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ROB FITZROY
Executive Officer

IMELDA MARQUEZ
Analyst

Morgan Bing Clerk Analyst

Brian A. Pierik Legal Counsel

# San Luis Obispo Local Agency Formation Commission

SENT VIA E-MAIL ONLY

**DATE:** JANUARY 17, 2023

TO: MARIO IGLESIAS, GENERAL MANAGER NCSD

**CRAIG STEELE, LEGAL COUNSEL NCSD** 

FROM: ROB FITZROY, EXECUTIVE OFFICER

CC: MEMBERS OF THE COMMISION

BRIAN PIEIRK, LAFCO LEGAL COUNSEL

**NICK TOMPKINS, APPLICANT** 

SUBJECT: DANA RESERVE 60 DAY NOTICE REPONSE FROM NCSD

Mr. Iglesias,

Thank you and your Board for taking the time to review the November 17, 2022, Notice of Landowner Petition Letter sent to Nipomo Community Services District (NCSD) and presented to the LAFCO Commission. We are taking this opportunity to respond to information contained in your January 11, 2023, staff report and response letter sent to LAFCO on January 11, 2023. We are responding because there appears to be a fundamental misunderstanding about the purpose of LAFCO's Notice of Petition staff report and it is necessary to correct erroneous information currently contained in the record in the NCSD staff report and response letter.

1. The NCSD staff report and response letter states the Notice of Petition was premature, untimely, and potentially illegal. The Notice of Petition of Landowner initiated application is a legally required step in the process pursuant to Government Code Section 56857. Please note this is a state law, not a policy of LAFCO. Nor, as stated in your response letter was it a discretionary decision of LAFCO to send the notice. Section 56857(A) and (B) of the government code states and directs what is required of LAFCO:

56857(a) Upon receipt by the commission of a proposed change of organization or reorganization that includes the annexation of territory to any district, if the proposal is not filed by the district to which annexation of territory is proposed, the executive officer shall place the proposal on the agenda for the next commission meeting for information purposes only and shall transmit a copy of the proposal to any district to which an annexation of territory is requested. (b) No later than 60 days after the date that the proposal is on the commission's meeting agenda in accordance with subdivision (a), any district to which annexation of territory is proposed may adopt and transmit to the commission a resolution requesting termination of the proceedings. The resolution requesting

termination of the proceedings shall be based upon written findings supported by substantial evidence in the record that the request is justified by a financial or service related concern....

LAFCO received the application of landowner to annex into NCSD on October 13, 2022, we sent NCSD a copy of the proposal on October 20, 2022, we sent the agenda to NCSD on November 10, 2022, the proposal was presented at the next available LAFCO meeting on November 17, 2022, and the Notice of Petition was directly transmitted to you via email on November 21, 2022. With regard to timing and Section 56857(A), LAFCO staff appropriately noticed the Commission and NCSD in accordance with applicable provisions of the law as stated above. Please note that Notice of Petition per 56857(A) is legally required by that code section and occurs any time an annexation request is directly submitted to LAFCO by a landowner for any city or district within the County. This process occurs frequently. Based on the NCSD response letter provided, LAFCO is in receipt of confirmation that NCSD will not be submitting a resolution to request termination of proceedings.

- 2. The January 11, 2023 NCSD staff report and letter state our Notice of Petition is premature because the project has not been deemed complete. However, regardless of whether the project is deemed complete for processing, Section 56857 sets forth the process and timing which was followed by LAFCO. Please note for the record, LAFCO has not deemed the annexation application complete for processing, this will not occur until all items listed in our Information Hold letter are submitted, dated November 8, 2022, see Attachment 1.
- 3. Based on the staff report and NCSD response letter, NCSD staff appear to be under the impression that LAFCO prematurely required NCSD to make a decision on the project. Please note, no decisions or responses were required of NCSD pursuant to Government Code Section 56857. NCSD had the option to state if it wishes to continue evaluating the project and will make a decision at a later time consistent with NCSD's January 2020 annexation policies. Please note, the intent and request in front of NCSD is narrow and specific, and does not require NCSD to take any action. The primary intent is notification to the affected district. The question before NCSD is; does NCSD wish to terminate the application based on known substantial evidence in the record at the time of notice? See Government Code section 56857(b) stated above.

As detailed in our November 17, 2022, letter to NCSD, the 60 day termination period is a window of time allowed by state law wherein an agency affected by an annexation has the *opportunity* to terminate a request based on substantial evidence known at that time, if it exists. The intent is to discontinue an annexation proposal early in the process to reduce time and expense on an annexation that could or should be denied based on information already known. For example, if it is widely known and documented in the record at the time of submittal of an annexation application that an existing deficiency in service exists and that there is no ability for a district to serve a project, a district can request that it be terminated. If financial or service related concerns were to arise after the 60 day period after further evaluation, then that would be documented throughout LAFCO's processing of the application and would likely lead to an outcome consistent with the district's capabilities. Not providing a response within 60 days does not indicate support or lack of support for the project. It is often the case that agencies need more than 60 days to evaluate a request. It is expected that NCSD will continue to evaluate the project consistent with NCSD's January 2020 annexation policies. Further, the January 11, 2023 NCSD staff report and January 13, 2023 response letter

acknowledge that financial or service related concerns do not exist at this time. This is also supported by the February 16, 2022 Dana Reserve Water and Wastewater Service Study and May 17, 2022 Dana Reserve Rate Impact Study prepared by NCSD.

4. The NCSD response letter states that the November 17, 2022, Notice of Petition "unfairly and likely illegally precludes NCSD from realistically considering its legal right to terminate the petition at this stage". We do not agree with this statement. As per the above Government Code section, LAFCO complied with state law by providing notice to the district. NCSD will have ample opportunity in the future to participate in the process, of which a critical component is the Plan for Services prepared by NCSD, the tax negotiation process, and an annexation agreement that would need be to the satisfaction of the NCSD. In addition NCSD's January 2020 annexation policies state that the NCSD Board will consider "approval" of the annexation request once critical items have been prepared, similar to those mentioned above. LAFCO's compliance with Government Code 56857 does not preclude these actions from occurring. Moreover, our November 17, 2022, letter stated and recognizes that NCSD has the right to continue to evaluate the request in context to their policies for annexation. Should NCSD wish to support the annexation, that information will be conveyed to LAFCO who will then ultimately decide whether to approve the annexation. Should the NCSD not wish to support the project, similarly, NCSD can convey that information to LAFCO. As shared with you and your legal counsel via email on December 29, 2022, per Section 56668.3 (5) (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 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.

As such, we disagree that complying with Government Code section 56857(b) has deprived NCSD of any consideration or ability to participate in the process or comply with its own policies or be a position wherein LAFCO will not consider the District's position on the project.

Lastly, we would like to express our continued desire to work collaboratively with NCSD. The NCSD staff report and response letter do not reflect the collaboration that has occurred between LAFCO and NCSD to date. LAFCO staff have collaborated with NCSD staff on numerous occasions, via email, in person, and via Zoom of which began as early as July 2022. Discussions throughout those meetings centered on a variety of topics including those discussed herein. Please note in the future if there are any concerns, comments, or questions, we will gladly answer any questions you, your counsel or your Board may have. If you wish to discuss this matter at this time, we are available to participate in a meeting with you which can be attended by our respective legal counsels. If you do wish to meet, please advise us of your availability. We look forward to continued collaboration on this regionally significant project.

## **Attachments:**

- 1. 30-Day Information Hold Letter November
- 2. LAFCO 60 Day Notice of Petition Staff Report November 17, 2022
- 3. NCSD Staff Report January 11, 2023
- 4. NCSD Response Letter Regarding 60 Day Notice of Application January 13, 2023



# San Luis Obispo Local Agency Formation Commission

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Executive Officer

IMELDA MARQUEZ
Analyst

Morgan Bing Clerk Analyst

BRIAN A. PIERIK Legal Counsel **SENT VIA E-MAIL ONLY** 

DATE: NOVEMBER 8, 2022

TO: NICK TOMPKINS | NICK@NKTCOMMERCIAL.COM

FROM: ROB FITZROY, EXECUTIVE OFFICER P

SUBJECT: APPLICATION FOR ANNEXATION #30 (DANA RESERVE) TO NIPOMO

COMMUNITY SERVICES DISTRICT | LAFCO FILE NO. 4-R-22

Dear Mr. Tompkins,

This letter is to confirm that the application for Annexation #30 to Nipomo Community Services District was officially received on October 13, 2022, and was referred to other agencies involved in the process. LAFCO staff have completed an initial 30-day review of the application of the project materials submitted to date as required by law. Because the project associated with the annexation, the Dana Reserve Specific Plan, has yet to be approved by the local land use authority (County of San Luis Obispo) and the Environmental Impact Report has yet to be certified, the annexation application will remain on 'information hold' until those and other associated items are completed and approved. As discussed at our application in-take meeting, LAFCO can only process an annexation request to a certain extent without the project being finalized by the local land use authority. Nonetheless, LAFCO staff will work diligently to process the application and complete tasks that are not dependent upon local land use authority approval. Key items that must be finalized prior to being able to fully process the annexation application include but are not limited to:

- County of San Luis Obispo approval of the Dana Reserve Specific Plan, including associated entitlements such as tentative tract map, general plan amendment(s), Conditional Use Permit, Developer Agreement
- County of San Luis Obispo certification of the Final Environmental Impact Report
- Approval of a tax exchange agreement between the Nipomo Community Services District and the County of San Luis Obispo
- Completion of a Plan for Services prepared by the Nipomo Community Services District
- Any other documents, studies or information that LAFCO has deemed to be required from the applicant or Nipomo Community Services District upon review of the final project and entitlements noted above, and upon further processing of the annexation application request

As with all petition-initiated annexations, there are specific processes that must be followed and notification to the applicable agency is required. At the next LAFCO public meeting on November 17, 2022, a notice per government code section 56857 (b) will be provided to the Commission as an informational item only.

LAFCO expects to hold at least one additional study session for the Commission's benefit, before and/or after County approval. The study session would likely include further information about the project itself, but also other critical aspects of annexations that LAFCO must consider with regard to impacts to the Nipomo Community Services District, such as rates, infrastructure, resource capacity, operations capabilities, etc. LAFCO staff may include any question or concerns raised by the Commission in a second application review letter to the applicant. The second review letter may have more in-depth questions pertaining to the County approved project.

We understand that you have also submitted an annexation request to Nipomo Community Services District, and the District is actively evaluating the request and has prepared various reports and information independent of the LAFCO process. We request that you provide any studies/reports that have been prepared to date that will assist LAFCO in processing the annexation application. Please provide a comprehensive file of all documents that will help LAFCO understand the impact the project will have on District operations beyond the information contained in the draft EIR.

This is not a comprehensive list of what may be necessary to process this application. Other information needs or questions may arise as our review of the application continues. If you have any questions, please contact us at 805.781.5795 or email rfitzroy@slo.lafco.ca.gov.

CC. Brian Pierik, LAFCO Legal Counsel
Laurie Tamura, Urban Planning Concepts



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## <u>Staff</u>

ROB FITZROY
Executive Officer

IMELDA MARQUEZ Analyst

Morgan Bing Clerk Analyst

BRIAN A. PIERIK Legal Counsel TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: NOVEMBER 17, 2022

SUBJECT: NOTICE OF PETITION OF APPLICATION FOR ANNEXATION

#30 DANA RESERVE SPECIFIC PLAN TO NIPOMO COMMUNITY SERVICES DISTRICT — LAFCO FILE NO. 4-R-22

## **RECOMMENDATION**

It is respectfully recommended that the Commission receive and file this report.

## **SUMMARY**

The San Luis Obispo Local Agency Formation Commission (LAFCO) received a landowner "petition of application" for annexation into Nipomo Community Services District (NCSD) for the "Dana Reserve Specific Plan" (DRSP) project. The application was received on October 13, 2022. The DRSP is a phased development plan and vesting tentative tract map to construct 1,289 residential units and up to 203,000 square feet (SF) of commercial space on a 288-acre parcel near Willow Road and Highway 101 in the community of Nipomo. Annexation into NCSD is proposed by the landowner to obtain water and wastewater service from the NCSD.

This report provides the Commission with a formal notice of receipt of the application not filed by the affected agency, as required by government code section 56857. Typically, an annexation application is received directly by the district or city wishing to annex an area into their jurisdiction. However, State law also allows annexation requests to be submitted by a landowner. When this occurs government code section 56857 requires that we inform the Commission at the first available meeting. The application request will then be forwarded to the affected agency (NCSD) who is granted 60 days to terminate the request by resolution if they do not wish to annex the area based on substantial evidence for financial or service related concerns. If they do not request termination, the application will continue to be processed by staff and the Commission will consider the item at a public hearing. Staff understands that the landowner has already been coordinating with NCSD on the annexation and that NCSD is actively

evaluating the request in context to their established policies, infrastructure and organizational capabilities. Nonetheless, this notice is still required in order to comply with state law.

It is important to note 60 day termination period is a window of time allowed by state law wherein an agency affected by an annexation has the opportunity to terminate a request based on substantial evidence known and readily available at that time. The intent is to discontinue an annexation proposal early in the process to reduce time and expense on an annexation that could or should be denied based on information already known. Not providing a response within 60 days does not indicate support for the project. It often is the case that agencies need more than 60 days to evaluate a request. Beyond 60 days an agency will not have the ability to unilaterally terminate the request, rather the decision for approval or denial of the annexation would reside with LAFCO once it has been fully processed.

Procedurally, NCSD will evaluate the request in context to their policies for annexation. Should NCSD wish to support the annexation, that information will be conveyed to LAFCO who will then ultimately decide whether to approve the annexation. LAFCO will consider annexation at a public hearing if the project has been approved by the County Board of Supervisors, including approval of the General Plan amendment(s), Specific Plan, Conditional Use Permit, EIR, Developer Agreement, and Vesting Tentative Tract Map, and NCSD has demonstrated an ability to support the annexation. For further information on the project and annexation process, please refer to LAFCO's July 21, 2022, Study Session items available on our website.

Staff has provided the first round of notices and requests for information to affected agencies and interested individuals consistent with Government Code section 56658 and 56857. An additional notice will be sent out to those affected agencies and interested parties after County Board of Supervisor consideration. Staff will update the Commission as necessary as these applications are processed. The Commission may provide staff with any questions or comments on this item.

TO:

**BOARD OF DIRECTORS** 

FROM:

CRAIG A. STEELE

**GENERAL COUNSEL** 

REVIEWED: MARIO IGLESIAS

**GENERAL MANAGER** 

DATE:

January 6, 2023

# **AGENDA ITEM JANUARY 11, 2023**

# RESPONSE TO SLO COUNTY LAFCO REGARDING DANA RESERVE ANNEXATION REQUEST

## <u>ITEM</u>

Consider "Notice of Petition of Application for Annexation #30 Dana Reserve Specific Plan to Nipomo Community Services District" from SLO County LAFCO and Give Direction to Staff Regarding Response [RECOMMEND CONSIDER NOTICE, RECEIVE INPUT FROM AD HOC SUBCOMMITTEE AND STAFF, AND PROVIDE DIRECTION TO GENERAL MANAGER **REGARDING RESPONSE** 

## BACKGROUND

On November 21, 2022, the General Manager received a Notice from the Executive Officer of the San Luis Obispo County Local Agency Formation Committee ("SLO LAFCO") that the landowner for the Dana Reserve Specific Plan site had filed a landowner petition with SLO LAFCO seeking annexation into the District. This Notice triggered a 60-day period for your Board to respond, if your Board chooses to do so.

Although staff was aware of the landowner's application to SLO LAFCO, the delivery and timing of this Notice is surprising and confusing, in that the landowner had informed staff that the purpose of the application was only to speed-up SLO LAFCO's consideration of the project elements, in anticipation of later hearings once the County's consideration of the project is complete. Staff believes that the SLO LAFCO Notice is premature, and we note that the landowner already has an annexation application pending with the District, which had been proceeding in due course.

The Notice is a preliminary step in the landowner petition process, and SLO LAFCO staff informed District staff that they are simply following SLO LAFCO's normal processes and timelines. SLO LAFCO cannot formally approve or deny the annexation until SLO County certifies a final EIR for the project and approves the land use entitlements, and SLO LAFCO conducts a full hearing process at which the District would participate. SLO LAFCO also cannot approve the annexation unless the District and SLO County first agree on a property tax sharing agreement, as has been negotiated in many past annexations into the District. There are many steps in the process still to be completed before an annexation could be approved, but the District's deadline to respond to this Notice, if it responds, is January 16, 2023.

The Board has three options with regard to the Notice:

1. Take no action at this time and direct staff to engage SLO LAFCO staff and SLO COUNTY on the technical details of a potential tax sharing agreement and service plan, should the annexation move forward.

- 2. Notify SLO LAFCO that the annexation application should be terminated for specific service-related reasons.
- 3. Direct the General Manager to send a letter to SLO LAFCO taking the position that considering the application now is premature, and that no annexation should be considered or approved without the following essential elements:
- a. The County's certification of a final EIR that adequately addresses the District's comments on the draft EIR, and resolution of any legal challenges to that EIR.
- b. Agreement between the District and SLO County regarding an acceptable property tax sharing formula for the annexation, consistent with past annexations where the County has shared an equitable portion of property tax revenue with the District.
- c. Agreement between the developer and the District on an acceptable annexation agreement to ensure that the project complies with the District's annexation policy and the developer is required to pay for and install the necessary infrastructure, to District specifications, to serve the project.
- d. Approval of the District's plan of service for the area proposed to be annexed, based on studies the District already commissioned for the project.

Staff and the *ad hoc* subcommittee recommend Option 3. This option would continue to consider and process the proposed annexation without committing the District to an approval. It also puts SLO LAFCO, SLO County, the developer and the community on notice regarding the elements that will be essential to the District as consideration moves forward. Under LAFCO law, for example, the District and the County must agree on a property tax sharing agreement before any annexation can be approved. A proposed letter will be circulated to the Board prior to the Board meeting.

Option 2 is not supportable at this time, since the District's technical studies have not identified any service-related reason why the annexation must be terminated at this stage. In some ways, a properly planned annexation, with acceptable agreements and project documents as specified above, could be beneficial to the District by adding water customers to help spread the increasing costs to customers for supplemental water. Option 1 is not productive, since it would not put the District on record as to the elements of the proposed annexation that are essential to the District.

### RECOMMENDATION

It is recommended that your Honorable Board direct the General Manager send a letter to SLO LAFCO consistent with Option 3.

### ATTACHMENT

A) November 17, 2022 SLO LAFCO - Staff Report: Notice of Petition...Dana Reserve....

JANUARY 11, 2023

ITEM E-1

ATTACHMENT A



# San Luis Obispo Local Agency Formation Commission

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BRIAN A. PIERIK Legal Counsel TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: NOVEMBER 17, 2022

SUBJECT: NOTICE OF PETITION OF APPLICATION FOR ANNEXATION

#30 DANA RESERVE SPECIFIC PLAN TO NIPOMO COMMUNITY SERVICES DISTRICT – LAFCO FILE NO. 4-R-22

### RECOMMENDATION

It is respectfully recommended that the Commission receive and file this report.

### **SUMMARY**

The San Luis Obispo Local Agency Formation Commission (LAFCO) received a landowner "petition of application" for annexation into Nipomo Community Services District (NCSD) for the "Dana Reserve Specific Plan" (DRSP) project. The application was received on October 13, 2022. The DRSP is a phased development plan and vesting tentative tract map to construct 1,289 residential units and up to 203,000 square feet (SF) of commercial space on a 288-acre parcel near Willow Road and Highway 101 in the community of Nipomo. Annexation into NCSD is proposed by the landowner to obtain water and wastewater service from the NCSD.

This report provides the Commission with a formal notice of receipt of the application not filed by the affected agency, as required by government code section 56857. Typically, an annexation application is received directly by the district or city wishing to annex an area into their jurisdiction. However, State law also allows annexation requests to be submitted by a landowner. When this occurs government code section 56857 requires that we inform the Commission at the first available meeting. The application request will then be forwarded to the affected agency (NCSD) who is granted 60 days to terminate the request by resolution if they do not wish to annex the area based on substantial evidence for financial or service related concerns. If they do not request termination, the application will continue to be processed by staff and the Commission will consider the item at a public hearing. Staff understands that the landowner has already been coordinating with NCSD on the annexation and that NCSD is actively

evaluating the request in context to their established policies, infrastructure and organizational capabilities. Nonetheless, this notice is still required in order to comply with state law.

It is important to note 60 day termination period is a window of time allowed by state law wherein an agency affected by an annexation has the opportunity to terminate a request based on substantial evidence known and readily available at that time. The intent is to discontinue an annexation proposal early in the process to reduce time and expense on an annexation that could or should be denied based on information already known. Not providing a response within 60 days does not indicate support for the project. It often is the case that agencies need more than 60 days to evaluate a request. Beyond 60 days an agency will not have the ability to unilaterally terminate the request, rather the decision for approval or denial of the annexation would reside with LAFCO once it has been fully processed.

Procedurally, NCSD will evaluate the request in context to their policies for annexation. Should NCSD wish to support the annexation, that information will be conveyed to LAFCO who will then ultimately decide whether to approve the annexation. LAFCO will consider annexation at a public hearing if the project has been approved by the County Board of Supervisors, including approval of the General Plan amendment(s), Specific Plan, Conditional Use Permit, EIR, Developer Agreement, and Vesting Tentative Tract Map, and NCSD has demonstrated an ability to support the annexation. For further information on the project and annexation process, please refer to LAFCO's July 21, 2022, Study Session items available on our website.

Staff has provided the first round of notices and requests for information to affected agencies and interested individuals consistent with Government Code section 56658 and 56857. An additional notice will be sent out to those affected agencies and interested parties after County Board of Supervisor consideration. Staff will update the Commission as necessary as these applications are processed. The Commission may provide staff with any questions or comments on this item.

# NIPOMO COMMUNITY

BOARD MEMBERS
RICHARD MALVAROSE, PRESIDENT
DAN ALLEN GADDIS, VICE PRESIDENT
ED EBY, DIRECTOR
DAN WOODSON, DIRECTOR
GARY HANSEN, DIRECTOR



# SERVICES DISTRICT

MARIO IGLESIAS, GENERAL MANAGER
LISA BOGNUDA, FINANCE DIRECTOR
PETER SEVCIK, P.E., DIRECTOR OF ENG. & OPS.
CRAIG STEELE, GENERAL COUNSEL

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January 11, 2023

Via Email

Mr. Rob Fitzroy Executive Officer San Luis Obispo Local Agency Formation Commission 1042 Pacific Street, Suite A San Luis Obispo, California 93401

RE:

Response to Notice of Petition of Application for Annexation #30 - Dana Reserve

Specific Plan

## Dear Rob:

At the direction of the Board of Directors of the Nipomo Community Services District ("NCSD"), I write to provide a timely response to the above-referenced Notice, dated November 17, 2022 and received by the District on November 21, 2022 ("Notice"). As you noted in your report to the LAFCO Board, this landowner "petition of application" is unusual. Frankly NCSD was surprised to receive the Notice, since the landowner/applicant has an annexation application pending with the NCSD, currently in process. The landowner/applicant specifically informed me that the petition to your agency was only for the purpose of allowing SLO LAFCO to start the staff analysis of this proposed annexation, thereby reducing the consideration period after the land use entitlement process is completed. I was informed that the petition would not be deemed complete and the response period triggered by the Notice would not yet start.

Sending the Notice now is confusing and not productive because the landowner/applicant's application is not in a complete form that would allow NCSD or your agency to responsibly evaluate it. The County has not yet circulated or considered, let alone certified, a final EIR for the project. NCSD submitted detailed comments and requests for changes to the draft EIR. That draft EIR, and other communications, have indicated that the proposed project may be adjusted in terms of scope, density, and/or intensity of development. There is no way that NCSD or SLO LAFCO can evaluate the proposed annexation of this property without that final and specific project information. That is why the Notice, and the petition that triggered it, are premature. The landowner/applicant's pending annexation application with NCSD is the appropriate mechanism for considering this significant proposed annexation, at the appropriate time.

Nonetheless, we have received the Notice and the NCSD Board has considered it, along with NCSD's legal options. Although the Board has the legal right to terminate this annexation at this stage, we simply have not been provided with enough information to determine now whether substantial evidence exists to justify termination of this annexation proposal. SLO LAFCO's

decision to send the Notice at this time, before the certification of an EIR and before any consideration of the land use entitlements, unfairly and likely illegally precludes NCSD from realistically considering its legal right to terminate the petition at this stage. NCSD reserves its right to raise that prejudicial failure of basic procedural standards in any future litigation over this application.

At this point, I have been instructed by the NCSD Board to convey to SLO LAFCO the following essential elements that must be accomplished by the landowner/applicant, the County and SLO LAFCO, working together, before an application can be considered or approved:

- 1. The County must certify a legally adequate final EIR that addresses the District's comments on the draft EIR, and any legal challenges to the certification of that EIR must be resolved.
- 2. There must be an acceptable property tax revenue exchange agreement between NCSD and the County, Pursuant to Revenue and Taxation Code Section 99, providing an acceptable share of property tax revenue to NCSD, consistent with past annexations. To this point, the County's position has been that NCSD will receive no property tax revenue as a part of this annexation, which is inequitable, inconsistent with past annexations, and unacceptable to NCSD. We note that if no such agreement is negotiated, the annexation proceedings would terminate.
- 3. The landowner/applicant and NCSD must agree on an acceptable annexation agreement to ensure that the project complies with the District's annexation policy and the developer is required to pay for and install the necessary infrastructure, to District specifications, to serve the project, and the other items required by the District's annexation policy.
- 4. NCSD's plan of service for the area proposed to be annexed must be considered and approved as a part of any annexation, based on studies NCSD already commissioned for the project. Given the apparent possibility that the project description may change during the land use entitlement process, NCSD reserves the right to require more information before finalizing the plan of service.

We may identify other considerations as we receive more information. NCSD remains committed to working with SLO LAFCO, collaboratively and in good faith, to evaluate the proposed annexation. We ask that you make this letter a part of the record of the above-referenced proceeding and, if appropriate, provide copies to members of the LAFCO Board in a staff report similar in manner as the Notice of Petition of Annexation dated November 17, 2022.

Please contact me if you have any questions or concerns.

Sincerely,

NIPOMO COMMUNITY SERVICES DISTRICT

Mario E. Iglesias General Manager