

Attachment C

LAFCO Proposal Review Factors - Government Code 56668 & 56668.3

Sphere of Influence Amendment and Annexation #1 to the County Service Area 23 (CSA 23)

(111 Residential Lots within Tract 2586) – LAFCO No. 2-R-23

Factor (a)

Population and population density; land area and **land use**; per capita **assessed valuation**; **topography, natural boundaries,** and **drainage basins**; proximity to other populated areas; the **likelihood of significant growth in the area**, and in adjacent incorporated and unincorporated areas, during the next 10 years.

Response.

Population and Population density:

As it was mentioned in the Final Environmental Impact Report (EIR), based on the Sheriff Department’s population generation factor of 2.7 persons per dwelling unit, the 111 residential lots requesting a Sphere of Influence (SOI) amendment and annexation would be expected to generate approximately 300 residents. This represents an approximate 23.2% increase in the existing population of the Santa Margarita community of approximately 1,291¹. The population density for the SOI amendment and annexation area would be 2.2 persons per acre.

The Final EIR identified impacts related to population growth that would be Class 1, Significant and Unavoidable impacts. For the reasons set forth in the CEQA Findings and Statement of Overriding Considerations, included as Attachment A, Exhibit A of the Commission’s staff report, the Commission determines that any significant environmental impacts caused by the proposed SOI amendment and annexation have been minimized to the extent feasible, and where not feasible, has been outweighed and counterbalanced by the significant economic, fiscal, social, and land-use benefits to be generated to the County. The Statement of Overriding Considerations justifies finding the unavoidable adverse environmental impacts from the proposed SOI amendment and annexation as acceptable.

The Class I impacts related to population growth are summarized below:

¹ Santa Margarita Census Designated Place 2020 Decennial US Census Data

- **Impact AQ-4:** The Amended Project would exceed the population growth assumptions of the 2001 Clean Air Plan (CAP). In addition, due to the distance of the site from services, Amended Project implementation would result in a substantial increase in vehicle miles traveled.

Land Area and Land Use:

The proposed SOI amendment and annexation area consisting of 111 residential lots, within Tract 2586, is zoned Agriculture. Tract 2586 maintains surrounding agricultural land under the Agricultural Open Space Easement. Land use on the site proposed for Cluster development is limited to ranchlands, without any structures. There are several existing agricultural accessory structures, as well as four licensed stock ponds and four licensed reservoirs, on the portions of the site proposed for agricultural conservation easements. Several private roads and trails are located throughout the area, which provide access for vineyard and ranch operations, grazing, PG&E power lines, and other public utilities located on-site.

The December 2008 County action granted approval for a Vesting Tentative Tract Map 2586 and a Conditional Use Permit S303115U to subdivide and develop an agricultural cluster subdivision. The County granted approval of the "Amended Project", which was alternative 12 in the Final Environmental Impact Report. The approved subdivision would result in 111 residential lots, 5 agricultural parcels, one 2.5-acre building envelope with a primary dwelling and ranch headquarters on an open space parcel, a ranch headquarters site at the Portuguese corrals, a remainder parcel, and would leave 3,633 acres in agricultural conservation easements. Only the 111 residential clustered lots (approx. 143 acres) are proposed for an SOI amendment and annexation into CSA 23.

Per Capita Assessed Valuation:

The total assessed value of the parcels containing the SOI amendment and annexation area as determined by the County Assessor is \$20,056,234; that in part includes \$9,400,223 in land value and \$9,130,579 in improvement values. On March 12, 2024, the County conducted negotiations on behalf of the district, pursuant to Revenue and Taxation Code Section 99 (b)(5), and approved a zero-exchange property tax agreement through Resolution No. 2024-

045. Therefore, the amount of property tax revenue to be transferred between the County of San Luis Obispo and the CSA 23 shall be zero.

Topography, Natural Boundaries, and Drainage Basins:

The Santa Margarita Ranch property consists of varied terrain with the mountainous area on the west side of the Ranch containing the Santa Lucia Mountain ridge and slopes of 50 percent and greater. The predominant interior valleys of the Ranch are sloped at 1 to 9 percent while the Santa Margarita Creek lowlands typically contain slopes less than 5 percent. Dominant features of the Amended Project Site (which in part includes the 111 lots proposed for SOI amendment and annexation) include gently to steeply sloping topography, scattered vegetation including grasses, forbs, scrub, oak woodland, and riparian species, and several streams which traverse the lower reaches of the Amended Project site. Elevations range from approximately 930 feet above mean sea level (msl) to approximately 1,300 feet msl.

According to the Final EIR, drainage generally flows from south to north via four main drainages in the Santa Margarita Ranch area: Santa Margarita Creek, Yerba Buena Creek, Trout Creek, and Rinconada Creek. Santa Margarita Creek is located on the eastern portion of the site, flowing in a northeasterly direction before being joined by Yerba Buena Creek, flowing from the south-central portion of the site. Approximately 1 mile north of this junction, these drainages enter Trout Creek, which joins the Salinas River approximately 1.25 miles north of the Ranch boundary. The Rinconada Creek is the most southerly drainage, joining the Salinas River at the southeastern corner of the project site.

Proximity to Other Populated Areas:

The SOI amendment and annexation area includes approximately 143 acres consisting of 111 residential parcels located southeast of CSA 23 and south of Highway 58. The affected territory is less than a mile away from the current CSA 23 boundary.

Likelihood of Significant Growth in the Area, and in Adjacent Incorporated and Unincorporated Areas, During the Next 10 Years:

On December 19, 2008, the San Luis Obispo County Board of Supervisors, as the land use authority, approved a Vesting Tentative Tract Map 2586, which included a three-phase major agricultural cluster consistent with Alternative 12 of the Final EIR (the Amended Project) and a Conditional Use Permit S303115U to subdivide a 3,778-acre portion of Santa Margarita Ranch. The subdivision would result in an agricultural cluster subdivision with 111 residential lots (proposed for an SOI amendment and annexation), five agricultural parcels, one 2.5-acre building envelope with a Primary Dwelling and a Ranch Headquarters site on an open space parcel, one Ranch Headquarters' site at the Portuguese corrals and a remainder parcel, and would place 3,633 acres in agricultural conservation easements (ACEs). Only the 111 residential clustered lots (approx. 143 acres) are proposed for a SOI amendment and annexation into CSA 23. In addition, the Final EIR evaluated a conceptual Future Development Program for the buildout of several locations within the remaining portions of the approximately 14,000-acre Santa Margarita Ranch property. No actions have taken place since 2008 to authorize, approve, or provide entitlement to any project related to the Future Development Program. Therefore, population growth resulting from the SOI amendment and annexation of the 111 residential lots would occur due to the associated development, and significant increases in population could occur, but are not anticipated, in adjacent areas over the next 10 years.

Factor (b)

1) The **need for organized community services**; the present cost and adequacy of governmental services and controls in the area; probable future needs for those services and controls; and probable effect of the proposed incorporation, formation, annexation, or exclusion of the alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.

Response.

CSA 23 is a dependent special district authorized to provide water service and street lighting. Although this proposal consists of a request for only water service for the 111 residential lots. All other services and infrastructure would be provided by the County and Santa Margarita Ranch LLC pursuant to the County's December 23, 2008, approval and associated documents. Regarding water services, initially, CSA 23 and Santa Margarita Ranch, LLC explored the establishment of a mutual water company instead of annexation. Subsequently, the Legislature tightened the requirements for the establishment of new water systems adjacent to existing systems with the intent to limit community water system sprawl. Given the close proximity between CSA 23 and Tract 2586, the formation of an independent mutual water company became infeasible.

With support from Santa Margarita Ranch, LLC, the County proceeded by submitting a request to LAFCO to begin the annexation proceedings. If approved by LAFCO, Santa

2) "Services," as used in this subdivision, refers to governmental services whether or not the services are services that would be provided by local agencies subject to this division, and includes the public facilities necessary to provide those services.

Margarita Ranch, LLC would plan to construct the community water system, in order to serve domestic water to the proposed residences. The plan to utilize existing on-site wells to meet domestic needs would remain.

Santa Margarita Ranch, LLC conducted a hydraulic analysis of the potential connection of Tract 2586 to CSA 23 subject to peer review by the County. The report identified an intertie between CSA 23 and Tract 2586 that would increase the water supply, fire flow pressure, available storage, and redundancy in CSA 23. In addition, CSA 23 would own and operate system improvements, which include Wells 5 and 6, a booster station, a water storage tank, and all appurtenances up to and including the water meter at each service connection. With the addition of these system improvements, annexation is expected to provide potential benefits to all CSA 23 customers.

CSA 23 is willing and able to provide the requested services and has documented its capability to provide service to the SOI amendment and annexation areas subject to the terms and conditions of the Engineering Reimbursement Agreement, Annexation Agreement, and Plan for Services.

Key highlights are below:

- There are three phases of buildout for the 111 residential lots. The Estimated Time Frame for Service Delivery is described below:

Phase	# of Lots	Time Frame
Phase 1	38 lots	2024-2027
Phase 2	44 lots	2027-2032
Phase 3	29 lots	2032-2034

- All costs associated with the design, inspection, plan check, review, and construction inspection by CSA 23 staff will be paid by the applicant per the terms and conditions of the Engineering Reimbursement Agreement dated May 28, 2020, and Annexation Agreement.
- The owner would fund a number of major water infrastructure improvements, which are detailed in the Plan for Services and Annexation Agreement between the applicant (Santa Margarita Ranch, LLC) and CSA 23.
- The County Public Works Finance Dept completed a financial analysis of Tract 2586

annexation into CSA 23, included on page 8 of Attachment N.

- Revenue was estimated conservatively using existing CSA 23 rates and will include a service charge to build reserves for the expected replacement of the bolted tank with a welded tank. The estimated revenue generated from the proposed 111 lots will adequately cover operations, maintenance, and capital improvement costs.
- The existing rate structure for water services in CSA 23 will be unaffected by the annexation of new territory and can be viewed here: <https://www.slocounty.ca.gov/Departments/PublicWorks/FormsDocuments/Committees-Programs/County-Service-Areas/CSA-23Santa-Margarita/Combined-CSA23Ordinance,-Rules-Regulations.pdf>
- A zone of benefit will be established for the tract and connection fees will be paid by the owners. CSA 23 intends to initiate proceedings for the formation of a new zone of benefit upon the issuance of the Certificate of Completion for annexation. The capital improvement charge will be implemented through a Proposition 218 protest process, which will take place at the same time as the formation of the zone of benefit.
- CSA 23 is capable of providing the necessary water services in a timely manner while being able to serve all areas within its current boundaries and without lowering the level of service provided to areas currently being served by CSA 23.

As a result of the proposal for the SOI amendment and annexation into CSA 23, additional infrastructure and capital improvements are necessary. The Plan for Services, dated March 5, 2024, further elaborates on the required improvements associated with each phase. The following are additional facilities and infrastructure required, in part, per the Annexation Agreement dated June 6, 2023, between the County and Santa Margarita Ranch LLC, to provide service to the Project:

- Two additional water wells (located in a separate groundwater basin).
- The tract water distribution system with all appurtenances.
- A 6-inch bi-directional cross-connect water line sized to provide up to 200 gallons per minute, i.e., as a redundant system that can provide water in either direction between the existing CSA system and the tract water distribution system.
- Booster station with transfer pump, backup generator, Chlorine analyzers, turbidimeter, pH meter, flow meters, and control building.

- Bolted steel 288,000-gallon storage tank.
- SCADA equipment for telemetry and operations.
- Water quality sample stations at each well and tank and throughout the distribution system.
- Additionally, provisions for a future Iron and Manganese Filtration system, if, after one year of service from the Wells and a minimum of 10.6 million gallons of production from the Wells, the water produced from the wells exceeds the drinking water standard for iron and manganese.

Currently, Tract 2586 is installing all the water infrastructure, and once complete, it can be tested and put into service. The system can be operated completely independently of the existing CSA 23 water system.

Factor (c)

The **effect of the proposed action** and of alternative actions, **on adjacent areas, on mutual social and economic interests**, and on the **local governmental structure of the county**.

Response.

If approved by the Commission, the proposed SOI amendment and annexation would allow the 111 residential lots to receive water service from CSA 23 upon compliance with LAFCO's conditions of approval. The area would continue to be located within the County's unincorporated area and be added to the CSA's SOI and service area concurrently.

Impacts to the Governmental Structure of the County

Public Services and Utilities

According to the Final EIR, the Agricultural Residential Cluster Subdivision, which includes the 111 residential lots proposed for an SOI amendment and annexation, would result in potentially significant, but mitigable (Class II) impacts with respect to defensible space (safety), and schools. Impacts related to providing law enforcement would be less than significant, based on the requirement that the applicant provide funding to offset potential service impacts. The Agricultural Residential Cluster Subdivision would introduce residential uses into a high-fire hazard area and would burden CDF/County Fire Department services. This would be a Class II, significant but mitigable, impact. Waste generated during Agricultural Residential Cluster Subdivision construction and occupancy would be disposed of at the Chicago Grade Landfill, approximately eight miles north of the community of Santa Margarita. Prior to the implementation of any recycling programs, the Agricultural Residential Cluster

Subdivision would result in the generation of 110 tons per year (604 pounds per day) of solid waste. Class II significant but mitigable impacts would result. Impacts to the Santa Margarita Library would be Class III, less than significant, with the payment of library fees.

The Final EIR concluded that the County approved Amended Project (Alternative 12), would result in the same number of residential units as the Agricultural Residential Cluster Subdivision. This alternative would have essentially the same development characteristics as the proposed project (111 dwelling units) but would incorporate project features that address some of the identified environmental constraints. Consequently, the increase in demand for law enforcement, fire protection, school, solid waste, and library services would be identical. Overall, this alternative would result in both similar and more adverse public service impacts compared to the proposed Agricultural Residential Cluster Subdivision as discussed on pages 6-101 of the Final EIR, included in Attachment H.

For the reasons set forth in Attachment A, Exhibit A, the Commission determines that any significant environmental impacts caused by the proposed SOI amendment and annexation have been minimized to the extent feasible, and where not feasible, have been outweighed and counterbalanced by the significant economic, fiscal, social, and land-use benefits to be generated to the County. The Statement of Overriding Considerations justifies finding the unavoidable adverse environmental impacts from the Proposal as acceptable.

Mutual Social and Economic Interests

The County approved Amended Project, which includes the 111 residential lots proposed for an SOI amendment and annexation, would include several aspects that have mutual social and economic benefits to the region as listed below:

- The Amended Project will preserve over 3,620 acres on five separate parcels with permanent open space / agricultural conservation easements (ACEs) parcels.
- The Amended Project will preserve over 900 acres of land mapped by the Department of Conservation as Prime Farmland and over 2,000 acres of grazing land.
- The Amended Project will protect and preserve the rural character of the area by protecting the region's aesthetic value.

- Although the Amended Project will result in a limited amount of tree removals, its approval will result in the preservation of over 1,400 acres of oak woodlands.
- The Amended Project will result in the preservation/protection of 31 acres of wetlands, 30 miles of waterways, and other important biological habitats.
- The permanent open space/agricultural conservation easements (ACEs) parcels will preserve identified and unidentified archeological sites.
- The construction of the Amended Project will result in both short-term and long-term economic benefits to the County of San Luis Obispo and its residents.
 - The project will increase contributions to County property taxes.
 - The project will indirectly provide for a number of jobs relating to the construction of and maintaining approximately 111 new homes and related improvements.
 - The project will increase the countywide available housing stock by 111 units.

Factor (d)

The conformity of both the proposal and its anticipated effects with both the adopted **commission policies on providing planned, orderly, efficient patterns of urban development**, and the policies and priorities set forth in Section 56377.

Response.

The County's December 23, 2008, approval of the EIR certification, CEQA findings and Statement of Overriding Considerations, revised findings and conditions of approval for Tentative Tract Map (2586) and Conditional Use Permit (S030115U) reflecting the Amended Project (Alternative 12), among other supporting documentation and studies, including the County's Plan for Services and Annexation Agreement, were used to address and respond to Commission policies as described below and the Commission determines that any significant environmental impacts caused by the proposed SOI amendment and annexation have been minimized to the extent feasible, and where not feasible, has been outweighed and counterbalanced by the significant economic, fiscal, social, and land-use benefits to be generated to the County. The Statement of Overriding Considerations, included in Attachment A, Exhibit A of the Commission's staff report, justifies finding the unavoidable adverse environmental impacts from the Proposal as acceptable.

Applicable Commission Policies are listed below:

Section 2.11 "Application Policies" were deemed met and sufficient on December 4, 2024, when the Certificate of Filing was issued.

Section 2.1 General Policies

Policy 2.1.1. *The Commission shall endeavor to balance the need to efficiently provide public services with the sometimes-competing interests of discouraging urban sprawl, and preserving*

prime agricultural land and open space (Gov. Code Section 56001 and 56301).

Analysis. CSA 23 is willing and able to provide the requested services, as it was documented in factors (k) and (l) of this Attachment. The property is within Tract 2586, which is a tract immediately adjacent to CSA 23. The County approved Amended Project granted approval for an agricultural cluster subdivision, that would in part, create 111 new residential parcels. The proposed Tract 2586 is an Agricultural Residential Cluster Subdivision, which maintains surrounding agricultural land under the Agricultural Open Space Easement. However, only the 111 residential lots within the Tract are proposed for an SOI amendment and annexation and are non-contiguous to the CSA 23 service area boundary.

The site does contain prime agricultural land as defined under Government Code Section 56064 and Open-Space Lands as defined under Government Code Section 56059. The county-approved Amended Project will preserve over 3,620 acres on five separate parcels with permanent open space/agricultural conservation easements parcels. Of the areas that will be conserved in the ag easement, a total of 1,165 acres is considered prime. Please refer to the Prime Ag Land Information Summary included in Attachment O.

Policy 2.1.4. *Jurisdictions are encouraged to create places to live that integrate various land uses as a way of providing for a diverse social and economic community.*

Analysis. The SOI and annexation area is within the County's Agriculture land use category. No zoning changes are proposed. The additional parcels created by the Amended Project will remain in the Agriculture land use category to match the surrounding area.

Policy 2.1.6. *The Commission will recognize and preserve clearly defined, long-term agricultural and open space areas established by the County or other jurisdictions to preserve critical environmental areas and to bolster local economies (Gov. Code Section 56001). This may be accomplished using agricultural easements, open space easements, conservation easements, or other mechanisms, that preserve agricultural or open space lands in perpetuity.*

Analysis. The county-approved Amended Project, which includes the 111 residential lots proposed for an SOI amendment and annexation, will preserve over 3,620 acres

on five separate parcels with permanent open space / agricultural conservation easements (ACEs) parcels. Development of the Amended Project would occur in three phases, as described in the staff report, each including an agricultural conservation easement area, as depicted in Figure 2-6 of the Final EIR, included in Attachment H. Please note that only the 111 residential clustered lots (approx. 143 acres) are proposed for an SOI amendment and annexation into CSA 23.

Policy 2.1.10. *Impacts on affordable housing, the impact of the creation of new jobs on affordable housing stock, within the annexation area and in neighboring jurisdictions. Demonstration that the effects of the proposed project on affordable housing have been mitigated (Gov. Code Section 56001). The Commission recognizes that providing a range of housing opportunities for persons and families of all incomes is an important factor in promoting orderly development.*

Analysis. The Amended Project, which includes the 111 residential lots proposed for an SOI amendment and annexation, does not include an affordable housing component. The effects of affordable housing have not been mitigated. The Amended Project, which includes the 111 residential lots proposed for an SOI amendment and annexation, will indirectly provide for a number of jobs relating to the construction of and maintaining approximately 111 new homes and related improvements.

Policy 2.1.11. *In any proposal requiring water service, the Commission requires that the agency to which the annexation is proposed should demonstrate the availability of an adequate, reliable, and sustainable supply of water. In cases where a phased development is proposed, the agency should demonstrate that adequate service capacity will be provided as needed for each phase. In cases where a proposed annexation will be served by an onsite water source, the proponent should demonstrate its adequacy (Gov. Code Section 56668 (k)).*

Analysis. Please refer to factors (k) and (l) for a detailed discussion on CSA 23's availability of an adequate, reliable, and sustainable supply of water. Please also refer to the CSA 23's Plan for Services and associated documents included in Attachment E to the staff report.

Policy 2.3.1. *Special districts are encouraged to annex unincorporated islands as well as land that is mostly surrounded by a jurisdiction. (CKH 56001, & 56375.3).*

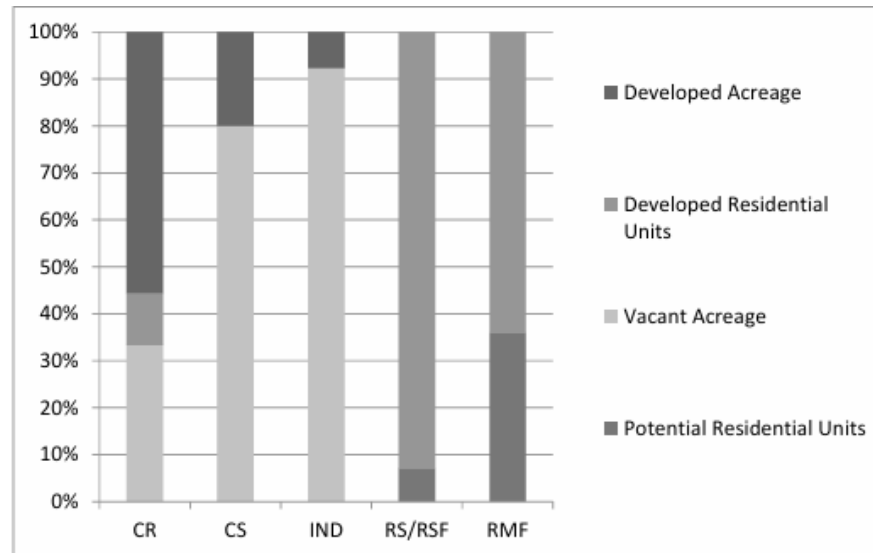
Analysis. Prior to the application being submitted to LAFCO, several approaches were discussed between the landowner team, the County, and LAFCO. It was determined that the preferred approach for the boundary of the proposed SOI amendment and annexation would be to have only the 111 residential lots pursue annexation because the need for service is associated with the single-family homes that will be built within each lot and not the remainder of Tract 2586 which will maintain surrounding agricultural land under the Agricultural Open Space Easement. Therefore, only the 111 residential lots are proposed for an SOI amendment and annexation and would be non-contiguous to the CSA 23 service area boundary as seen in the project map and legal descriptions included in Attachment A, Exhibit B.

Policy 2.3.2. *Prior to the annexation of territory within an agency's Sphere of Influence, the Commission encourages the development of vacant or underutilized parcels already within the boundaries of a jurisdiction. The agency should provide LAFCO with a build-out estimate or inventory and document how it was prepared.*

Analysis. CSA 23's existing SOI is coterminous to the service area boundary. According to the Santa Margarita Community Plan, adopted in February 2014, the community of Santa Margarita was determined to be close to being built out in its residential areas. Figure 1 below (Figure 4-1 in the 2014 Community Plan), shows the Community development capacity within each land use category, with no "vacant acreage" within the Residential Multi-Family or the Residential Suburban/ Residential Single-Family categories.

*Figure 1: Santa Margarita Development Capacity*²

² Figure 4-1 "Santa Margarita Development Capacity" of the SLO County Santa Margarita Community Plan, Adopted February 2014



Policy 2.3.3. *A demonstrated need exists for the required services and there is no reasonable alternative manner of providing these services.*

Analysis. The project would require a SOI amendment and annexation into the CSA 23 service area to facilitate the CSA's provision of water services within the 111 residential lots. Initially, CSA 23 and Santa Margarita Ranch, LLC explored the establishment of a mutual water company instead of annexation. Subsequently, the Legislature tightened the requirements for the establishment of new water systems adjacent to existing systems with the intent to limit community water system sprawl. Given the close proximity between CSA 23 and Tract 2586, the formation of an independent mutual water company became infeasible. With support from Santa Margarita Ranch, LLC, the County proceeded by submitting a request to LAFCO to begin SOI amendment and annexation proceedings. If approved by LAFCO, Santa Margarita Ranch, LLC would plan to construct the community water system, in order to serve domestic water to the proposed residences.

Policy 2.3.4. *The proposed annexation represents a logical and reasonable expansion of the district.*

Analysis. As previously discussed in policy 2.3.1 analysis above, prior to the application

submittal, several approaches were discussed between the landowner team, the County, and LAFCO. Of the options that were discussed, it was decided that pursuing an SOI amendment and annexation of only the non-contiguous 111 residential lots would be preferred over a proposal that contained land that was not in need of services. The need for service is associated with the single-family homes that will be built within each lot and not the remainder of Tract 2586 which will maintain surrounding agricultural land under the Agricultural Open Space Easement. In addition, as discussed in policy 2.3.3 above, CSA 23 and Santa Margarita Ranch, LLC explored the establishment of a mutual water company instead of annexation. However, due to changes in legislature pertaining to requirements for the establishment of new water systems adjacent to existing systems, with the intent to limit community water system sprawl, the formation of an independent mutual water company became infeasible.

Policy 2.3.5. *The proposed annexation reflects the plans of the adjacent governmental agencies.*

Analysis. The territory proposed for an SOI amendment and annexation is within the unincorporated County and is adjacent to CSA 23. On December 23, 2008, the County BOS approved the Vesting Tentative Tract Map 2586 and Conditional Use Permit S030115U and selected the Amended Project, which was Alternative 12 of the Final EIR, where it was determined that this option was the Environmentally Superior Alternative which met the applicant's objectives and was consistent with the applicable Salinas River Area Plan, Land Use Category, and Agricultural Cluster ordinance, and the approval was found to be consistent with the applicable, objective general plan and zoning standards applicable to the property, and the project would not have a specific, adverse impact upon the public health or safety, that is, a significant, quantifiable, direct, and unavoidable impact based on objective, identified written public health or safety standards. Please refer to factor (c) of this attachment for more information regarding the effect of the proposed action on the local governmental structure of the county. CSA 23 is willing and able to provide the requested services and has documented its capability to provide service to the SOI and annexation areas subject to the terms and conditions of the Engineering Reimbursement Agreement, Annexation Agreement, and Plan for Services. Please refer to factors (b) and (k) of this attachment for more information regarding the need

for service and CSA 23's ability to provide service.

Policy 2.3.6. *The proposed annexation does not represent an attempt to annex only revenue-producing property.*

Analysis. The proposed SOI amendment and annexation of approximately 143 acres will be subdivided into 111 residential lots and each lot would include one single-family home per lot. The properties will not generate revenue for CSA 23 except for fees to offset the water services provided.

Policy 2.3.7. *The proposed boundaries must be definite and certain and conform to lines of assessment whenever possible.*

Analysis. The approximately 143-acre SOI amendment and annexation area of non-contiguous land is a part of the county-approved Vesting Tentative Tract 2586 Map that will be developed in three phases. Each phase associated with the SOI amendment and annexation proposal is described below:

Phase 1: 38 residential lots (approx. 52 acres)
Phase 2: 44 residential lots (approx. 54 acres)
Phase 3: 29 residential lots (approx. 36 acres)

Total: 111 residential lots

At the request of the County and landowner (Santa Margarita Ranch, LLC), one application is being processed to amend the SOI and annex all three phases into CSA 23. The annexation boundary is proposed to be co-terminus with the lots created by the tract map (As seen on page 4 of Attachment A, Exhibit B). Please refer to factor (f) of this attachment and to the staff report conditions of approval for more information regarding the phasing of the annexation. To further clarify the process for this SOI amendment and annexation, all three phases (111 residential lots) would be included in CSA 23 upon Commission Approval and filing of the Certificate of Completion, but each of the three phases would have separate effective dates consistent with the conditions of approval for each phase. Conditions can be found in the resolution included in Attachment A.

Policy 2.3.8. *The district has the capability of meeting the need for services and has submitted studies and information documenting its capabilities.*

Analysis. CSA 23 is willing and able to provide the requested services and has documented its capability to provide water service to the SOI and annexation area subject to the terms and conditions of the Annexation Agreement, Plan for Services, and other documents that have been referenced and attached in the staff report. Please refer to factors (b) and (k) of this attachment for more information regarding the need for services and CSA 23's ability to provide service.

Section 2.10 California Environmental Quality Act Policies

Policy 2.10.1 *The Commission shall take actions that maintain a high-quality and healthful environment for the people of San Luis Obispo County now and in the future.*

Analysis. The Commission determines that the proposed SOI amendment and annexation would include mutual social and economic benefits to the region as mentioned in factor (c) and as set forth in the Statement of Overriding Considerations included in Attachment A, Exhibit A of the Commission's staff report.

Policy 2.10.2 *The Commission shall take actions necessary to protect and enhance the environmental quality of San Luis Obispo County.*

Analysis. The Commission, as a Responsible Agency, has reviewed and considered the information in the Final Environmental Impact Report (EIR) for the Santa Margarita Ranch Agricultural Residential Cluster Subdivision Project and Future Development Program and the EIR Addendum; State Clearinghouse Number 2004111112, among other documents. It was concluded that the Final EIR and Addendum to the EIR are adequate for the purposes of the Commission's compliance with CEQA for the proposed action (pursuant to Public Resources Code Section 21000 et seq., and CA Code of Regulations Section 15000 et seq.). The Commission has reached its own conclusion on whether and how to approve the proposed SOI amendment and annexation no. 1 into CSA 23.

The Commission concluded that no substantial changes are proposed in the project which will require a major revision of the previously certified EIR and Addendum.

Following certification of the EIR for the Santa Margarita Ranch Agricultural Residential Cluster Subdivision Project petitioners filed suit challenging these actions in the San Luis Obispo Superior Court. The trial court entered judgment in that action on June 18, 2013, and issued a Peremptory Writ of Mandate commanding the County to undertake certain tasks before tract map recordation, grading permit, or construction permit issuance. The judgment determined that the off-site air quality mitigation measure and associated fee was not appropriate for the project, and did not include substantial evidence as to its applicability for use by this specific project. The Writ of Mandate requires the County, in relevant part, to “Develop a record based upon substantial evidence supporting the establishment of off-site air quality impact fee to mitigate the Project’s significant air quality impacts in compliance with CEQA,” and to “Recirculate the off-site air quality impact fee and the analysis of said fee and hold any hearings as may be required by law”. As a result, on December 9, 2014, the San Luis Obispo County Board of Supervisors certified the Addendum to the Final Environmental Impact Report for the Santa Margarita Ranch Agriculture Residential Cluster Subdivision Project, Project #S030115U.

The Commission has prepared CEQA Findings and Statement of Overriding Considerations included as Attachment A, Exhibit A of the Commission’s, staff report. For the reasons set forth in Attachment A, Exhibit A, the Commission determines that any significant environmental impacts caused by the proposed SOI amendment and annexation have been minimized to the extent feasible, and where not feasible, have been outweighed and counterbalanced by the significant economic, fiscal, social, and land-use benefits to be generated to the County. The Statement of Overriding Considerations justifies finding the unavoidable adverse environmental impacts from the Proposal as acceptable.

Policy 2.10.3 *The Commission shall take actions that will provide the people of San Luis Obispo County with clean air and water, a vibrant and diverse economy, and enjoyment of aesthetic, natural, scenic, and historic environmental qualities.*

Analysis. The Final EIR identified Class I significant and unavoidable impacts related to Agricultural Resources, Air Quality, Biological Resources, Cultural Resources, Noise, Transportation and Circulation, Water & Wastewater, and a number of Class II,

significant and mitigable impacts. The Commission's CEQA Findings and Statement of Overriding Considerations, included as Attachment A, Exhibit A of the Commission's staff report reviews all significant impacts and states the reasons why the Commission determines that any significant environmental impacts caused by the proposed annexation have been minimized to the extent feasible, and where not feasible, has been outweighed and counterbalanced by the significant economic, fiscal, social, and land-use benefits to be generated to the County. The Statement of Overriding Considerations justifies finding the unavoidable adverse environmental impacts from the Proposal as acceptable.

Policy 2.10.4 *The Commission shall carry out the environmental review process in an efficient, expeditious manner in order to conserve the available financial and governmental resources with the objective that these resources may be better applied toward the mitigation and avoidance of significant effects on the environment.*

Analysis. The County, as the Lead Agency under CEQA, has prepared the EIR to disclose the impacts that would result from the approval of the Vesting Tentative Tract Map 2586 and Conditional Use Permit S030115U, which included the 111 residential lots proposed for an SOI amendment and annexation. A full explanation of the environmental findings, conclusions, and mitigation measures designed to address those impacts can be found in the Final EIR, included as Attachment H. LAFCO will be considered a Responsible Agency under CEQA and will rely upon the certified EIR for its decision-making at the time of the SOI amendment and annexation.

Policy 2.10.5 *The Commission shall organize and write environmental documents in such a manner that they will be meaningful and useful to decision-makers and the public and consistent with CEQA guidelines.*

Analysis. The Commission, as a Responsible Agency, concluded that no substantial changes are proposed in the project which will require a major revision of the previously certified EIR (State Clearinghouse Number 2004111112), or the Addendum to the Final EIR as it was described in the analysis provided for Policy 2.10.2. No additional substantial changes have occurred with respect to the circumstances under which the project is undertaken which will require a major revision of the previously certified EIR, and no new information of substantial importance has been identified

which was not known at the time that the previous EIR was certified. The Commission has prepared CEQA Findings and Statement of Overriding Considerations included as Attachment A, Exhibit A of the Commission's staff report.

Policy 2.10.6 *The Commission shall consider the involvement of the public in actions affecting the environment as an essential and indispensable element of the decision-making process.*

Analysis. LAFCO prepared and distributed mailed notices to property owners and registered voters within 300ft of assessor parcel number (APN) 070-094-007, which is the larger Assessor's Parcel Number (APN) where the 111 residential lots proposed for an SOI and annexation are located. Additional notices were distributed to the landowner/proponents, the County, affected agencies, and other interested parties as required under government code sections 56660 & 56661. All notices were sent out at least 21 days in advance of the hearing, consistent with Government Code Section 56427. In addition, notice was placed in the Tribune on December 26, 2024, at least 21 days in advance of the hearing per Government Code Section 56153. LAFCO did not receive any comments from affected agencies, landowners, voters, or residents, prior to the release of the staff report.

Policy 2.10.7 *The Commission shall prefer avoidance of adverse impacts over mitigation. If, however, mitigation is necessary onsite or offsite mitigation should be fully implemented.*

Analysis. The Commission determines that any significant environmental impacts caused by the proposed SOI and annexation have been minimized to the extent feasible, and where not feasible, have been outweighed and counterbalanced by the significant economic, fiscal, social, and land-use benefits, to be generated to the County. The Statement of Overriding Considerations justifies finding the unavoidable adverse environmental impacts from the Proposal as acceptable. A full explanation of the environmental findings, conclusions, and mitigation measures designed to address those impacts can be found in the Final EIR, included in Attachment H. It shall be carried out by the responsible parties by the identified deadlines.

Policy 2.10.8 *The Commission shall help prevent the elimination of the County's fish and wildlife species and preserve for future generations sustainable representations of the County's native plant and animal communities.*

Analysis. The Final EIR identified impacts to biological resources that would be considered Class I, Significant and Unavoidable impacts, and several Class II, Significant and mitigable, as it was analyzed in the CEQA Findings and Statement of Overriding Considerations included as Attachment A, Exhibit A of the Commission's staff report. For the reasons set forth in Attachment A, Exhibit A, the Commission determines that any significant environmental impacts caused by the proposed SOI amendment and annexation have been minimized to the extent feasible, and where not feasible, have been outweighed and counterbalanced by the significant economic, fiscal, social, and land-use benefits to be generated to the County. The Statement of Overriding Considerations justifies finding the unavoidable adverse environmental impacts from the Proposal as acceptable.

Class I impacts related to biological resources are summarized below:

- **Impact B-3:** Impacts to native oak woodland habitat

Class II impacts are summarized below:

- **Impact B-2:** Impacts to Native Perennial Grassland
- **Impact B-4:** Impacts to wetland, waters, & riparian areas
- **Impact B-5:** Impacts to Special-Status Plant Species
- **Impact B-6:** Impacts to Vernal Pool Fairy Shrimp & seasonal pools
- **Impact B-7:** Impacts to South/Central California Coast Steelhead and/or the loss of Steelhead Critical Habitat
- **Impact B-8:** Impacts to California red-legged frog & fragment available habitat
- **Impact B-9:** Impacts to populations & available habitat for wildlife in general, including special-status wildlife species

Policy 2.10.9. *The Commission shall balance preventing negative environmental effects while providing a decent home and satisfying living environment for every San Luis Obispo County resident.*

Analysis. For the reasons set forth in the CEQA Findings and Statement of Overriding Considerations included in Attachment A, Exhibit A, the Commission determines that any significant environmental impacts caused by the proposed SOI amendment and annexation have been minimized to the extent feasible, and where not feasible, have

been outweighed and counterbalanced by the significant economic, fiscal, social, and land-use benefits, including affordable housing, to be generated to the County. The Statement of Overriding Considerations justifies finding the unavoidable adverse environmental impacts from the Proposal as acceptable.

Government Code Section 56377 states:

56377. *In reviewing and approving or disapproving proposals that could reasonably be expected to include, facilitate, or lead to the conversion of existing open-space lands to uses other than open-space uses, the commission shall consider all of the following policies and priorities:*

(a) Development or use of land for other than open-space uses shall be guided away from existing prime agricultural lands in open-space use toward areas containing nonprime agricultural lands unless that action would not promote the planned, orderly, efficient development of an area.

(b) Development of existing vacant or nonprime agricultural lands for urban uses within the existing jurisdiction of a local agency or within the sphere of influence of a local agency should be encouraged before any proposal is approved that would allow for or lead to the development of existing open-space lands for non-open-space uses which are outside of the existing sphere of influence or the local agency.

Analysis. The SOI amendment and annexation area is located outside of CSA 23's existing SOI boundary. However, the proposal consists of a concurrent SOI amendment and annexation. The 143-acre proposed SOI and annexation, consisting of undeveloped land, contains prime agricultural land as defined under Government Code Section 56064 and Open-Space Lands as defined under Government Code Section 56059. Overall, the county-approved Amended Project, which includes the 111 lots proposed for an SOI amendment and annexation area, restricts development to ½ acre of each of the 111 residential lots. However, as stated in the Final EIR, even with such restriction, it was determined that parcelization would nevertheless fragment potential agricultural use on each lot, thereby precluding major farming on each lot as a whole. Therefore, it was concluded as a reasonable worst-case scenario, that the Amended Project could therefore convert an estimated 19.96 acres of prime agricultural soils to non-agricultural use (refer to Figure 6-11 of the FEIR).

The FEIR considered impacts to an estimated 19.96 acres of prime agriculture land. It has been found that of the approximate 143 acres within the 111 lots, there are 6.45 acres of prime agriculture land that would be impacted by the annexation. The impact has since been reduced due to the Amended Project (Alternative 12) which required reorganized lot layout and reorganization of project roadways, intended to avoid placing lots in areas containing prime soils, reduce visual prominence, reduce impacts on oak trees, and avoid archaeologically sensitive areas. Please note that it is anticipated that the final impacts to prime agriculture land could be further minimized based on the lot location. In addition, the county-approved Amended Project will preserve over 3,620 acres on five separate parcels with permanent open space / agricultural conservation easements parcels. Of the areas that will be conserved in the ag easement, a total of 1,165 acres is considered prime. Please refer to the Prime Ag Land Information Summary included in Attachment O.

Additional factors must be considered when considering a change of organization or reorganization with land subject to the Williamson Act Contract as stated in Government Code Section 56856.5; the annexation site is not subject to a Williamson Act contract.

Factor (e)

The effect of the proposal on maintaining the physical and economic **integrity of agricultural lands**, as defined by Section 56016.

Response.

The area includes one parcel, under one ownership. The parcel is within the unincorporated County and has seen no development under its land use designation of Agriculture, currently consisting of undeveloped land. As previously mentioned, the Tentative Tract 2586 and CUP S030115U were approved by the County BOS in 2008 for an Agricultural Residential Cluster Subdivision, consistent with the Amended Project, which would subdivide a portion of the Ranch into: 111 residential lots (proposed for an SOI amendment and annexation), five agricultural parcels, one 2.5 acre building envelope with a Primary Dwelling and a Ranch Headquarters' site on an open space parcel, one Ranch Headquarters' site at the Portuguese corrals and a remainder parcel, and would place 3,633 acres in agricultural conservation easements (ACEs). Portions of the Amended Project site are currently used for irrigated croplands, including wine grape production. Development of the Amended Project would occur in three phases, as described in the staff report, each including an ACE area, as depicted in Figure 2-6 of the Final EIR, included in Attachment H.

With the County's approval of the Amended Project, impacts related to conflicts between urban and agricultural uses would therefore be slightly reduced, when compared to the original Agricultural Residential Cluster Subdivision. In addition, conflicts between residential and grazing uses would be similar to the proposed Agricultural Residential Cluster Subdivision because the same number of units would be located in the same general area as the proposed Agricultural Residential Cluster Subdivision.

The Final EIR identified the following Class I impacts related to Agricultural Resources:

- **Impact AG-1:** The Amended Project would permanently compromise the sustainability of a 676.7-acre grazing unit and would permanently convert 21.2 acres containing prime soils to nonagricultural uses. Impacts related to agricultural conversion would be Class I, *significant and unavoidable*.
- **Impact AG-2:** The Amended Project would create conflicts between proposed urban uses and existing and future agricultural uses. Potential land use conflicts are a Class I, *significant and unavoidable*, impact.

The Commission determines that any significant environmental impacts caused by the proposed SOI amendment and annexation have been minimized to the extent feasible. Please refer to the CEQA Findings and Statement of Overriding Considerations included as Attachment A, Exhibit A of the Commission's staff report, for a summary of each potentially significant impact, applicable mitigation measures identified in the Final EIR as adopted by the County, and the Commission's findings on the significance of each impact after imposition of the adopted mitigation measures.

Factor (f)

The **definiteness and certainty of the boundaries** of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.

Response.

The approximately 143-acre SOI amendment and annexation area of non-contiguous land is a part of the county-approved Vesting Tentative Tract 2586 Map that will be developed in three phases. Each phase associated with the SOI amendment and annexation proposal is described below:

Phase 1: 38 residential lots (approx. 52 acres)
Phase 2: 44 residential lots (approx. 54 acres)
Phase 3: 29 residential lots (approx. 36 acres)

Total: 111 residential lots

At the request of the County and landowner (Santa Margarita Ranch, LLC), one application is being processed to amend the SOI and annex all three phases into CSA 23. The SOI amendment and annexation boundary are proposed to be co-terminus with the lots created by the tract map (As seen in Attachment A, Exhibit B). By way of background, because the County BOS approved Alternative 12, the Amended Project, a reconfiguration of the Agricultural Residential Cluster Subdivision design was required to mitigate significant impacts identified in Section 4.0 of this EIR.

The County as the applicant has submitted a final annexation map and legal description (metes and bounds) for Phase 1, again which is co-terminus with the Tract Map Phase 1 lots. The annexation map and legal description are separate from the final tract map for Phase 1; however, the final annexation map and legal description must be consistent with the final tract map for Phase 1 because the boundaries of each are co-terminus.

Phases 2 & 3 are subject to change due to the reconfiguration requirements associated with the County's approval of the Amended Project, however, the County has included a general vicinity map of the remaining phases (Included on page 4 of Attachment A, Exhibit B). Conditions of approval would require the applicant to submit the final annexation map and legal descriptions for the remaining phases to LAFCO at a later date. The annexation map, legal descriptions, and general vicinity map as approved by the Commission must be

substantially similar to what is ultimately submitted to LAFCO post-approval (i.e. Vesting Tentative Tract Map) and will require verification from the County surveyor and Executive Officer.

That said, the annexation map for Phase 1 has been deemed definite and certain by the County Surveyor and does not currently adhere to assessor parcel lines, included in Attachment A, Exhibit B. In addition, conditions of approval have been incorporated into the staff recommendation regarding the remaining tentative phases and the finalization of the phase 1 tract map. Please refer to the staff recommendation included in the staff report.

Factor (g)

A regional transportation plan was adopted pursuant to Section 65080.

Response.

The 2023 San Luis Obispo Council of Governments (SLOCOG) Regional Transportation Plan (RTP) was adopted pursuant to requirements of California Government Code Section 65080. The 2023 RTP included a Transportation Efficiency Analysis. Currently, the Transportation Efficiency Analysis identifies the Santa Margarita Ranch Specific Plan associated with the Future Development Program that was analyzed in the certified Final EIR as a proposed Residential Project that was projected to be built between now and 2045. The Agricultural Residential Cluster Tract 2586, which includes the 111 residential lots associated with the SOI amendment and annexation was not specifically mentioned in the Transportation Efficiency Analysis.

The Final EIR mentioned that the originally proposed Agricultural Residential Cluster Subdivision is expected to generate 1,154 average daily trips (88 AM peak hour and 119 PM peak hour trips). Although this would not result in exceedances of roadway or intersection level of service (LOS) standards, with the exception of the US 101/SR 58 interchange northbound off-ramp, the Agricultural Residential Cluster Subdivision will add traffic to locations with existing hazards and operational problems, including the SR 58 90-degree curve, US 101/SR 58 interchange, and limited sight distance along Estrada Avenue. The County approved Amended Project, Alternative 12, would result in the same number of residential units as the Agricultural Residential Cluster Subdivision. As a result, traffic impacts on local roadway and highway segments and intersections would be similar to the proposed Agricultural Residential Cluster Subdivision. Further discussion is included in Section 4.12,

Transportation and Circulation, and in 6.12, Alternative 12: Amended Project, within the Final EIR, included as Attachment H of the staff report.

State and Local goals include efforts to reduce Vehicle Miles Traveled (VMT) and greenhouse gas emissions, as well as to maintain and maximize the efficiency of existing transportation systems and operations. In summary, the Final EIR concluded that there are several Class I significant and unavoidable impacts relating to Transportation and the RTP's goals as seen below:

- **Impact T-1:** The project will add traffic to locations with existing hazards and deficiencies.
- **Impact AQ-1:** The project will result in operational air pollutant emissions, primarily from vehicular traffic
- **Impact AQ-4:** The project would exceed the population growth assumptions of the 2001 Clean Air Plan (CAP). In addition, due to the distance of the site from services, Agricultural Residential Cluster Subdivision implementation would result in a substantial increase in vehicle miles traveled.

The Commission determines that any significant environmental impacts caused by the proposed SOI amendment and annexation have been minimized to the extent feasible, and where not feasible, have been outweighed and counterbalanced by the significant economic, fiscal, social, and land-use benefits to be generated to the County. The Statement of Overriding Considerations, included in Attachment A, Exhibit A of the Commission's staff report, justifies finding the unavoidable adverse environmental impacts from the Proposal as acceptable.

<p>Factor (h)</p> <p>The proposal's consistency with city or county general and specific plans.</p>	<p>Response.</p> <p>The County General Plan sets policy direction for allowable land use on both public and private lands, within the unincorporated areas, and acts to provide applicable review bodies appropriate guidance and direction in making future land use decisions. The Final EIR identified, the Amended Project, Alternative 12 as the Environmentally Superior Alternative that met the applicant's objectives and is consistent with the applicable Salinas River Area Plan, Land Use Category, and Agricultural Cluster ordinance, and the approval was found to be consistent with the applicable, objective general plan and zoning standards applicable to the property, and the project would not have a specific, adverse impact upon the public health or safety, that is, a significant, quantifiable, direct, and unavoidable impact based on objective, identified written public health or safety standards.</p>
<p>Factor (i)</p> <p>The Sphere of Influence of any local agency that may be applicable to the proposal being reviewed.</p>	<p>Response.</p> <p>The SOI is a plan for the probable physical boundaries of a local agency as determined by LAFCO per Government Code Section 56076. The approximately 143-acre 111 residential lots are not within the SOI and are proposed for a concurrent SOI amendment and annexation into CSA 23. The proposal does not conflict with the SOI of any other jurisdiction. The affected territory is already within the following special district service area boundaries:</p> <ul style="list-style-type: none">- Santa Margarita Cemetery District- Upper Salinas-Las Tablas RCD- County Service Area 21- SLO Countywide Roads
<p>Factor (j)</p> <p>The comments of any affected local agency or other public agency.</p>	<p>Response.</p> <p>No comments or resolutions raising objections to the proposal have been received by any affected local agency or other public agency.</p>

Factor (k)

The **ability** of the newly formed or receiving entity **to provide the services** that are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.

Response.

When applying for a change of organization, a plan for services is required in accordance with Government Code Section 56653. CSA 23 submitted a plan for services as part of the resolution of application, dated March 30, 2023, and thereafter provided an updated version on March 5, 2024, and supplemental information on August 2, 2024, included as Attachments E, F, and N. CSA 23 plans to provide water service to the proposed annexation site. Please refer to factor (b) of this attachment for more information regarding the need for service.

Water Service

CSA 23 provides potable water to the Santa Margarita community and is responsible for water supply, treatment, distribution, and resource planning. Water supply in CSA 23 is supplied from groundwater sources, which is the sole water provider within its service area and will utilize standard water services and meters. The existing CSA 23 water system consists of two wells, two water storage tanks, a distribution system, and an emergency intertie with Atascadero Mutual Water Company. The existing water system wells are adequate to supply CSA 23 with water but have been impeded by droughts in the past. The water system has been put on mandatory water restrictions in the past but has never had to implement emergency interties. CSA 23 wells are located within or adjacent to the Atascadero Ground Water Basin. The total capacity/service units of the existing system is approximately 514 residential meters and 41 commercial meters with an average day demand at build-out of 210,500 gallons per day.

As part of the SOI amendment and annexation into CSA 23, there are two water supply wells that will be added to the system, wells 15b and 15c. These wells produce 100 gallons per minute (gpm) and 85 gpm respectively with a combined total of 185 gpm or 11,100 gallons per hour. This volume could replenish both CSA 23 and the Project's Equalization storage within 8 hours. The pumps would be used to fill the project tank which then can be pumped to CSA 23. For more information regarding the two new wells, please refer to the County's memo dated August 2, 2024, and included in Attachment N. Additional wells increase water supply resilience and reliability, additional storage, and redundancy. Both new wells meet the requirements for public water supply and are consistent with the Water Supply analysis in the

EIR (Sect 4.14). Tract 2586 is currently installing all the water infrastructure, and once complete, it can be tested and put into service. The system can be operated completely independently of the existing CSA 23 water system. The total capacity/service units of the Tract 2586 system is approximately 120 residential meters and no commercial meters with an average day demand at build-out of 75,000 gallons per day³.

In addition, the capacity of the project tank includes 180,000 gallons of fire storage and 54,000 gallons of emergency storage. Upon acceptance of the improvements and completion of the annexation, this additional storage would be available to CSA 23 in the event of an emergency or fire. This increases CSA 23's fire storage capacity by 55% and its emergency storage by 26%.

Below is a summary of CSA 23's water capacity and demand:

Table 1: CSA 23's Water Demand and Capacity

Existing Water Demand of CSA 23⁴	
Average day demand (ADD)	176,750 gallons
Maximum day demand (MDD)	376,500 gallons
Projected Water Demand of CSA 23 at buildout (without the project)⁵	
ADD	210,500 gallons

³ SLO County Plan for Services, dated March 5, 2024

⁴ SLO County "Informational Response for The Sphere of Influence & Annexation #1 To County Service Area 23 (Vineyard Oaks – Tract 2586) Application; LAFCO File: 2-R-23" Memo, dated August 2, 2024

⁵ SLO County "Informational Response for The Sphere of Influence & Annexation #1 To County Service Area 23 (Vineyard Oaks – Tract 2586) Application; LAFCO File: 2-R-23" Memo, dated August 2, 2024

MDD	421,500 gallons
Projected Water Demand of CSA 23 at buildout (plus new project)⁶	
ADD	264,500 gallons
MDD	528,000 gallons
Existing Water Capacity for CSA 23⁷	
ADD	637,000 gallons per day
Existing Water Capacity for CSA 23 (plus projected buildout)⁸	
Total	637,000 gallons per day
Projected Water Capacity for CSA 23 at buildout (plus Tract 2586 System)⁹	
Total	925,000 gallons per day

The Final EIR identified the following Class I impacts related to Water:

Impact W-1: The Agricultural Residential Cluster Subdivision would increase the use of water from area aquifer units, including the Paso Robles and Santa Margarita Formations, by 96 acre-feet per year (afy). This net consumptive use may contribute to an overdraft of the aquifer system. Groundwater use associated with the Agricultural Residential Cluster Subdivision is a Class I, *significant and unavoidable*, impact.

The Final EIR determined that the net consumptive water demand for the Agricultural Residential Cluster Subdivision is estimated to be approximately 96 afy; this impact represents a worst-case scenario, and according to the Plan for Services dated March 5, 2024, the total capacity for the Tract 2586 system is an average day demand at build out of 75,000

⁶ SLO County “Informational Response for The Sphere of Influence & Annexation #1 To County Service Area 23 (Vineyard Oaks – Tract 2586) Application; LAFCO File: 2-R-23” Memo, dated August 2, 2024

⁷ SLO County “Informational Response for The Sphere of Influence & Annexation #1 To County Service Area 23 (Vineyard Oaks – Tract 2586) Application; LAFCO File: 2-R-23” Memo, dated August 2, 2024

⁸ SLO County “Informational Response for The Sphere of Influence & Annexation #1 To County Service Area 23 (Vineyard Oaks – Tract 2586) Application; LAFCO File: 2-R-23” Memo, dated August 2, 2024

⁹ SLO County “Informational Response for The Sphere of Influence & Annexation #1 To County Service Area 23 (Vineyard Oaks – Tract 2586) Application; LAFCO File: 2-R-23” Memo, dated August 2, 2024

gallons per day or 84 acre-feet per year.

The Commission determines that any significant environmental impacts caused by the proposed SOI amendment & annexation have been minimized to the extent feasible, and where not feasible, have been outweighed and counterbalanced by the significant economic, fiscal, social, and land-use benefits to be generated to the County. The CEQA Findings and Statement of Overriding Considerations included as Attachment A, Exhibit A of the Commission's staff report, justifies finding the unavoidable adverse environmental impacts from the Proposal as acceptable.

Please refer to Attachment A, Exhibit A for a summary of each potentially significant impact, applicable mitigation measures identified in the Final EIR as adopted by the County, and the Commission's findings on the significance of each impact after imposition of the adopted mitigation measures.

Factor (I)

Timely **availability of water** supplies adequate for projected needs as specified in Section 65352.5.

Response.

The County of San Luis Obispo Public Works Department Staff prepared a Water System Master Plan for CSA 23, dated January 29, 2004, in order to more effectively provide water service to their customers along with a Technical Memorandum about Groundwater Resources of CSA 23 - Santa Margarita dated October 27, 2004. The goals of the study were to identify whether improvements to the water distribution system are needed to meet existing and projected demands and to develop a water facilities improvement program to aid the County in conducting long-term planning for CSA 23. Since the adoption of the two aforementioned studies, a lot of improvements have been made. The Plan for Services dated March 5, 2024, provides the latest information regarding CSA 23's water supply, infrastructure, and capabilities.

As previously mentioned, the existing CSA 23 water system consists of two wells, two water storage tanks, a distribution system, and an emergency intertie with Atascadero Mutual Water Company. The existing water system wells are adequate to supply CSA 23 with water but have been impeded by droughts in the past. The water system has been put on

mandatory water restrictions in the past but has never had to implement the emergency intertie. CSA 23 wells are located within or adjacent to the Atascadero Ground Water Basin. The Atascadero Area was determined by the state to be a low-priority basin and no longer required to comply with SGMA. The 111 residential lot will add two new water supply wells to the CSA 23 system and additional storage. CSA 23’s existing water system capacity is 637,000 gallons per day and the Projected Water Capacity for CSA 23 at buildout (plus Tract 2586 System) would bring 925,000 gallons per day as discussed in factor (k). This increases water supply resilience and reliability, additional storage, and redundancy.

For more details regarding CSA 23’s water supply, demand, water system improvements, the entity responsible for financing/construction of the necessary improvements, and the approximate timeframe for completion please refer to factor (b), factor (k), the Annexation Agreement between CSA 23 and Santa Margarita Ranch, LLC, the Plan for Services, and supporting documentation (included as separate attachments within the staff report).

Factor (m)

The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the **regional housing needs** as determined by the appropriate council of governments consistent with Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7.

Response.

The Regional Housing Needs Allocation (RHNA) establishes the total number of housing units that the County and each of the seven (7) cities must plan for within the planning period. The County’s Housing Element defines affordable housing as housing that is affordable to very low-, low-, moderate-, or workforce-income households. In the context of meeting the unincorporated county’s allocation of regional housing needs share, dwelling units typically must be deed restricted to limit rental or purchase of the dwelling units to households that qualify at extremely low-, very low-, and low-income levels. Table 2 below defines each income category.

Table 2: Income Categories for Households in San Luis Obispo County¹⁰

Income Level	Range in Area Median Income (AMI)
Extremely Low	No more than 30% AMI
Very Low	up to 50% AMI

¹⁰ County of SLO General Plan – 2020-2028 Housing Element, Adopted November 17, 2020

Low	50-80% AMI
Moderate	80-120% AMI
Above Moderate ○ Workforce	Above 120% AMI 120-160% AMI

The project will increase the countywide available housing stock by 111 units at the market rate, which falls within the above moderate-income level. Please note that units are not officially counted towards annual RHNA tracking until they are permitted.

Factor (n)

Any information or **comments from** the landowner or **landowners, voters, or residents** of the affected territory.

Response.

LAFCO did not receive any comments from landowners, voters, or residents prior to the release of the staff report.

Factor (o)

Any information relating to **existing land use designations.**

Response.

The SOI amendment and annexation area is within the County's Agriculture land use category. No zoning changes are proposed. The additional parcels created by the Amended Project will remain in the Agriculture land use category to match the surrounding area.

Factor (p)	Response.
<p>The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment and meaningful involvement of people of all races, cultures, incomes, and national origins, with respect to the location of public facilities and the provision of public services, to ensure a healthy environment for all people such that the effects of pollution are not disproportionately borne by any particular populations or communities.</p>	<p>The residential units would be available to people of all races and cultures and are anticipated to sell at market rate. With regard to the location of public facilities and the provision of public services, this project does not affect the fair treatment of people of all races, cultures, and incomes. Water system improvements associated with development will be located within public roadways or on the site.</p>
Factor (q)	Response.
<p>Information contained in a local hazard mitigation plan, information contained in a safety element of a general plan, and any maps that identify land as a very high fire hazard zone pursuant to Section 51178 or maps that identify land determined to be in a state</p>	<p>The San Luis Obispo County's Multi-Jurisdictional Hazard Mitigation Plan was adopted in October 2019 and establishes the County's emergency policies and procedures in the event of a disaster and addresses the allocation of resources and protection of the public in the event of an emergency. The Safety Element of the General Plan for the County of San Luis Obispo (approved December 1999) addresses a wide range of natural and human-caused hazards and consists of goals and policies aimed to reduce the risks associated with these hazards such as loss of life, injuries, property damage, and economic and social dislocation.</p> <p>The state provides wildland and watershed fire protection within State Responsibility Areas</p>

responsibility area pursuant to Section 4102 of the Public Resources Code, if it is determined that such information is relevant to the area that is the subject of the proposal. (Amended by Stats. 2019, Ch. 360)

(SRAs); it does not provide structure protection, rescue and emergency service, or hazardous materials response. Counties provide fire services at their discretion and service levels vary from county to county. SLO County chose to protect residents and property within its jurisdiction by creating County Fire in partnership with CAL FIRE. The affected territory is within a State Responsibility Area and would be considered a "High" fire hazard severity zone, pursuant to CAL FIRE's 2019 Fire Hazard Severity Zones maps; predictions are based on factors including fuel availability, topography, fire history, and climate.

According to the Final EIR, the fire station that would provide the first response to the Agricultural Residential Cluster Subdivision is the Parkhill Fire Station (Station #40) located at 6140 Parkhill Road, approximately 3.2 miles northeast of the Agricultural Residential Cluster Subdivision site. At the time, it was determined that there was a 10 to 15-minute response time from this fire station to the Santa Margarita area (Robert Lewin, Fire Marshall, San Luis Obispo County Fire Department, Personal Communication, June 29, 2006). The Santa Margarita Volunteer Fire Department would provide mutual aid to the Ranch property from the station located at 22375 G Street, near the center of the community of Santa Margarita. However, the Agricultural Residential Cluster Subdivision is outside of their jurisdiction.

The Final EIR identified the following Class II Impact related to fire:

- **ARCS Impact PS-3:** The Agricultural Residential Cluster Subdivision would increase the number of residents served by the CDF/County Fire Department and is located within a high-fire hazard area. The Agricultural Residential Cluster Subdivision may substantially affect the personnel, equipment, or organization of the Fire Department which could impede emergency access to the proposed residences. This would be a Class II, significant but mitigable, impact.

The Final EIR concluded that the County approved Amended Project (Alternative 12), would result in the same number of residential units as the Agricultural Residential Cluster Subdivision. This alternative would have essentially the same development characteristics as the proposed project (111 dwelling units) but would incorporate project features that address some of the identified environmental constraints. Consequently, the increase in demand for law enforcement, fire protection, school, solid waste, and library services would be identical.

Overall, this alternative would result in both similar and more adverse public service impacts compared to the proposed Agricultural Residential Cluster Subdivision as discussed on pages 6-101 of the Final EIR, included in Attachment H.

The Commission determines that any significant environmental impacts caused by the proposed SOI amendment and annexation have been minimized to the extent feasible and impacts would be less than significant with mitigation for the reasons set forth in the CEQA Findings and Statement of Overriding Considerations included as Attachment A, Exhibit A. Mitigation would, in part, include the construction of a new CDF/San Luis Obispo County Fire Station to be located near the Amended Project site either through the dedication of land or through the payment of in-lieu fees.

56668.3

Response.

(a) If the proposed change of organization or reorganization includes a city detachment or district annexation, except a special reorganization, and the proceeding has not been terminated based upon receipt of a resolution requesting termination pursuant to either Section 56751 or Section 56857, factors to be considered by the commission shall include all of the following:

(1) In the case of district annexation, whether the proposed annexation will be for the interest of landowners

(a)(1) The proposed SOI amendment and annexation will be for the interest of the landowner, future inhabitants, and the existing CSA 23 customers. As a result of the annexation of the 111 residential lots and the associated two new water supply wells that will be added to the system, (wells 15b and 15c), there would be an increase to water supply resilience and reliability, additional storage, and redundancy. In addition, as previously mentioned in factor (c), the 111 residential lots would provide several mutual social and economic benefits to the region.

(a)(2) This part is not applicable because the proposal consists of a district annexation and not a detachment.

(a)(3) The commission considered the factors specified in Government Code Section 56668, as seen in this document and has determined that any significant environmental impacts caused by the proposed annexation have been minimized to the extent feasible, and where not feasible, has been outweighed and counterbalanced by the significant economic, fiscal, social, and land-use benefits to be generated to the County. The Statement of Overriding Considerations, included in Attachment A, Exhibit A of the Commission's staff report, justifies finding the unavoidable adverse environmental impacts from the Proposal as acceptable.

or present or future inhabitants within the district and within the territory proposed to be annexed to the district.

(2) In the case of a city detachment, whether the proposed detachment will be for the interest of the landowners or present or future inhabitants within the city and within the territory proposed to be detached from the city.

(3) Any factors which may be considered by the commission as provided in Section 56668.

(4) Any resolution raising objections to the action that may be filed by an affected agency.

(5) Any other matters which the commission deems material.

(b) The commission shall give great weight to any resolution raising objections to the action that is filed by a city or a district. The commission's consideration shall be based only on financial or service-related concerns expressed in

(a)(4) The Commission did not receive any resolutions from any affected agency raising objections to the action.

(a)(5) There are no other matters which the Commission has deemed material.

(b) The Commission did not receive any resolutions from the CSA 23 raising objections to the action.

the protest. Except for findings regarding the value of written protests, the commission is not required to make any express findings concerning any of the other factors considered by the commission.