting on the Constraints Study, the resulting land use pattern that is proposed and the process recommended by the City representatives. The Pismo Beach City Council is scheduled to consider the Constraints Study on June 16, 2009. The City's Planning Commission recommended that the Council approve preparation of a Master Plan and EIR. The Council may decide to prepare the Master Plan and Environmental Impact Report, continue the item, or deny approval for preparing the Master Plan/EIR. Several issues are raised in the attached comment letter regarding the 1,700 acre proposal:

- The availability of an adequate, reliable, and sustainable water supply. Reclaimed water that is piped from the wastewater treatment facility to the Pismo Creek groundwater basin and then pumped out to serve the various end users is proposed as the main source of water. The letter sent to the City from Chairman Brooks is also attached.
- Creation of a Agriculture Land Use Zone by the City for the purpose including a large area of agricultural land within City Limits. Typically agricultural land remains in the unincorporated County and is not placed in a city for preservation or as a major use of land.
- The proposal, as currently configured, represents a land pattern that can be characterized as urban sprawl. According to the Cortese-Knox-Hertzberg Act, this pattern of development is to be discouraged by LAFCO. The attached maps show the existing Sphere of Influence and proposed area of the Master Plan and a scenario of development where low density residential land uses are separated by topography and other constraints.
- The process for LAFCO consideration of this proposal if the City intends to move forward with it is also outlined in the letter. The City is considering submitting the Sphere of Influence Update and Annexation as a concurrent application. This is not the process preferred by LAFCO Staff as the proposed area is large and the proposal is complex. Updating the Sphere of Influence should first be considered by LAFCO and than possible annexation.

1042 Pacific Street, Suite A, San Luis Obispo, California 93401
Tel: 805.781.5795 Fax: 805.788.2072
www.slolafco.com







City of Pismo Beach
Community Development Department
Planning / Building / Recreation / Parking Divisions

JUN 16 2009

760 Mattie Road, Pismo Beach, CA 93449
Phone (805) 773-7089 Fax (805) 773-4684

June 16, 2009

Paul Hood, Executive Officer
Local Agency Formation Commission
1042 Pacific Street
San Luis Obispo, CA 93401

RE: Price Canyon Planning Area General Plan Update

In response to your May 13, 2009 letter and your current LAFCO agenda report, I believe it is important to remind you of the history between the City of Pismo Beach and LAFCO pertaining to the Price Canyon Planning Area.

The Pismo Beach General Plan was adopted by the City on November 24, 1992 and certified by the California Coastal Commission on May 18, 1993. The Land Use Element of the General Plan establishes the framework and development of the City, providing for the general distribution, location and extent of the uses of the land for housing, business, industry, open space, recreation, natural resources and other uses of public and private lands.

The Land Use Element is divided into a series of 18 planning areas, one of which is Price Canyon Planning Area 'R'. The land within the boundaries of the original planning area included PCI, Big Bird and Spanish Springs South properties with Big Bird and PCI properties later incorporated within the City and LAFCO's Sphere of Influence and Sphere of Service. On April 18, 2002, LAFCO amended the SOI and SOS boundary to include the Spanish Springs South. The Spanish Springs North and Godfrey parcels are located within the City's Extended Planning Area. The Price Canyon Planning Area, all of which is located in the County, was designated as an "urban reserve" and as a recreation and open space area with the intention that a future General Plan Amendment, text and map, would more specifically define a land use plan following a detailed environmental inventory and analysis of the properties, including an evaluation of the land's suitability and constraints for development.

LAFCO's approval of the SOI/SOS in 2002 and concurrent Memorandum of Agreement executed between the City and County also recognized that lands within spheres are intended to accommodate growth and establish urban development standards within a 20-year planning horizon. Specific to the Price Canyon Area, LAFCO identified several critical resource and infrastructure needs. Principal among them were water supply, wastewater capacity and

circulation/roads, especially related to the highway 101 corridor and Price Canyon Road.

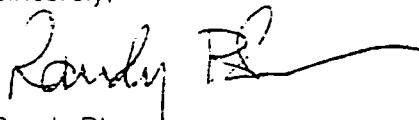
The Price Canyon Planning Area General Plan Update has the opportunity and ability to implement most of LAFCO, County and the City's planning objectives, not only within the Planning Area, but Citywide. For example, the Planning Area can implement the objective of reuse of wastewater through landscaping irrigation and development of a groundwater recharge and recovery system for a Planning Area and City domestic water supply; it can initiate the desired linkage of an inland arterial road to relieve traffic impacts along Highway 101; it can establish permanent protection for agriculturally viable lands, natural resources and scenic values along the Price Canyon Road corridor; and, it has the opportunity to create a variety of recreational, hospitality, conference and visitor serving uses that are fiscally beneficial additions to the City.

Further, in the context of a larger, regional planning perspective, the Price Canyon Planning Area represents the most suitable, least constrained and best opportunity in the entire South County and Five Cities areas to accommodate orderly and planned urban development and implement most of the County's Strategic Growth objectives in the 20-year planning horizon. This planning area General Plan Update can facilitate a coordinated broad-based planning effort for the Price Canyon area between the County, City, property owners and other affected agencies to achieve pro-active, mutually beneficial planning goals.

I believe your letter of May 13, 2009 was premature. The City of Pismo Beach is taking a very conservative planning approach to the Price Canyon Planning Area and as such was the reason for developing an all encompassing Constraints Analysis for the planning area. Reacting to a Master Plan that has not even been developed is inappropriate for a public official in your capacity.

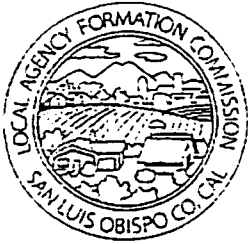
Please provide a copy of this response to your LAFCO Commissioners at your June 18, 2009 meeting so it can become part of the public record. We will continue, as we have in the past to keep you up to date in this planning process.

Sincerely,

A handwritten signature in black ink that reads "Randy Bloom". The signature is written in a cursive, flowing style with a long horizontal line extending to the right.

Randy Bloom,
Community Development Director

Cc Pismo Beach City Council, City Manager



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

May 13, 2009

Randy Bloom, Director
City of Pismo Beach
Community Development Department
760 Mattie Road
Pismo Beach, CA 93449

COMMISSIONERS

DAVID L. BROOKS
CHAIR, Special District
Member

DUANE PICANCO
Vice-Chair,
City Member

K. H. ATRADJIAN
County Member

BRUCE GIBSON
County Member

BARBARA MANN
Special District Member

RICHARD ROBERTS
Public Member

ALLEN SETTLE
City Member

ALTERNATES

ED EBY
Special District Member

TOM MURRAY
Public Member

JAMES R. PATTERSON
County Member

KRIS VARGAS
City Member

STAFF

PAUL L. HOOB
Executive Officer

RAYMOND A. BIERING
Legal Counsel

DAVID CHURCH
Deputy Executive Officer

DONNA J. BLOYD
Commission Clerk

Subject: Price Canyon Master Plan

Dear Mr. Bloom:

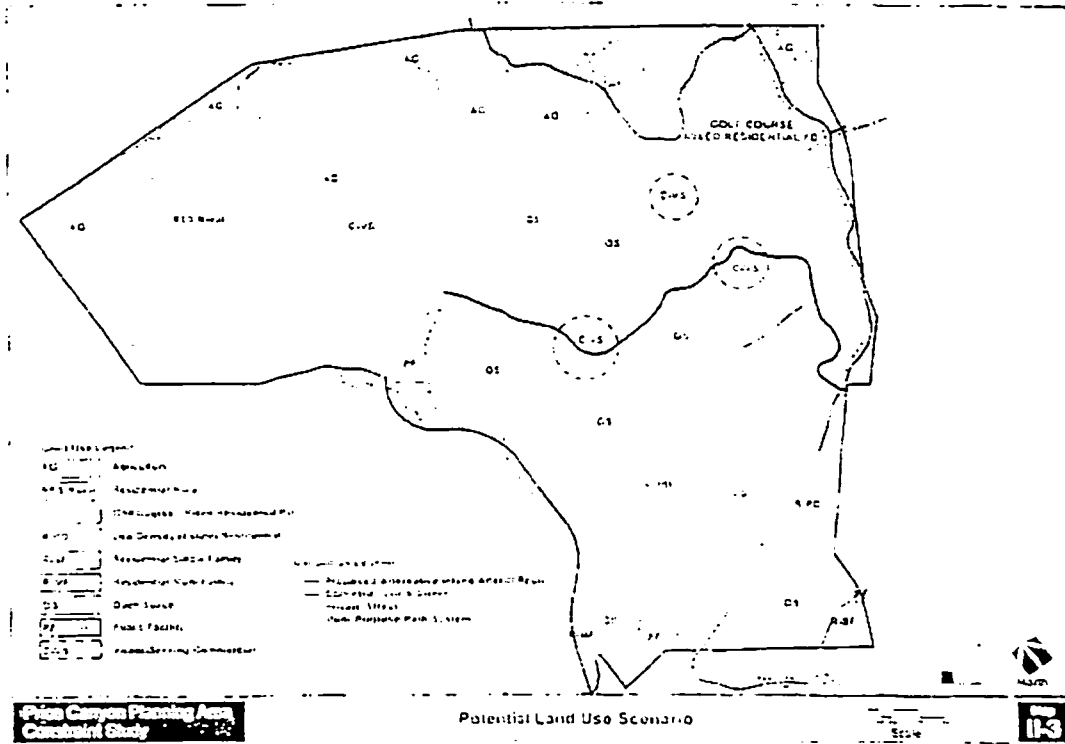
Thank you for coming to the LAFCO office on May 8, 2009 to brief LAFCO staff regarding the Price Canyon Master Plan. At the meeting, LAFCO Staff identified several concerns regarding the proposal:

- Water Supply - The Master Plan proposes that reclaimed water, state water and groundwater be used to serve the proposal. It appears that an adequate supply of reclaimed water may be available from initial calculations; however numerous details regarding the water supply and infrastructure need to be worked out before this supply is considered sustainable and reliable. Also, please forward the letter from LAFCO regarding the water supply to the City Council for their consideration.
- Agricultural Land - The creation of a Agricultural Land Use Zone by the City does not guarantee that the land will be maintained in this category in the long term. LAFCO prefers that agricultural land remain in the unincorporated County and not be placed in a city. While placing land in an agricultural zone may temporarily prevent the conversion of agricultural land, in general a city is less likely to preserve an agricultural area than a County because of the potential for urbanization using City services. At the meeting it was suggested that City representatives meet with the County Agricultural Commissioners office to further discuss these issues.
- Urban Sprawl - The proposal, as currently configured, represents a land pattern that can be characterized as urban sprawl. LAFCO defines urban sprawl in its Policies and Procedures as follows:

Urban sprawl can best be described as irregular and disorganized growth occurring without apparent design or plan. This pattern of development is characterized by the inefficient delivery of urban services (police, fire, water, and sanitation) and the unnecessary loss of agricultural resources. By discouraging sprawl, LAFCO limits the misuse of land resources and promotes a more efficient system of local governmental agencies.

1042 Pacific Street, Suite A - San Luis Obispo, California 93401
Tel: 805.781.5795 Fax: 805.788.2072
www.slolafco.com

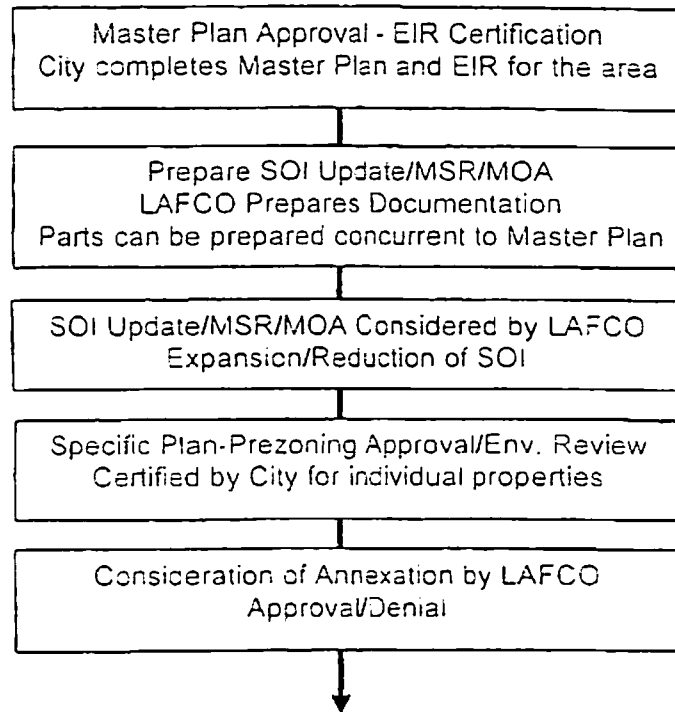
According to the Cortese-Knox-Hertzberg Act, this pattern of development is to be discouraged by LAFCO. The map below shows a scenario of development where land uses are separated by topography and other constraints.



The Constraints Analysis identifies the visual and biological resources that would keep growth from occurring in certain areas of the properties. The Constraints Analysis also points out the Traffic Impacts that would occur if such a development were to move forward. This expansive and inefficient use of land promotes the type of development pattern that new legislation AB 32 and SB 375 are attempting to change. The pattern of development includes low density residential, golf course planned development and would increase vehicle miles traveled, and allows for development in areas that are far from City services. With regard to the Northern Spanish Springs parcel, it is on the north side of Price Canyon and already has been approved for large lot rural development by the County. This type of rural land use pattern should remain in the unincorporated County.

- LAFCO Process - In December 2008, LAFCO Staff submitted an e-mail to the City representative documenting the understanding of the LAFCO process discussed at a meeting with the City representatives. This process was further described for City representatives at the recent May meeting:

PRICE CANYON REVIEW PROCESS



In the recent meeting with City representatives, this process was again identified as the preferred way that LAFCO would like to consider this proposal. Consideration of the Sphere of Influence and Annexation at the same time as proposed by the City representatives is not recommended for processing this proposal due to its size complexity and potential for controversy.

In conclusion, LAFCO Staff has serious questions regarding the consistency of the Price Canyon Master Plan as currently configured with the intent of the Cortese-Knox-Hertzberg Act and the policies of the San Luis Obispo LAFCO. The proposed land use pattern appears to be a model of urban sprawl and inclusion of agricultural lands into the City's services area would increase the pressure to develop these areas in the future. Thank you for considering these comments and please call me at 781-5795 if you have any questions.

Sincerely,

Paul Hood, Executive Officer
San Luis Obispo LAFCO

cc. Members, Formation Commission

LAFCO • The Local Agency Formation Commission
Serving the Area of San Luis Obispo County



January 27, 2009

Mr. Kevin Rice, City Manager
City of Pismo Beach
760 Mattie Road
Pismo Beach, CA 93449

Subject: Price Canyon Master Plan


Dear Mr. Rice:

This letter is to convey San Luis Obispo LAFCO concerns about water resources and the Price Canyon Master Plan being developed by the City. On December 19, 2008 LAFCO staff was updated by the City's consultants Mr. Joe Boud and Mr. David Foote with regard to the Constraints Analysis being prepared for the Master Plan. On January 15, 2009, a brief review of this project was presented to the Commission as part of a staff report that summarized the City's response to a questionnaire regarding the City's Sphere of Influence.

In light of the recently denied Los Robles Del Mar proposal, it is very important that water resources be studied in a comprehensive manner that clearly articulates the water supply situation. This is particularly the case with regard to the use of groundwater as a possible supply. Using groundwater as a significant source of water for the project would likely trigger a repeat of the Los Robles Del Mar situation. That path is not preferable and would likely create a controversial and intense debate over water resources in the area. To address the water situation in a proactive manner, the Commission strongly encourages the City to evaluate various water supply scenarios that do not involve groundwater sources to serve this development. This may involve the possible use of unallocated State Water, the extension of the Nacimiento Pipeline, or other sources. A clear understanding of how the City intends to provide water service to this project is a vital element in updating the City's Sphere of Influence.

Thank you for considering these comments at this time and for keeping LAFCO staff informed about the project. If you have any questions regarding these comments please contact Paul Hood at 781-5795.

Sincerely,


DAVID L. BROOKS
Chairman of the Commission

cc. LAFCO Commissioners
Randy Bloom

1042 Pacific Street, Suite A • San Luis Obispo, California 93401
Tel: 805.781.5795 Fax: 805.788.2072
www.siolafco.com

COMMISSIONERS

DAVID L. BROOKS
Chair, Special District
Member

DUANE PICANCO
Vice-Chair,
City Member

KATE "KATCHO" ACHADJIAN
County Member

SPUCE GIBSON
County Member

BERNARD MANN
Special District Member

BERNARD ROBERTS
Special District Member

ALLEN SETTLE
City Member

ALTERNATES

ED EBY
Special District Member

TOM MURRAY
Public Member

JAMES R. PATTERSON
County Member

VACANT
City Member

STAFF

PAUL L. HOOD
Executive Officer

RAYMOND A. BIERING
Legal Counsel

DAVID CHURCH
Deputy Executive Officer

DONNA J. BLOYD
Commission Clerk

Exhibit C



PISMO BEACH COUNCIL AGENDA REPORT

SUBJECT/TITLE:

PRICE CANYON STATE WATER ACQUISITION NEGOTIATIONS

RECOMMENDATION:

By motion, adopt Resolution authorizing City staff to facilitate the acquisition of additional State Water for the Price Canyon Annexation.

EXECUTIVE SUMMARY:

The City received a formal written communication from developers, Rick Loughead and John King, requesting assistance in the acquisition of State Water for the Price Canyon Annexation. The developers are prepared to fund the required administrative expenses to begin the negotiations. The City has made contact with the Carpinteria Valley Water District who has expressed an interest in providing the State Water required for the Price Canyon Annexation. Staff is seeking City Council authorization to facilitate the negotiations between the developers of Price Canyon and the Carpinteria Valley Water District. The Price Canyon developers will be the lead negotiators for this transaction and the City will assist and facilitate as appropriate. All costs to facilitate this State Water transaction, including staff time, will be borne by the developers. A deposit system similar to that used in the EIR will be used to fund the expected costs from the Carpinteria Valley Water District and the City of Pismo Beach. The City will not accrue any expenses that exceed the amount of funds on deposit.

This action will authorize City staff to initiate formal negotiations with the Carpinteria Valley Water District for additional State Water for the Price Canyon Annexation project.

FISCAL IMPACT:

There is no fiscal impact.

OPTIONS:

1. The City Council may adopt a resolution authorizing City staff to facilitate the acquisition of additional State Water for the Price Canyon Annexation.
 2. The City Council may choose not to adopt the resolution authorizing City staff to facilitate the acquisition of additional State Water for the Price Canyon Annexation and provide further direction to staff.
-

ATTACHMENTS:

1. Resolution
 2. State Water Acquisition Formal Request
-

Prepared by: Dwayne Chisam, P.E., Director of Public Works/City Engineer

Meeting Date: October 19, 2010

City Manager Approval:

Agenda Item:
Page 1

RESOLUTION R-2010-

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PISMO BEACH
AUTHORIZING CITY STAFF TO FACILITATE THE ACQUISITION OF ADDITIONAL
STATE WATER FOR THE PRICE CANYON ANNEXATION**

WHEREAS, the City received a formal written communication from the developers of the Price Canyon Annexation requesting assistance in the acquisition of State Water for the project; and

WHEREAS, the developers are prepared to fund the required administrative expenses and begin the negotiations with the Carpinteria Valley Water District; and

WHEREAS, The Price Canyon Annexation developers will be the lead negotiators for this transaction and the City will assist and facilitate as appropriate; and

WHEREAS, all costs to facilitate this State Water transaction, including staff time, will be bear by the developers.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Pismo Beach hereby authorize City staff to facilitate the acquisition of additional State Water for the Price Canyon Annexation.

UPON MOTION OF Councilmember _____ seconded by Councilmember _____ the foregoing resolution was passed, approved and adopted by the City Council of the City of Pismo Beach this 19th day of October 2010, by the following roll call vote:

AYES: Councilmembers:
NOES: Councilmembers:
ABSENT: Councilmembers:
ABSTAIN: Councilmembers:

Approved:

Attest:

Mary Ann Reiss
Mayor

Emily Colborn, MMC
City Clerk

Agenda Item:
Page 2

September 27, 2010

CITY OF PISMO BEACH
CITY CLERK'S OFFICE

Mr. Kevin Rice
City Manager
City of Pismo Beach
760 Mattie Road
Pismo Beach, CA 93449

SEP 27 2010

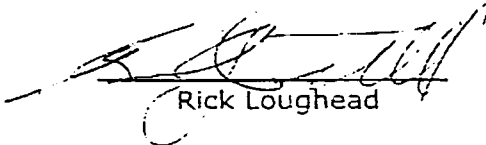
RECEIVED

RE: State Water Acquisition

Mr. Rice:

Please accept this communication as a formal request for the City's assistance in the acquisition of State Water for the Price Canyon Annexation. The Developers are prepared to fund the required administrative expenses and to begin negotiations as soon as possible. In advance, thank you for this consideration.

Respectfully submitted,


Rick Loughhead


John E. King