



SCV
WATER



**SCV WATER AGENCY
TELECONFERENCE
WATER RESOURCES AND WATERSHED
COMMITTEE MEETING**

WEDNESDAY, NOVEMBER 10, 2021

START TIME: 5:30 PM (PST)

Join the Board meeting from your
computer, tablet or smartphone:
<https://scvwa.zoomgov.com/j/1619831045>

Listen in Toll Free by Phone
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Webinar ID: 161 983 1045

To participate in public comment from your computer, tablet, or smartphone:

When the Chair announces the agenda item you wish to speak on, click the “**raise hand**” feature in **Zoom***. You will be notified when it is your turn to speak.

To participate in public comment via phone:

When the Chair announces the agenda item you wish to speak on, **dial *9 to raise your hand**. Phone participants will be called on by the **LAST TWO digits** of their phone number. **When it is your turn to speak, dial *6 to unmute**. When you are finished with your public comment dial ***6 to mute**.

Can't attend? If you wish to still have your comments/concerns addressed by the Committee, all written public comments can be submitted by 4:00 PM the day of the meeting by either e-mail or mail.** Please send all written comments to Cheryl Fowler. Refer to the Committee Agenda for more information.

*For more information on how to use Zoom go to support.zoom.us or for “raise hand” feature instructions, visit <https://support.zoom.us/hc/en-us/articles/205566129-Raise-Hand-In-Webinar>

**All written comments received after 4:30 PM the day of the meeting will be posted to [yourscvwater.com](https://www.yourscvwater.com) the next day. Public comments can also be heard the night of the meeting.


Please Note: Pursuant to the provisions of AB 361 and SCV Water Resolution SCV-235, the SCV Water Board will continue to hold remote Board and Committee meetings due to the continuing State of Emergency for COVID-19 and the ongoing imminent risks to the health or safety of the attendees from COVID-19. The public may not attend meetings in person. The public may use the above methods to attend and participate in the public Committee meetings.

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Date: November 4, 2021

To: **Water Resources and Watershed Committee**
Jeff Ford, Chair
B.J. Atkins
Edward Colley
William Cooper
E.G. "Jerry" Gladbach

From: Steve Cole, Assistant General Manager 

The **Water Resources and Watershed Committee** is scheduled to meet via teleconference on **November 10, 2021 at 5:30 PM**, call-in information is listed below.

**TELECONFERENCE ONLY
NO PHYSICAL LOCATION FOR MEETING**

TELECONFERENCING NOTICE

Pursuant to the provisions of AB 361 and SCV Water Resolution SCV-235, the SCV Water Board will continue to hold remote Board and Committee meetings due to the continuing State of Emergency for COVID-19 and the ongoing imminent risks to the health or safety of the attendees from COVID-19. Any Director may call into an Agency Committee meeting using the Agency's **Call-In Number 1-(833)-568-8864, Webinar ID 161 983 1045** **or Zoom Webinar by clicking on the link <https://scvwa.zoomgov.com/j/1619831045>** without otherwise complying with the Brown Act's teleconferencing requirements.

The public may not attend the meeting in person. Any member of the public may listen to the meeting or make comments to the Committee using the call-in number or Zoom Webinar link above. Please see the notice below if you have a disability and require an accommodation in order to participate in the meeting.

If the State of Emergency for COVID-19 expires prior to this meeting and after the posting of this Agenda, this meeting will be held in person at the Santa Clarita Valley Water Agency, 27234 Bouquet Canyon Road, Santa Clarita, CA 91350 in the Board and Training Rooms.

We request that the public submit any comments in writing if practicable, which can be sent to cfowler@scvwa.org or mailed to Cheryl Fowler, Management Analyst II, Santa Clarita Valley Water Agency, 26501 Summit Circle, Santa Clarita, CA 91350. All written comments received before 4:00 PM the day of the meeting will be distributed to the Committee members and posted on the Santa Clarita Valley Water Agency website prior to the start of the meeting. Anything received after 4:00 PM the day of the meeting will be made available at the meeting and will be posted on the SCV Water website the following day.

MEETING AGENDA

<u>ITEM</u>		<u>PAGE</u>
1.	<u>PUBLIC COMMENTS</u> – Members of the public may comment as to items within the subject matter jurisdiction of the Agency that are not on the Agenda at this time. Members of the public wishing to comment on items covered in this Agenda may do so at the time each item is considered. (Comments may, at the discretion of the Committee Chair, be limited to three minutes for each speaker.) Members of the public wishing to comment on items covered in Closed Session before they are considered by the Committee must request to make comment at the commencement of the meeting at 5:30 PM.	
2.	Sustainability Manager’s Report	
	2.1 Update on Conservation Activities & Performance	
	2.2 Status of Drought Response and Performance	
3.	CLOSED SESSION – SEPARATE DIAL-IN PHONE NUMBER WILL BE PROVIDED TO THE COMMITTEE AND APPROPRIATE STAFF	
	3.1 Conference with Legal Counsel – Anticipated Litigation Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9 (One Case)	
	OPEN SESSION CONTINUES WITH THE LINK/PHONE NUMBER LISTED ON THE FIRST PAGE OF THE THIS AGENDA	
4.	Closed Session Announcements	
5. *	Discuss and Consider Potential Amendment to the Deposit and Funding Agreement between Santa Clarita Valley Water Agency and DACA-Castaic, LLC for Tapia Ranch	5
6. *	Committee Planning Calendar	57
7.	Adjournment	

* Indicates Attachment
◆ Indicates Handout

NOTICES:

Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by telephoning Cheryl Fowler, Management Analyst II, at (661) 513-1260 or in writing to Santa Clarita Valley Water Agency at 26501 Summit Circle, Santa Clarita, CA 91350. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that Agency staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the Agency to provide the requested accommodation.

Pursuant to Government Code Section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Committee less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Santa Clarita Valley Water Agency, located at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Website, accessible at <http://www.yourscvwater.com>.

Posted on November 4, 2021.

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COMMITTEE MEMORANDUM

DATE: November 3, 2021

TO: Water Resources and Watershed Committee

FROM: Dirk Marks *DM*
Director of Water Resources

SUBJECT: Discuss and Consider Potential Amendment to the Deposit and Funding Agreement between Santa Clarita Valley Water Agency and DACA-Castaic, LLC for Tapia Ranch

SUMMARY

On November 13, 2017, the Castaic Lake Water Agency (CLWA) executed the Deposit and Funding Agreement for the Tapia Ranch - Vesting Tentative Tract Map 72126 (Annexation Property) which in part made available 498 AF of the Buena Vista Rosedale-Rio Bravo (BVRRB) water for the proposed annexation and provided the annexing party, DACA-Castaic, LLC (DACA) five years to complete its entitlements. On May 21, 2019, the First Amendment to the Deposit and Funding Agreement was executed that in part provided for the deferral of \$3,775,117 of past acquisition and carrying costs of the Buena Vista Rosedale-Rio Bravo (BVRRB) water supply through December 31, 2021. Copies of the Deposit and Funding Agreement (Attachment A) as well as the First Amendment (Attachment B) are included in this memorandum. DACA is current with all payments due under the Deposit and Funding Agreement, however, delay in acquiring entitlements has resulted in a request to extend the term of the Deposit and Funding agreement and continued deferral of payment for past BVRRB acquisition and carrying costs through December 31, 2023. Section 6 of the Deposit and Funding Agreement, provides for such an extension upon mutual agreement by DACA and SCV Water. Staff request the Committee would review this request and make a recommendation to the Board for its consideration at the December 7, 2021 Board meeting.

BACKGROUND AND DISCUSSION

In October 2006, CLWA certified the Final EIR Water Acquisition from the Buena Vista Water Storage District and the Rosedale-Rio Bravo Water Storage District Water Banking and Recovery Program. The EIR estimated that 4,375 acre-feet per year (AFY) of the 11,000 AFY BVRRB water would be available to annexations with an estimated 750 AFY going to the Tapia Ranch project. In 2007, potential annexing parties were informed that because of more restrictive Sacramento-San Joaquin Delta regulatory measures, the Agency would not make BVRRB water available at that time.

Subsequent analyses included revised population and development information consistent with the One-Valley-One-Vision General Plan were incorporated into the 2015 UWMP allowing for a reexamination of the availability of BVRRB water to meet annexation requirements. Consistent with the Agency's Annexation Policy, staff had undertaken an analysis to determine the demand for the proposed Annexation Property. That determination was made considering the landowner's plan to develop the property. Staff's determination of the demand is 489 AFY. The 489 AFY is less than the 575 AFY that was included in the 2015 UWMP and consistent with the

demands included in the 2020 UWMP. The following table compares the demand values included in the 2015 UWMP and 2020 UWMP to those currently estimated:

Annexing Development Potentially Using BVRRB Supplies	2015 UWMP Estimate (AFY)	2020 UWMP Estimate (AFY)	Current Estimate (AFY)
Legacy	2,500	2,500	2,500
Tesoro	500	389	389
Tapia	575	489	489
Total	3,575	3,378	3,378

The 2015 UWMP demand estimates incorporated demands for the proposed Legacy, Tesoro, and Tapia annexations. The conclusion reached in the 2015 UWMP was that assuming the water supply portfolio in the UWMP, the water supplies exceeded demands (including potential demands for annexing areas) at buildout. These results are summarized in the table below:

Supply Source	Average/ Normal	Single Dry-Year	4-Year Drought	3-Year Drought
Existing Groundwater	31,545	40,215	36,175	35,875
Existing Recycled	450	450	450	450
Existing Imported	70,707	22,087	45,177	33,167
Bank/Exchanges		7,950	7,950	7,950
Future Groundwater	10,230	20,335	21,875	21,325
Future Recycled	9,604	9,604	9,604	9,604
Future Bank/Exchanges		22,000	22,000	22,000
Total Supply	122,536	122,641	143,231	130,371
Demand w/Active Conservation	93,900	103,300	103,300	103,300
Surplus	28,636	19,342	39,931	27,071

As supplies substantially exceeded demands for the scenarios in the 2015 UWMP, staff concluded that sufficient BVRRB supplies would exist for the proposed Tapia Ranch Project.

On June 13, 2018, the Water Resources and Watershed Committee considered staff's recommendation to approve a resolution authorizing the General Manager to execute an assignment of BVRRB water supply to the proposed Tapia Annexation. On July 17, 2018, the Board concurred and authorized, through Resolution No. SCV-47, the General Manager to execute a deposit and funding agreement. In response to DACA's January 16, 2019 letter (Attachment C), the Board subsequently authorized the First Amendment to the Deposit and Funding Agreement that provided for deferral of past BVRRB acquisition and carrying costs through December 31, 2021, by which time DACA projected the CEQA documentation was to be completed. DACA has made timely payments of ongoing BVRRB carrying costs, interest payments on past BVRRB acquisition and carrying costs and option payments, all as provided under the amended Deposit and Funding Agreement.

Since that time, SCV Water adopted its 2020 Update to the UWMP. The 2020 UWMP incorporated the demands for the proposed annexation areas including Legacy, Tesoro, and Tapia Developments. The conclusion reached in the 2020 UWMP was that the water supplies also exceeded demands (including potential demands for the three annexing areas) at buildout. These results are summarized in the table on the next page.

Supply Source	Average/ Normal	Single Dry-Year	5-Year Drought
Existing Groundwater	14,410	22,220	23,200
Existing Recycled	450	450	450
Existing Imported	62,107	22,047	41,347
Bank/Exchanges		19,950	16,809
Future & Recovered Groundwater	26,280	36,420	28,520
Future Recycled	8,511	8,511	8,389
Future Bank/Exchanges		10,000	10,000
Total Supply	111,758	119,598	128,715
Demand w/Active Conservation	101,000	107,100	102,870
Surplus	10,758	12,498	25,845

On October 27, 2021, staff received a letter (Attachment D) from DACA requesting that SCV Water consider amending the terms of the Deposit and Funding Agreement including provisions that would continue to defer the payment of past BVRRB acquisition and carrying costs through December 31, 2023. Citing the complexity of the EIR requiring the replacement of the primary EIR consultant, the expansion of subject areas studied as a result recent case law and the increase of review times required by Los Angeles County Planning Department.

Options for Committee Consideration

Option 1 – Take No Action. Should the Board decline to amend the agreement DACA may or may not be able to meet its obligation to pay the \$3,775,117 in past BVRRB acquisition and carrying costs. Assuming it does not make this payment, DACA would be in default and the Agency may terminate the agreement.

Option 2 – Amend the Deposit and Funding Agreement as requested by DACA. A second amendment would be prepared that continues the agreement through December 31, 2023. Under such an amendment, DACA would continue the payment of ongoing BVRRB carrying costs, interest on the past BVRRB acquisition and carrying costs and an option payment. Further, DACA would pay past acquisition and carrying cost on December 31, 2023. A proposed amended payment schedule is shown on Attachment E.

The Agency’s predecessor, Castaic Lake Water Agency, established an Annexation Policy and considered standard forms for Deposit and Funding and Annexation Agreements. The Annexation Policy also requires that all annexation agreements are subject to Board approval and terms will differ for individual annexations because all annexations are unique and raise special issues. The form of the Deposit and Funding Agreement was modified and approved by the Board when it agreed to the First Amendment.

California Environmental Quality Act (CEQA) Finding

The Final EIR for BVRRB water supply was certified by the Agency in 2006. The CEQA determination is that the proposed action (potentially amending the Deposit and Funding Agreement) has been previously addressed in the certified 2006 Final EIR and findings and that no further environmental analysis or documentation is required at this time. However, the Agency is only being asked at this time to extend the current Deposit and Funding Agreement and carrying cost payment schedule. No approval of the Tapia Project is being requested and, as contemplated in the Deposit and Funding Agreement, any future commitment to provide

water to the Proposed Annexation Lands could only be made following the completion of certain conditions, including CEQA review, the issuance of land use entitlements by the County, the approval of the annexation by the Los Angeles County LAFCO, and final review of the Proposed Annexation Lands and development proposal by the Santa Clarita Valley Water Agency Board of Directors.

RECOMMENDATIONS

That the Water Resources and Watershed Committee consider the options for potential amendment to the Deposit and Funding Agreement between Santa Clarita Valley Water Agency and DACA-Castaic, LLC for Tapia Ranch and recommends an option for Board consideration.

DSM

Attachments



ATTACHMENT A

DEPOSIT AND FUNDING AGREEMENT

This Agreement is made and entered into this 14th day of November, 2017, by and between CASTAIC LAKE WATER AGENCY (“CLWA”) and DACA Castaic, LLC (“Landowner”).

RECITALS

- A. CLWA is a public agency organized and operated in accordance with California Water Code Appendix, Chapter 103, for the purpose of acquiring water and water rights and to provide and sell such water at wholesale and retail to customers in the Los Angeles and Ventura Counties, California. The boundaries of CLWA are attached hereto as Exhibit “A”.
- B. CLWA has adopted a policy setting the criteria for annexation to CLWA (“Annexation Policy”). The Annexation Policy is attached hereto as Exhibit “B.”
- C. Landowner is DACA Castaic, LLC which owns lands consisting of 1167 acres in the County of Los Angeles, zoned as A2-2 and partially within the boundary of CLWA and partially adjacent to the boundary of CLWA as shown on the map attached hereto as Exhibit “C” (“Annexation Lands” or “Lands”).
- D. Landowner desires to annex the Annexation Lands into CLWA for purposes of receiving a water supply for such Lands, which involves the approval of the County of Los Angeles (“County”) for land use approval, the approval of the Los Angeles County Local Agency Formation Commission (“L. A. LAFCO”) for annexation, and compliance with the requirements of the Annexation Policy.
- E. County will be the lead agency for purposes of conducting the analysis of environmental impacts of the proposed land use, including the annexation and water supply from CLWA, pursuant to the requirements of the California Environmental Quality Act (“CEQA”) and CLWA is a responsible agency pursuant to the provisions of CEQA.
- F. Pursuant to the Annexation Policy, Landowner has submitted a written request for annexation pursuant to the Annexation Policy (“Request for Annexation”) and desires to enter into this Agreement for the purpose of defraying CLWA costs of time and expense of evaluating and processing the feasibility of the proposed annexation to CLWA.
- G. CLWA has completed CEQA review for acquiring 11,000 acre-feet per year (“AFY”) of water supply from Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District in Kern County (“BV-RRB Acquisition” herein), a portion of which may be available to serve the Annexation Lands under certain terms and conditions, including a determination that there is sufficient water to allow the use of the BV-RRB Acquisition water (the “Additional Water Supply”). If CLWA does not make a determination that the Additional Water Supply is available, the Landowner shall be responsible for acquiring a

fully reliable permanent water supply for the Annexation Lands (the “Alternative Water Supply”).

- H. At this time, CLWA and Landowner are negotiating, but have not yet entered into, an annexation agreement in the form attached hereto as Exhibit D, which will set out the terms and conditions for annexation and utilization of the Additional Water Supply, if available, or Alternative Water Supply if appropriate, (the “Annexation Agreement”).
- I. Certain costs for processing and administration already have and will continue to accrue for the negotiation of an Annexation Agreement with CLWA
- J. Pursuant to the CLWA Annexation Policy, certain such costs shall be paid by the Landowner whether or not the annexation is completed.
- K. The parties understand that the costs covered by this Agreement are separate from those covered by the Annexation Agreement and that both agreements are required by CLWA.
- L. No CEQA review is required for this Agreement as this provision for payment does not meet the definition of “project” as set out in Public Resources Code Section 21065.

NOW, THEREFORE, the parties agree as follows:

1. **RECITALS.** All Recitals set out above are true and correct.
2. **FORM OF ANNEXATION AGREEMENT.** The form of Annexation Agreement is attached hereto as Exhibit “D”.
3. **PAYMENT OF PROCESSING AND ADMINISTRATIVE COSTS.**

Landowner shall pay its fair share of costs to CLWA in the amounts, for the purposes and at the times set out below. These costs shall continue to be paid under this Agreement separate from the Annexation Agreement.

A. **Definitions:**

As used herein, “Carrying Costs” means “Carrying Costs” as defined in Section 3.4 of the Annexation Policy, and includes but is not limited to all costs of acquiring the Additional Water Supply, if available, or Alternative Water Supply if appropriate, and, and the facilities, works, property and improvements needed for them. “Carrying Costs” does not include administrative or processing costs provided for in this Agreement or the Annexation Agreement.

B. Cost of Processing the Request for Annexation:

(i) Pursuant to the Annexation Policy, upon execution of this Agreement, Landowner has provided CLWA with an initial non-refundable deposit of Ten Thousand Dollars (\$10,000) and shall provide Forty Thousand Dollars (\$40,000) processing costs, for a total of Fifty Thousand Dollars (\$50,000). Such deposit shall be applied to the following costs that have been or will be incurred by CLWA for reviewing the Request for Annexation, negotiation and preparation of this Agreement and the Annexation Agreement, preparation of documents for L.A. LAFCO and participation in the LAFCO process, CEQA compliance as a responsible agency, and any and all other actions necessary up to the time of execution of the Annexation Agreement. Such costs may include, but are not limited to, engineering, planning, environmental and legal services (including, but not limited to, any and all costs of litigation challenging the Request for Annexation), and CLWA's direct overhead as determined by its customary practices, which includes, by way of example and not of limitation, salaries, benefits, equipment and facilities costs.

(ii) Such costs shall be itemized and charged first against the initial non-refundable deposit until exhausted and then against the deposit for processing costs. At such time as the initial nonrefundable deposit has been exhausted and the amount of the deposit for processing has dropped below Ten Thousand Dollars (\$10,000), Landowner shall replenish the deposit to the original Fifty Thousand Dollar (\$50,000) amount within thirty (30) days of receipt of notice to replenish. If such amount is not replenished, CLWA may stop work until that occurs. CLWA shall provide Landowner with a written summary of such charges on a quarterly basis.

(iii) Such costs shall be charged against the deposit for processing (and subject to replenishment as set out above) until the sooner of: (a) the annexation is completed by the filing of a revised boundary statement with the State and any litigation related to such annexation has been concluded by final judgment of a court of competent jurisdiction; or (b) Landowner, in writing, withdraws its Request for Annexation. At such time of withdrawal, any outstanding amounts owing to CLWA shall be paid and the remainder returned to Landowner, without interest.

C. Fair Share Costs Arising from the Acquisition of the Additional Water Supply:

Upon a completion of an estimate of water demand by CLWA and the request of the Landowner, CLWA will undertake an analysis of what quantity if any of the Additional Water Supply might be available from the BV-RRB water acquisition and what quantity the Alternative Water Supply, if any, the Landowner would

have to provide. Such an analysis shall be presented to the CLWA Board of Directors, which may in its complete and sole discretion make a determination of the availability of the BV-RRB for the Additional Water Supply for the annexation. If CLWA determines that the Additional Water Supply is available, in addition to the costs of processing the Request for Annexation as set out above in Section 3.A, CLWA will allocate a fair share of the administrative costs for the BV-RRB Acquisition and Carrying Costs for the Additional Water Supply that will be attributable to the Annexation Lands consistent with the below.

1. **ADMINISTRATIVE AND OPERATING COSTS.** Upon a determination by the CLWA Board that Additional Water Supply is available to the Annexation Lands and presentation of a bill from CLWA, the Landowner shall reimburse CLWA for its administrative costs incurred, which costs include, but are not limited to, title reports, staff time, engineering, environmental (including CEQA compliance) and legal services arising from the acquisition of the Additional Water Supply, including negotiation and preparing of all water transfer agreements, as well as agreements with the Department of Water Resources and other parties whose consent is required to complete performance of this Agreement, defense of any litigation challenging the BV-RRB Acquisition, as well as direct overhead as determined by CLWA's customary practices. "Direct overhead includes, by way of example and not of limitation, salaries, benefits, equipment and facilities costs. Landowner shall not be required to reimburse CLWA for its normal administrative costs and operating costs. Landowner shall pay such bill within one hundred eighty (180) days after execution of this agreement.
2. **CARRYING COSTS.** Upon a determination by the CLWA Board that Additional Water Supply is available to the Annexation Lands and presentation of a bill Landowner shall reimburse CLWA for the past Carrying Costs of the Additional Water Supply incurred by CLWA up to that point in time within 180 days of the execution of this agreement. Thereafter, until CLWA's actual receipt of funds pursuant to Section 6.B of the Annexation Agreement (the Standby Charge), Carrying Costs for the Additional Water Supply will be billed to Landowner in a manner which allows CLWA to meet its obligations to BV-RRB in a timely manner without requiring CLWA to advance its own funds to pay such costs. The Landowner's Carrying Costs shall be determined as follows: The total Carrying Costs for the BV-RRB acquisition, less direct sales of the BV-RRB water in a given year, shall be divided by the total number of AFY acquired in the BV-RRB acquisition to determine the unit cost. That unit cost then shall be multiplied by the number of AFY of the Additional Water Supply which CLWA has determined will be needed to serve the Annexation Lands.

3. **REFUND.** In the event that Landowner withdraws its Request for Annexation before the date of annexation, or if the conditions in Section 6 are not met, Landowner shall not be entitled to a refund of amounts paid out herein, but shall not be required to reimburse CLWA for any costs thereafter.

D. **Costs Associated with Acquisition of an Alternative Water Supply**

If CLWA determines that the Land owner must provide an Alternative Water Supply, the Landowner shall reimburse CLWA under this agreement for all direct and indirect costs incurred in analyzing the adequacy of the proposed water supply.

E. **Acknowledgment of Arms-Length Negotiation of Annexation Costs; Waiver of Claims**

Landowner hereby agrees and acknowledges that Landowner is or will be required to pay certain costs, including without limitation Carrying Costs, and costs for Alternative Water Supply, as well as back-payments for 1% property taxes (the "Annexation Costs"), pursuant to this Agreement, the Annexation Agreement, and in accordance with CLWA's policies for annexation entitled "Annexations to Castaic Lake Water Agency." Landowner hereby further agrees and acknowledges that the Annexation Costs are a result of an arms-length negotiation between Landowner and CLWA, that such Annexation Costs are in consideration for the privilege of annexing into CLWA, and are not being imposed upon Landowner. Landowner hereby waives any and all claims of any kind against CLWA relating in any way to the Annexation Costs, and agrees to hold CLWA harmless from any and all claims Landowner may have relating in any way to the Annexation Costs. Landowner further agrees that failure to pay such Annexation Costs as required herein or under the Annexation Agreement will result in a breach hereunder and/or under the Annexation Agreement."

4. **CLWA NOT COMMITTED/NO LIMITATION OF DISCRETION.** CLWA cannot and does not commit itself or agree that it can or will provide water service to the Annexation Lands since CEQA and other review and approvals for the project have not been completed. Landowner understands and assumes any and all risk that the annexation and related approvals may not be approved by the respective governmental agencies or that such approvals, if granted, may be challenged in court. Nothing contained in this Agreement shall be construed to require CLWA to proceed with any action of any kind. The sole purpose of this Agreement is to provide for the repayment or payment to CLWA for costs expended or committed on Landowner's behalf.
5. **TERM.** This Agreement shall take effect on the date of execution by both parties and shall continue in full force and effect until CLWA provides written notice to Landowner that CLWA has determined all obligations hereunder have been performed or otherwise provided for.

6. **TERMINATION FOR FAILURE TO TIMELY OBTAIN ENTITLEMENTS.** Landowner and CLWA are negotiating an Annexation Agreement in substantially the form attached hereto as Exhibit D. Landowner and CLWA acknowledge that such Annexation Agreement will be necessary to govern the terms of provision of the Additional Water Supply, and until that time, CLWA is obligated hereunder to reserve any such Additional Water Supply for the benefit of Landowner. Landowner and CLWA further acknowledge that the Annexation Agreement must be approved by the L.A. LAFCO, and that Landowner must work with the County as the Lead Agency under CEQA for Landowner's project, to process project entitlements and prepare a CEQA document that CLWA and L.A. LAFCO may adopt as CEQA responsible agencies (collectively, the "Entitlements"). Landowner and CLWA hereby agree that, subject to subsection 3.C.3 herein, should Landowner fail to obtain such Entitlements as are necessary to submit the Annexation Agreement for approval by the L.A. LAFCO within five (5) years from the Effective Date hereof, this Agreement, and the rights and obligations existing hereunder for both Landowner and CLWA with the exception of Section 10 herein, shall terminate as of such date. The five year period may be extended by the mutual agreement of both parties and the approval of the CLWA Board of Directors.

7. **DEFAULT.** If Landowner fails to meet any of the conditions, covenants, or requirements set forth herein, including without limitation non-compliance with the timelines and payment provisions set forth in Section 3 of this Agreement, such failure shall constitute an Event of Default hereunder. With the exception of an Event of Default arising out of failure to meet payment deadlines under Section 3 of this Agreement, CLWA shall provide written notice to Landowner of the occurrence of an Event of Default. If Landowner fails to cure such Event of Default within thirty (30) days from the date of the Event of Default, with respect to defaults under Section 3 of this Agreement, or thirty (30) days of receipt of written notice, CLWA shall have the right (but not the obligation) to immediately terminate this Agreement. If CLWA terminates this Agreement in accordance with this provision, CLWA shall rescind any findings made with respect to the availability of Additional Water Supply and shall no longer be obligated to reserve such Additional Water Supply for the benefit of Landowner. The rights and remedies of CLWA enumerated in this Section 6 are cumulative and shall not limit CLWA's rights under any other provision of this Agreement, or otherwise waive or deny any right or remedy, at law or in equity, existing as of the Effective Date or enacted or established at a later date, that may be available to CLWA. Nothing herein shall constitute a waiver of amounts owed to CLWA hereunder, including amounts owed pursuant to Section 3 herein.

8. **ASSIGNMENT.** Except as otherwise provided herein, Landowner may not assign this Agreement without the prior written consent of CLWA, which shall not be unreasonably withheld. Assignment without consent shall not be effective

to terminate Landowner's obligations hereunder. CLWA's consent to one assignment shall not constitute consent to a subsequent assignment or waiver of the requirement for such consent.

9. **SUCCESSORS AND PERMITTED ASSIGNS.** All covenants and agreements contained in this Agreement by or on behalf of any of the Parties shall bind and inure to the benefit of their respective successors and permitted assigns, whether so expressed or not.
10. **INDEMNIFICATION.** Landowner shall indemnify, defend, and hold harmless CLWA, its officers, agents, and employees, from and against any and all litigation brought by third parties pertaining to this Agreement, except that arising from the sole negligence or misconduct of CLWA.
11. **ATTORNEYS' FEES.** In the event of litigation between the parties hereto arising out of or in connection with this Agreement, the prevailing party shall, in addition to any other relief awarded by the court, be entitled to recover its costs and attorneys' fees as determined by the court.
12. **NOTICE.** Any notice to be given hereunder shall effective only when in writing and delivered to the party to whom notice is being given personally, by fax or by mail, to the address set out below:

To CLWA:
Matthew Stone
General Manager
27234 Bouquet Canyon Road
Santa Clarita CA 91350

To Landowner:
Howard Justus
DACA-Castaic, LLC
1565 Hotel Circle South, Suite 310
San Diego, CA 92107

Either party may change the place of notice to any other location by giving notice to the other.

13. **NO CONTINUING WAIVER.** No waiver of any term or condition of this Agreement shall be a continuing waiver thereof. This Agreement shall be interpreted in a manner consistent with all other terms and agreements between the parties.
14. **COUNTERPARTS.** This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which, taken together, shall

constitute one and the same instrument. Signatures sent by facsimile shall be deemed originals and treated in all respects as originals.

15. **APPROVAL.** Landowner and CLWA each acknowledges that execution of this Agreement by each other is conditioned upon any necessary approval of the terms of the Agreement by their respective governing bodies.
16. **AUTHORITY.** In signing below, each of the Parties represents and warrants to each of the other Parties that each is a duly organized or constituted entity, with all requisite power to carry out its obligations under this Agreement, and that the execution, delivery, and performance of this Agreement have been duly authorized by all necessary action of the Board of Directors or other governing body of such Party, and shall not result in a violation of such Party's organizational documents.
17. **GOVERNING LAW.** This Agreement shall be construed and enforced in accordance with the laws of the State of California.
18. **AGREEMENT.** No amendment of this Agreement shall be binding upon the Parties unless it is in writing and executed by all of the Parties.
19. **FURTHER ACTION.** The Parties agree to and shall take such further action and execute and deliver such additional documents as may be reasonably required to effectuate the terms and conditions of this Agreement and to the extent consistent with the terms hereof.
20. **JOINT DRAFTING AND NEGOTIATION.** This Agreement has been jointly negotiated and drafted. The language of this Agreement shall be construed as a whole according to its fair meaning and without regard to or aid of Civil Code Section 1654 or similar judicial rules of construction. Each Party acknowledges that it has had the opportunity to seek the advice of experts and legal counsel prior to executing this Agreement and that it is fully aware of and understands all of its terms and the legal consequences thereof.
21. **HEADINGS.** Headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.
22. **NO THIRD PARTY BENEFICIARIES.** No third party shall be entitled to claim or enforce any rights under this Agreement.
23. **SEVERABILITY.** In the event that any provision of this Agreement is determined by a court to be invalid, the court shall reform the provision in a manner that is both consistent with the terms of this Agreement taken as a whole and legally valid. The remainder of this Agreement shall not be affected thereby.

24. **INTEGRATION.** This Agreement is separate and apart from the Annexation Agreement and survives execution thereof. To the extent the Annexation Policy is inconsistent with this Agreement, this Agreement shall prevail.

IN WITNESS WHEREOF, each Party has executed this Agreement on the date set forth below, said Agreement to be effective on the later of the two, i.e., when both Parties have signed this Agreement (the "Effective Date").

Date: 11/12/17

CASTAIC LAKE WATER AGENCY

By: Matthew [Signature]

Title: General Manager

ATTEST:

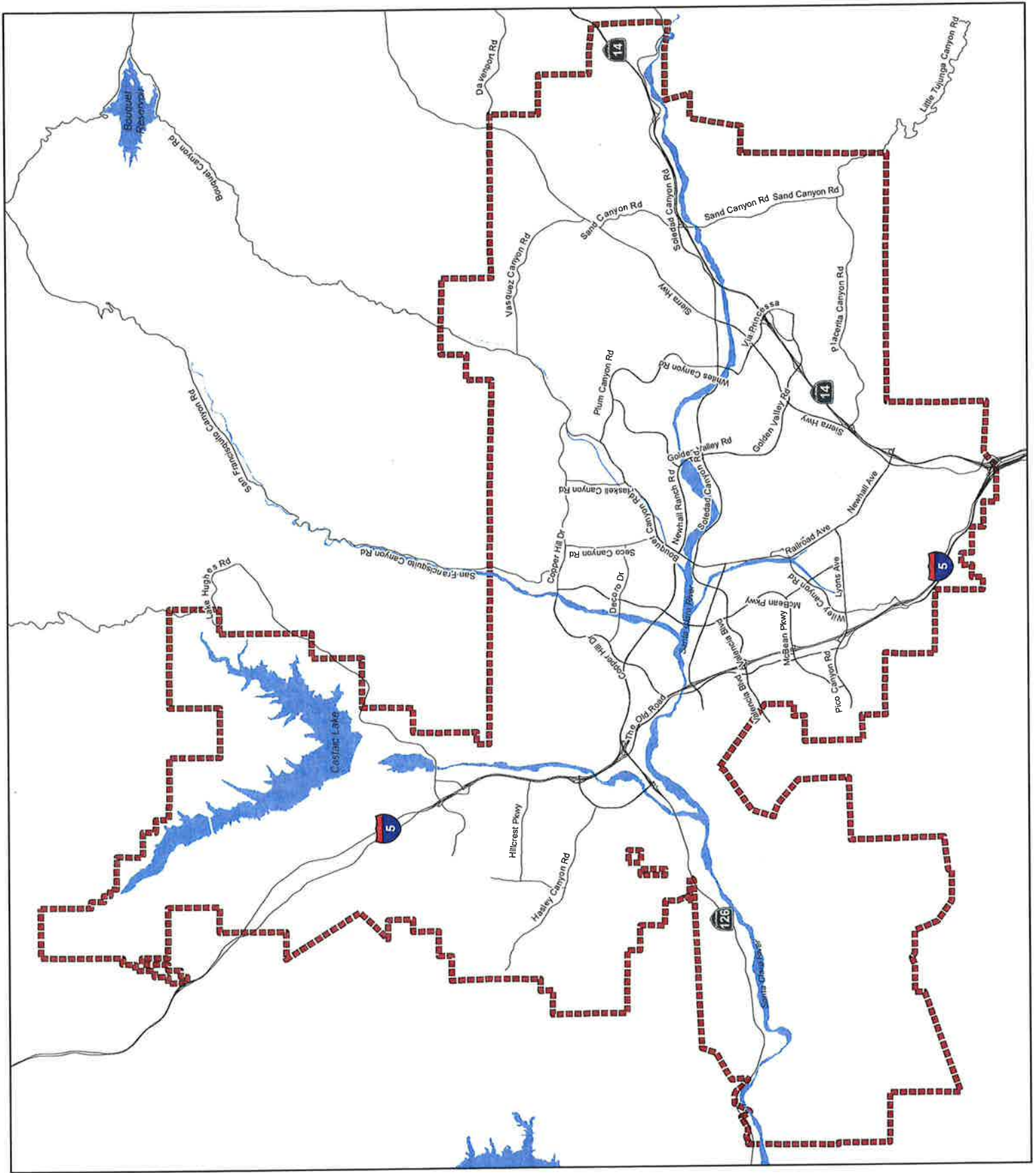
[Signature]
Secretary

Date: 11.1.2017

LANDOWNER, ANNEXATION LANDS

By: [Signature]

Title: Manager



**CLWA
Service Area**

**EXHIBIT A
CLWA Boundaries**

- Legend**
- Freeway / Major Road
 - Water Feature
 - CLWA Service Area Boundary

Created by
CLWA Engineering Dept.
27 Nov 2017



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EXHIBIT B

ANNEXATION POLICY

ANNEXATIONS TO CASTAIC LAKE WATER AGENCY

SECTION

- 1. ANNEXATION COMMENCEMENT PROCEDURES**
- 2. GENERAL POLICIES RELATED TO ANNEXATIONS**
- 3. FINANCIAL POLICIES RELATED TO ANNEXATIONS**

1. ANNEXATION COMMENCEMENT PROCEDURES

1.1 Request for Annexation, Basic Information, Non-Refundable Payment.

A request for annexation of land(s) (“Annexation Land”) shall be made by the fee owners or their duly authorized agents (“Applicants”) to the Agency and shall be in writing. The request shall include:

- (a) A map of the area proposed to be annexed specifically identifying the location of all assessor’s parcels and roads, and a list of the assessed values by assessor’s parcel number;
- (b) Identification of the current ownership of each parcel;
- (c) A statement of the present use of each of the parcels;
- (d) A statement of proposed land use and/or zoning changes for each parcel, plus a copy of all vesting tentative maps or tentative maps affecting the area proposed to be annexed; and
- (e) For Local Agency Formation Commission informational purposes, a statement setting forth whether the number of voters within the area proposed to be annexed is less than 12, or 12 or more.

Each request for annexation shall be accompanied by a non-refundable payment of up to \$10,000 as determined by the General Manager to reimburse the Agency for staff time and expenses of evaluating, processing the feasibility of the proposed annexation and publishing the petition and preparing and making the filings required by law. If the request involves more than one Water Service Area (“WSA”) of the Agency, then the non-refundable payment for such request will be up to \$10,000 for lands within each WSA.

1.2 Submittal of Request

A request for annexation and all information required in connection therewith shall be submitted to the General Manager.

2. GENERAL POLICIES RELATED TO ANNEXATIONS

2.1 Water Supply

- (a) **Water Demand.** The Agency’s General Manager shall estimate the highest potential water use, in acre-feet per year, (“Water Demand”) for the proposed Annexation Land. This estimate shall be on the basis that the proposed Annexation Land will ultimately be put to its highest and best use, which shall be determined by considering land planning information available, including that of the landowner in determining the Water Demand for the proposed Annexation Land. The sole exception to this highest and best use standard shall be for lands irrevocably dedicated to a non-irrigated public use, in their natural state, for park or open space purposes.

- (b) **Additional Water Supplies Determination.** The Agency shall evaluate and determine the source of water supply needed by the Agency to serve the Annexation Land (“Additional Water Supplies”) and also the reliability of that source of supply for potable water purposes (“Reliability”). The Additional Water Supplies for the Annexation Land shall be equal to the amount of Water Demand, plus an upward adjustment for the source of supply’s Reliability so as to avoid any diversion from the Agency’s existing water supply from and/or reduction in water supply reliability within the existing Agency service area.
- (c) **Transfers of Water Rights.** Additional Water Supplies, at the reasonable discretion of the Board of Directors and on advice and recommendation of the General Manager, can be provided from transfers of contractual rights to the State Water Project Contract Table A Amounts or rights to water from other sources.
- (d) **Agency Vesting.** The rights to the Additional Water Supplies and all appurtenant requirements to exercise such rights for the delivery of the Additional Water Supplies to the Agency must be fully vested in the name of the Agency as a condition precedent to the approval and to completion of the annexation.

2.2 Revenue Plan

Prior to completion of an annexation, the General Manager shall present to the Board a revenue plan concerning the Annexation Lands (“Revenue Plan” herein). The Revenue Plan will include a component for 1% property taxes, a component setting forth the method of payment of Acquisition Costs of the

Additional Water Supplies, Carrying Costs (Section 3.4), and Back Taxes (Section 3.2(a)(1)) as set forth herein.

(a) **1% Property Taxes.** Absent mitigating factors, the Revenue Plan shall require the Applicant to secure dedication to the Agency the same percentage share of 1% property tax monies that exist in the remainder of the Los Angeles and Ventura Counties portions of the Agency that are not impacted by redevelopment projects. This requirement is to avoid use of the Agency's existing share of the 1% property tax money to subsidize the costs related to the Annexation Lands. To the extent that the dedication of the share of the 1% property tax money from the Annexation Land is not equal to the same percentage share that exists in the Agency, an equivalent sum of money ("1% Tax Equivalent" herein) shall be paid by the annexing land as set forth in the Annexation Agreement, including by way of stand-by charge.

(b) **Acquisition Costs and Carrying Costs.** The Revenue Plan will set out the acquisition costs and the Carrying Costs to the Agency of the Additional Water Supplies and the method of payment of such obligations by the annexing lands to the Agency. Such obligations shall be set forth in the Annexation Agreement.

(c) **Back Taxes.** The Revenue Plan will set forth the manner in which the Back Taxes (Section 3.2(a)(1)) will be paid by the owners of the annexing land. Such obligation shall be set forth in the Annexation Agreement.

2.3 Retail Water Service

Retail Water Purveyor Service. The Applicant's plan for service of water to the Annexation Land must, absent mitigating factors, include contractual or other appropriate provisions for service of the Annexation Land by an existing retail water purveyor of the Agency.

2.4 Additional Approvals

- (a) **DWR.** To the extent required by Agency's SWP contract, the Director of the Department of Water Resources ("DWR") of the State of California must approve all changes in the Agency's service territory prior to completion of an annexation.
- (b) **LAFCO.** The relevant Local Agency Formation Commission must process and approve changes in Agency boundaries if, and to the extent, required by California law.

2.5 No Agricultural Use

The Agency will not process any annexation where Agency water will be used for agricultural purposes. The Agency, further, will condition all annexations, to the maximum extent permitted by law, to preclude use of water of the Agency for agricultural purposes.

2.6 Contiguous Territory

An area proposed for annexation shall be contiguous to the Agency. No annexation shall leave an unannexed area entirely or nearly surrounded by area annexed to the Agency, unless the Board specifically finds that the Agency's interests will not be adversely affected by such a configuration of annexed territory.

2.7 Minimum Acreage

The Agency, absent mitigating factors, will not process an annexation involving less than 250 acres. This minimum acreage requirement may, however, be satisfied by simultaneous annexation of smaller parcels whose combined acreage exceeds 250 acres.

2.8 Annexation Terms and Conditions

All annexations shall be subject to the following terms and conditions:

- (a) **Regulations.** The sale and delivery of all water by the Agency, regardless of the nature and time of use of such water, shall be subject to regulations promulgated from time to time by the Agency, and also those regulations promulgated by the retail water purveyor(s) serving the proposed Annexation Land.
- (b) **No outside use.** Except upon terms and conditions specifically approved by the Board, water sold and delivered by the Agency shall not be used in any manner which intentionally or avoidably results in its use outside the Agency service area.
- (c) **No additional works.** The Agency shall not be obligated to provide additional works or facilities, necessitated by the annexing area, as defined by Agency policies in effect from time-to-time for the delivery of water to the Annexation Land from works or facilities owned and operated by the Agency.
- (d) **Common pool.** Except as set forth in this paragraph or in the Annexation Agreement, Additional Water Supplies acquired to meet the Water Demand of Annexation Land is a water right of the Agency for use in its service area, including the Annexation Land when annexation is

completed. Subject to the Water Demands on the Agency, the Additional Water Supplies may be used for water banking and other uses as deemed appropriate at the discretion of the Board and is not dedicated solely for use on the Annexation Land. Notwithstanding the foregoing, if, pursuant to the Annexation Agreement, the owners of the Annexation Land are required to pay the capital and/or the carrying costs for the Additional Water Supplies as described in Section 3.2(a)(2) of this Policy, and are not in default of such obligation as determined by a final judgment, the Agency shall not treat such Additional Water Supplies as water available to support “can-serve”, “will-serve”, or “water availability” letters (“Water Availability” herein) for any new development within the service area of the Agency and shall, upon request, provide the retail water purveyor serving the Annexation Land with the necessary water supply assurances to enable the retail provider to issue Water Availability letters for the Annexation Land to the extent the Additional Water Supplies would be sufficient to support such letters.

- (e) **Lead Agency.** At its election, the Agency, in cooperation with the LAFCO, shall be the lead agency for purposes of compliance with the California Environmental Quality Act and, in any event, shall direct, conduct, and have final approval of the environmental analysis for the Additional Water Supplies.
- (f) **Water Efficiency Guidelines.** To the extent practicable, the retail water purveyor(s) and owner(s) of parcels, as appropriate, within an Annexation Land, shall comply with all Agency rules and regulations, including the following:

- (1) **Conservation.** Annual water use shall be minimized by incorporating water conservation measures into the development plans. Use of local groundwater, surface water, and recycled wastewater supplies shall be maximized to reduce demands on the Agency.
- (2) **BMPs:** Best Management Practices (“BMPs”) conservation measures, as identified by the Agency from time to time, shall be applied uniformly in all new and existing developments within the annexed area. At least one model home constructed in each new development within the proposed Annexation Land shall demonstrate a water conserving landscape.
- (g) **Coordination Compliance.** The retail water purveyor(s), within which the proposed Annexation Land is or will be located, and the Agency shall coordinate to assure compliance with these provisions so that information is provided to the Agency regarding such compliance.

3. FINANCIAL POLICIES RELATED TO ANNEXATIONS

3.1 Annexation Agreement; Additional Water Supplies; Processing Costs, and Annexation Charges

- (a) **Annexation Agreement.** An Applicant shall enter into an agreement with the Agency whereby the Applicant agrees to pay all Agency Processing Costs and Annexation Charges as defined herein (“Annexation Agreement” herein). Unless approved otherwise by the Board, all Processing Costs must be paid as a condition precedent to completion of the annexation. The Annexation Agreement shall provide the

security for and method of payment of the Processing Costs (if appropriate), the 1% Tax Equivalent, and Annexation Charges as determined appropriate by the Board.

- (b) **No Guarantee.** The Annexation Agreement will recite that obtaining amendments in the Agency's State Water Contract or new contracts to secure Additional Water Supplies from other sources is not a routine process, could take considerable months or years, and that there can be no guarantee or prediction of success for the annexation and/or contract amendment, or new contract negotiation efforts.
- (c) **Assumption of Risk.** The Annexation Agreement will explicitly provide that the Agency lacks legal authority in any way to predict its decision concerning a proposed annexation prior to completion of required environmental review processes, and that the Applicant assumes all financial risk related to ultimate Agency Board decisions to approve or to deny annexations in whole, or in part.
- (d) **Processing Deposit.** Unless a lesser sum is approved by the Board, the Annexation Agreement shall require a deposit of \$50,000 by each fee owner of the Annexation Land (in addition to the initial payment of up to \$10,000) as a condition of processing or continuing to process the annexation. The deposit will be used to pay for Processing Costs. Further, whenever the Agency so requests, additional sums must be paid by the Applicant to restore the deposit to \$50,000. Following completion of the annexation or termination of the annexation process, any unexpended deposit money shall be returned to the Applicant. Periodic accounting of the expenditures shall be provided by the Agency to the Applicant.

- (e) **Board Approval.** All Agency-Applicant Annexation Agreements shall be subject to Board-approval. The terms will differ for individual annexations because all annexations are unique and raise special issues.
- (f) **No Subsidy.** The obligation for the owners of Annexing Land to pay processing costs is to ensure that the Applicant is not subsidized in any way by existing Agency ratepayers and taxpayers.
- (g) **Processing Costs.** Processing Costs, include, but are not limited to, title reports, Carrying Costs incurred before completion of annexation, staff time, engineering, environmental, and legal services, including the negotiation and amendment of the Annexation Agreement, the Agency's State Water Contract, or negotiation and execution of contracts to secure Additional Water Supplies from other sources and litigation, including costs and attorneys' fees, if any, required to complete the annexation (Processing Costs" herein).

3.2 Annexation Charges

- (a) **Condition Precedent.** The annexation charge shall be paid to the Agency pursuant to the Annexation Agreement as a condition precedent to any obligation of the Agency with regard to providing Additional Water Supplies, and shall consist of the following components ("Annexation Charges" herein):
 - (1) **Back-Tax Computation.** In order to equitably share in benefits provided by the Agency through its existing Agency-wide facilities, the annexing area shall be required to pay an amount that is equivalent to total Agency ad valorem taxes that would have been levied

on the annexation area lands had they been included in the Agency territory since 1963 (“Back Tax” or Back Taxes” herein). Payment for Back Taxes for Agency facilities shall be calculated as follows: Applicant will provide the Assessor’s Parcel Number for the Annexation Land. The assessed value of the parcel will be obtained from the latest Assessor’s list in Los Angeles or Ventura County where the Annexation Land is located. Based on past history of increases in assessed value, the assessed value of the parcel(s) will be calculated for each year back to 1963. The computed annual assessed value will then be multiplied by the combined tax for that year to determine the amount of tax that would have been paid in that year. The result of each year’s calculation will then be brought forward to reflect the current value of those annual amounts. The calculation will use the interest rate the Agency received for its investments during each period. From 1963 to 1986, the Agency invested its savings in Certificates of Deposit. From 1987 forward, the Agency also deposited funds in the Local Agency Investment Fund. The total sum of payments from 1963 to the present represents the Back Tax amount for those parcels to be annexed.

- (2) **Payment for Additional Water Supplies.** Applicant will, at its sole expense, pay for the Additional Water Supplies needed to serve the proposed Annexation Land. The payment may be made by issuance of Agency debt secured by assessments, charges, standby charges, fees, or taxes on the proposed Annexation

Land. The Applicant will accordingly pay, as part of its Annexation Charges, the costs of Additional Water Supplies, including, without limitation, the “purchase or transfer price” exacted by the holder of the right to the water to be transferred to the Agency, any payment for contractual or other rights required for the Agency to use water transportation, water storage, or other facilities, cost of financing, and issuance of securities (“Acquisition Costs” herein, “Carrying Costs” (as defined in Section 3.4) to be paid after completion of annexation, and the 1% Tax Equivalent (§2.2).

3.3 Payment Requirement in Full

All Processing Costs shall be paid in full prior to completion of the annexation and Annexation Charges paid as set forth in the Annexation Agreement.

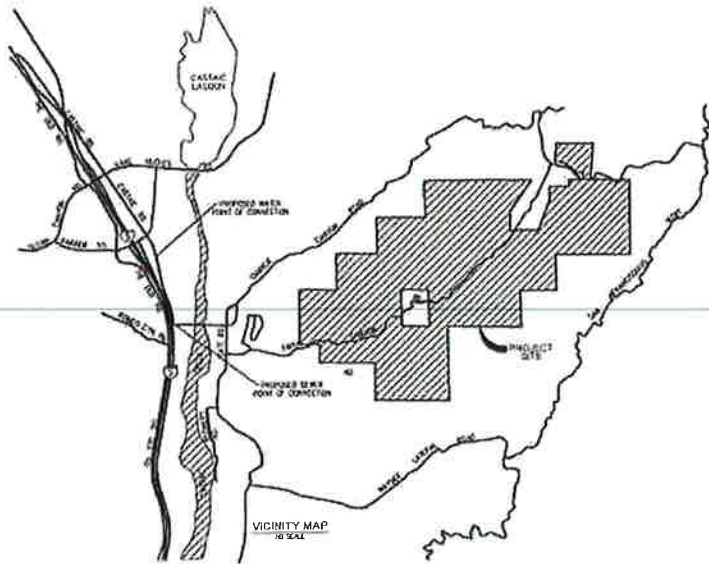
3.4 “Carrying Costs” Defined

The term “Carrying Costs” refers to any required payments to the State of California Department of Water Resources for additional Table A Amount, or to the contracting party with the Agency for other source of water supply.

3.5 Facility Capacity Fees

Upon development of property within the Annexation Land, Agency facility capacity fees shall be payable pursuant to then existing Agency policies as a condition precedent to water service. To the extent the Annexation Charges include capital costs covered by Agency facility capacity fees, a credit against such fees will be provided.

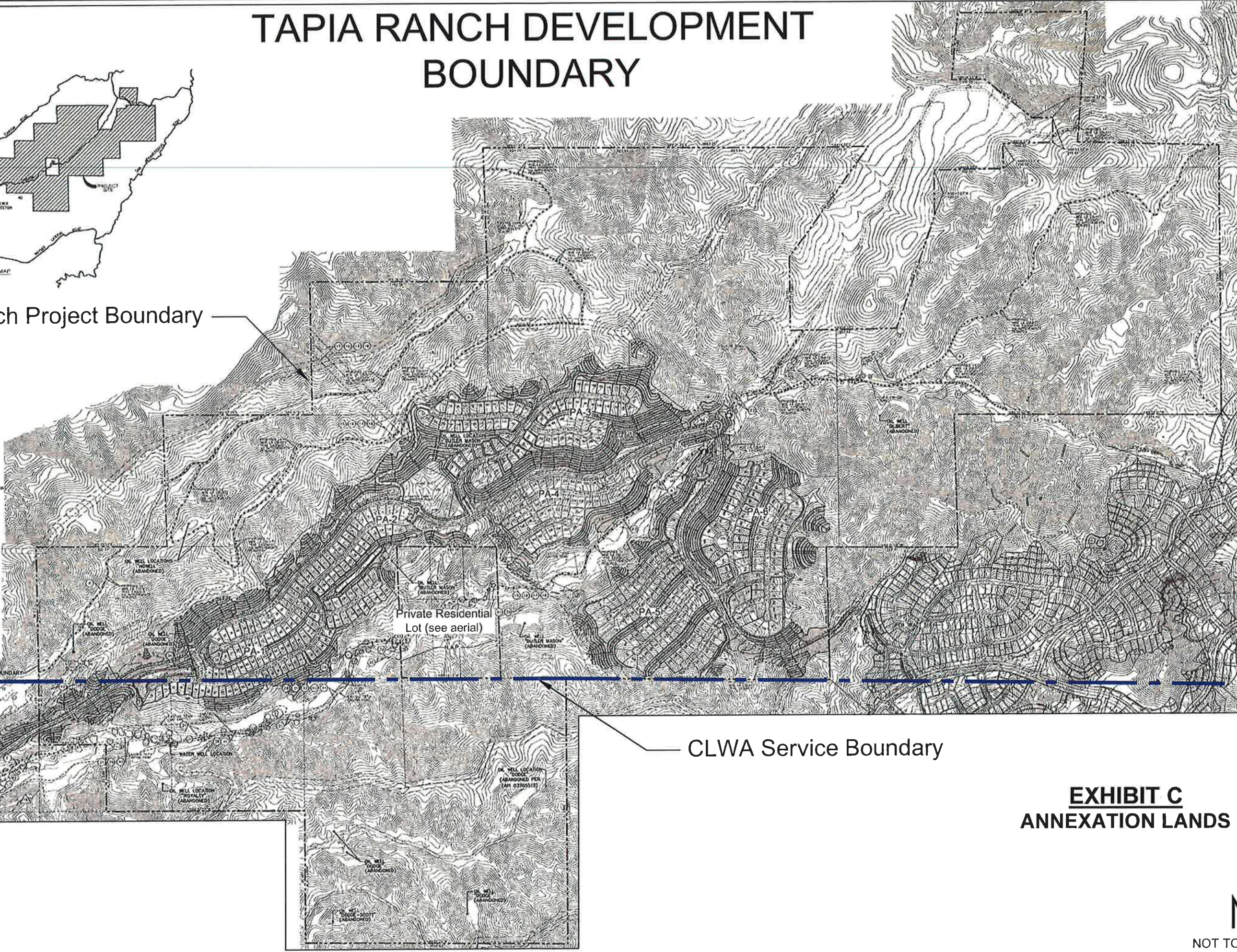
TAPIA RANCH DEVELOPMENT BOUNDARY



Tapia Ranch Project Boundary

LEGEND:

	BOUNDARY LINE
	EXISTING OUTCROPS
	FUTURE WELL LOCATION
	EXISTING SEWER
	EXISTING WATER
	EXISTING DRAINAGE PATTERN
	SHADED SLOPE CONTOUR LINES
	PROPOSED LOT LINES
	PROPOSED CANALS
	PROPOSED STREET CLOSURES
	PROPOSED WELL LOCATIONS
	PROPOSED WATER MAIN
	PROPOSED STORM SEWER
	PROPOSED 12" WATER IN GRAVEL TRENCH
	EXISTING POWER LINES
	UTILITY EXEMPTIONS
	PROPOSED EASEMENTS
	SECTION AND PROFILE SECTION
	500' DISTANCE LINE (50' W, 35' E, 100' S, 50' W, 35' E)
	PROPOSED LINE OF SIGHT EASEMENT
	24" WATER IN GRAVEL TRENCH
	PROPOSED STORM MAIN
	PROPOSED GRAVITY SEWER
	PROPOSED 12" WATER IN GRAVEL TRENCH
	EXISTING POWER LINES
	6" WELL (10' or 20' DIAMETER)
	8" WELL (10' or 20' DIAMETER)
	10" WELL (10' or 20' DIAMETER)



CLWA Service Boundary

EXHIBIT C
ANNEXATION LANDS



EXHIBIT D **ANNEXATION AGREEMENT**

ANNEXATION AGREEMENT

This Agreement is entered into by and between Castaic Lake Water Agency (“CLWA”) and _____ (“Landowner” herein).

RECITALS

A. CLWA is a public agency organized in accordance with California Water Code Appendix, Chapter 103 (the “Act”) for the purpose of acquiring water and water rights and to provide and sell such water at wholesale and retail to customers in Los Angeles and Ventura Counties, California. The boundaries of CLWA are attached hereto as Exhibit “A”.

B. CLWA has adopted an Annexation Policy (“Annexation Policy”) which determines the criteria for annexation to Agency, a copy of which is attached and incorporated as Exhibit “B”.

C. Landowner is a _____ which owns lands consisting of _____ acres in the County of Los Angeles, zoned as _____ and adjacent to the boundary of Agency as shown on the map attached hereto as Exhibit “C” (“Annexation Lands” or “Lands”).

D. Landowner desires to annex the Annexation Lands into Agency for purposes of receiving a water supply for such Lands conditioned on the approval of the County of Los Angeles (“County”) for land use approval and the approval of the Los Angeles County Local Agency Formation Commission (“L. A. LAFCO”) for annexation and compliance with the requirements of this Agreement and the Annexation Policy.

E. County is the lead agency for purposes of conducting the analysis of environmental impacts of the proposed land use, including the annexation and water supply from CLWA, pursuant to the requirements of the California Environmental Quality Act (“CEQA”) and Agency is a responsible agency pursuant to the provisions of CEQA.

F. Pursuant to the Annexation Policy, Landowner has submitted a written request for annexation (“Request for Annexation”), and has entered into the Deposit and Funding Agreement between the parties dated _____, for the purpose of defraying the cost of the time and expense of evaluating and processing the feasibility of the proposed annexation. A copy of the executed Deposit and Funding Agreement is attached as Exhibit “D” (“Deposit and Funding Agreement”).

G. CLWA has a water supply, which supplements local groundwater, to serve existing lands within its present boundaries. This water supply consists of 95,200 acre-feet per year (“AFY”) Table A Amount from the State Water Project and 11,000 AFY of water supply from Buena Vista Water Storage District (BV) and Rosedale-Rio Bravo

Water Storage District (RRB) pursuant to a joint project of the BV and RRB (“BV-RRB Acquisition”)

H. Subject to the foregoing, CLWA has evaluated the Request for Annexation and has determined that the annexation as proposed is feasible based upon its SWP and BV-RRB Acquisition supplies.

I. A portion of the total CLWA supply will be a supply of water for the Lands (“Additional Water Supply”) on the terms and conditions described herein.

J. CLWA, in its discretion, has determined the highest potential use of water demand of the Annexation Lands based on to the proposed land uses and other relevant information provided by Landowner, and that it will be able to provide a supply of water for the Annexation Lands which will meet such needs when the lands are fully developed in the foreseeable future.

K. CLWA has determined that, assuming all conditions precedent have been met, the Additional Water Supply is sufficient in amount and reliability so as not to divert any water supply or water supply reliability from CLWA’s existing service area.

L. CLWA has estimated the Additional Water Supply cost for the Annexation Lands, in addition to the costs to process the Request for Annexation, and Landowner previously has agreed to pay for such Additional Water Supply along with the costs to process the Request for Annexation pursuant to the separate Deposit and Funding Agreement.

M. Landowner also shall pay the costs for acquisition of the Additional Water Supply and other costs of annexation as part of the terms and conditions of this Agreement set out below.

N. Notwithstanding anything to the contrary, unless specifically superseded by this Agreement, Landowner shall be responsible for CLWA charges, assessments and taxes as applicable within its WSA’s (as defined below) or as imposed by L. A. LAFCO.

NOW, THEREFORE, in consideration of the payment of money and the mutual promises of the parties hereto, it is agreed as follows:

1. RECITALS, DEFINED TERMS.

A. RECITALS. All recitals set out above are true and correct.

B. DEFINED TERMS. All terms shall have the meanings set out here or in the Annexation Policy. In the event of an inconsistency between this Agreement and the Annexation Policy, this Agreement shall govern. As used herein, “annexation” or “date of

annexation” shall mean the later of (i) that date on the annexation legally is completed as evidenced by the filing of a revised boundary statement with the State; or (ii) the date any litigation related to such annexation has been concluded by final judgment of a court of competent jurisdiction

As used herein, “Carrying Costs” means “Carrying Costs” as defined in Section 3.4 of the Annexation Policy, and includes but is not limited to all costs of acquiring the Additional Water Supply and the facilities, works, property and improvements needed for them, as determined and calculated pursuant to Section 3.C.2 of the Deposit and Funding Agreement. “Carrying Costs” does not include administrative or processing costs provided for in this Agreement or the Deposit and Funding Agreement.

2. ANNEXATION LANDS.

A. PROPOSED USE. The Landowner’s proposed use of the Annexation Lands is divided into land use areas (“Land Use Area(s)”). Each Land Use Area’s proposed use and density is set out on Exhibit “C”.

B. WATER DEMAND. CLWA has determined that the highest potential use in AFY, taking into consideration information and land planning information available, including the proposed use by the Landowner in each Land Use Area (“Water Demand”), is as follows:

- [Land Use Area 1]
- [Land Use Area 2]
- [Land Use Area 3]
- [Land Use Area 4]
- [Land Use Area 5]

Total:

C. PROPOSED USE AND WATER DEMAND CONDITIONAL AND SUBJECT TO ADJUSTMENT. The proposed use of the Annexation Lands is subject to the approval of the County Planning Commission and the Board of Supervisors. In addition, the annexation of the Annexation Lands into Agency for purposes of obtaining a water supply is conditional and subject to the approval of L. A. LAFCO. Should the land use and density be changed as a result of conditions imposed by the County or L. A. LAFCO in a manner that materially affects the Water Demand for the Annexation Lands, CLWA will re-evaluate the Water Demand

and make the appropriate adjustments (including, without limitation, in costs to be paid by Landowner for the Additional Water Supply) to correspond to the land use and density authorized for the Annexation Lands in a timely manner and this Agreement shall be amended accordingly.

3. SOURCE OF WATER SUPPLY.

- A. ADDITIONAL WATER SUPPLY.** It is the policy of CLWA to avoid any diversion of water supply from or reduction in water supply reliability within the existing service area. CLWA has invested in water supply, importation, distribution, banking, and water treatment facilities, the costs of which are apportioned and budgeted among various Water Service Area(s) (“WSA” or “WSAs”) within its service area pursuant to the Act. In anticipation of increased demand for water within CLWA and the Santa Clarita Valley, CLWA has completed its analysis pursuant to CEQA and has acquired rights to water from BV and RRB pursuant to the BV-RRB Acquisition. The agreement is titled “Agreement for Buena Vista/Rosedale-Rio Bravo Water Banking and Recovery Program Water Acquisition by Castaic Lake Water Agency” duly executed and dated May 22, 2007 by CLWA, BV, and RRB and is on file with CLWA. The water supply for the Annexation Lands in the amount of _____ AFY will be provided from CLWA’s common supply as augmented by the BV-RRB Acquisition.
- B. COMMON POOL.** The Additional Water Supply needed for CLWA to serve the Lands is part of the CLWA common supply for all of the lands within CLWA, including, but not limited to, the Annexation Lands Subject to the Water Demands on CLWA and the provisions of this Agreement, including Section 3.C. below, the Additional Water Supply may be used for any lawful purpose, including water banking and other uses as deemed appropriate at the discretion of CLWA and is not dedicated solely for the benefit of any particular lands, including the Annexation Lands.
- C. ASSURANCE.** Notwithstanding that the Additional Water Supply is part of the CLWA common supply as set forth in Section 3.B. above, upon execution of this Agreement and payment of the Carrying Costs for the Additional Water Supply, and provided that Landowner is not in default in the performance of obligations set forth in this Agreement or the Deposit and Funding Agreement, as established by a final judgment, CLWA shall not treat such Additional Water Supply related to the demand of the Annexation Lands as water available to support “can-serve”, “will-serve”, or

“water availability” letters (“Water Availability”) for any existing or other new development within the present CLWA service area. Upon request, as provided by law, CLWA will provide the retail water purveyor for the Annexation Lands with the necessary water supply assurances to enable the retail purveyor to issue a Water Availability letter for the Annexation Lands to the extent CLWA water supplies, including the Additional Water Supplies, are sufficient to support such letter as is consistent with law and with this Agreement. Pending confirmation from retail purveyors of delivery of water to dwelling units, the Additional Water Supply may be used by CLWA for banking or other uses consistent with this assurance.

D. CONDITIONS PRECEDENT. The following events and actions must take place prior to and as an express condition precedent to any obligation of CLWA to provide the Additional Water Supply to the Annexation Lands:

1. Final land use approvals by the County for the Lands.
2. Landowner’s consent to establishment of WSAs with boundaries which include the Annexation Lands.
3. Landowner’s consent to final adoption and implementation of the CLWA Standby Charge to be levied on Annexation Lands.
6. Final written approval by the Department of Water Resources (DWR) for extension of CLWA’s service area to coincide with the Annexation Lands’ boundaries.
7. Execution of a Water Availability letter (and/or other appropriate provision for water services as required by the retail water agency) for the Annexation Lands with the retail water purveyor with jurisdiction in each WSA.
8. The Additional Water Supply is physically available to serve the Annexation Lands.

4. WATER SERVICE AREAS. Pursuant to the Act, CLWA will assign WSAs to Annexation Lands to apportion rates, charges, fees, assessments, and taxes (collectively “Charges” herein) to the WSA to provide funds for the annual budget of CLWA for water facilities as set out therein and in the Annexation Policy. Because each WSA varies from another in a number of respects, including, but not limited to, proximity to various CLWA water facilities, each WSA may have a different schedule of

Charges to fund the portion of the budget of CLWA allocated to that WSA. ”).

5. **ANNEXATION CHARGES: BACK TAXES.** Pursuant to the Annexation Policy and, in addition to any other amounts to be paid pursuant to this Agreement or the Deposit and Funding Agreement, Landowner is required to pay to CLWA, as a condition precedent to CLWA’s obligation to provide Additional Water Supply to the Land, a sum of money or other equivalent consideration (as determined at the sole discretion of CLWA) equivalent to the ad valorem taxes that would have been paid by Annexation Lands had they been within CLWA since 1963 (“Back Taxes” herein)

6. **ANNEXATION CHARGES: CARRYING COSTS.**

A. **Payments under the Deposit and Funding Agreement.**

Pursuant to the Deposit and Funding Agreement, Landowner has agreed to pay the costs of processing the Request for Annexation, the Administrative and Operating Costs, and the Carrying Costs for the Additional Water Supply for the time periods set out therein. The permanent funding for the Carrying Costs and associated Capital Costs shall be the Standby Charge described below. Landowner’s payment of the Carrying Costs under the Deposit and Funding Agreement shall terminate only at such time as CLWA receives actual funds from the Standby Charge.

B. **Standby Charge.**

CLWA may request that L.A. LAFCO make this Standby Charge a term and condition of annexation. Notwithstanding, as of the date of the annexation, the Carrying Costs shall be calculated and paid to CLWA pursuant to an annual water standby charge adopted and levied by CLWA on the Lands in each WSA as follows:

1. **Calculation of Costs and Amortization.** Such costs shall be determined as follows: The unit cost as determined under Section 3.C.2 of the Deposit and Funding Agreement shall be multiplied by the number of AFY of the Additional Water Supply which CLWA has determined will be needed to serve the Annexation Lands during that year.

This calculation shall be performed on an annual basis before January 1 of each year and shall be in an amount

sufficient to pay for all such costs during the coming year at whatever times they may be levied.

2. **Adoption.** The annual Standby Charge shall be adopted by CLWA pursuant to the Uniform Standby Charge Act and the provisions of the Act as they exist at the time of adoption each year. As allowed by State Law, such charge shall be collected on the tax roll in the same manner and at the same time as ad valorem property taxes.
3. **Enforcement.** Failure to pay the Standby Charge shall be considered failure to pay real property taxes, resulting in the lien and foreclosure procedure set out in state law

7. **ANNEXATION CHARGES: 1% PROPERTY TAX TRANSFER.** The 1% Tax Transfer equivalent component shall be determined as set out in the Annexation Policy in effect on the date of annexation. In the event the County agrees to transfer such 1% property tax collected from the Annexation Lands to CLWA as a term and condition of annexation, no equivalent component shall be owed from Landowner.

In the event that the amount of the 1% property tax transfer related to the Annexation Lands is not transferred to CLWA by the County or the amount transferred is less than the existing 1% property tax received by CLWA from existing lands, the present value of that portion of the 1% property tax that CLWA would have received ("1% Tax Equivalent") will be calculated as follows:

CLWA's estimated assessed value of the proposed land use when fully developed will be escalated over a fifty- (50) year period using the 2% inflation factor allowed by law. The annual tax revenue will be calculated by taking CLWA median tax increment at the time of the calculation (currently 0.058064) multiplied by the assessed value for that year. The present value of those amounts will be calculated using the current interest yield on a thirty- (30) year treasury bond.

This amount shall be paid by Landowner to CLWA in a lump sum upon the date of annexation.

8. **CONDITIONS PRECEDENT TO ANNEXATION.** The following events and actions must take place prior to and as an express condition precedent to annexation of the Annexation Lands and with the approval of L.A. LAFCO, will be terms and conditions of annexation:

- A. Payment of all costs pursuant to the Deposit and Funding Agreement.
- B. Payment of all costs owing as of the date of annexation under this Agreement.
- C. Certification of environmental review by County for the Annexation Lands accepted by CLWA as a responsible agency.
- D. Approval of County of annexation to CLWA, which approval is conditioned on the payment of all costs as set forth herein.
- E. Guarantee of payment of the 1% Tax Equivalent.
- F. Compliance with any and all other terms and conditions of annexation required by L.A. LAFCO.

9. **COVENANTS.**

- A. **Standby Charges.** Landowners of Annexation Lands shall take all actions necessary, execute contracts, consents, and waivers of notice and hearing as required for CLWA to adopt and impose the Standby Charge (as allowed by law) before final tract map approval and establish the WSAs for the Annexation Lands.
- B. **DWR Consent, CEQA, Urban Water Management Plans and Related Documents.** CLWA will exercise its best efforts and, with due diligence and in good faith, seek DWR and any other agency's consent as required to extend CLWA boundaries to include Annexation Lands and to use the SWP facilities to transport the Additional Water Supply to CLWA as provided herein. CLWA will seek to amend, certify, and adopt any CEQA document or UWMP (including water supply assessments and written verifications as applicable) that is declared by final judgment of a court of competent jurisdiction to be invalid in whole or in part and affects the ability of CLWA to provide the assurance required in Section 3.C.

10. **WATER USE.**

- A. **No Agricultural Use.** The water supply shall not be used for agricultural purposes.
- B. **Regulations.** The sale and delivery of all water by CLWA, regardless of the nature and time of use of such water, shall be

subject to regulations promulgated from time-to-time by CLWA, and also those regulations promulgated by the retail water purveyor(s) serving the proposed Annexation Lands.

C. No Outside Use. Except upon terms and conditions specifically approved by the Board, water sold and delivered by CLWA shall not be used in any manner which intentionally or avoidably results in its use outside the CLWA service area.

D. Water Efficiency Guidelines. To the extent practicable, the retail water purveyor(s) and owner(s) of parcels, as appropriate, within an Annexation Land, shall comply with all CLWA rules and regulations, including, but not limited to, the following:

1. **Conservation.** Annual water use shall be minimized by incorporating water conservation measures into the development plans.

2. **BMPs.** Best Management Practices (“BMPs”) conservation measures, as identified by CLWA from time-to-time, shall be applied uniformly in all new and existing developments within the annexed area. At least one model home constructed in each new development within the proposed Annexation Lands shall demonstrate a water conserving landscape.

11. INDEMNITY. Landowner shall, at all times, indemnify, defend, and save CLWA, its Board of Directors, officers, representatives, consultants, contractors, agents and employees free and harmless from, and pay in full, any and all claims, demands, losses, damages, or expenses, including reasonable attorneys’ fees for counsel acceptable to CLWA and costs that CLWA, its Board of Directors, officers, representatives, consultants, contractors, agents and/or employees may sustain or incur in any manner relating to Landowner’s performance or failure to perform under this Agreement, or challenging the validity of this or related agreements or approvals (including but not limited to environmental certifications) but excepting any loss, damage, or expense, and claims for loss, damage, or expense resulting solely from the negligent acts or misconduct of CLWA, its Board of Directors, officers, representatives, consultants, contractors, agents, or employees.

12. DISCLAIMERS.

A. No Guarantee. Landowner hereby acknowledges that the process to complete the provisions of this Agreement can take considerable time and is subject to delay as a result of governmental processing and litigation.

B. Assumption of Risk. Landowner acknowledges that CLWA cannot predict its decision concerning the Annexation of Lands, and the conditions that may be imposed by government agencies with jurisdiction and how they may affect CLWA and Landowner assumes all financial risk related to the ultimate decision by CLWA to approve or deny the annexation should conditions occur or be imposed that are not expressly set forth in this Agreement.

13. NOTICES. All written notices required to be given pursuant to the terms hereof shall be either: (i) personally delivered, (ii) deposited in the United States express mail or first class mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by overnight courier service, or (iv) delivered by facsimile transmission, provided that the original of such notice is sent by certified United States mail, postage prepaid, no later than one (1) business day following such facsimile transmission. All such notices shall be deemed delivered upon actual receipt (or upon first attempt at delivery pursuant to the methods specified in clauses (i), (ii) or (iii) above if the intended recipient refuses to accept delivery). All such notices shall be delivered to the following addresses or to such other address as the receiving Party may from time to time specify by written notice to the other Party:

<p>To CLWA:</p> <p>Castaic Lake Water Agency 27234 Bouquet Canyon Road Santa Clarita, CA 91350 ATTN: Dan Masnada Telephone: 661-297-1600 Facsimile: 661-297-1610</p>	<p>To Landowner:</p>
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14. COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original and, all of which taken together, shall constitute one and the same instrument. Signatures sent by facsimile shall be deemed originals and treated in all respects as originals. As may be necessary for any alternative dispute resolution required or permitted under this Agreement, a copy of this Agreement shall be deemed to be an original for the purposes of satisfying the California and/or Federal Rules of Evidence.

15. APPROVAL. Landowner and CLWA each acknowledges that execution of this Agreement by each other is conditioned upon any necessary approval of the terms of the Agreement by their respective governing bodies.

16. **AUTHORITY.** In signing below, each of the Parties represents and warrants to each of the other Parties that each is a duly organized or constituted entity, with all requisite power to carry out its obligations under this Agreement, and that the execution, delivery, and performance of this Agreement have been duly authorized by all necessary action of the Board of Directors or other governing body of such Party, and shall not result in a violation of such Party's organizational documents.
17. **GOVERNING LAW.** This Agreement shall be construed and enforced in accordance with the laws of the State of California.
18. **AGREEMENT.** No amendment of this Agreement shall be binding upon the Parties unless it is in writing and executed by all of the Parties.
19. **FURTHER ACTION.** The Parties agree to and shall take such further action and execute and deliver such additional documents as may be reasonably required to effectuate the terms and conditions of this Agreement and to the extent consistent with the terms hereof.
20. **NO ASSIGNMENT.** Except as otherwise provided in this Agreement, neither Party shall assign or otherwise transfer its rights or obligations under this Agreement without the prior written consent of CLWA, which shall not be unreasonably withheld. Assignment without consent shall not be effective to terminate Landowner's obligations hereunder. Agency's consent to one assignment shall not constitute consent to a subsequent assignment or waiver of the requirement for such consent.
21. **JOINT DRAFTING AND NEGOTIATION.** This Agreement has been jointly negotiated and drafted. The language of this Agreement shall be construed as a whole according to its fair meaning and without regard to or aid of Civil Code Section 1654 or similar judicial rules of construction. Each Party acknowledges that it has had the opportunity to seek the advice of experts and legal counsel prior to executing this Agreement and that it is fully aware of and understands all of its terms and the legal consequences thereof. This Agreement is intended to be the entire agreement of the Parties as to the matters set forth herein.
22. **HEADINGS.** Headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.
23. **NO THIRD PARTY BENEFICIARIES.** Except as otherwise provided herein, no third party shall be entitled to claim or enforce any rights under this Agreement.

24. **SEVERABILITY.** In the event that any provision of this Agreement is determined by a court to be invalid, the court shall reform the provision in a manner that is both consistent with the terms of this Agreement taken as a whole and legally valid. The remainder of this Agreement shall not be affected thereby.
25. **SUCCESSORS AND PERMITTED ASSIGNS.** All covenants and agreements contained in this Agreement by or on behalf of any of the Parties shall bind and inure to the benefit of their respective successors and permitted assigns, whether so expressed or not.
26. **INTEGRATION.** This Agreement shall constitute the entire agreement of the Parties as to those matters set out here. To the extent the provisions of the Annexation Policy or the Deposit and Funding Agreement are inconsistent with this Agreement, the provisions of this Agreement shall prevail.

[THE REMAINDER OF THIS PAGE LEFT BLANK]

27. **TERM.** This Agreement shall take effect on the date of execution by both parties and shall continue in full force and effect until CLWA provides written notice to Landowner that all obligations hereunder have been performed or otherwise have been provided for.

IN WITNESS WHEREOF, each Party has executed this Agreement on the date set forth below, said Agreement to be effective on the later of the two, i.e., when both Parties have signed this Agreement (the "Effective Date").

Date: _____

CASTAIC LAKE WATER AGENCY

By: _____

Title: _____

ATTEST:

Secretary

Date: _____

LANDOWNER, ANNEXATION LANDS

By: _____

Title: _____

ATTACHMENT B

FIRST AMENDMENT TO DEPOSIT AND FUNDING AGREEMENT

This First Amendment to Deposit and Funding Agreement (“First Amendment”), is entered into as of ~~April 21~~^{MAY 21}, 2019 by and between Santa Clarita Valley Water Agency, a Special Act Agency and successor in interest to the Castaic Lake Water Agency (“SCV Water”) and DACA Castaic, LLC (“Landowner”). SCV Water and Landowner are each a “Party” and may be referred to collectively as the “Parties”.

RECITALS:

- A. SCV Water and Landowner entered into that certain Deposit and Funding Agreement dated November 14, 2017 (“Agreement”).
- B. On July 17, 2018, the SCV Water Board of Directors adopted Resolution No. SCV-47, determining that 489 acre feet of its Buena Vista Rosedale Rio Vista Water Supply (“Additional Water Supply”) is potentially available for the Tapia Ranch Annexation Lands subject to certain conditions.
- C. Pursuant to Section 3(C) of the Agreement, Landowner was required to pay SCV Water the administrative and operating costs arising from the Acquisition of the Additional Water Supply and the past Carrying Costs of the Additional Water Supply by January 17, 2018.
- D. Landowner requested a payment plan to meet its financial obligations under the Agreement.
- E. The Parties desire to amend the Agreement to provide for a Payment Schedule that sets forth the required payments and deadlines for such payments.
- F. The Parties further desire to amend the Agreement to change the name Castaic Lake Water Agency (“CLWA”) to Santa Clarita Valley Water Agency (“SCV Water”) throughout the Agreement because SCV Water is by law the successor in interest to CLWA.

NOW THEREFORE, in consideration of the mutual promises set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree to amend the Agreement as follows:

1. ‘Castaic Lake Water Agency’ or ‘CLWA’ is hereby replaced throughout the Agreement with ‘Santa Clarita Valley Water Agency’ or ‘SCV Water.’
2. Section 3(C)(1) and 3(C)(2) are amended to read as follows:
 - “1. **ADMINISTRATIVE AND OPERATING COSTS.** Landowner is responsible for paying SCV Water the administrative and operating costs arising from the acquisition of the Additional Water Supply. Administrative and operating costs include, but are not limited to, title reports, staff time, engineering, environmental (including CEQA compliance) and legal services arising from the acquisition of the Additional Water Supply, including negotiation and preparing of all water transfer

agreements, as well as agreements with the Department of Water Resources and other parties whose consent is required to complete performance of this Agreement, defense of any litigation challenging the BV-RRB Acquisition, as well as direct overhead as determined by SCV Water's customary practices. "Direct overhead includes, by way of example and not of limitation, salaries, benefits, equipment and facilities costs. Landowner shall not be required to reimburse SCV Water for its normal administrative costs and operating costs.

2. **CARRYING COSTS.** Landowner is responsible for paying SCV Water the Carrying Costs of the Additional Water Supply. Until SCV Water's actual receipt of funds pursuant to Section 6.B of the Annexation Agreement (the Standby Charge), Landowner is responsible for paying the Carrying Costs for the Additional Water Supply in a manner which allows SCV Water to meet its obligations to BV-RRB in a timely manner without requiring SCV Water to advance its own funds to pay such costs. The Landowner's Carrying Costs shall be determined as follows: The total Carrying Costs for the BV-RRB acquisition shall be divided by the total number of AFY acquired in the BV-RRB acquisition, less direct sales of the BV-RRB water in a given year, to determine the unit cost. That unit cost then shall be multiplied by the number of AFY of the Additional Water Supply which SCV Water has determined will be needed to serve the Annexation Lands."
3. Section 3(C)(3) is renumbered as Section 3(C)(4).
4. Section 3(C)(3) is added to read as follows:

"3. **PAYMENT OF ADMINISTRATIVE AND OPERATING COSTS AND CARRYING COSTS.** The administrative and operating costs arising from the acquisition of the Additional Water Supply and the Carrying Costs of the Additional Water Supply required to be paid by Sections 3(C)(1) and (2) above, including interest, shall be paid by Landowner to SCV Water according to the Payment Schedule and as described in the attached Exhibit E. Consistent with Section 7 of this Agreement, failure to make payments by the due dates in Exhibit E shall be an Event of Default "
5. The attached Payment Schedule is added to the Agreement as Exhibit E.
6. Continuing Effect of Agreement. Except as amended by this First Amendment, all other provisions of the Agreement remain in full force and effect. From and after the date of this Amendment, whenever the term "Agreement" appears in the Agreement, it shall mean the Agreement as amended by this First Amendment.
7. No Assignment. Nothing in this First Amendment to Annexation Agreement may in any way be interpreted as SCV Water's consent to an assignment of the Agreement, which is required for any assignment in Section 23. Any such consent has not been provided by SCV Water and Applicant remains and is a Party to the Agreement and is bound by the terms and conditions of the Agreement.

IN WITNESS WHEREOF, each Party has executed this First Amendment on the date set forth below, said First Amendment to be effective on the later of the two, i.e., when both Parties have signed this First Amendment (the "Effective Date").

5/21/19

Date: ~~Matthew D. [Signature]~~
MUS

SANTA CLARITA VALLEY WATER AGENCY

By: Matthew [Signature]

Title: GENERAL MANAGER

ATTEST:

April Jacobs

Secretary

Date: 5/13/19

DACA CASTAIC, LLC

By: Howard [Signature]

Title: Manager of DACRV, Managing Member of DACA-Castaic, LLC

APPROVED AS TO FORM:

Best, Best, & Krieger, LLP

By: Joseph P. Byrne [Signature]

Joseph P. Byrne, Esq.
Co-General Counsel

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ATTACHMENT C



January 16, 2019

Board of Directors
Santa Clarity Valley Water Agency
27234 Bouquet Canyon Road
Santa Clarita, CA 31350

Att: SCV Water Board Members
Re: Tapia Ranch Project

Dear Board Members:

Having worked together for many years, the Tapia Ranch Project appreciates the cooperation and partnership with the SCV Water Agency (SCV Water). The history of working together exceeds the six (6) years DACA-Castaic LLC has owned the property, and goes all the way back to Castaic Lake Water Agency's acquisition of Buena Vista Rosedale-Rio Bravo (BV-RRB) water in 2007 that was allocated to the Tapia Ranch Project. More recently SCV Water and Tapia Ranch have executed a Deposit and Funding Agreement in 2017 that resulted in extensive analysis to determine that the Tapia Ranch Project will require 489 acre feet of water annually. Following the execution of the Deposit and Funding Agreement, SCV Water determined in 2018 that its supplies are adequate to proceed with allocating the water to Tapia Ranch.

As the process moves forward, Tapia Ranch has been very pleased that SCV Water is willing to be flexible with the payment terms of the water allocated to the project. It is our understanding that SCV Water will accept a payment structure that includes a payment in January 2019 for certain past and present carrying costs, and a full reimbursement of the acquisition and carrying costs in December 2019. This is a very generous offer that we would gladly accept if the Tapia Ranch Project was an approved project. Unfortunately, the approval process through the County of Los Angeles is very slow and difficult, and our Tapia Ranch Project is not approved and remains a very high entitlement risk.

The reality is that the Tapia Ranch Project could very well be denied or significantly reduced during the County approval process. Since the Tapia Ranch Project application was accepted by the County in 2012, the property has been downzoned through One Valley One Vision (OVOV) to be rural 5 and 10 acre lots that effectively make the property undevelopable. The only viable development of the Tapia Ranch project is through the grandfathered application filed by DACA-Castaic LLC in 2012.

As small developers without an endless supply of capital, we are forced to finance large capital outlays such as the water purchase. It is not possible to finance the water acquisition under current market conditions and the terms of the Water Purchase Agreement. The provision allowing SCV Water ten years to return the purchase price if our project is not entitled or reduced in size precludes any financing source from advancing the capital. We certainly agree that carrying costs should be paid by any developer that expects to have the water reserved, but we request your understanding of the entitlement risks. Help us get you paid. Simply allowing the water costs to be paid after the project is approved but before the project is formally annexed into the District will allow us to get the purchased price funded. It is our expectation that the Tapia Ranch Project will be approved within the next 24 months.

Thus we propose the following terms for paying for the 489 AFY of BV-RRB water listed below. Many of the costs are based on information and an understanding of the costs provided by SCV Water staff. If they are not correct, we agree to minor adjustments. Please note that we have added additional money for i) an Option Payment and, ii) True-up Adjustment that is in the BV-RRB Water Acquisition Agreement.

1) Past Acquisition and Carrying Costs due March 31, 2019

• July-December 2018 Interest Costs	\$ 78,334
• Jan-December 2019 Interest Costs	\$ 156,667
• 2019 Carry Costs	\$ 419,277
• 2018 Water Sales Credit	(\$ 83,352)
• Option Payment	\$ 25,000
• True-up Adjustment per BV-RRB Agreement	<u>\$ 25,000</u> (estimate)
Total:	\$ 620,956

2) Carrying Costs due January 31, 2020

• Jan-December 2020 Interest Costs	\$ 160,000 (estimate)
• 2020 Carrying Costs	\$ 425,000 (estimate)
• 2019 Water Sales Credit	(\$ 80,000) (estimate)
• Option Payment	\$ 50,000
• True-up Adjustment per BV-RRB Agreement	<u>\$ 25,000</u> (estimate)
Total:	\$ 580,000

3) Carrying Costs due January 31, 2021

• Jan-December 2020 Interest Costs	\$ 165,000 (estimate)
• 2021 Carrying Costs	\$ 435,000 (estimate)
• 2020 Water Sales Credit	(\$ 80,000) (estimate)
• Option Payment	\$ 75,000
• True-up Adjustment per BV-RRB Agreement	<u>\$ 25,000</u> (estimate)
Total:	\$ 620,000

4) Past Acquisition and Carrying Costs due December 31, 2021

• Acquisition and Carrying Costs	<u>\$ 3,755,117</u>
Total:	\$ 3,755,117

Once again, we want to emphasize that we are extremely appreciative for SCV Water’s flexibility with the proposed terms that have been extended to us. Unfortunately we just need a bit more time that we are willing to pay for through carrying costs, interest, and option payments. The very significant entitlement risks to pay the full acquisition costs prior to approval of the project are just not financeable.

Thank you and we look forward to hearing your response.



Howard Justus
Manager DACA-Castaic LLC

Cc: Jon Myhre
Matt Stone

ATTACHMENT D



October 27, 2021

Steve Cole
Dirk Marks
Rick Vasilopoulos
Santa Clarita Valley Water Agency
27234 Bouquet Canyon Road
Santa Clarita, CA 91350

Dear Misters Cole, Marks and Vasilopoulos:

DACA-Castaic, LLC hereby requests the date to obtain entitlements under paragraph six of the Deposit and Funding Agreement be extended from November 14, 2022 to December 31, 2023 and the payment plan for the additional water supply be extended two years from December 31, 2021 to the same December 31, 2023.

DACA-Castaic, LLC and Castaic Lake Water Agency (“SCV Water”) entered into the Deposit and Funding Agreement (“DFA”) on November 14, 2017. On April __, 2019, that agreement was amended by the First Amendment to Deposit and Funding Agreement (“Amended DFA”). The DFA provided in paragraph six that DACA-Castaic obtain the certification of its Environmental Impact Report (“EIR”) by the fifth anniversary of the DFA. The fifth anniversary will occur on November 14, 2022. The Amended DFA was entered into, in part, to provide DACA-Castaic will a payment plan for the Carrying Costs incurred by the SCV Water for the Additional Water Supply as defined in the Amended DFA.

DACA-Castaic will not be able to obtain the certification of its EIR within the allotted five years for a host of reasons including, without limitation, the complexity of the EIR requiring the replacement of the primary EIR consultant, the expansion of subject areas studied as a result recent case law and the increase of review times required by Los Angeles County Planning Department. We are on schedule to have our EIR before the Los Angeles County Planning Commission by December 31, 2022. Given the probability of litigation over the EIR, we are requesting the entitlement period be extended a year beyond that date to accommodate the expected litigation.

Accordingly, we are also requesting the maturity date for the payment plan of the Carrying Costs be extended to the same December 31, 2023. We are not requesting a waiver of the payment of annual carrying cost. As such, we expect to make annual payments on January 31, 2022 and January 31, 2023 and payment in full on December 31, 2023.

According to our projections, the earliest homes will be occupied will be July 2025, assuming our project is approved and EIR certified in December 2022, final engineering requires a year, grading requires a year and road construction, model construction and the first group of inhabitable homes requires six months to complete.

Should you require additional information, please contact me at 619-405-3585.

Sincerely,

A handwritten signature in blue ink, appearing to read "Howard Justus". The signature is fluid and cursive, with the first name "Howard" being more prominent than the last name "Justus".

Howard Justus

Manager,
DACA Castaic, LLC

ATTACHMENT E

DEPOSIT AND FUNDING AGREEMENT - AMENDMENT 1 - TAPIA RANCH PAYMENT SCHEDULE UPDATED WITH ACTUAL PAYMENTS

	Estimated Payment (5/15/2019) (1)	Actual Payment (5/16/2019)	Estimated Payment (1/31/2020)	Actual Payment (January 2020)	Estimated Payment (1/31/2021)	Actual Payment (Feb 2021)	Payment Originally Due 12/31/2021 now due 12/31/2023
2018 Interest on Acquisition and Past Carrying Costs	\$78,334	\$78,334					
Annual Interest on Acquisition and Past Carrying Costs (2)	\$156,667	\$156,667	\$156,667	\$156,667	\$156,667	\$156,667	
Annual Carrying Costs (3)	\$419,277	\$419,277	\$431,856	\$431,591	\$444,811	\$434,276	
Option Payment (4)	\$50,000	\$50,000	\$75,000	\$75,000	\$100,000	\$100,000	
Acquisition and Past Carrying Cost (5)							\$3,775,117
Credit for Water Sales (6)				-\$110,025			-\$83,130
Total Payment (7)	\$704,278	\$704,278	\$663,523	\$553,233	\$701,478	\$690,943	\$3,691,987

Notes:

- (1) The total payment amount in the first column of \$704,278 is a hard number and must be paid by Landowner to SCV Water by 5/15/19. The interest rate for the period July-December 2018 was 4.15%.
- (2) The highlighted numbers in this row were estimates and assumed SCV Water interest rates remain at 4.15%. The actual required payments were adjusted based on the actual interest rates.
- (3) The highlighted Annual Carrying Costs numbers in this row are estimates and the actual required payments will be adjusted to reflect the actual Annual Carrying Costs.
- (4) The Option Payments are hard numbers and must be paid by the due dates.
- (5) The highlighted lump sum payment in this row is an estimate and the final required payment may be adjusted and will be based on the actual remaining Acquisition and Past Carrying Costs.
- (6) Credit for the sale of BVRRB water was issued on January 2020 invoice. Credit for a 2018 water sale in the amount of \$83,130 will be deducted from final payment before 12/31/2021
- (7) The highlighted numbers in this row will be adjusted based on actual numbers consistent with the above comments.

AMENDED TAPIA RANCH PAYMENT SCHEDULE FOR 2022 AND 2023

	Estimated Payment (1/31/2022)	Estimated Payment (1/31/2023)	Payment Due (12/31/2023)
Annual Interest on Acquisition and Past Carrying Costs (1)	\$156,667	\$156,667	
Annual Carrying Costs (2)	\$458,155	\$471,900	
Option Payment (3)	\$125,000	\$150,000	
Acquisition and Past Carrying Cost (4)			\$3,775,117
Credit for Water Sales in 2018-2020			-\$83,130
Total Payment (7)	\$739,822	\$778,567	\$3,691,987

Notes:

- (1) The highlighted numbers in this row are estimates and assume SCV Water interest rates remain at 4.15%. The actual required payments may be adjusted and will be based on the actual interest rates.
- (2) The highlighted Annual Carrying Costs numbers in this row are estimates and the actual required payments will be adjusted to reflect the actual Annual Carrying Costs.
- (3) The Option Payments are hard numbers and must be paid by the due dates.
- (4) The highlighted lump sum payment in this row is an estimate and the final required payment may be adjusted and will be based on the actual remaining Acquisition and Past Carrying Costs.
- (6) Revenue for 2018 water sales will be credited upon final payment on 12/31/2023 . No water sales are assumed in 2021 and 2022.
- (7) The highlighted numbers in this row will be adjusted based on actual numbers consistent with the above comments.

**Santa Clarita Valley Water Agency
Water Resources & Watershed Committee and Board Calendar**

**ITEM NO.
6**

FY 2021/22

	Item	Jul 6 Board	Jul 14 Comm	Aug 3 Board	Aug 11 Comm	Sep 7 Board	Sep 8 Comm	Oct 5 Board	Oct 13 Comm	Nov 2 Board	Nov 10 Comm	Nov 16 Board	Dec 7 Board	Dec 8 Comm	Jan 4 Board	Jan 12 Comm	Feb 1 Board	Feb 9 Comm	Mar 1 Board	Mar 9 Comm	Apr 5 Board	Apr 13 Comm	May 3 Board <i>TO BE MOVED</i>	May 11 Comm	Jun 7 Board	Jun 8 Comm
22	Approve a Resolution Authorizing the General Manager to Apply for Grant Funding Under the Federal Bureau of Reclamation WaterSmart Drought Relief Program for the Rosedale Phase 2 Wells Project								C	C																
23	CLOSED SESSION: Property Negotiation - Water Transfers								C																	
24	Status of Upper Santa Clara River Salt and Nutrient Management Plan								C																	
25	Update on Water Operating Plan and Water Conservation Response Actions								C																	
26	Recommend Authorizing the General Manager to Execute an Construction Contract for Bridgeport Pocket Park - TBD																									

P = Planned
 C = Completed
 CNL = Cancelled
 CNT = Continued Item