August 14, 2018

RE: Centennial Project

Dear Chairman Louie and Commissioners:

We appreciated the opportunity to present the Centennial project to your Commission and members of the public on July 11, 2018. Members of your Commission raised several questions during the meeting, and we wanted to briefly address each in this letter in anticipation of returning to your Commission on August 29, 2018.

1. Centennial Implements the County’s Approved Antelope Valley Area Plan

Although Tejon has proposed to develop a new community on the Project Site for more than 15 years, the Board of Supervisors approved the siting and scale of this new community on June 16, 2015 with approval of the Antelope Valley Area Plan (AVAP). The County developed the AVAP with extensive community outreach and engagement, and prepared a full Environmental Impact Report (EIR) for the AVAP. The land use planning vision for the AVAP was to preserve the open space and rural community character of existing communities, to substantially restrict development on hundreds of thousands of sensitive ecological and agricultural areas, and to confine substantial new urbanized development to three Economic Opportunity Areas (EOAs) located in the western, central, and eastern plan areas. The Centennial Site is wholly within the boundaries of the western EOA, and is the size and scale of new community considered and approved in the AVAP.

Subsequent to approval of the AVAP, the County also approved on April 6, 2015 a comprehensive update to the County’s General Plan. The General Plan included the AVAP as well as other previously-approved land use plans for areas and communities within the County. The General Plan update was also informed by a separate EIR. A CEQA lawsuit was filed against the AVAP EIR, but the County’s EIR was upheld by the appellate court. No CEQA lawsuit was filed against the General Plan update.

The approved AVAP required completion of a “Specific Plan” to entitle a new master planned community in the western EOA. A Specific Plan is required by state law to include numerous elements, including land use and open space, transportation and circulation, and health and safety. Specific Plan law also requires a more rigorous financing plan to assure that all required infrastructure and public services are provided.

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Tejon Ranch Co. (NYSE/TRC)—a diversified real estate development and agribusiness company
The Centennial Specific Plan implements the AVAP and General Plan, both of which were unanimously approved by the Board of Supervisors. Although several commenters have questioned whether the Project site is a suitable location for a new community, this decision has already been made by the Board. It is also noteworthy that development of the Centennial community in this location is included in the Tejon Ranch Land Use and Conservation Agreement, and was approved by both the Southern California Association of Governments (SCAG) and California Air Resources Board (CARB) in the regional plan required to align local government land use decisions with the ambitious greenhouse gas reduction targets established by CARB under SB 375 in furtherance of California’s climate leadership.

2. Potential for Future Incorporation and Annexation

In addition to fulfilling the County's housing and employment plan for the Project site, and the SCAG/CARB regional plan for development that attains the state's approved greenhouse gas reduction targets from future land use and transportation projects in the region, the Centennial Project has also been designed to be a balanced new community, which in the future may prompt a proposal to incorporate Centennial as a new city within Los Angeles County.

Incorporating a new city requires approval by the County and the Los Angeles County Local Formation Commission (LAFCo), and also triggers an extensive public, special district, and public agency review process. There is no pending application for incorporation, and the Project would not meet the legal requirements to be eligible for incorporation until substantial development activities have been completed and this complex, multi-agency incorporation approval process has been initiated and completed.

There are numerous factors that must be considered as part of the incorporation review and approval process. For example, a comprehensive fiscal analysis is required to demonstrate that the proposed new city will have sufficient revenues to provide required public services, and incorporation will have adverse fiscal consequences for other agencies. One of the most critical criteria is “revenue neutrality” to assure that incorporation of a new city must be fiscally neutral to the County: any lost revenues (e.g., from property tax revenues from the new city) must fully offset all County expenditures (e.g., from the provision of public services). A broad range of other factors must also be assessed as part of the incorporation review process include population and density, land use, topography and natural boundaries, the likelihood of significant growth of the area, and impacts on other agencies and special districts such as schools and water purveyors. The Centennial project is designed to meet all applicable criteria for incorporation, if in the future this is proposed for consideration and approval by the County and other agencies.

The boundaries of an incorporated city are fixed as of the time incorporation is approved, and may thereafter be modified only through an annexation process. The County's approved AVAP clearly sets forth the boundaries of allowable urbanized development in the west EOA, the vast majority of which is the Centennial Project site. Expansion of urbanized development outside the west EOA is not reasonably foreseeable, given the County's approved AVAP and GP, the SCAG Sustainable Communities Strategy, the land preservation requirements in the Tejon Ranch Land Use and Conservation Agreement, and the state and federal agency ownership of nearby lands such as Angeles National Forest.
Independent of any future incorporation decision, the Centennial project site may be “annexed” into an existing special purpose district. For the Centennial project, annexation is contemplated for the adjacent Golden Valley Municipal Water District (District) to provide water and wastewater services to the Project. This District annexation would require approval by the County, the District, and LAFCo, and like incorporation would be subject to an additional public and agency notice, review and approval process.

LAFCo is a responsible agency under CEQA for the Centennial Project, participated in the EIR process, and through its Executive Director has advised the applicant that the EIR appropriately describes applicable LAFCo procedures and criteria.

3. Tejon Ranch History of Land Stewardship and Real Estate Development

This year Tejon Ranch celebrates its 175th anniversary. Since its founding, the Company remains focused on creating cutting edge new master plans from commercial business centers to new towns – all while remaining rooted to its historic legacy of stewardship.

Underlying all of the Ranch’s real estate endeavors is the Tejon Ranch Conservation and Land Use Agreement. This historic agreement, reached in 2008 with five of the nation’s most significant environmental conservation groups (Sierra Club, Natural Resources Defense Council, Audubon California, Endangered Habitats League, and Planning & Conservation League), limits development to ten percent of the Ranch while placing phased conservation easements over the remaining approximately 240,000 acres of the property. In 2009, this Agreement was recognized with California’s most prestigious environmental honor: the Governor’s Environmental and Economic Leadership award.

Under this Agreement, real estate development is limited to three locations, all strategically located along Interstate 5, with each site selected after a thorough and independent scientific study of biological and other natural resources along Interstate 5. The mixed use community of Grapevine is bisected by Interstate 5 and located adjacent to the existing and thriving Tejon Ranch Commerce Center in Kern County, the Mountain Village resort community is located on the east side of Interstate 5 at Castac Lake, and Centennial is located on the southern edge of the Ranch’s property just east of Interstate 5 and bisected by State Route 138. Together, these Tejon Ranch communities will provide over 35,000 homes and 35 million square feet of commercial development, creating significant new economic growth for Southern California.

Tejon’s ongoing ranching and farming operations will continue on the 90% of the Ranch that will be preserved under the Ranchwide Agreement, and its tradition of stewardship will continue on the entirety of the Ranch inclusive of the sustainable development principles established by the Agreement for the future communities of Centennial, Tejon Mountain Village, and Grapevine. The vast majority of the Ranch will be forever protected and cared for in its wild, natural splendor – and a new generation of families and businesses will have the opportunity to call Tejon Ranch “home,” establishing their own legacies in this remarkable landscape.
4. Diversity and Affordability of Housing

The Centennial project has been designed with a broad diversity of housing product types. For example, many of the Centennial home product types have been designed for the “missing middle” of housing that is affordable for purchase by California’s hard working families, ranging from townhomes and condominiums to single family homes. Consistent with compact design principles, the project’s home lots are generally smaller, with more two-story homes and smaller private yards, than is more common in the residential neighborhoods in Palmdale and Lancaster. While Centennial has some executive housing, the approved Tejon Mountain Village community north of the project site includes more larger lot executive and resort home types. Centennial is designed to be a balanced master planned community, consistent with the Antelope Valley Area Plan.

The Centennial project also includes higher density housing near town centers and transit hubs, including apartments, condominiums, and townhomes. Ten percent of the housing will be subsidized, deed-restricted affordable housing set aside for lower income residents. The County has requested, and we have agreed, to provide more flexibility in the mix of affordable housing types that will be built at the project site. The details regarding the mix of affordable housing (e.g., low and very low units) have accordingly been deleted from the Specific Plan; however, the Development Agreement includes a mandatory affordable housing planning process that we must implement.

5. Fiscal Costs to Centennial Residents

Centennial has been designed to assure that no fiscal burdens are created for County taxpayers. Project infrastructure such as roadways, parks, and water and wastewater treatment systems will be financed by the developer. Assessment districts will be created to provide ongoing revenues for infrastructure and services, but assessments will not exceed 2% for all assessment districts combined. New taxes paid by Project residents and employers are expected to result in a fiscal surplus to the County to help fund other County needs.

6. Project Open Space

The Tejon Ranch Land Use and Conservation Agreement established ownership and management requirements for the open space lands outside the Centennial project site. Tejon Ranch remains the landowner, but authorized uses are restricted and future community development is prohibited on these lands. These open space lands are subject to “conservation easements” which authorize the easement holder to enforce use and development restrictions. There are three types of open space easements on the Tejon Ranch lands nearest the project site:

- The Tejon Ranch Conservancy was created by the Ranchwide Agreement to serve as the independent third party responsible for holding conservation easements and managing public access, scientific studies, and restoration activities in the open space conservation areas of the Ranch. The Conservancy has a twelve-member Board of Directors, with
four members appointed by the environmental group signatories to the Ranchwide Agreement (Natural Resources Defense Council, Sierra Club, California Audubon, Endangered Habitats League, and Planning & Conservation League), four members appointed by Tejon Ranch, and four independent Board members.

- California’s Wildlife Conservation Board purchased conservation easements for designated areas of Tejon Ranch, with ongoing management undertaken in collaboration with the Tejon Ranch Conservancy.

- Further open space easements are overlaid onto the Ranch Open Space, and are held by the federal government for the future Pacific Crest Trail segment.

The Ranchwide Agreement also includes other open space management provisions, including for example a process by which the state of California could acquire preserved open space areas for a potential state park.

7. Construction Traffic and Interstate 5

Truck traffic on Interstate-5 (I-5) south of State Route (SR) 138 will be reduced during Project construction and post-construction operations by several means.

First, the Project Development Agreement (DA) requires that construction workforce and materials first be sourced from the Lancaster-Palmdale area to the extent available. Construction traffic from these locations will use State Route 138 and would not significantly affect truck traffic on I-5 south of the SR 138 junction.

Second, the DA next requires that additional workforce and materials be sourced to the extent feasible from locations within 50 miles of the Project. While some suppliers and workers in a 50 mile radius from the Project could be located in communities to the South, due to lower labor and equipment storage and maintenance costs to the north in the mountain communities and San Joaquin Valley, it is anticipated that materials and workers also will be sourced from the north which would not significantly affect traffic on I-5 South of the SR 138 junction.

Third, major construction activities that require the assemblage of a large amount of heavy equipment and raw materials, such as roadway aggregate, building foundational and framing materials, water and wastewater pipelines, and related excavation, material distribution and utility construction equipment, are typically staged in or adjacent to major developments to reduce costs and increase construction period efficiency. For example, aggregate for Project roadway development can be sourced locally from a mine located to the northwest of the Project. The staging of Project construction vehicles and materials on the Project site itself will substantially reduce truck traffic volumes, including on I-5 to the South.

Fourth, the Project’s Transportation Management Association (TMA) is required to manage multi-passenger vehicle on-demand transit services to and from the Project site to reduce single-occupancy vehicle use and associated traffic volumes and emissions.
Finally, the Project implements the AVAP plan for the west EOA; however, the central and east EOAs are both located east of the Project site and are anticipated to increasingly rely on the approved expansion to SR 138 for construction traffic. As the three EOAs in the AVAP develop over time, truck traffic related to construction and operational requirements can be expected to use SR 138 to serve the three EOAs in an efficient manner. Some construction and/or operational activities that require the use of trucks can be expected to be located within the Palmdale and Lancaster areas, or in one of the EOAs, to serve the new economic activity in the three EOS.

In sum, all of the factors discussed above will reduce the volume of construction and operational truck traffic on I-5 South of SR 138 related to the Project.

8. Water Reclamation Plant

The Centennial project includes a full and stable water supply for the project. First, the project is unique in Los Angeles County in having an existing, adjacent groundwater storage bank managed by Tejon Ranch, and in having its own onsite groundwater storage bank. A water bank is essentially managed as an underground reservoir: when water is delivered to the water bank surface storage areas by the existing California Aqueduct during higher flow periods, it percolates into the groundwater aquifer where it can be withdrawn to serve project needs. Second, the groundwater basin was “adjudicated” in a legal proceeding that concluded with a managed settlement that allocated water rights and created ongoing groundwater management mandates to assure sustainable groundwater management practices and protection of aquifer water supplies. Third, the project’s water and wastewater management infrastructure systems are integrated to assure that wastewater is treated and reused for onsite irrigation and other authorized uses such as plumbing at the business park, thereby avoiding use of potable water for these uses.

This system of water infrastructure also helps the region’s water supply. For example, the existing, adjacent Kern Water Bank already provides storage services to the Antelope Valley Kern County (AVEK) water district and other parties, allowing for cost-effective water storage during higher flow periods and withdrawals for low flow and drought periods. AVEK also receives 5% of water imported from the Central Valley to the Project site. Additionally, 10% of banked water must be left behind in the aquifer (e.g., if 100 acre feet of water are stored in the water bank, only 90 acre feet can be withdrawn by bank operations with the remainder available for other basin users), and 5% of the water treated by the project’s water and wastewater facilities is assumed to be unavailable for project use and percolate into groundwater.

9. Electric Vehicle Utilization at Centennial

The Project includes numerous measures to actively promote and incentive the future use of electric vehicles. Many of these measures go beyond existing legal mandates, including for example including 240kV outlets in all single family home garages, subsidizing the purchase of future charging equipment for the 50% of future residents expected to request such equipment (or providing for an equivalent benefit subject to County approval if future transportation technologies and services reduce private car ownership or provide for other electric charging solutions such as battery swaps), requiring service fleets to include electric vehicles that meet
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comparable performance and economic standards, building more charging stations in commercial and multi-family residential parking lots, biennially monitoring charging station use and building more charging stations to meet demand, providing preferential parking for electric vehicles, and proactively working with automobile dealers to promote electric vehicle sales at the Project.

According to the most recent study of electric vehicle utilization trends, California is well on its way to meeting its electric vehicle deployment goal by 2025 even without the enhanced electric vehicle incentives included with the Project, and California’s 2017 EV sales increased by over 29% above 2016 sales. This trend is not limited to California: for example, the same report concluded that China’s electric vehicle sales increased 70% over the same period. (See “The Road Ahead for Zero-Emission Vehicles in California: Market Trends and Policy Analysis,” Next 10, 2018 available at [http://next10.org/zev](http://next10.org/zev)) Finally, the report concluded that 17 popular 2017 models of electric vehicles are already purchase price-competitive without government incentives, and the Nissan Leaf has lower five-year and ten-year life cycle costs than the internal combustion Hyundai Elantra and the plug-in hybrid Chevrolet Volt again without taking into account any government subsidy.

The Project’s electric vehicle measures were clarified and in some cases expanded since issuance of the Project’s Final EIR in March of 2018, as noted in Attachment A to the Psomas Updated Greenhouse Gas Analysis for the Centennial Specific Plan addition to the Final EIR, are similar to and in some cases more expansive than the measures required to be implemented at the Newhall project, and have again been examined and confirmed by Psomas to support the projected future utilization of electric vehicles on the Project. The Psomas Updated Greenhouse Gas Analysis also confirms that the Project’s per capita greenhouse gas emissions comply with both the state’s 2030 target for greenhouse gas emission reductions (40% below 1990 levels) and are also below the state’s far more stringent 2050 target for greenhouse gas emission reductions (80% below 1990 levels).

In closing, we appreciate this opportunity to provide this follow-up letter addressing the Commission’s second round of questions raised during our July 11 hearing, and very much look forward to addressing any remaining concerns during our upcoming August 29 hearing.

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