

Box 223366
Carmel, Ca., 93923
December 1, 2017

RECEIVED

DEC 07 2017

MPWMD

Monterey Penn. Water Management Board
5 Harris Ct., Bldg G
Monterey, Ca. 93942-0085

Dear Board Members,

My wife and I are the owners of 554 Lighthouse Ave. in Monterey. We bought the property in 1995. On the property there are 3 structures. The front building was a bar named Beer Springs Tavern, behind it is a small single story house and behind it is a small tri-plex. All the buildings were built in the first part of the last century.

When we bought the property we remodeled the front building (the bar) and rented it out as a retail store. At that time I contacted the Water Board and they figured out that it was still going to be classified as a bar because I was not going to abandon use. That gave me .98 acre feet of water.

In February of 2006 I returned to the Water Board because I was concerned about losing my water credits. The water credits constituted a substantial cost of the property. At that time I talked to Robert Cline (see attached letter). After talking with him he assured me that my credits would remain intact permanently and I had nothing to worry about. (see letter)

We now have a buyer for our property and on October 17th we entered into an agreement with them and put the deal in escrow. The buyers own the joining property at the rear of our property. Their property faces Foam St.

Everything was moving along fine until we received a letter (attached) from the buyers telling me of your plans to change the rules and reduce our credits by 80.7%. My first thought was there was a mistake; after all I was assured by Mr. Cline that my water was safe.

As you can read in the letter the buyers figure that this is devaluing our property by \$ 158,000. This constitutes a major loss for us. We are not wealthy people and the proceeds from the sale were to be part of our retirement. I am currently 73 years old so

If you pass this new rule it could kill our sale all together and place an unnecessary hardship on us.

I really can't figure out the logic in this change. I tried to access the committee's notes on this matter at the Water Board today but was told they were unavailable. I was hoping to learn how this could possibly save any water. People are going to eat and drink where ever they are. If my place is a bar and they want a drink they will come in have a drink, dirty a glass, go down the street and have a meal and probably another drink then proceed to a Coffee Shop for after dinner coffee. Where is the savings? If they drank and ate at my place is there any savings? If my place wasn't there and they ate at the place down the street does it make a difference? In fact it could end up actually causing more water use. What nobody wants to admit is the only way to curb this problem is less people. Its simplistic thinking that by just shuffling the same amount of people in a different way you save water.

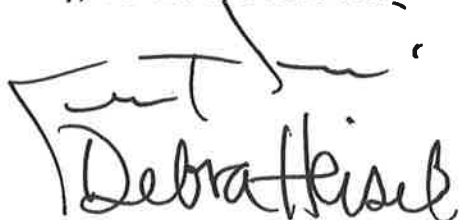
I am just a lay person but win I see a new office building just completed on property that joins us to the south and now the building of 4 new luxury condominiums that are going to sell for over a million dollars each I think where in the hell did they get the water. This property was Carswell's Heating & Sheet Metal Shop for years before it was purchased for development. As I recall that property had one or two bathrooms. Their water use on just that development is probable at least 20 fold of any savings anticipated by the board on this new proposal.

Again I'm just a little guy but I have always tried to honor my promises and expect others to honor theirs. I hope you can see how the little guy feels when he sees the big guys building all around them raking in huge profits using obscene amounts of water as the little guy gets rolled over again.

I know your intensions are good and that you have a difficult job but I can't figure why are you are spending time on something like this. I may be wrong but I have assumed this action is somehow a way to save water but I can't see how it could make any substantial difference especially considering the cost to little people like myself.

I am unfortunately unable to come to the meeting on Dec. 11 but I do hope you will rethink this proposal.

Sincerely, Jerald & Debra Heisel

A handwritten signature in black ink, appearing to read "Debra Heisel". The signature is written in a cursive style with a large, sweeping initial letter.



**MONTEREY PENINSULA
WATER MANAGEMENT DISTRICT**

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February 10, 2006

Jerald Heisel
P.O. Box 223366
Carmel, CA 93922

Subject: 554 Lighthouse Avenue, Monterey. APN: 001-062-018

Dear Mr. Heisel:

The District received your letter of February 1, 2006, in which you stated that the previously documented Water Use Credit for 554 Lighthouse Avenue, Monterey, should not expire, as the change in use was not permanent. District Rule 25.5 allows a formal Water Use Credit only when there has been a "permanent abandonment of use."

As the use was not permanently abandoned, a formal Water Use Credit does not exist. Please consider this notification that the District has not documented a formal Water Use Credit for the change in use of a bar to a retail space in 2001. The on-site credit remains available for use until it is permanently abandoned, at which time a formal credit will be documented.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Cline".

Robert Cline
Conservation Representative

November 30, 2017

Jerald Heisel
554 Lighthouse Ave.
Monterey, CA 93940

Dear Mr. Heisel,

On Tuesday, November 28th, we met with the Monterey Peninsula Water Management District (MPWMD) to discuss water credits for 554 Lighthouse Avenue. We wanted to calculate fixture unit values for our planned redevelopment of the property to make sure we have the necessary water rights to execute our vision, as well as to discuss the potential of moving some excess water credit to our other property at 551 Foam Street if our redevelopment of that property might require us to do so.

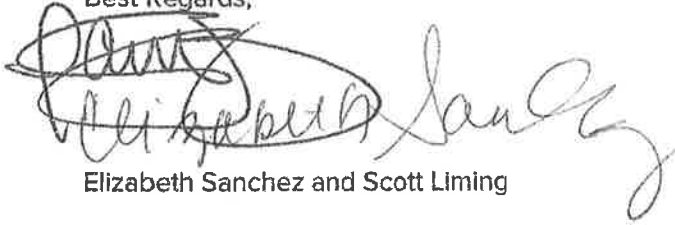
During our meeting, we received some very alarming news that we want to share with you as it could greatly impact our ability to develop the property to its full potential. On December 11th, the MPWMD Board of Directors will be meeting to vote on some proposed changes to the existing rules pertaining to water rights. One of the proposals going to vote is a motion to change the non-residential water use category of restaurants, bars, and brewpubs from Group III to Group II. If this proposal passes, it will greatly impact the water rights attached to your property. Currently, the front commercial unit is classified as a 49 seat bar in the eyes of MPWMD. This classification assigns 0.02 acre feet of water for each interior seat for a grand total of .98 acre feet. Under the new designation, the unit would only receive .0002 acre feet per square foot of interior space (945 sq. ft.) for a grand total of .189 acre feet. This substantial loss of .791 acre feet equates to an 80.7% reduction in water rights. In terms of plumbing fixtures, this loss equates to a 79.1 fixture unit basis point reduction.

The ramifications of this from a developer standpoint are monumental. A major build to maximize land use would basically be ruled out for lack of necessary water rights, and even the most minimal redevelopment we can envision would require us to greatly reduce the size of the front commercial unit to counter-balance the non-residential water credits we would have to use for residential purposes. This reduction in size of the commercial unit decreases the amount of income potentially generated by the unit, thereby decreasing the resale value of the property.

Although there is no guarantee that the motion will pass, the overwhelming impression that we received during our meeting was that it will pass. It seems as if MPWMD now realizes that it was much too generous in their past allocations of water for certain non-residential uses, and is now trying to reign in that mistake. In previous discussions with other builders and industry professionals in the area, the monetary value of water credits in regard to enhancement of property value is roughly \$50,000 per .25 acre feet of excess credit. Based on this, we would be losing approximately \$158,000 in water value if the motion passes. Because of this, we are opting to wait until after the December 11th meeting to make a final determination on the acquisition of 554 Lighthouse at the agreed price.

We apologize for any inconvenience this decision may cause, as we are aware that you are eager to close escrow immediately. But, we hope that you can be understanding of the fact that as developers, we must be ever-mindful of the bottom line. This is our business about which we are very passionate, and details like this can make or break our business. Thank you in advance for your patience while we continue to monitor this very important situation.

Best Regards,

Handwritten signatures of Elizabeth Sanchez and Scott Liming. The signature for Elizabeth Sanchez is on the left, and the signature for Scott Liming is on the right. Both are written in cursive.

Elizabeth Sanchez and Scott Liming