



## City Council Agenda Item

**City Council Meeting Date:** April 19, 2022

**TO:** Honorable Mayor and City Council Members

**FROM:** Dean Albro, City Manager  
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Jeff Malawy, City Attorney  
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**SUBJECT:** Approval of Memorandum of Understanding Regarding Provision of Water and Wastewater Services to the Burton Ranch Development

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### **Recommendation:**

Staff recommends the City Council approve the Memorandum of Understanding (MOU) attached as Attachment A, and authorize the City Manager to execute it.

### **Background:**

A consortium of developers (Towbes Group) proposes to develop a portion of the property bordered by Hwy 1 on the west and Harris Grade Rd. on the east (in the area commonly known as "The Wye"). This proposed development, known as Burton Ranch, will consist of up to 476 residential units, including single family and multi-family homes. The developers desire to begin construction in 2023.

In 2000, the City and Mission Hills Community Services District (District) entered into an Annexation Agreement which provided that the District shall provide water and wastewater services to Burton Ranch; however, in 2019, a dispute arose between the City and District regarding whether the District has the ability to provide such water and wastewater services. Accordingly, in July, 2020, the City filed a civil complaint against the District, alleging that the District does not have the capacity to provide water and wastewater services to the proposed Burton Ranch project and sought to provide the services itself, for the City has the capacity to do so (the suit). The District disputes those allegations. The suit is in the discovery phase, and no trial date has been set.

**Discussion:**

**Possible Resolution of the Suit**

The development and planning/entitlement process for Burton Ranch has been stalled due to the dispute over providing water and wastewater services; as such, the City, District, and developers have engaged in extensive negotiations regarding the concept of the District providing water and wastewater services to the Burton Ranch with the District subcontracting with the City to treat the wastewater.

In essence, this concept would have the District provide its water to the development through its infrastructure, and the District to provide the infrastructure to transport wastewater from the development to a single connection point from which the City, through its infrastructure, would then transport the wastewater to its treatment plant.

Currently, the City, District, and developers are evaluating infrastructure needs and conducting studies to determine the feasibility of this concept, which would be effectuated by (i) a development agreement between the District and developers, (ii) a wastewater treatment agreement between the City and the District similar to the one currently in effect between the City and Vandenberg Village, and (iii) a settlement agreement to resolve the suit.

**The Memorandum of Understanding**

The purpose of the attached MOU is to ensure that the City, the District, and the developers are all “on the same page” in moving the settlement concept and the development forward and pausing the litigation. The MOU does not, in any way, constitute any commitment or approval of any aspect of the Burton Ranch development, but only serves as a commitment to explore, at developers’ expense, the many contingencies inherent in the concept set forth above to determine if it is technically and financially viable. If the City Council is not in favor of exploring the above concept to further the development and resolve the suit, then it should not approve the MOU.

**Fiscal Impact:**

Costs for studies and analyses to determine if the concept set forth above is feasible will be borne by the developers. Staff time to evaluate studies and analyses and draft any legal documents should not be significant. Because the MOU contemplates an informal pause on the litigation, legal costs associated with prosecuting the suit will be significantly reduced. If the City Council chooses not to approve the MOU, litigation (and its resultant costs) will resume.

**Conclusion:**

Staff recommends the City Council approve the attached MOU and direct the City Manager to sign it.

Respectfully submitted,

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Dean Albro, City Manager

A handwritten signature in blue ink, appearing to read "J. Malawy", is written over a horizontal line.

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Jeff M. Malawy, City Attorney

Attachment: Memorandum of Understanding