

TO: James L. App, City Manager
FROM: Ed Gallagher, Community Development Director
SUBJECT: LAFCO Sphere of Influence Update
DATE: November 20, 2012

Needs: Consider two proposals to revise the proposed Sphere of Influence (SOI) Update: (1) a request to add a parcel to the SOI and (2) a recommendation from the County to remove a parcel from the SOI. Additionally, the County has recommended changes to a proposed Memorandum of Agreement (MOA) between the City and County.

Facts:

1. The SOI is a plan for the probable physical boundaries and service area of the City, as determined by the Local Agency Formation Commission (LAFCO) of the County. California Government Code Section 56425(g) requires that the SOI be updated every 5 years.
2. At its meeting of October 4, 2011, the City Council adopted Resolution 11-130 to approve an MOA between the City and the County and request that LAFCO initiate proceedings to update the SOI. Please see Attachment 1 for a copy of Resolution 11-130. (Note: Exhibit A of Resolution 11-130, the 2011 MOA, has been removed. The new 2012 resolution – Attachment 6 – includes a new MOA that shows changes recommended by the County as discussed in the Analysis Section of this report.)
3. The MOA sets forth the City's and County's policies and expectations for development of properties within the SOI. It is not technically binding, but rather, a "gentleman's agreement" to honor each other's land use policies.
4. In February, Paso Robles Vineyards (Hans Michel) submitted a letter (Attachment 2) requesting that the 80 acre "Collins Vineyard" parcel located on the south side of Mill Road east of their amphitheater site, which they recently acquired be added to the proposed SOI.
5. Also in February, the City learned that some property owners in the Mill Road area had deep concerns about their properties being included in the SOI.
6. Progress on bringing the SOI Update to hearing before LAFCO and consideration of Hans Michel's letter was postponed while the City made attempts to address the concerned property owners' issues.
7. In February, the County recommended that Study Area #2, a 17 acre triangularly-shaped parcel on the south side of Highway 46 East, immediately east of Hunter Ranch Golf Course be removed from the SOI as this parcel is in agricultural

production (grapes) and is a part of the larger pattern of agricultural uses in the area, and there is no intent for future urban uses that would need City services. (This Study Area is shown in Exhibit A of the new MOA included in Attachment 6.)

9. On August 20, 2012, Vina Robles provided an updated letter regarding the Collins Vineyard (Attachment 3).

Analysis &
Conclusion:

Mill Road Properties

Robert Hall and Paso Robles Vineyards, whose properties are situated on the south side of Mill Road, have requested inclusion in the SOI. Both have indicated a desire to develop hotels on those properties. (The development plan for Vina Robles' amphitheater includes a hotel on the north side of Mill Road, which they would prefer to relocate to their new property on the south side.) Properties located to the south of Hall's and Vina Robles' and to the north of Union Road are proposed for inclusion in the SOI so that the City might have an opportunity to facilitate development of a north-south oriented road to link Union and Mill Roads. Such a road would relieve traffic pressure on Highway 46 East and its intersection with Mill Road.

The concerned owners mentioned in Fact #5 have properties south of Hall's and west of Vina Robles', and they did not want to participate in a future road. Robert Hall and Vina Robles have submitted letters indicating their willingness to dedicate right-of-way for the north-south road, to be split between their properties. (Please see Attachment #4). The owner to the south of this road has verbally indicated a willingness to work with Hall and Vina Robles to extend the right-of-way to Union Road.

About 52 of the 80 acres in the Collins Vineyard property are planted with grapes. LAFCO's policies governing approval of annexations provide that those 52 acres are considered to be "prime agricultural land" and the following conditions, per LAFCO Agricultural Policy 12, be completed at the time of annexation.

LAFCO shall approve annexations of prime agricultural land only if mitigation that equates to a substitution ratio of at least 1:1 for the prime land annexed is agreed to by the applicant (proponent) and the jurisdiction with land use authority. The 1:1 substitution ratio may be met by implementing various measures:

- a. Acquisition and dedication of farmland, development rights, and/or agricultural conservation easements to permanently protect farmlands with similar characteristics within the County Planning Area.

- b. Payment of in-lieu fees to an established, qualified, mitigation/conservation program or organization sufficient to fully fund the acquisition and dedication activities stated above in 12a.
- c. Other measures agreed to by the applicant and the land use jurisdiction that meet the intent of replacing prime agricultural land at a 1:1 ratio.

The County's Planning Department and Agricultural Commissioner's Offices reviewed Vina Robles' request to add the Collins Vineyard parcel and recommended that the MOA be revised to add language. LAFCO proposes the addition of the following text to Provision No. 5 of the MOA:

Conservation easements shall be used to preserve agricultural and open space lands consistent with City and County policies. The intent is to provide for development of a property and preservation of the agricultural use and/or rural character consistent with the City's Purple Belt policies and the County's Conservation Element.

These changes are consistent with the City's Purple Belt Program. The new MOA, is included in Attachment 6. Changes to the previous MOA (adopted via Resolution 11-130) recommended by the County are noted in bold text.

On November 9, Hans Michel informed staff that he would submit a letter clarifying his intent regarding development of the Collins Vineyard and preservation of prime agricultural soils. This letter will be distributed to Council separate from this report but prior to the Council meeting.

Subarea 2

With regard to the County's recommendation to remove Subarea #2 from the SOI, it appears that the only reason for its inclusion was to straighten out the eastern boundary of the City, and that in terms of the existing agricultural land use on the subject property and its surrounding properties, it would seem to appropriate to leave that parcel out of the SOI.

SOI Update Schedule

If Paso Robles Vineyards' new parcel is added to the SOI request, LAFCO must revise its Municipal Services Review (MSR) and the Mitigated Negative Declaration (MND). These revisions will cause the LAFCO public hearing to be postponed a few months, possibly until February or March 2013.

The County Board of Supervisors must approve the MOA. This can happen concurrently with the revisions to the MSR and MND.

Policy

Reference:

General Plan Policies:

- Purple Belt (LU-2E) – would apply to all properties;
- Planning Impact Area (LU-2F) – would apply to all properties;
- Service Levels (LU-4A) – would apply to all properties;
- New development to mitigate impacts to circulation system (CE-1A(f)) – would apply to Mill Road and Quorum properties;
- Water source, supply, and distribution (C-1A) – would apply to Vina Robles Property;
- Gateway Plan (C-5A) – would apply to all but Ernst property.

Economic Strategy:

- Minimize economic, social, and environmental costs and efficiently use resources and infrastructure; new development should take place in existing urbanized areas before using more agricultural land or open space.
- Establish cohesive, compact and livable community for individuals and families.
- Support agriculture as a viable industry and visitor attraction by featuring it as the distinguishing community environment.
- Develop, fund and implement the “purple belt” plan.

State Law:

Cortese-Knox-Hertzberg Act (Calif. Government Code Sections 56000 et seq)

Fiscal

Impact:

LAFCO will explore fiscal impacts with the Municipal Service Review. Fiscal impacts of future annexations will be evaluated on an individual basis.

Options:

- a. (1) By minute action (voice vote), recommend to LAFCO that the Sphere of Influence Update be revised as follows:
 - (a) Add the Collins Vineyard property recently acquired by Paso Robles Vineyards on the south side of Mill Road to the proposed Sphere of Influence;
 - (b) Remove the 17 acre parcel on the south side of Highway 46 East, denoted as “Subarea #2” from the proposed Sphere of Influence.
- (2) Adopt Resolution 12-XXX Requesting the San Luis Obispo Local Agency Formation Commission to Initiate Proceedings of Its Sphere of Influence and Service Update and Approve a Memorandum of Agreement.
- b. Amend, modify or reject the foregoing option.

Attachments:

1. Resolution 11-130
2. Letter from Hans Michel (Paso Robles Vineyards), dated February 23, 2012
3. Letter from Hans Michel (Paso Robles Vineyards), dated August 20, 2012
4. Letters from Hans Michel and Robert Hall dated October 1, 2012 agreeing to a future dedication for road purposes
5. Resolution 12-XXX Requesting the San Luis Obispo Local Agency Formation Commission to Initiate Proceedings of Its Sphere of Influence and Service Update and Approve a Memorandum of Agreement.

RESOLUTION NO. 11-130

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
REQUESTING THE SAN LUIS OBISPO LOCAL AGENCY FORMATION COMMISSION TO
INITIATE PROCEEDINGS OF ITS SPHERE OF INFLUENCE AND SERVICE UPDATE AND
APPROVING A MEMORANDUM OF UNDERSTANDING WITH THE COUNTY OF SAN LUIS
OBISPO REGARDING THE CITY'S 2011 SPHERE OF INFLUENCE UPDATE

WHEREAS, the Cortese/Knox/Hertzberg Act of 2000 requires Local Agency Formation Commissions (LAFCO) to update communities' Spheres of Influence (SOI) every five years; an SOI is a boundary extending beyond the City limits that represents "an agency's probable future physical boundary and service area"; and

WHEREAS, the San Luis Obispo LAFCO will complete its determination of the updated SOI pursuant to Government Code Section 56425 as part of its periodic review of Sphere of Influence for every City and Special District in the County of San Luis Obispo.

WHEREAS, part of the process for updating the SOI is the execution of a Memorandum of Agreement (MOA) between the City of Paso Robles ("City") and the County of San Luis Obispo ("County"), which will set forth each jurisdiction's policies and expectations for development within the SOI; and

WHEREAS, the City and County executed an MOA in 2004 shortly after adoption of the City's 2003 General Plan Update; and

WHEREAS, at its meeting of June 7, 2011, the City Council approved a set of six study areas to be studied by LAFCO for inclusion in the SOI Update; and

WHEREAS, the City's General Plan contains several policies that would apply to the consideration of areas beyond City Limits for study for possible future annexation; such policies would include, but not be limited to the following:

- Land Use Element Policy LU-2E regarding the establishment of a Purple Belt (LU-2E);
- Land Use Element Policy LU-2F regarding the Planning Impact Area;
- Land Use Element Policy LU-4A regarding establishing service levels;
- Circulation Element Policy CE-1A regarding having new development mitigate impacts to circulation system;
- Conservation Element Policy C-1A regarding water source, supply, and distribution;
- Conservation Element Policy C -5A regarding adoption and administration of a Gateway Plan;

WHEREAS, the City's Economic Strategy contains several policies that would apply to the consideration of areas beyond City Limits for study for possible future annexation; such policies would include, but not be limited to the following:

- Minimize economic, social, and environmental costs and efficiently use resources and infrastructure; new development should take place in existing urbanized areas before using more agricultural land or open space;
- Establish cohesive, compact and livable community for individuals and families;
- Support agriculture as a viable industry and visitor attraction by featuring it as the distinguishing community environment;
- Develop, fund and implement the "purple belt" plan;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED, by the City Council of the City of El Paso de Robles as follows:

Section 1: To apply to the San Luis Obispo Local Agency Formation to initiate proceedings for the Sphere of Influence Update as authorized and in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

Section 2: To approve the Memorandum of Agreement with the County of San Luis Obispo attached to this resolution as Exhibit "A", which shall supersede the Memorandum of Agreement executed in 2004.

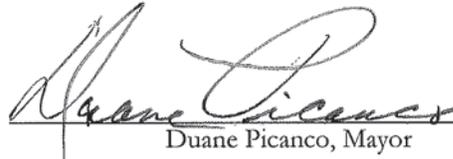
PASSED AND ADOPTED THIS 4th day of October, 2011 by the following Roll Call Vote:

AYES: Steinbeck, Strong, Gilman, Hamon, Picanco

NOES:

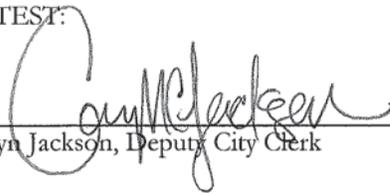
ABSENT:

ABSTAIN:



Duane Picanco, Mayor

ATTEST:



Caryn Jackson, Deputy City Clerk

PASO ROBLES VINEYARDS INC

c/o Vina Robles
P.O. Box 699
Paso Robles, CA 93447
Tel: 805 227 4812

RECEIVED

FEB 24 2012

Engineering Division

February 23, 2012

City of Paso Robles
Attn. Mr. Ed Gallagher
Community Development Director
1000 Spring Street
Paso Robles, CA 93446

RE: PROPOSED SPHERE OF INFLUENCE UPDATE FOR PASO ROBLES

Dear Mr. Gallagher:

I am in receipt of your letters dated January 26, 2012, addressed to Vina Robles, Inc. and Paso Robles Vineyards, Inc., regarding the proposed Sphere of Influence update for the City of Paso Robles. In your letters you indicated that the City of Paso Robles would like to have the Paso Robles Vineyards property included within the City of Paso Robles Sphere of Influence so that the properties can be considered by LAFCO in their ongoing review and update of the property surrounding the City of Paso Robles.

I would like to bring to your attention that Paso Robles Vineyards, Inc. is currently under contract to purchase additional real property, known as the Collins Vineyard. The Collins vineyard is located at 3825 Mill Road, Paso Robles, CA in the immediate vicinity of the Vina Robles property on Mill Road and north of the Paso Robles Vineyards property, commonly known as the County portion of the Chandler Ranch. To the north, the Collins Vineyard property borders the Hunter Ranch Golf course. Attached are a legal description and location maps for the Collins Vineyard. The Vina Robles tasting room and hospitality center located on Mill Road is within the city limits of the City of Paso Robles and the Paso Robles Vineyards, Inc. property comprising the County portion of the former Chandler Ranch is under consideration for being included within the City of Paso Robles Sphere of Influence.

The Collins Vineyard is immediately east of the property owned by Robert Hall, which is proposed to be included within the City of Paso Robles Sphere of Influence. It is our hope that the City of Paso Robles will recommend to LAFCO that the Collins Vineyard also be included within the recommendations for inclusion within the Paso Robles Sphere of Influence.

- 2 -

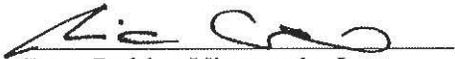
It is anticipated that Paso Robles Vineyards, Inc. will continue to farm the Collins Vineyard for wine grapes as this has been the primary use for the last several years. This fact, combined with the fact that the Vina Robles tasting room and hospitality center is located immediately adjacent to and northwest of the Collins Vineyard and is under common ownership, is an additional reason why we believe the Collins Vineyard should also be included within the City of Paso Robles Sphere of Influence.

Another factor to be considered in reviewing the Collins Vineyard for inclusion within the City of Paso Robles Sphere of Influence is that Collins Vineyard may be a candidate for utilizing treated waste water obtained from the City of Paso Robles to be blended with well water from the Collins Vineyard for use in irrigating the vineyards. Paso Robles Vineyards has had ongoing discussions with the City of Paso Robles regarding the use of such treated waste water on their other vineyards on the former County portion of the Chandler Ranch. By utilizing treated waste water in this manner, the Collins Vineyard property may be able to lessen the impact on water usage being drawn from the aquifer underlying the Collins Vineyard property, which is a positive enhancement for the City of Paso Robles and the neighboring landowners.

I would be happy to meet with you and any other officials of the City of Paso Robles, as well as any members of LAFCO at a mutually convenient time. I am also available to answer any questions or provide any additional information to you that you may require.

Thank you.

Sincerely,



Paso Robles Vineyards, Inc.
Hans – R. Michel, President

Figure 1-1 – Recommended Sphere of Influence

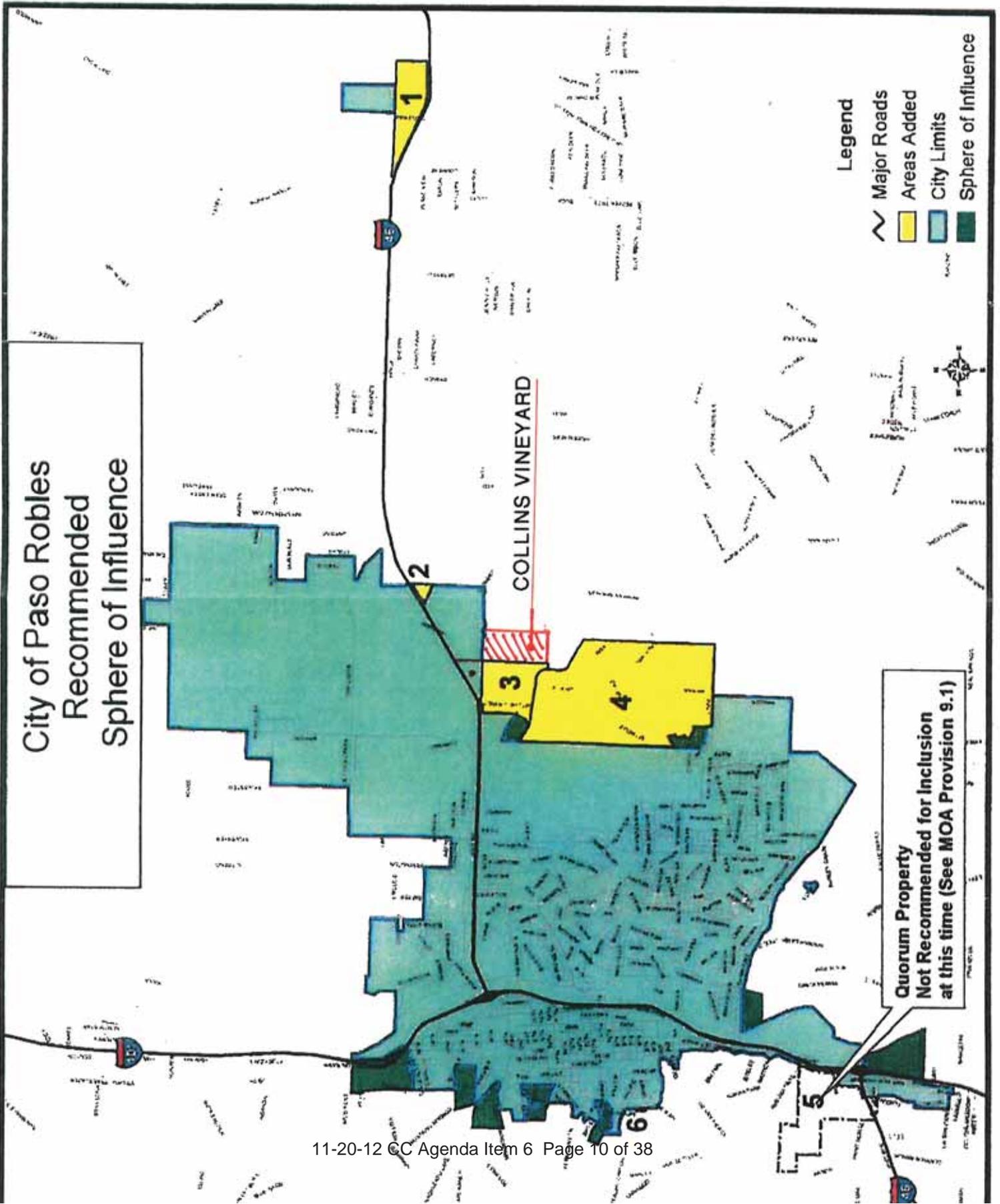


EXHIBIT "A"

LEGAL DESCRIPTION

The East half of the Northeast Quarter of Section 25 in Township 26 South, Range 12 East, Mount Diablo Base and Meridian, in the County of San Luis Obispo, State of California, according to map. The official plat or plats of the survey of said lands returned to the General Land Office by Surveyor General December 17, 1869.

Assessor's Parcel No.: 026,211,011

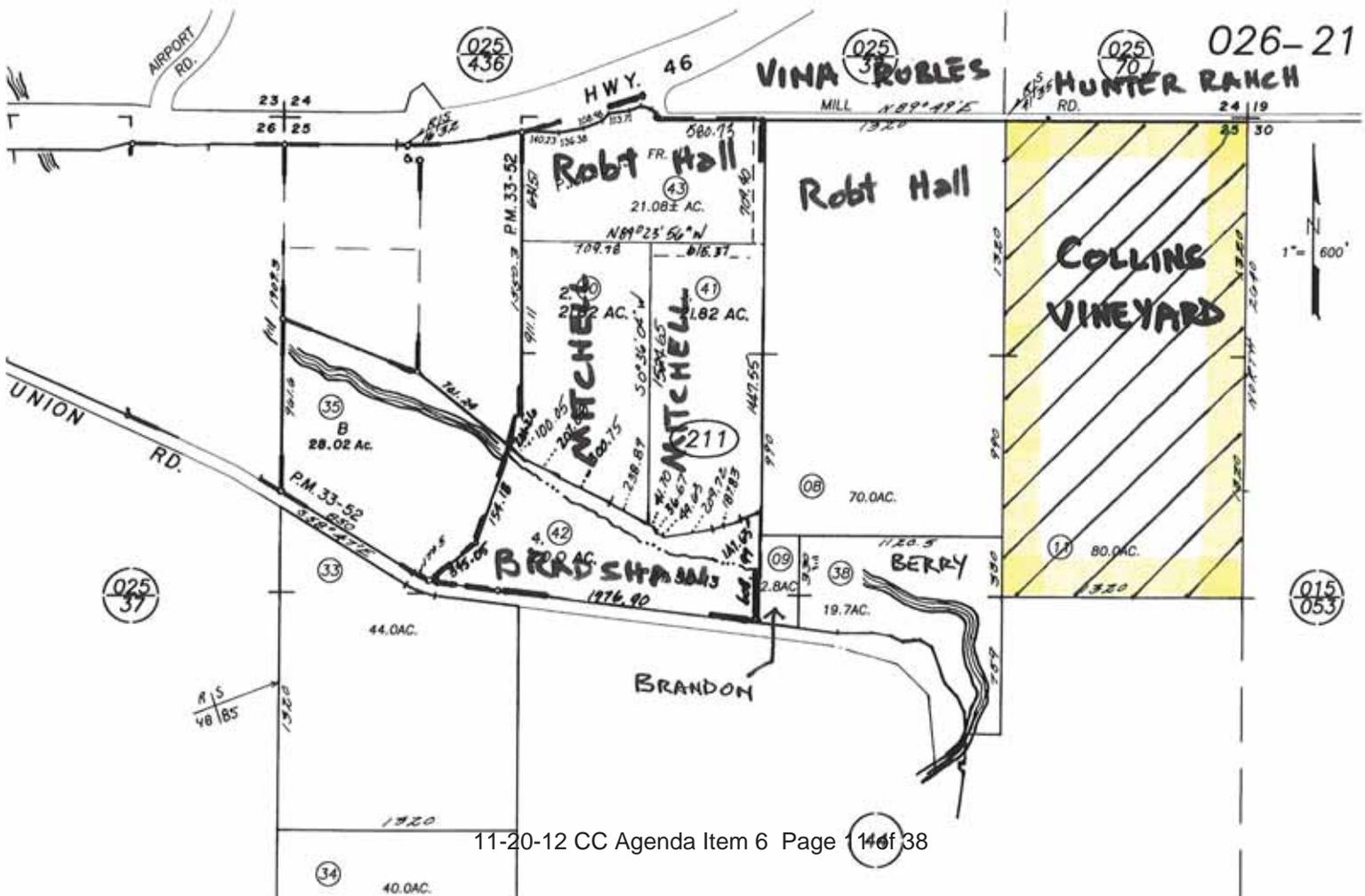
End of Legal Description

LEGAL DESCRIPTION IS CORRECT

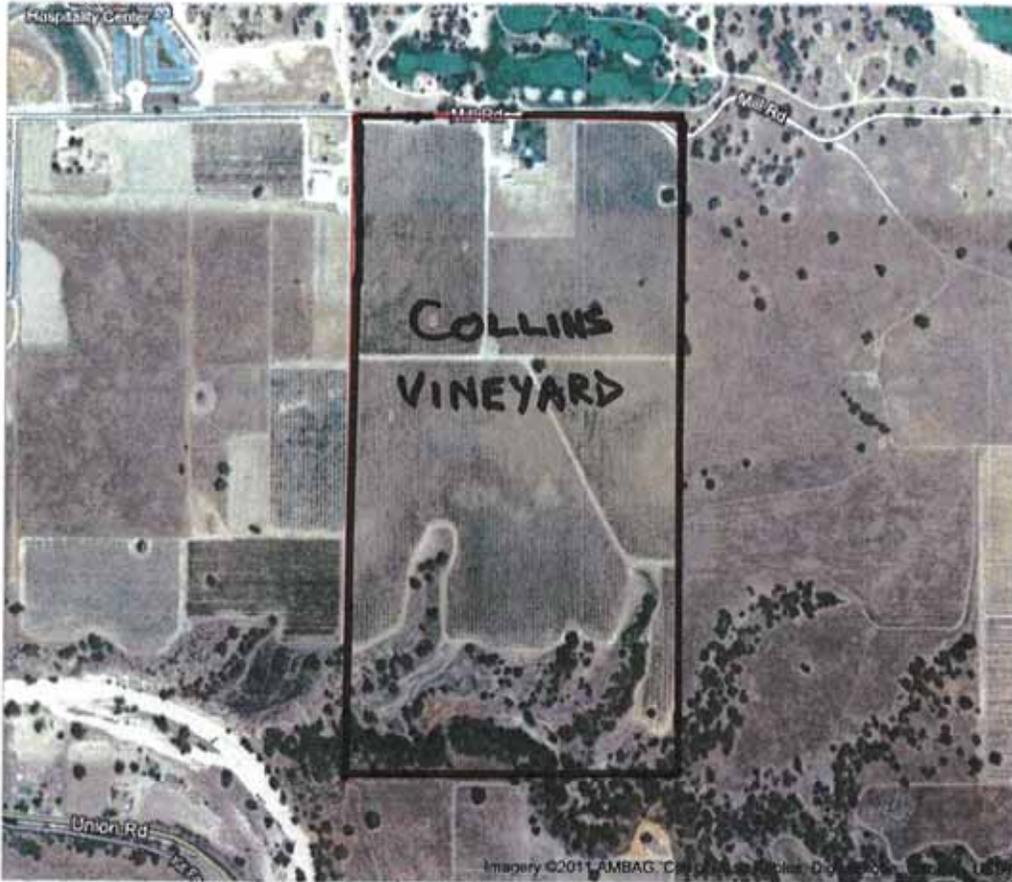
BY:

Jyle H. Waibe

DATE: 3-16-07



To see all the details that are visible on the screen, use the "Print" link next to the map.



Imagery ©2011 AMBAG, ©2011 Google, ©2011 Farm Service Agency, Map data ©2011 Google

Collins Vineyard

Unlisted · 0 users
Granted on Dec 3 · By · Updated 6 days ago

 Property

AUG 23 2012



Engineering Division

P.O. Box 699
Paso Robles, CA 93447
phone: 1-805-227-4812
fax: 1-805-227-4816
www.vinarobles.com

August 20, 2012

City of Paso Robles
Attn. Mr. Ed Gallagher
Community Development Director
1000 Spring Street
Paso Robles, CA 93446

RE: **PROPOSED SPHERE OF INFLUENCE UPDATE FOR PASO ROBLES**

Dear Mr. Gallagher:

I refer to my letter dated February 23, 2012 in the above matter. The letter was submitted on letterhead of Vina Robles' sister company, Paso Robles Vineyards, Inc.

I am pleased to inform you that we have completed the acquisition of the Collins Vineyard (3825 Mill Road). Today, we would like to **confirm our interest to be included within the updated City of Paso Robles Sphere of Influence (SOI)**. We are fully aware that the process of including property within the SOI and, at a possible later date, being annexed into the City, requires a long-term view.

Vina Robles has so far made a significant investment with its 14,000 sq ft Hospitality Center. Construction of the 3,300 seat amphitheatre is underway.

Long-term planning is an important process for us but also for our neighbors. We feel that our visions and plans fit very well within the City's goals for this area. We want to expand the offering to our current and future guests in a very controlled fashion. Part of the Collins Vineyard will allow such expansion in an ideal manner. I want to point out that Vina Robles has entitlement to build an 80 room boutique hotel on the current property. Moving this hotel to the north part of the Collins Vineyard would be a tremendous improvement in two ways:

1. The density of buildings, operations and parking would be significantly reduced at the current location. We could keep a young, well established vineyard located just west of our Hospitality Center, which adds strong character to the facility
2. The hotel would be located in a much quieter area, away from HWY 46 but still close to our facilities including the amphitheatre. Parking of both facilities could be shared.

We have enclosed a map depicting the current location of our planned hotel and the proposed future location on Collins Vineyard.

Our other plans for the Collins Vineyard include a low impact wedding venue within the vineyards and an overflow parking lot for the amphitheater. We would limit vineyard removal to the North part along Mill Road and leave the southern half of the vineyard unchanged.

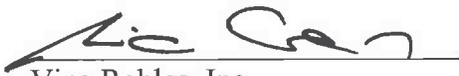
In view of the proposed construction of one or two hotels in the area and the opening of our amphitheater, the proposed new road, connecting Mill Road with Union Road, will enhance the traffic situation significantly and adds options for access of emergency vehicles. It would provide for an ideal situation.

Vina Robles is very flexible concerning the location of the proposed road. All of the previously discussed options would be acceptable. Also, we would have no problem if the new road would follow a line from Mill Road South along the boundary between our Vineyard (Collins) and Mr. Hall's property and then turn SW to the proposed location of the bridge.

We hope that our information explains the reasons for our request. I kindly ask that you include the area of the Collins Vineyard in your submittal to LAFCO. Please contact the undersigned for any additional information.

Thank you.

Sincerely,

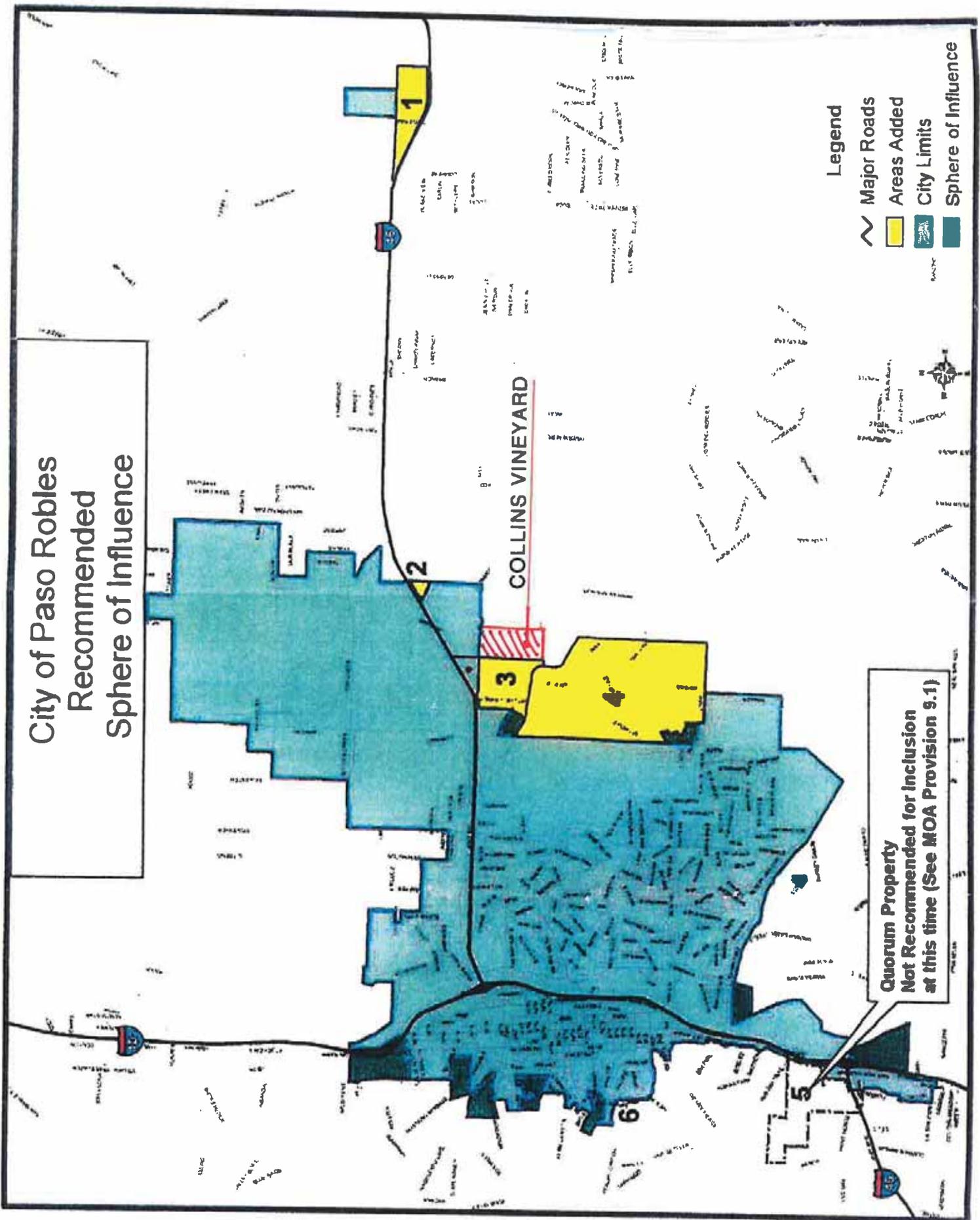
A handwritten signature in black ink, appearing to read "Hans R. Michel", is written over a horizontal line.

Vina Robles, Inc.
Hans – R. Michel, President



Google earth

Figure 1-1 – Recommended Sphere of Influence



COLLINS VINEYARD, INC.

RECEIVED
CITY CLERK'S OFFICE
OCT 01 2012
CITY OF PASO ROBLES

ATTACHMENT 4

c/o Vina Robles Winery
P.O. Box 699
Paso Robles, CA 93447
Tel: 805 227 4812
Fax: 805 227 4816

October 1, 2012

City of Paso Robles
ATTN: James App, City Manager
1000 Spring Street
Paso Robles, CA 93446

Re: Paso Robles Sphere of Influence Update

Dear Mr. App,

We each own, or represent ownership of, property on the south side of Mill Road within the proposed Sphere of Influence Update for Paso Robles: Assessor's Parcels 026-021-008 and 026-021-011. We understand that there may be a long term need/benefit a north-south oriented public road that connects Union and Mill Roads. Such a road could relieve pressure on traffic that would otherwise have to use the intersection of Mill Road and Highway 46 East.

We are agreeable to locating such a road along the common boundary of our parcels and to dedicating right-of-way following after the properties are annexed and if/when development occurs. Each of us would offer to dedicate half of the right-of-way width on our parcels.

Sincerely,

Robert Hall, Owner
APN 026-121-008



Hans Michel, Owner Representative
APN 026-121-011

ROBERT HALL

ATTACHMENT 4

October 1, 2012

City of Paso Robles
ATTN: James App, City Manager
1000 Spring Street
Paso Robles, CA 93446

RECEIVED
CITY OF PASO ROBLES
OCT 03 2012
CITY OF PASO ROBLES

Re: Paso Robles Sphere of Influence Update

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We each own, or represent ownership of, property on the south side of Mill Road within the proposed Sphere of Influence Update for Paso Robles: Assessor's Parcels 026-021-008 and 026-021-011. We understand that there may be a long term need/benefit a north-south oriented public road that connects Union and Mill Roads. Such a road could relieve pressure on traffic that would otherwise have to use the intersection of Mill Road and Highway 46 East.

We are agreeable to locating such a road along the common boundary of our parcels and to dedicating right-of-way following after the properties are annexed and if/when development occurs. Each of us would offer to dedicate half of the right-of-way width on our parcels.

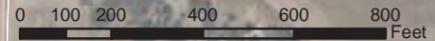
Sincerely,



Robert Hall, Owner
APN 026-121-008

"The Essence of Paso Robles"™

3443 Mill Road
Paso Robles, CA 93446



RESOLUTION NO. 12-XXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
REQUESTING THE SAN LUIS OBISPO LOCAL AGENCY FORMATION COMMISSION TO INITIATE
PROCEEDINGS OF ITS SPHERE OF INFLUENCE AND SERVICE UPDATE AND APPROVING A
MEMORANDUM OF UNDERSTANDING WITH THE COUNTY OF SAN LUIS OBISPO REGARDING THE
CITY'S 2012/2013 SPHERE OF INFLUENCE UPDATE

WHEREAS, the Cortese/Knox/Hertzberg Act of 2000 requires Local Agency Formation Commissions (LAFCO) to update communities' Spheres of Influence (SOI) every five years; an SOI is a boundary extending beyond the City limits that represents "an agency's probable future physical boundary and service area"; and

WHEREAS, the San Luis Obispo LAFCO will complete its determination of the updated SOI pursuant to Government Code Section 56425 as part of its periodic review of Sphere of Influence for every City and Special District in the County of San Luis Obispo.

WHEREAS, part of the process for updating the SOI is the execution of a Memorandum of Agreement (MOA) between the City of Paso Robles ("City") and the County of San Luis Obispo ("County"), which will set forth each jurisdiction's policies and expectations for development within the SOI; and

WHEREAS, the City and County executed an MOA in 2004 shortly after adoption of the City's 2003 General Plan Update; and

WHEREAS, at its meeting of June 7, 2011, the City Council approved a set of six study areas to be studied by LAFCO for inclusion in the SOI Update; and

WHEREAS, at its meeting of October 4, 2011, the City Council adopted Resolution 11-130 Requesting the San Luis Obispo Local Agency Formation Commission to Initiate Proceedings of Its Sphere of Influence and Service Update and Approving a Memorandum of Understanding with the County of San Luis Obispo Regarding the City's 2011 Sphere of Influence Update; and

WHEREAS, in February 2012, the City received a request from Vina Robles to add an 80 acre parcel on the south side of Mill Road to the SOI and a request from the County of San Luis Obispo to drop "Subarea #2", a triangularly-shaped parcel on the south side of Highway 46 East, as it is planted with grapes and is part of a larger vineyard area; and

WHEREAS, because the requested 80 acre parcel includes prime agricultural land, the County of San Luis Obispo has requested an amendment to the MOA as approved by the City Council via Resolution 11-130 to provide for preservation of the agricultural resource; and

WHEREAS, the City's General Plan contains several policies that would apply to the consideration of areas beyond City Limits for study for possible future annexation; such policies would include, but not be limited to the following:

- Land Use Element Policy LU-2E regarding the establishment of a Purple Belt (LU-2E);
- Land Use Element Policy LU-2F regarding the Planning Impact Area;
- Land Use Element Policy LU-4A regarding establishing service levels;

- Circulation Element Policy CE-1A regarding having new development mitigate impacts to circulation system;
- Conservation Element Policy C-1A regarding water source, supply, and distribution;
- Conservation Element Policy C -5A regarding adoption and administration of a Gateway Plan;

WHEREAS, the City's Economic Strategy contains several policies that would apply to the consideration of areas beyond City Limits for study for possible future annexation; such policies would include, but not be limited to the following:

- Minimize economic, social, and environmental costs and efficiently use resources and infrastructure; new development should take place in existing urbanized areas before using more agricultural land or open space;
- Establish cohesive, compact and livable community for individuals and families;
- Support agriculture as a viable industry and visitor attraction by featuring it as the distinguishing community environment;
- Develop, fund and implement the "purple belt" plan;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED, by the City Council of the City of El Paso de Robles as follows:

Section 1: To apply to the San Luis Obispo Local Agency Formation to initiate proceedings for the Sphere of Influence Update as authorized and in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

Section 2: To approve the Memorandum of Agreement with the County of San Luis Obispo attached to this resolution as Exhibit "A", which shall supersede the Memorandum of Agreement executed in 2004.

PASSED AND ADOPTED THIS 20th day of November, 2012 by the following Roll Call Vote:

AYES:
 NOES:
 ABSENT:
 ABSTAIN:

 Duane Picanco, Mayor

ATTEST:

 Caryn Jackson, Deputy City Clerk

**MEMORANDUM OF AGREEMENT
BETWEEN THE CITY OF PASO ROBLES AND
THE COUNTY OF SAN LUIS OBISPO
REGARDING THE CITY'S 2012 SPHERE OF INFLUENCE UPDATE**

This Agreement between the City of Paso Robles (hereafter "City") and the County San Luis Obispo County (hereafter "County") is entered into by the City on this _____ day of _____, 2012, and by the County on this _____ day of _____, 2012.

WITNESSETH

WHEREAS, the Cortese/Knox/Hertzberg Act of 2000 ("the Act") requires the Local Agency Formation Commission (LAFCO) to update the Spheres of Influence for all applicable jurisdictions in the County every five years; and

WHEREAS, a Sphere of Influence is defined by the California Government Code 56076 as a plan for the probable physical boundaries and service area of a local agency; and

WHEREAS, pursuant to Government Code 56425 the Sphere of Influence has been identified by the County of San Luis Obispo and the City of Paso Robles as shown in Exhibit B; and

WHEREAS, the Act further requires that a Municipal Service Review be completed prior to or, in conjunction with, the update of a Sphere of Influence in accordance with Section 56430 of the California Government Code as a means of identifying and evaluating public services provided by the City of Paso Robles and changes to the City's Sphere of Influence; and

WHEREAS, the City and County have reached agreement regarding the boundaries (Exhibit B), and provisions (Exhibit A) of the proposed Sphere of Influence to help ensure the orderly and logical development of these areas; and

WHEREAS, the City's General Plan and future amendments provide a policy basis for growth and development in the Sphere of Influence areas and defines policies and programs that would ensure the permanent preservation of important agricultural land and open space surrounding Paso Robles; and

WHEREAS, the County's General Plan goals call for Community Separators (as defined in the County's General Plan) to provide for a community's distinctive identity and preserve the rural character of the areas between and on the fringes of communities and cities; and

WHEREAS, the City and County intend to cooperate regarding growth and development on the urban fringe of the City and in the referral area shown in Exhibit C with special attention given to those locations designated as Specific Referral Areas; and

WHEREAS, LAFCO is required by Government Code 56425 (b) to give great weight to this agreement in making the final determination regarding the City's Sphere of Influence.

NOW, THEREFORE, be it resolved that the parties agree as follows:

1. The proposed Sphere of Influence boundary contained in Exhibit B provides for the orderly and logical growth for the City of Paso Robles and represents a potential 20-year growth boundary based on available information.
2. The provisions contained in Exhibit A offer a framework for completing updates to the General Plans of both the City and the County for the areas in the proposed Sphere of Influence.
3. The provisions contained in Exhibit A are intended to give the City and the County the basis for developing specific land use policies and standards for the areas in the City of Paso Robles' proposed Sphere of Influence and do not supersede or limit the planning or environmental review process or the discretionary decision making process of either jurisdiction.
4. The City's and County's General Plan policies shall be used to help guide the logical and orderly development of these Sphere Areas while permanently preserving agricultural and open space lands.

Mayor, City of Paso Robles

APPROVED AS TO FORM AND LEGAL EFFECT:

City Attorney

Dated: _____

ATTEST:

City Clerk

Dated: _____

Chairman, Board of Supervisors
County of San Luis Obispo

APPROVED AS TO FORM AND LEGAL EFFECT:

County Counsel

Dated: _____

ATTEST:

County Clerk

Dated: _____

EXHIBIT A
PROVISIONS

The following provisions are agreed to and shall be used by the City of Paso Robles and the County of San Luis Obispo to establish a cooperative working relationship in formulating land use plans for future development within the proposed Sphere of Influence as shown in Exhibit B and to update their respective General Plans as needed.

1. **Intent.** It is the intent of the County and the City to work cooperatively to respect the agreed-upon Sphere of Influence (as shown in Exhibit B) and guide development and any future annexation(s) in an orderly and logical manner consistent with the Cortese/Knox/Hertzberg Act, the City and County General Plans, the California Environmental Quality Act and any other applicable laws and regulations.

2. **Impact Mitigation.** In evaluating any proposed development, the agency considering approval (City or County) should rely solely on its own capability to provide the required services to that development. The City and the County shall not presume any services will be provided by the other agency without documenting that such services will be provided.

Development/mitigation fees needed to offset the impacts from development projects approved by either jurisdiction in the Referral Area (Exhibit C) shall be collected and distributed in a fair and equitable manner. Payment of these fees should be made to the City and/or the County in proportion to the location and degree of project impacts; however the total fees paid shall not exceed the cost to mitigate the specific project impact. Mitigation to offset significant impacts to fire, law enforcement, emergency medical services, water and wastewater treatment services, roads and streets, other public services, and housing, should be incorporated into the conditions of approval for projects. Documentation should be provided that identifies the project's impacts to both the City and the County and shall be considered as part of the development review process. The documentation may be used to prepare conditions of approval and to allocate impact fees where allowable and as appropriate.

3. **Interagency Cooperation.** The City and the County shall work cooperatively to plan for future land uses, public services and facilities needed to improve and maintain area circulation connections, and to preserve agricultural land and open space. The County and City will consider the creation and implementation of various assessment

and financing mechanisms for the construction and maintenance of public improvements, such as roads, utilities, recreation and trail improvements, parks and open space, and similar improvements that could serve visitors and residents of the City and the County. Discretionary development projects and General Plan Amendments (GPA's) within one agency's jurisdiction shall be referred to the other for review and comment as early as possible in the land use process. The County shall seek the City's comments regarding these projects or GPA's in the Referral Area as shown in Exhibit C. The City shall seek the County's comments regarding projects or GPA's that affect the unincorporated portion of the Referral Area shown in Exhibit C. All such referrals shall be sent to the following contact person(s) for early review and comment:

Director of Planning and Building
County of San Luis Obispo
Department of Planning and Building
County Government Center
San Luis Obispo, CA 93408

Community Development Director
City of Paso Robles
Community Development Dept.
1000 Spring Street
Paso Robles, CA 93446

Projects and activities that affect agricultural lands and resources shall be referred to the County Agricultural Commissioner's office at the following address:

Agricultural Commissioner
San Luis Obispo County Department of Agriculture
2156 Sierra Way, Suite A
San Luis Obispo, CA 93401

The provisions mentioned above shall not supersede other methods of commenting or providing feedback regarding a proposal or project.

Development Review Coordination. Projects or GPA's proposed within the Referral Area shown in Exhibit C, and subject to an Initial Study under CEQA, may cause the City and County representatives to request a meeting prior to completion of the Initial Study. The purpose would be to discuss the City's and County's General Plan policies with regard to the proposal and to identify any key issues that may need special attention during the CEQA process.

4. **Sphere of Influence.** The County shall, to the extent feasible, limit development within the City's Sphere of Influence (SOI) to those uses currently allowed by the County General Plan. The County shall give the great weight to the City's General Plan policies, Purple Belt Program principles, and City Gateway Plan Design Standards when reviewing development on land in the unincorporated areas that are

located within the City's Sphere of Influence. For projects submitted to the County for consideration, as part of the pre-application meetings and as part of processing the application, the County shall request written documentation that indicates the City's position regarding possible future annexation into the City. This documentation shall be provided by the City in a timely manner that does not delay the County's processing of the land use application. During this time, the County shall continue to process the land use application as required under the law.

5. **Agriculture and Open Space.** The City and the County will work together to permanently preserve agricultural and open space resources in the SOI area using the County's Agriculture Element policies, Strategic Growth principles, and the Conservation and Open Space Element (COSE) policies. The City's Purple Belt Program policies and Gateway Plan standards shall be considered and evaluated in the development and review process. The criteria contained in the COSE and Agriculture Element, and the pertinent policies in the City's General Plan and its implementing Purple Belt and Gateway Plans, shall be used in developing the preservation policies and programs. **Also to be considered are agricultural buffers identified by the Agricultural Commissioners Office and local right to farm standards.**
 - a. **Conservation Easements shall be used to preserve agricultural and open space lands consistent with City and County policies. The intent is to provide for development of a property and preservation of the agricultural use and/or rural character consistent with the City's Purple Belt policies and County's Conservation Element.**

6. **Water Supply.** The City shall document an adequate, reliable, and sustainable water supply prior to completing an annexation. Water resources will be evaluated and documented consistent with LAFCO policies, the City's Urban Water Management Plan, and State Laws such as SB 610 when applicable. **An analysis of the water supply should also include information from the County's Resource Capacity Study of the Paso Robles Groundwater Basin and the basin's current status.**

7. **General Plan and Zoning Code Amendments.** The City intends to complete environmental review, pre-zoning, pre-annexation, specific plans and any necessary general plan amendment activities prior to an annexation proposal being considered

by LAFCO. The County intends to complete any necessary amendments to its General Plan to reflect the annexation of territory to the City of Paso Robles.

8. **Guiding Principles for Future Development.** The City and County agree that the following principles should guide development that is proposed within the City's Sphere of Influence:

a. Encourage compact urban development in incorporated areas close to infrastructure, while preserving rural character by maintaining distinct urban boundaries next to rural areas. The City and County will collaborate to carry out this principle through strategies including, but not limited to the following:

- 1) Implement the City's Purple Belt Program and its Principles, including:
 - (a.) Maintaining the City's community character and way of life, while also recognizing the need to accommodate additional urban development.
 - (b.) Supporting the continuation of agriculture and ranching.
 - (c.) Landowners of areas to be annexed will be required to participate in the Purple Belt Program.
 - (d.) Provide additional options to landowners interested in maintaining their land in agriculture in perpetuity, including opportunities to sell, donate, or transfer their development rights in exchange for cash, tax credits, and/or other benefits.
 - (e.) Exploration of funding mechanisms to help support the Purple Belt Program.

- b. Incorporate the City's Gateway Plan Standards into future development within the Sphere of Influence.

Future growth should incorporate the Gateway Plan's "Town and Country" Gateway standards for setbacks, grading, rural-style drainage facilities, tree planting, fencing, rural architecture and site planning. Areas annexed into the City will be required to incorporate these standards.

- c. Implement the policies and strategies in the County Framework for Planning and Conservation and Open Space Element, in particular, the following regarding Community Separators as defined and shown in the County's Conservation and Open Space Element on Figure VR-2:

- (a.) Avoid suburban or low-density sprawl at the edges of communities.
- (b.) Discourage new frontage roads along highways and roadways within Community Separators, but consider exceptions for necessary circulation connections where visual and environmental resources are protected.
- (c.) Work with land owners, advisory councils and non-profit organizations to propose voluntary scenic, agricultural, or conservation easements and/or greenbelt programs that support private landownership while retaining the visual resources within Community Separators.
- (d.) Retain a rural character within Community Separators using setbacks from roadways, building design (i.e. height, massing, color), signage, and lighting standards to effectively retain visual resources.

b. Create a land use pattern that promotes and improves connections to other parts of the City

Future growth should provide for an improved circulation system that would promote maximum connectivity between different parts of the City by planning for and/or constructing new roads, walkways, bike paths, transit facilities, or other means.

c. Take advantage of good planning and design principles

The proposed development should be designed to encourage improved transportation system and connectivity to existing city infrastructure within the areas proposed for development. The goals are to 1) develop neighborhoods and businesses that are well-designed, fit into the character of the area, and are a logical part of the City's future growth and 2) promote a land use pattern that encourages the efficient use of resources.

9. Special Areas of Interest. The City and County agree to the following processes and procedures for specific areas discussed:

- 1. **The 270 acre Furlotti Family Ranch Company Properties** are located on the northwest quadrant of Highways 101 and 46 and are owned by Furlotti family, or related entities. This area is within County jurisdiction, outside of the Paso Robles Sphere of Influence. The property is not included in this proposed update to the

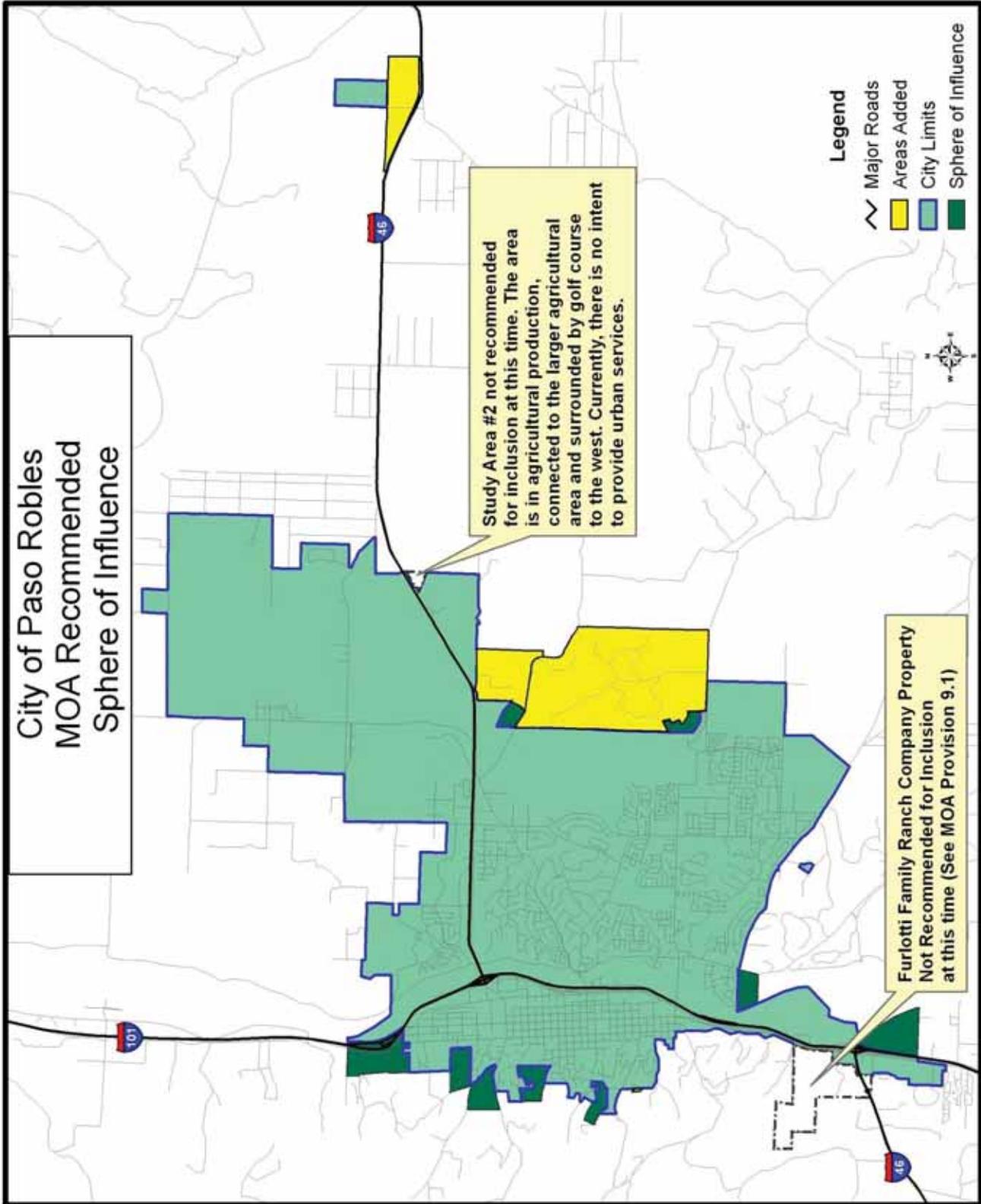
Sphere of Influence and therefore is not subject to this MOA. However, the City and property owners, in consultation with the County, anticipate that a land use plan and EIR will be prepared in the near future. The land use plan and EIR will study the possible expansion of the Sphere of Influence and Annexation concurrently. This process would allow a proposed project and EIR to be fully reviewed by the public, the City, and other agencies prior to LAFCO considering the proposal.

2. **Vina Robles Area** is approximately 997 acres located on the eastern boundary of the City, south of Union Road, north of Linne Road and generally west of Huerhuero Creek. The area is recommended for inclusion in the Sphere of Influence with the understanding that the existing land use would not be changed. About 535 acres comprises an agricultural cluster development approved by the County with an agricultural easement on the vineyards. If placed in the SOI, the City could provide both water services for indoor domestic use and future recycled water for agriculture and landscaping use that will help to better manage the groundwater resources in the area by reducing the number of wells that are pumping in the area. This could be considered through an annexation to the City or an outside user agreement which limits the services the City would provide to the area. An analysis of the groundwater resources and the benefits of having the City provide services should be provided as part of any application.

3. **The Mill Road Properties** total 175 acres, are located on the eastern boundary of the City just south of Hunter Ranch and are recommended for inclusion in the Sphere of Influence with the understanding that the area could provide a secondary access road from Union to Highway 46. The City's General Plan should address the future land use of the area as well as how its Purple Belt policies for preserving agricultural lands would apply. **The area is presently developed as the Robert Hall Winery, a vineyard, and several homes on larger parcels. This type of development at the outer edges of the City boundary is consistent with Paso Robles' Purple Belt Program because it acts as a transition area to the more rural area. It is the City's intent for the area between the potential road to remain in agriculture and rural residential use consistent with the Purple Belt Program and the existing land use of the property.**

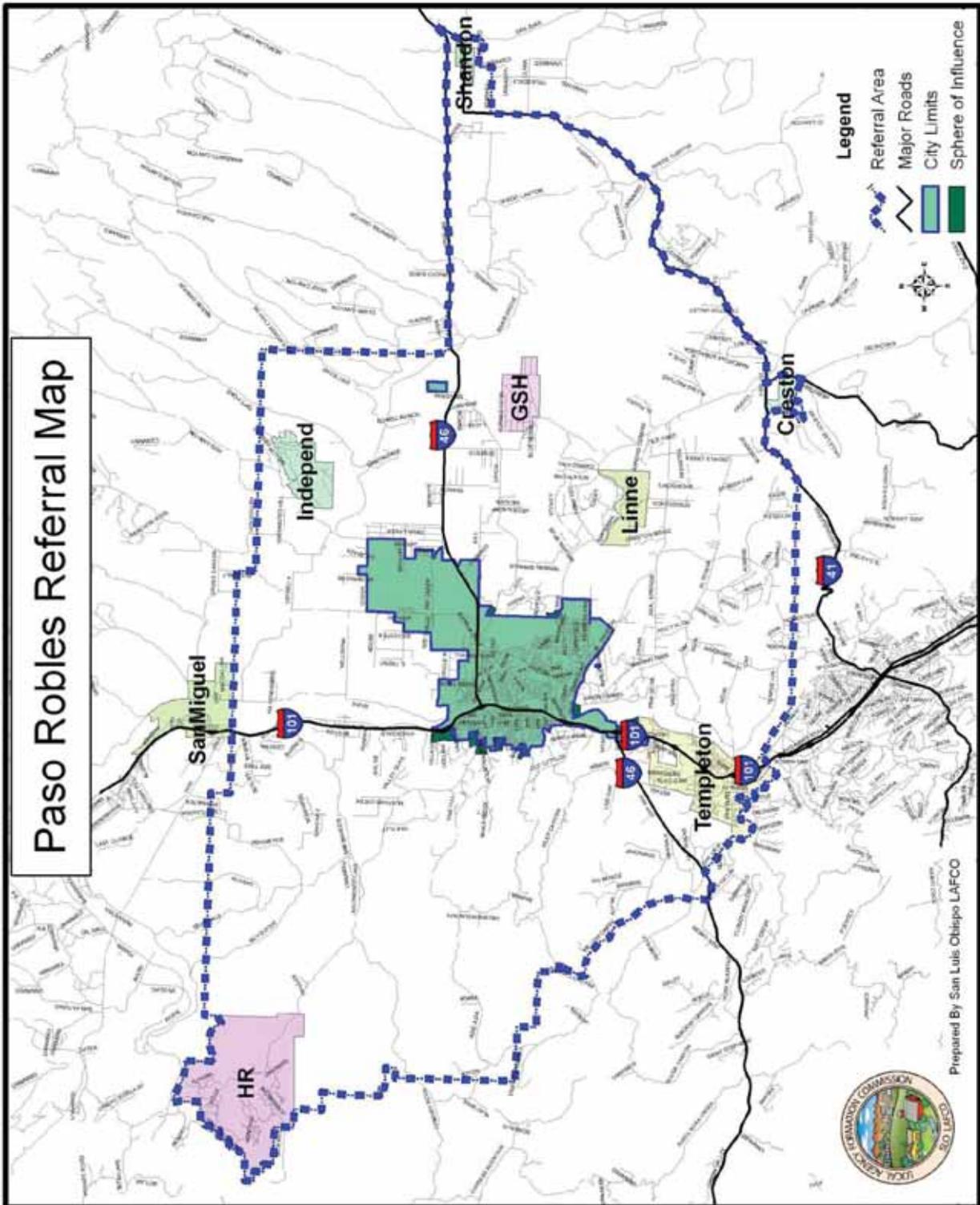
EXHIBIT B

SPHERE OF INFLUENCE



ispo

EXHIBIT C
PROJECT REFERRAL MAP



November 13, 2012

City of El Paso de Robles
Mayor Duane Picanco
Mayor Pro-Tem John Hamon
Council Member Ed Steinbeck
Council Member Fred Strong
Council Member Nick Gilman
1000 Spring Street
Paso Robles, CA 93446

RE: PROPOSED SPHERE OF INFLUENCE UPDATE FOR THE CITY OF PASO ROBLES

Honorable Mayor and Council Members,

Vina Robles appreciates the City of Paso Robles' vision for its City and the City's support to include the 80 acre property commonly referred to as the 'Collins Vineyard' in its Sphere of Influence (SOI) update. This letter is intended to provide a summary of the correspondence that has occurred over the last year regarding the inclusion of the Collins Vineyard property in the City's SOI and explain the reasons for including the Collins Vineyard in the SOI.

1. Involved Parties and Property Ownership

- Paso Robles Vineyards, Inc., a California Corporation, has been engaged in the development and operation of wine grape vineyards in San Luis Obispo County since 1996.
- Collins Vineyard, Inc. was incorporated in 2012 for the purpose of acquiring and operating the Collins Vineyard more particularly described below.
- Vina Robles, Inc. (Vina Robles Winery) owns the property with hospitality center located at 3700 Mill Road in Paso Robles.

The above three entities share the same ownership (Families of Hans Nef and Hans – R. Michel).

2. Property Description

The Collins Vineyard is an 80-acre piece of property located east of Robert Hall Winery, south east of Vina Robles Winery, and south of Hunter Ranch Golf Course. The property includes a 3.6 acre home site, 52 acres of vineyards, with the remaining acreage comprised of oak woodlands and riparian areas. The property has direct frontage on Mill Road. The address of the residence is 3825 Mill Road.



Map 1: Location of Collins Vineyard

3. Timeline of Correspondence and Contacts with City Officials

- In February 2012, Hans - R. Michel notified the City that Paso Robles Vineyards was under contract to purchase the Collins Vineyard property. In his February 2012 letter, Michel notified the City that it was Paso Robles Vineyard/Vina Robles' desire to have the Collins Vineyard property included in the City's SOI update.
- In August 2012, the Collins Vineyard was acquired by the newly formed Collins Vineyard, Inc. At the time the property was acquired, Michel contacted the City to confirm that both, Collins Vineyard Inc. and Vina Robles, were interested in having the Collins Vineyard property included in the SOI update with the intent to eventually annex the property into the City of Paso Robles.
- The City was interested in including the Collins Vineyard property, in addition to other properties in the Mill Road area, as it would provide further opportunities to locate a north-south connector road from the Mill Road area to the remainder of the City. The City expressed interest in this north-south connection as it could alleviate traffic impacts on the Highway 46 corridor as well as provide a connection, absent traveling onto Highway 46, between these visitor serving destination uses and other attractions in the City of Paso Robles. Introducing the connection road on other properties involved in the SOI update had not been well received by some of the other property owners and gaining consensus for a road alignment on other properties was proving to be difficult.
- In August of 2012, Collins Vineyard/Vina Robles and Robert Hall began working collaboratively with the City to identify potential locations for the north-south collector road. In October 2012, both property owners (Collins Vineyard / Hall) communicated a willingness to allow the north-south connector road to be located along their common property line. Both parties agreed in writing to dedicate the required road right-of-way at such time as when the properties were annexed into the City and/or upon future development of the properties.

4. Concept and Purpose of including Collins Vineyard within the SOI

As you are likely aware, Vina Robles received approval of a Planned Development (PD 02-002) and Conditional Use Permit (CUP 11-004) in August 2011 to establish an 80-room hotel, 10 duplex lodging units, a 3,300 seat amphitheater, and ancillary buildings on their 25 acre property within city limits. The property is a triangular piece of land located between Highway 46 East, Mill Road and Hunter Ranch Golf Course. The current Vina Robles site is fairly constrained and contains a well-established vineyard along the Highway 46 corridor. The motivation for purchasing the Collins Vineyard property was to allow the opportunity to expand 'owned' vineyard acreage adjacent to the winery and tasting room and to relocate the currently approved 80 unit hotel from its approved location adjacent to Highway 46 to a more secluded location on Collins Vineyard.

The Collins Vineyard provides an exceptional location for a hotel. It is a quiet location away from Highway 46. Furthermore, it is close to Vina Robles Winery's other facilities, provides an agricultural (vineyard) component to the Vina Robles experience, and it offers a natural environment worthy of a destination hotel. Vina Robles' ultimate vision for its visitors is to provide a high-end destination hotel at which guests are able to stay within the vineyards and walk to the tasting room, restaurant and/or concert at the amphitheater venue. The hotel and ancillary facilities would be located in an approximately 3 acre envelope on the perimeter of the vineyard. The design would be such that it would take advantage of the natural slopes and oak trees and integrate the structures into the landscape to minimize site disturbance and vineyard removal.



Map 2: Future Vina Robles Hotel Location

5. Inclusion of Collins Vineyard in SOI is consistent with LAFCO Ag-Policy

LAFCO and the County of San Luis Obispo have expressed concern that the inclusion of the Collins Vineyard property in the SOI update is 'premature' because the site contains prime ag land. LAFCO policies allow for annexation of prime ag lands, however, LAFCO Ag Policy 12 requires any prime agricultural land that is converted upon annexation to be off-set at a 1:1 ratio with an ag conservation easement or similar mechanism. At the time LAFCO and SLO County reviewed the inclusion of the Collins Vineyard in the SOI, they did not have the benefit of additional information to address their concerns. We are hopeful that upon providing additional information to the County, they will find that the timing is in fact right for including the Collins Vineyard in the SOI.

As illustrated in the exhibit below, the inclusion in the SOI and future annexation of the Collins Vineyard property into the City of Paso Robles is consistent with LAFCO Ag Policy 12 as well as the mitigation measures included in the Mitigated Negative Declaration for the SOI update.

It is anticipated that a future hotel site on the Collins property would result in the removal of approximately three (3) acres of vineyards (prime ag land). Any vineyards removed as part of the hotel project could easily be mitigated either by additional on-site planting, preservation of existing off-site vineyards, or a combination of both. For example, there are three (3) acres of vineyards located on the Vina Robles 25-acre parcel. Vina Robles would be agreeable to a condition of annexation and future development that an agricultural conservation easement be recorded on these vineyards to ensure their protection. Another option would be to plant additional vineyard acreage on the Collins Vineyard property. There are currently three (3) acres of the site on which additional vineyards could easily be planted. Absent these two realistic scenarios, it is reasonable to assume that off-site mitigation in another location would be entirely feasible. It is expected that a condition of future development on the property would include the required 1:1 mitigation off-set and a conservation easement to preserve the remaining on-site vineyard acreage that would not be impacted by the limited visitor serving uses.

Excerpt from Mitigated Negative Declaration for Annexation for Ag Resource impacts LAFCO Ag Policy 12 - Mitigation Measure for Annexation of Prime Ag Lands

San Luis Obispo LAFCO maintains policies for agricultural lands which must be adhered to for the annexation of prime agricultural land. Based on these policies the following mitigation measures are applied to the proposed project:

MM AG – 1

- a) **Annexation of prime agricultural lands shall not be approved unless the City has complied with the LAFCO Policies regarding prime agricultural land.**

Policy 12. The Commission shall approve annexations of prime agricultural land only if mitigation that equates to a substitution ratio of at least 1:1 for the prime land annexed is agreed to by the proponent and the jurisdiction with land use authority. The 1:1 substitution ratio may be met by implementing various measures:

- a. **Acquisition and dedication of farmland, development rights, and/or agricultural conservation easements to permanently protect farmlands with similar characteristics within the County Planning Area.**
- b. **Payment of in-lieu fees to an established, qualified, mitigation/conservation program or organization sufficient to fully fund the acquisition and dedication activities stated above in 12a.**
- c. **Other measures agreed to by the proponent and the land use jurisdiction that meet the intent of replacing prime agricultural land at a 1:1 ratio.**

Implementation of the above mitigation measures would reduce impacts to agricultural resources to a less-than-significant level.

6. Benefits of including Collins Vineyard within the SOI and later Annexation

Annexation of the Collins Vineyard property into the City provides the City with the ability to preserve open space and prime agricultural lands through the discretionary process. Relocating the hotel to the Collins Vineyard property would implement the City's Purple Belt and Gateway policies by preservation of a small but effective purple belt at the City's eastern gateway. Furthermore, the inclusion of the Collins Vineyard property in the Sphere of Influence at this time is appropriate as it is directly adjacent to other properties that are recommended for inclusion into the SOI by both the County and the City and it has been demonstrated that a future project on the property is able to comply with LAFCO Ag Policy 12. Deferring this request to a future single SOI application would not allow the City to evaluate this area as a whole. Lastly, it provides opportunities for collaboration between the City and other property owners on necessary infrastructure improvements that are important to the City and ensures that the City will receive the economic benefits of a more desirable project.

We hope this summary is helpful in the City's understanding of the intended future use of the Collins Vineyard property and the benefits of including the property in the SOI update. If you have any questions about the property or our request, please contact Jamie Kirk our land use consultant at 805-461-5765.

Sincerely,



Hans – R. Michel
President