



KYLIX VINEYARDS CALIFORNIA LP & DIMELLO LP – ANNEXATION AND SOI AMENDMENT
3425 TRUESDALE ROAD, SHANDON, CA 93406
APNs 037-301-020, 037-301-025, 037-301-026, 037-301-007, 037-321-001, 037-321-016, and
037-331-014

PROJECT DESCRIPTION (FEBRUARY 2024)

Property Size:	+/- 3,956.63 acres
APNs:	037-301-020, 037-301-025, 037-301-026, 037-301-007, 037-321-001, 037-321-016, and 037-331-014
Address:	3425 Truesdale Road, Shandon, CA 93406
Land Use:	Agriculture
Planning Area:	North County Planning Area / Shandon-Carrizo Sub Area North
Water:	(3) Agricultural Wells, (1) Livestock Well, and (1) Domestic Well
PRGWB:	Yes
Williamson Act:	Yes
Existing Uses:	One (1) Residence, Pastureland, and Vineyard
Access:	Truesdale Road and a Private Easement from Shell Creek Road.

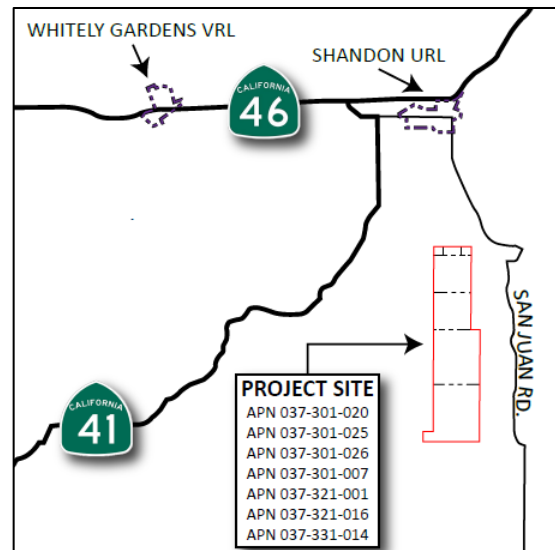
1.0 Summary of Request

A request by Kylix Vineyards California, LP and Dimello, LP to amend the Sphere of Influence (SOI) and Annex approximately 3,956.63 acres of land into the Shandon – San Juan Water District (SSJWD). The subject properties are located at 3425 Truesdale Road in rural Shandon (APNs 037-301-020, 037-301-025, 037-301-026, 037-301-007, 037-321-001, 037-321-016, and 037-331-014).

2.0 General Description

The project site consists of seven (7) legal parcels located along Truesdale Road and Shell Creek Road in rural Shandon, approximately 4 miles south of HWY 46, and 2.1 miles east of HWY 41. The project site is zoned Agriculture, is located within the North County Planning Area and the Shandon-Carrizo Sub Area North and has a renewable energy overlay combining designation over the property. The topography of the parcels ranges from flat to slopes greater than 30 percent. Multiple intermittent streams transect the site and drain into San Juan Creek to the north of the project site.

Figure 1: Vicinity Map



3.0 Project Setting and Existing Conditions

The existing legal parcels were created by Patents or Certificates of Compliance (COC):

- APN 037-301-020: Certificate of Compliance Doc. No. 7401 (+/- 41 acres)
- APN 037-301-025: Certificate of Compliance Doc. No. 7404 (+/- 81 acres)
- APN 037-301-026: Certified as a part of AL 80-49 (+/- 40 acres)
- APN 037-301-007: Certificate of Compliance Doc. No. 7402 (+/- 649 acres)
- APN 037-321-001: Patent C, page 360-361 (+/- 651 acres)
- APN 037-331-014: Parcel 4 of COC 2000-076028 (1,247 acres)
- APN 037-321-016: Parcel 3 of COC 2000-076027 (1,247 acres)

4.0 Background

4.1 Shandon – San Juan Water District (SSJWD)

The Shandon – San Juan Water District (SSJWD) was established as a water district in 2016/2017 (See LAFCO Resolution No. 2016-08 and final Certificate of Completion dated 5-22-2017) primarily for the purposes of becoming a Groundwater Sustainability Agency (GSA) under the Sustainable Groundwater Management Act (SGMA). The District was authorized by LAFCO to exercise powers listed in Water Code 34000 et al – California Water District. LAFCO activated all powers under the Water Code with the exception of being able to provide sewer services and transfer/move/export water outside of the Basin. The District was approved by the State of California to become a GSA in 2017. Currently, the District primarily functions as a GSA.

On December 27, 2021, LAFCO received an application from the applicant for a Sphere of Influence (SOI) amendment and annexation to Shandon – San Juan Water District (SSJWD). On January 20, 2022, the Commission received notice of the application at its regularly scheduled meeting to fulfill the requirements of government code section 56857.

As required by law, LAFCO provided a response to the application within 30 days. On January 26, 2022, LAFCO staff provided a letter to the applicant that identified a number of items that needed to be resolved in order to continue processing the application. LAFCO received responses in two parts on February 24, 2022, and March 25, 2022. LAFCO staff reviewed the information submitted and provided another response letter on May 11, 2022.

On July 21, 2022, LAFCO issued a letter and placed a hold on the application until the issue related to the annexation and expansion into an area in which the County of San Luis Obispo was the exclusive GSA per Water Code Section 10723.8 was resolved. LAFCO gave the applicant two options:

1. Coordinate with the County GSA to identify possible solutions. If there is a favorable outcome, the applicant may reengage LAFCO to continue processing the application.
2. Withdraw the application and re-submit at a later date when the GSA issue has been resolved.

The applicant decided to go with option #2.

On June 6, 2023, the San Luis Obispo County Board of Supervisors adopted Resolution No. 2023-142, which involved withdrawing from serving as the groundwater sustainability agency within the service area of the Estrella-El Pomar-Creston Water District (EPCWD) through the modification of the boundaries “Paso Basin – County of San Luis Obispo Groundwater Sustainability Agency”. This policy change for the EPCWD is presumed to apply to all annexations as well, thereby resolving the issue related to annexation as outlined in the July 21, 2022, LAFCO letter.

4.2 Minor Lot Line Adjustment

Two of the parcels included with this application are currently undergoing a Minor Lot Line Adjustment. On June 1, 2023, the County of San Luis Obispo approved a Minor Lot Line Adjustment (N-SUB2023-00022 / COAL 22-0044) to adjust the internal lot lines between APNs 037-321-014 and 037-321-016. The Lot Line Adjustment increased the size of Parcel 2 by 63 acres and decreased the size of Parcel 1 by 63 acres. The parcels resulting from the Lot Line Adjustment maintained a position which is equal to or better than the previous situation relative to the County’s zoning and building ordinance because the adjustment was intended to reflect the existing topography and uses more accurately. The applicant is currently working through the remaining items to finalize the Minor LLA and will notify LAFCO once the map is recorded. For the purpose of this application, these parcels will be described as currently configured, pre-Minor LLA.

5.0 Proposed Annexation and SOI Amendment

The proposed project includes an annexation of approximately 3,956.63 acres of property into the Shandon-San Juan Water District (SSJWD). The property is located in the unincorporated area of the County near Shandon on Shell Canyon Road and Truesdale Road (APNs 037-301-020, 037-301-025, 037-301-026, 037-301-007, 037-321-001, 037-321-016, and 037-331-014). A Map of the proposed annexation area in relation to the SSJWD Sphere of Influence is shown in Figure 2.

All parcels involved in the proposed annexation area are zoned Agriculture and are under a Williamson Act Contract. The annexation area contains approximately 742.9 acres of irrigated vineyard, two (2) existing Ag structures located on APN 037-301-007, and five (5) existing Ag Structures located on APN 037-321-001. Refer to the Table 1 below for a breakdown of existing agricultural uses contained within the annexation area and Figure 3 for the properties proposed to be annexed into the SSJWD:

Figure 2: SSJWD Annexation Area

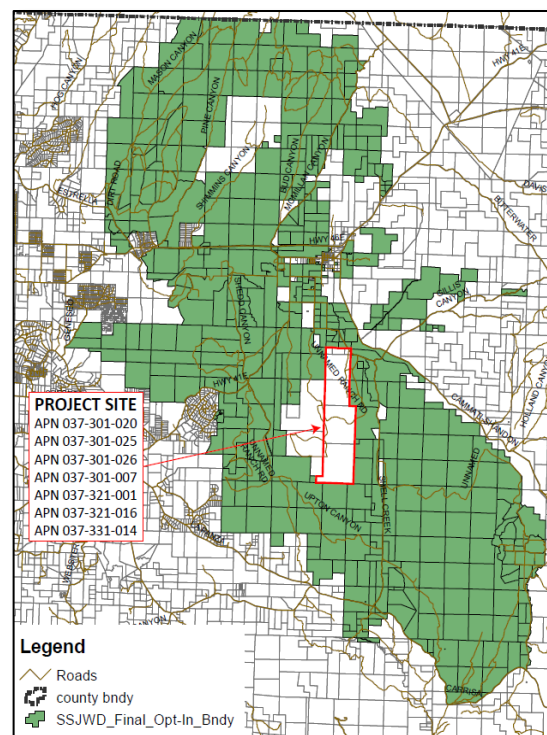


Table 1: Existing Agricultural Uses

Parcel	Parcel Size (acres) ¹	Irrigated Vineyard Size (acres)	Williamson Act Contract
037-301-020	41	18.18	Reso. No. 76-93
037-301-025	81	43.59	
037-301-026	40	0.36	
037-301-007	649	168	
037-321-001	651	54.85	
037-331-014	1,247	457.92	Reso. No. 76-622
037-321-016	1,247	0	

¹ Parcel sizes are approximated.

Figure 3: Property Proposed to be Annexed into the Shandon – San Juan Water District



6.0 Purpose

The proposed annexation and SOI amendment will bring several benefits to both the SSJWD and the applicant:

Applicant Benefits	SSJWD Benefits
<p><u>Water Management:</u> The Applicant will be able to participate in decisions and planning related to groundwater use, ensuring sustainable water management practices.</p> <p><u>Compliance with Regulations:</u> The applicant will have a voice in the development of the Groundwater Sustainability Plan (GSP), ensuring that their interests are considered.</p> <p><u>Access to Funding and Resources:</u> GSAs often have access to various resources, including funding opportunities, technical assistance, and expertise related to groundwater management. Being a part of a SSJWD can provide the applicant with access to these resources, which might be beneficial for implementing sustainable practices or addressing water-related issues.</p> <p><u>Legal Protections:</u> Being within the SSJWD jurisdiction may provide legal protections or rights regarding water usage and allocations, potentially ensuring a fair and regulated distribution of groundwater resources among landowners.</p> <p><u>Collaboration and Networking:</u> Joining the SSJWD will allow the applicant to collaborate with other stakeholders, including neighboring landowners, agencies, and communities, fostering partnerships and collective efforts towards sustainable groundwater management.</p>	<p><u>Expanded Jurisdiction:</u> Including new land expands the SSJWD jurisdictional area. This extension can enhance the SSJWD's ability to manage and regulate groundwater resources over a larger geographical area, leading to a more comprehensive and effective approach to sustainable groundwater management.</p> <p><u>Increased Stakeholder Participation:</u> More landowners and stakeholders being part of the SSJWD means a broader representation of interests and perspectives. This increased participation can lead to better-informed decision-making processes and a more inclusive approach to developing Groundwater Sustainability Plans (GSPs) that consider the needs of a more diverse set of stakeholders.</p> <p><u>Enhanced Data and Resources:</u> Additional land within the SSJWD means access to more data, resources, and potentially additional funding opportunities. This could lead to improved research, monitoring capabilities, and a better understanding of groundwater conditions across a larger area. It also allows for better coordination of efforts, potentially reducing administrative complexities, and facilitating cohesive decision-making related to groundwater management.</p> <p><u>Improved Cooperation and Collaboration:</u> Bringing new land into a GSA fosters collaboration among a larger group of landowners, agencies, and stakeholders. It can encourage cooperation in implementing sustainable groundwater management practices, sharing knowledge, and working collectively toward achieving common goals related to water resource sustainability.</p>

7.0 LAFCO Proposal Review Factors

7.1 Sphere of Influence Factors

Prior to the annexation, the SOI must be amended to include the subject territory. The SOI is a plan for the probably physical boundaries of a local agency as determined by LAFCO per GC 56076:

- 1. The present and planned land uses in the area, including agricultural and open space lands.** The present land uses within the project area are zoned Agriculture. The proposed land use will remain agriculture with approximately 742.9 acres of irrigated agriculture and 2,040.33 acres of cattle grazing contained within the property boundaries.
- 2. The present and probable need for public facilities and services in the area.** The intent of this project is to amend the SOI and annex approximately 3,956.63 acres into the SSJWD so the Applicant can experience the benefits outlined in Section 6 above.
- 3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.** No additional services are proposed to be added to the site as a result of the annexation.
- 4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.** The project site does not have communities of interest since the area is uninhabited and used solely for agricultural purposes.
- 5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.** The SSJWD does not provide public facilities or services related to sewers, municipal and industrial water, or structural fire protection.

7.2 Annexation Factors

A total of 3,956.63 acres are being proposed for annexation into the SSJWD. The breakdown of the proposed project is detailed in Table 1 above. See below the factors to be considered for annexation:

Population: The proposed annexation would not result in an increase in population.

Uninhabited Annexation: The area proposed for annexation is legally uninhabited meaning it has less than 12 registered voters. The proposal includes 100 percent consent, and the two (2) landowners have provided consent as a part of the application.

Topography: The 3,956.63-acre site features moderately sloping hillsides with varying aspects and elevations, ranging from flat to steep slopes.

Property Tax Exchange: The County *typically* will engage in negotiations with the involved entity to reach a property tax exchange agreement, however, Assembly Bill 8 (Chapter 282, Statutes of 179, AB 8, L. Greene) may limit GSAs from participating in property tax exchanges. This process is typically initiated by LAFCO through the transmission of a Notice to Commence Negotiations for Property Tax Revenue to the County and the SSJWD.

Plan for Service: Annexation into the Shandon – San Juan Water District (SSJWD) offers the Applicant active participation in groundwater management decisions, compliance input into the Groundwater Sustainability Plan (GSP), access to valuable funding and technical resources, legal safeguards for water usage, and the opportunity for collaboration among stakeholders, ensuring a fair and sustainable approach to groundwater management within the SSJWD jurisdiction. The formal Plan for Service will be prepared by the affected agency in compliance with Government Code Section 56653.

Water Supply: Water is supplied to the properties from existing on site wells.

Benefits to the Community: Annexation into the Shandon – San Juan Water District (SSJWD) enhances the district’s ability to manage groundwater sustainably over a larger area. This expansion promotes increased stakeholder involvement, offers access to more resources and data, encourages collaboration among landowners and agencies, and streamlines efforts for implementing effective groundwater management practices, fostering collective goals for water resource sustainability within the SSJWD.

The application also presents economic advantages for the SSJWD. Currently, the assessment for irrigated land stands at \$35.00 per acre, while non-irrigated land is assessed at \$0.11 per acre. By integrating this land into the district, an additional annual assessment of \$23,436.73 can be levied based on irrigated vineyard and cattle grazing activities. Furthermore, each parcel holds the potential for development with a single-family residence, valued at \$7.50 in assessment per year, resulting in a potential additional assessment value of \$52.5 per year per developed parcel. Below outlines the proposed and potential annexation assessments:

Total Assessment of Proposed Irrigated Land to be Annexed into the SSJWD:

$$742.9 \text{ acres} \times \$35.00/\text{acre} = \$26,001.50$$

Total Assessment of Non-Irrigated Land to be Annexed into the SSJWD:

$$3,956.63 \text{ acres (cattle grazing)} \times \$0.11/\text{acre} = \$435.23$$

Total Assessment of Project Site to be Annexed into the SSJWD:

$$\$26,001.50 \text{ (irrigated vineyard)} + \$435.23 \text{ (cattle grazing)} = \$26,436.73$$

Potential Assessment of Future Single-Family Residences:

$$7 \text{ SFRs} \times \$7.5/\text{residence} = \$52.5$$

Agriculture/Open Space: Within the approximately 3,956.63-acre project area, 742.9 acres are used for irrigated vineyard and 2,040.33 acres are used for cattle grazing. The project area is within two Williamson Act contracts: Reso. No. 76-93 and Reso. No. 76-622.

Development Potential: The proposed SOI and Annexation area is zoned Agriculture and is under two (2) Williamson Act Contracts. Under the existing zoning designation and Williamson Act Contracts, the parcels are limited to one single-family residence, one immediate family quarters, and farm support quarters. No change in zoning is proposed, as such, the development potential would not change should the SOI and annexation be approved.