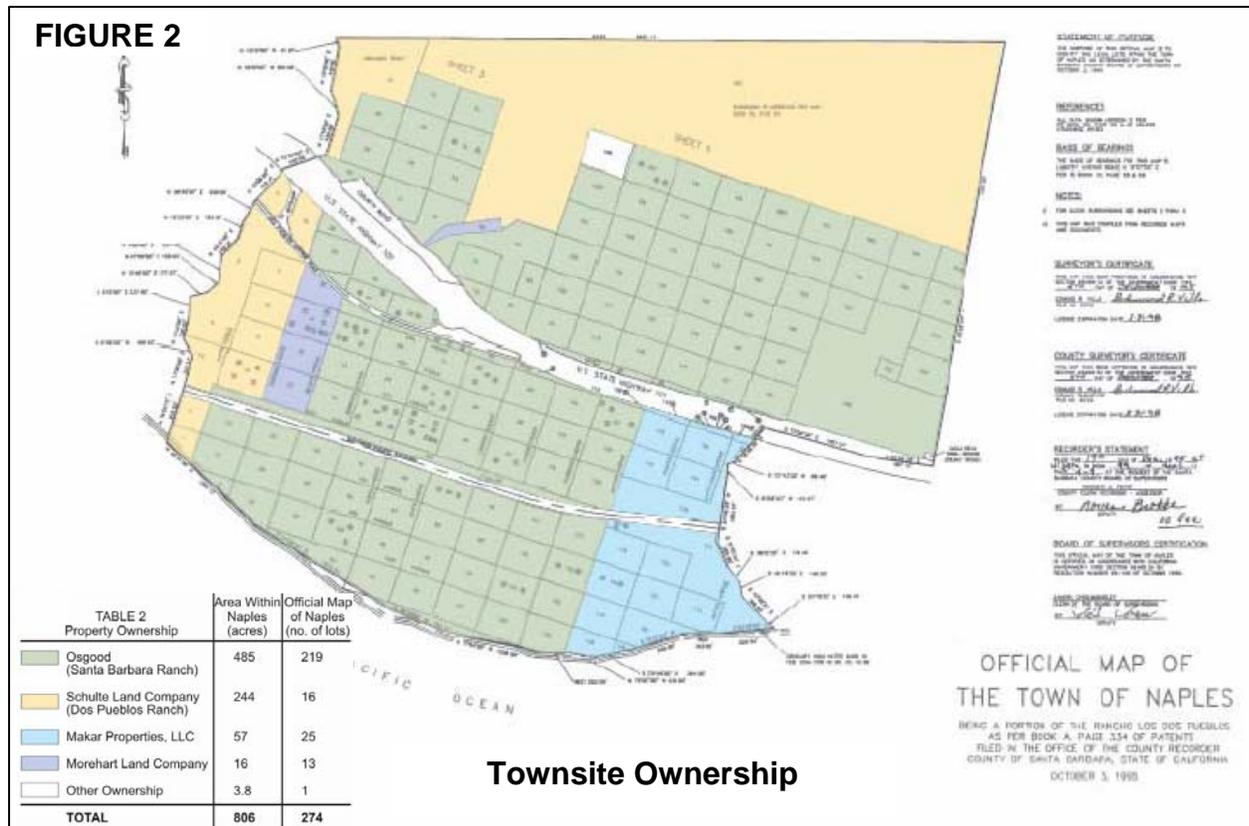


SANTA BARBARA RANCH PROJECT DETAILED SUMMARY

Setting and Context. The Naples Townsite encompasses an 800-acre area on the Gaviota coast, located two miles west of the City of Goleta. The Townsite has a rich history in both pre-European and Spanish-Mexican Land Grant periods. It also has a history of litigation and disputes over the area's development potential. This conflict centers around the Original Map of Naples filed by the Naples Improvement Company on July 23, 1888, the Official Map of Naples recorded by the County on October 3, 1995, and intervening legal disputes over lot merger provisions and septic system permit requirements imposed by the County. Further complicating the matter are California Coastal Act and local coastal land use policies that promote the preservation of agriculture, sensitive habitats and visual quality of the Gaviota Coast, while at the same time allowing a single family residence as a principal permitted use on individual legal lots, regardless of size.



Project Scope. At present, the Naples Townsite is owned principally by four sets of owners: (i) Santa Barbara Ranch related interests which account for 219 parcels and 485 acres; (ii) Dos Pueblos Ranch related interests which account for 16 parcels and 244 acres; (iii) Makar Properties, LLC, which account for 25 parcels and 57 acres; and (iv) Morehart related interests which account for 13 parcels and 16 acres. In late 2002, the County, the Morehart related interests, and the Santa Barbara Ranch related interests entered into a Memorandum of Understanding (“MOU”) setting forth a protocol and structure for the submission of project applications as a part of a potential global resolution of pending and threatened litigation. The MOU does not create entitlements, rights or approvals, and does not impair the County’s ability to enforce its applicable ordinances, resolutions, policies or statutes. However, it does provide a protocol for the County to entertain applications for development and conservation at Naples. In this regard, two primary development scenarios are under consideration:



- **Santa Barbara Ranch Project (MOU Project).** The MOU Project consists of a large lot residential development and associated land use changes on Santa Barbara Ranch (“SBR”) totaling 485 acres and encompassing 80% of the lots comprising the Official Map of Naples. The MOU Project would result in 54 new rural estate residences and includes an equestrian center, agricultural support facilities, a worker duplex, public amenities (including access road, parking and restroom, hiking, biking, equestrian trails near the coastal bluff, an educational kiosk and a coastal access stair structure), and creation of conservation easements permanently protecting 137 acres for agricultural uses and 188 acres for open space.

- **Alternative 1 Project (Alt 1).** Alt 1 is proposed for review by the landowners at a project-level detail for purposes of evaluating alternatives to the MOU Project under the California Environmental Quality Act (“CEQA”). As proposed, Alt 1 comprises the 485-acre SBR plus the adjacent 2,769-acre Dos Pueblos Ranch (“DPR”) property, together encompassing 86% of the lots comprising the Official Map of Naples. Alt 1 would include development of 72 new rural estate residences, one employee duplex, one agricultural support facility, public amenities (including access road, parking and restroom, hiking, biking, equestrian trails near the coastal bluff, an educational kiosk and a coastal access stair structure), and creation of conservation easements permanently protecting 2,629 acres for agricultural uses and 372 acres for open space.

Alternative Configurations. A distinguishing feature of Alt 1 is the relocation of development potential from the MOU Project, north of Highway 101, to a 119-acre “Option Property.” The landowner of SBR holds an option to purchase this land from DPR for the purpose of developing Alt 1. The intent of the proposed transfer is to reduce the intensity of development and associated impacts of 14 lots proposed in the Coastal Zone. A similar lot reduction and relocation is proposed at DRP. At present, there are 25 lots south of Hwy 101 on DRP: 14 Official Map lots and 11 lots of record claimed by the landowner. Through a combination of mergers, lot line adjustments and deed encumbrances, these lots would be effectively reduced to six residential lots south of Hwy 101 (one existing and five new). The development potential of the 19 remaining lots would be further reduced to 11 lots and relocated north and adjacent to the Option Property.

Grid Development. The baseline scenario against which both the MOU Project and Alt 1 should be compared is known as “Grid Development.” This particular scenario assumes that development would generally follow the rectilinear pattern of the existing lots and mapped street locations appearing on the Official Map. Taking into account policy conflicts and environmental constraints, it is estimated that between 114 and 125 Official Map lots have the potential for residential development. A statistical comparison of the MOU Project, Alt 1 and Grid Development appears in Table 1, and the relative intensity and residential development is depicted in Figures 4, 5 and 6. Relatively speaking, Alt 1 represents the least amount of residential development within the Coastal Zone.

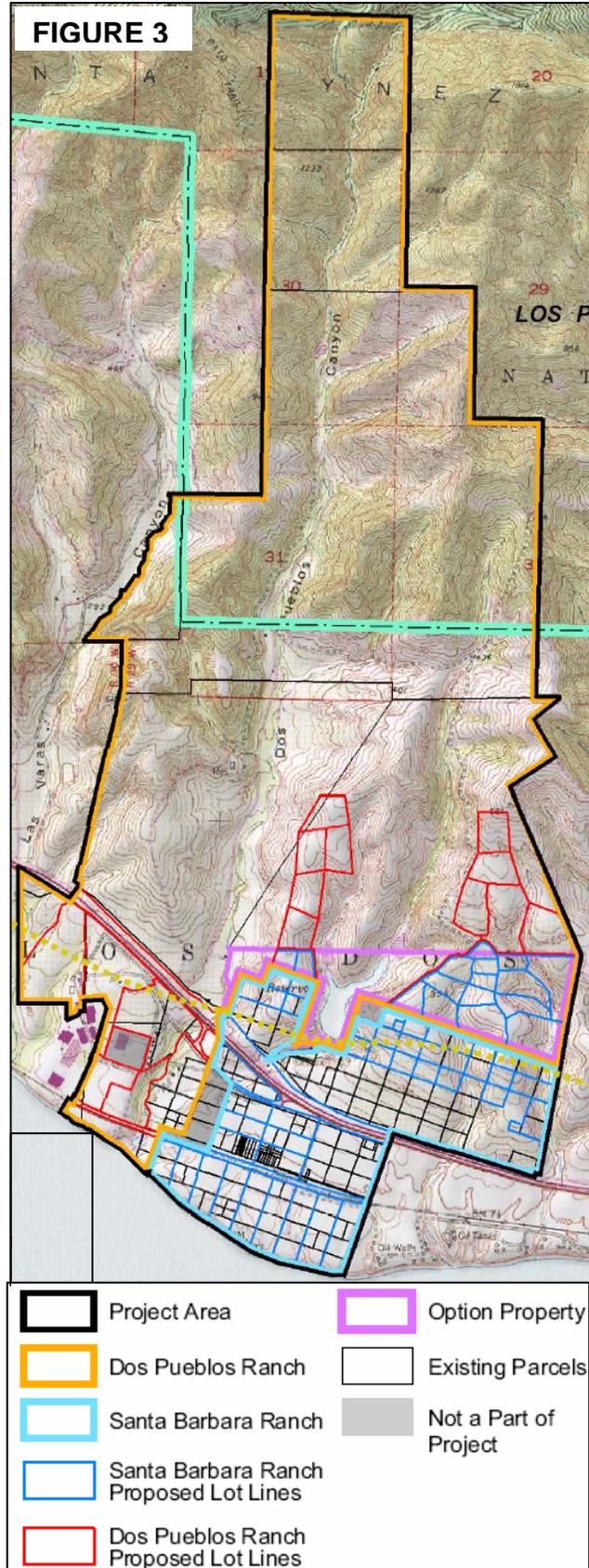
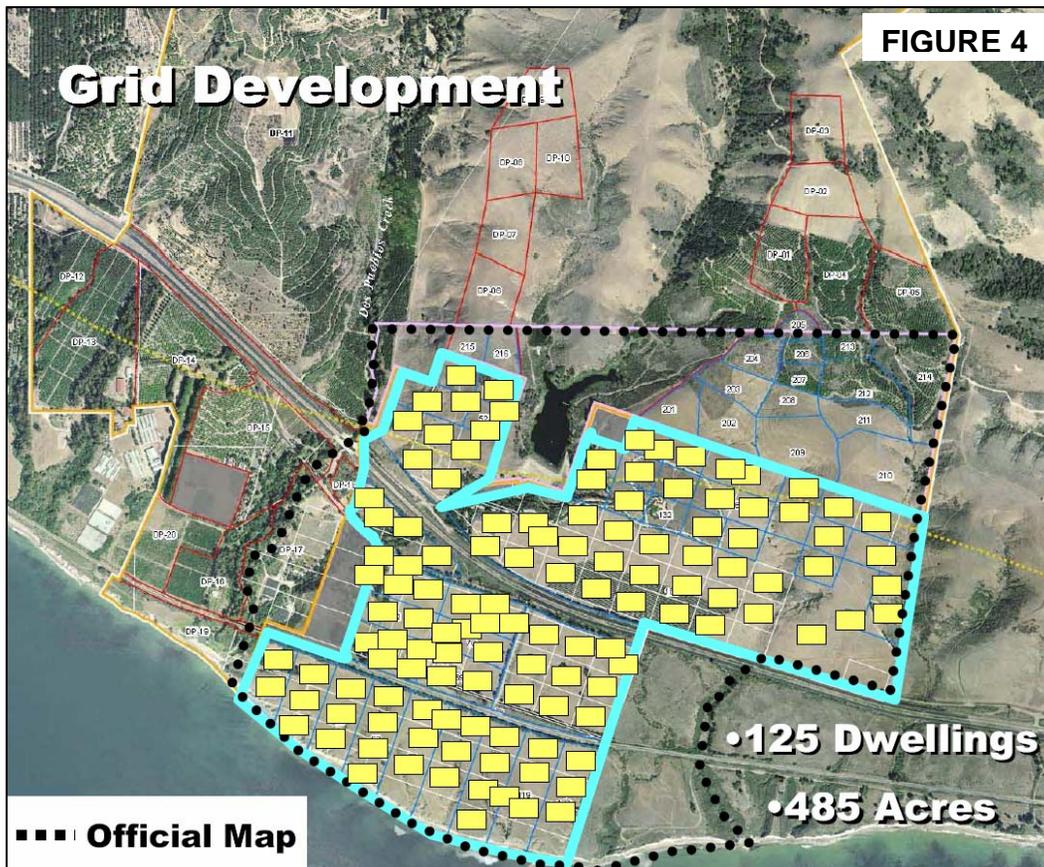
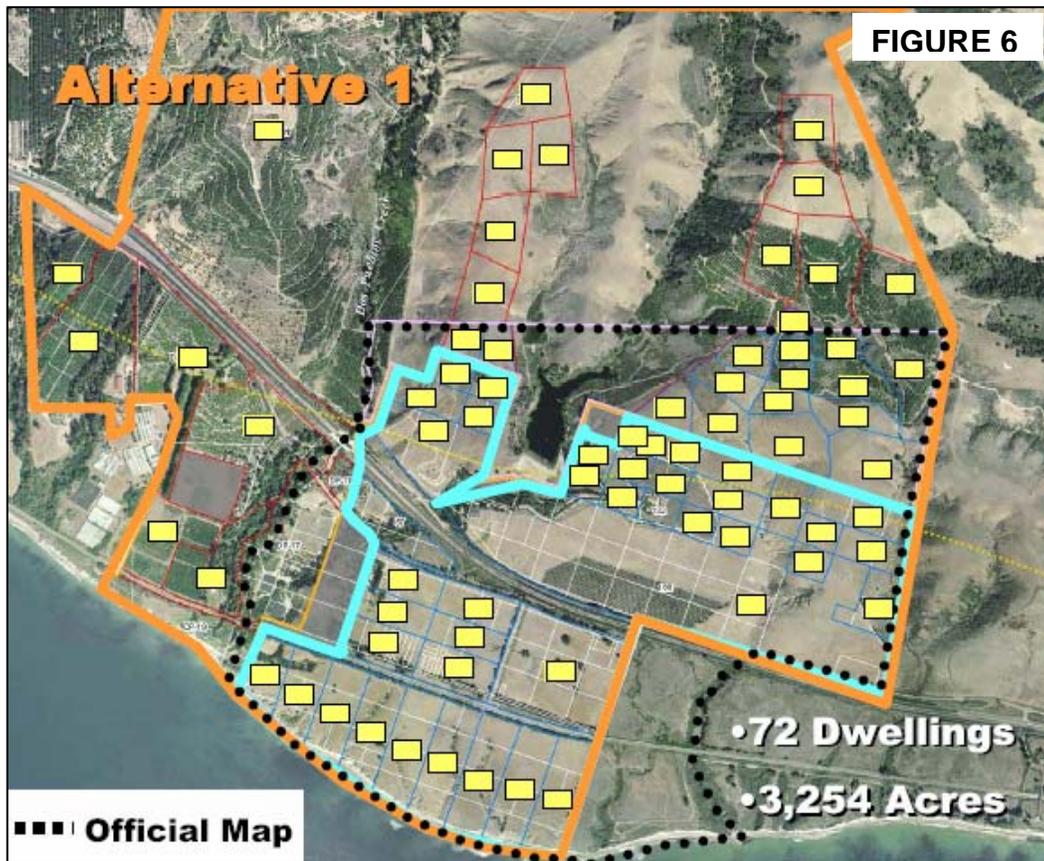
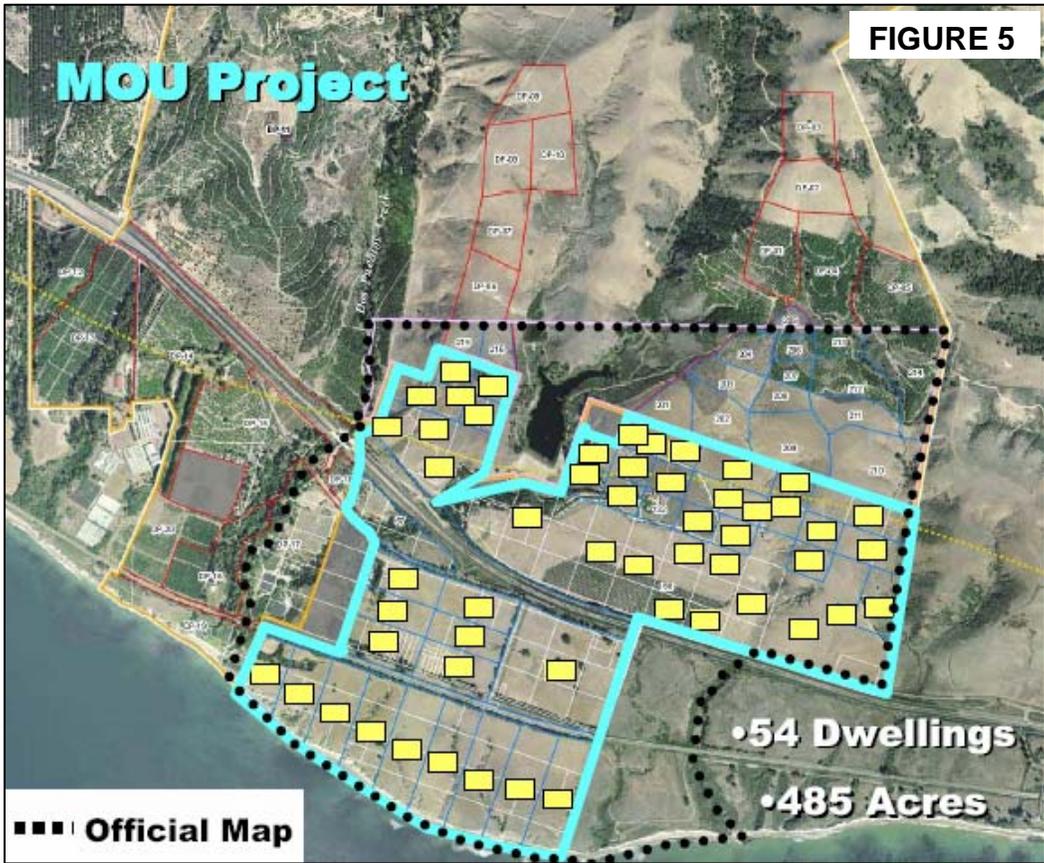


TABLE 1: DEVELOPMENT CONFIGURATIONS

	Grid Development			NOTES: 1. Figures 4, 5 & 6 provide schematic representations of approximate residential development density and do not depict actual lot configurations. 2. Grid Development is based on estimates derived from the Revised Draft EIR and pertains to Santa Barbara Ranch only.
	Coastal	Inland	Total	
Total Area (Acres)	352	133	485	
Land Use (Acres)				
Ag Land Preserved	0	0	0	
Open Space Preserved	0	0	0	
Coastal Access & Trails	0	0	0	
Lots				
Existing Official Map	203	16	219	
New Residential	105	20	125	
Net Reduction	98	(4)	94	

	MOU Project			Alternative 1		
	Coastal	Inland	Total	Coastal	Inland	Total
Total Area (Acres)	352	133	485	628	2,621	3,249
Land Use (Acres)						
Ag Land Preserved	133	4	137	271	2,358	2,629
Open Space Preserved	162	26	188	212	160	372
Coastal Access & Trails	8	0	8	8	1	10
Lots						
Existing Official Map	203	16	219	217	18	235
New Residential	38	16	54	33	39	72
Net Reduction	165	0	165	184	(21)	163





Agricultural Preservation. DPR includes 2,566 acres that are currently protected under Williamson Act (“WA”) Contract #77AP14. Under Alternative 1, the Applicant/Landowner proposes to cancel WA Contract #77AP14 pursuant to Government Code Section 51256 et.seq., and simultaneously: (i) place 2,304 acres that are presently under contract (“WA Remainder”) into a permanent Agricultural Conservation Easement (“ACE”), along with 325 additional non-contract acres that are currently unprotected, thereby bringing the total to 2,629 acres of agricultural acreage protected in perpetuity (“WA-ACE Easement Exchange”); and (ii) place the WA Remainder in a new contract (“New WA Contract”). Table 2 summarizes areas that are currently under WA Contract #77AP14, the areas that would be taken out of contract and developed for residential uses, the areas within the proposed replacement contract (including lands that are not currently within WA Contract #77AP14), and the lands proposed to be within the ACE. Net changes are summarized in Table 2, while Figure 7 displays the geographic configuration of the proposal.

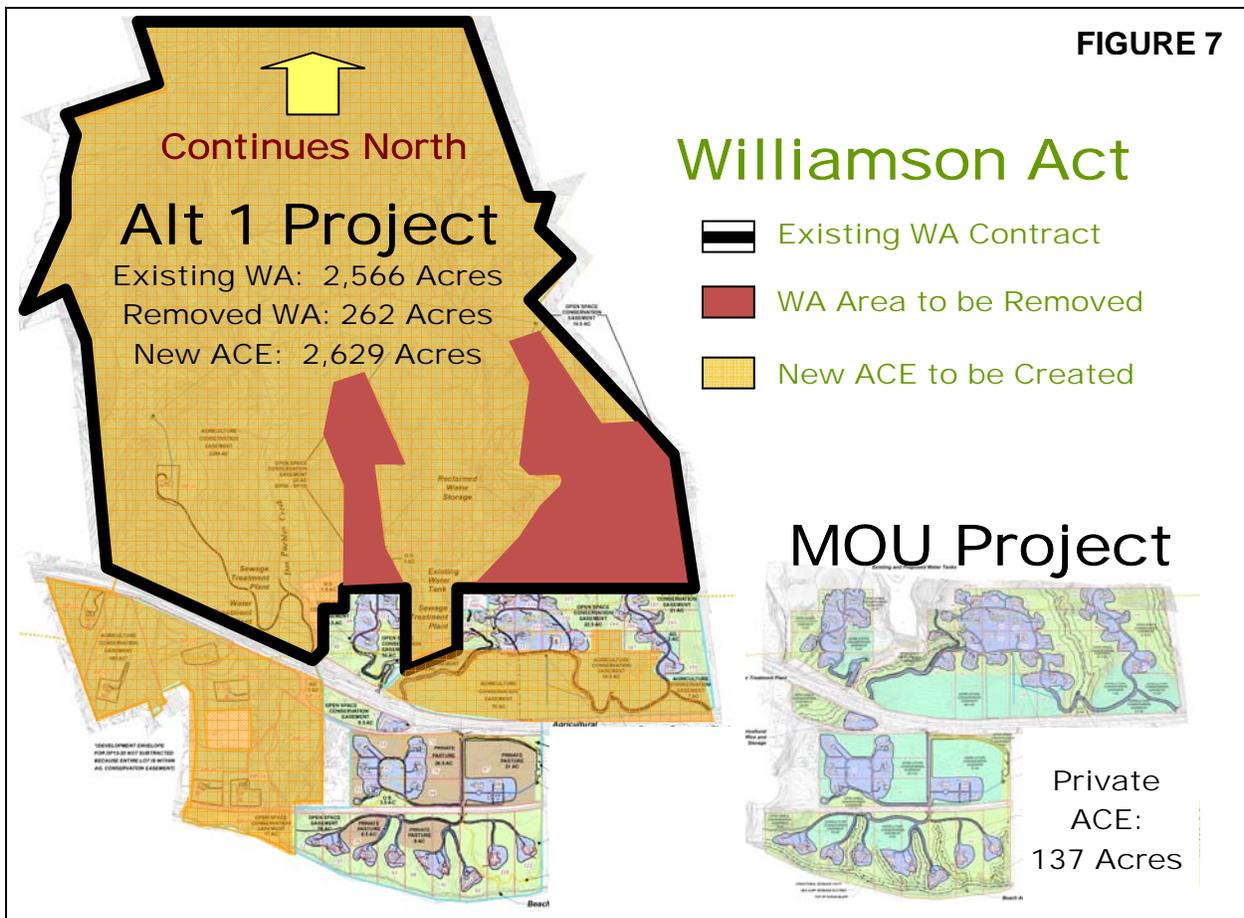


TABLE 2: ALTERNATIVE 1 – AGRICULTURAL PRESERVATION

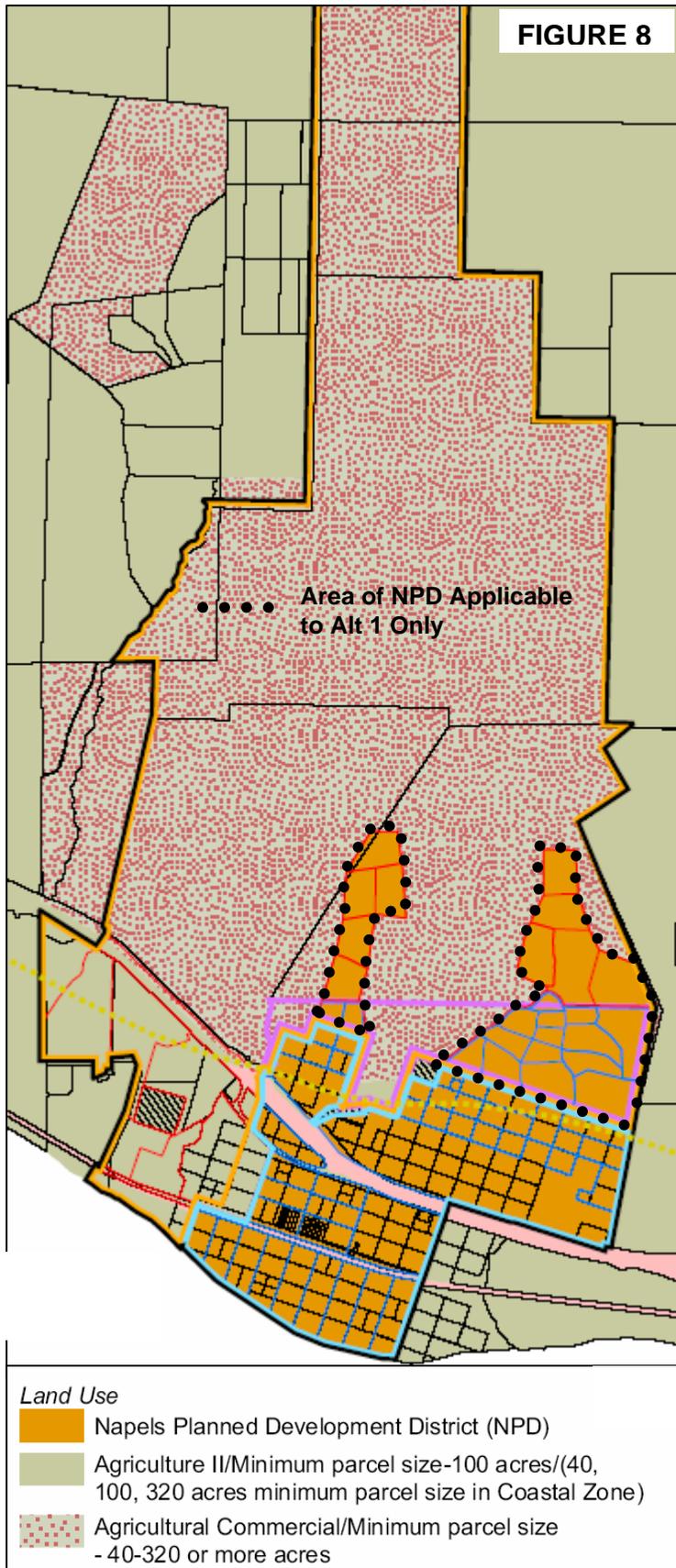
Gross Acres	Total Land		Prime Agricultural Land	
	In WA	In ACE	In WA	In ACE
Existing Condition	2,566	0	517	0
Proposed Project	2,304	2,629	440	612
Net Change	(262)	+2,629	(77)	+612

Policy 2-13. Existing land use and zoning designations for the Naples Townsite consist primarily of commercial agriculture, with minimum lot size requirements ranging from 10 acres (“U” zone designation for inland lots) to 100 acres (AG-II-100 zone designation for coastal lots) for each parcel. This translates to a hypothetical residential development potential of 14 lots that is far less than the 274 legal lots recognized in the 1995 Official Map of Naples. In short, existing agricultural land use designations and implementing zoning ordinances at Naples do not align with the residential lot densities already in existence. As a means of resolving this conflict, the County’s Coastal Land Use Plan (“CLUP”) contains policy language that is expressly and solely applicable to Naples. Policy 2-13 was adopted in 1982 at the time of the certification of the County’s Local Coastal Program and states:

“The existing townsite of Naples is within a designated rural area and is remote from urban services. The County shall discourage residential development of existing lots. The County shall encourage and assist the property owner(s) in transferring development rights from the Naples townsite to an appropriate site within a designated urban area which is suitable for residential development. If the County determines that transferring development rights is not feasible, the land use designation of AG-II-100 should be re-evaluated.”

Transfer of Development Rights. CLUP Policy 2-13 anticipates the possible need to consider a land use re-designation in the event that a Transfer of Development Rights (“TDR”) program is infeasible. In compliance with CLUP Policy 2-13, a TDR Study has been completed for the proposed project. The TDR Study identifies and evaluates potential receiver sites that would be suitable for residential development within designated urban and rural areas. The TDR Study indicates that, for a variety of reasons, most of these locations are not feasible as receiver sites: remoteness from the Naples Townsite, lack of common interest and issues between the Naples Townsite and potential receiver sites, and the disparity between very high land and development values on the Gaviota Coast when compared with inland urbanized areas. The Study does, however, suggest that it might be possible to extinguish at least some development potential provided that a host of actions subsequently occur: capitalization of a mitigation bank, execution of inter-jurisdictional agreements and a variety of legislative actions to provide requisite “up-zoning” for receiver sites.

Land Use and Zoning Amendments. Given the limited potential of a TDR program, proposed amendments to the CLUP and Comprehensive Plan have been drafted along with implementing zoning regulations. The common thread in these amendments is the establishment of a new Naples Planned Development (“NPD”) land use and zoning designation (Figure 8). The purpose of the proposed NPD would be to achieve a balance of low-density residential units, open space, agriculture, recreation and public access while preserving the scenic and rural character of the Naples area, compatible with surrounding agricultural uses of the Gaviota Coast. Development Plans required by the NPD would incorporate design flexibility in the siting of dwellings and other development features in order to minimize the disturbance of rural landscape elements, habitat areas, scenic quality, and overall aesthetic value of the landscape. In addition to



the Naples Townsite itself, the NPD could also be applied to adjacent properties where such a designation would facilitate CLUP Policy 2-13 objectives.

Project Approvals. The Santa Barbara Ranch Project entails a broad array of legislative and quasi-judicial land use approvals including: (i) text and map amendments to the Comprehensive Plan, Coastal Land Use Plan and Zoning Ordinance; (ii) subdivision approvals consisting of a vesting tentative tract map, lot mergers and lot line adjustments; (iii) cancellation, modification and re-issuance of Williamson Act contracts; (iv) creation of new Agricultural Conservation and Open Space Preservation Easements in their place; (v) discretionary permit approvals encompassing development plans, conditional use permits (major and minor), land use permits and coastal development permits; and (vi) miscellaneous actions including a development agreement and removal of the existing Special Problems Area designation. The County Planning Commission will hear and consider each of the above actions and will make recommendations to the Board of Supervisors. For areas within the Coastal Zone, the Board's action on subdivision and land use approvals will be made subject to and contingent upon Coastal Commission certification of the Local Coastal Program amendment and zone change.

Environmental Impact Report. An Environmental Impact Report (“EIR”) is required under the California Environmental Quality Act (“CEQA”) to assess the physical effects of the MOU Project, alternatives to the proposed project and required governmental approvals. An initial draft of the EIR was released for public review on June 28, 2006. Subsequent to the close of the public review period, it was concluded that the best method for responding to comments would be to revise and re-circulate the entire DEIR document for public review as opposed to simply responding to individual comments. A revised DEIR is scheduled for release by the end of August 2007. At the landowner’s request, Alt 1 is being assessed at a project-level detail so that the County can consider both the MOU Project and Alt 1 for approval without having to undertake subsequent or supplemental environmental studies. For sake of comparison, six other alternatives are being assessed as part of the EIR (at a less than project-level detail).

Process and Schedule. Project hearings before the Planning Commission are tentatively scheduled to begin in late 2007, followed by Board deliberations in the first quarter of 2008. During the intervening time between release of the original DEIR and present, the Santa Barbara Ranch Project has been the subject of numerous meetings with the Board of Architectural Review and Agricultural Preserve Advisory Committee. Both bodies have since completed their initial tasks and await the outcome of Commission and Board deliberations. A variety of source documents are available for review online at the website of Santa Barbara County Planning & Development (<http://sbcountyplanning.org/projects/03DVP-00041/index.cfm>). Please consult this website for updates on meeting schedules and key action dates.