



145 South State College Boulevard, Brea, California 92821

February 14, 2011

Ms. Marissa Espino
Senior Community Relations Specialist
Orange County Transportation Authority
PO Box 14184
Orange, CA 92863

Dear Ms. Espino:

We are writing regarding a form letter we recently received from the Orange County Transportation Authority (OCTA) asking if Pacific Coast Homes (PCH) would like to participate in the M2 Freeway Mitigation program.

We had a number of conversations on this topic with OCTA staff in 2010 and again this year regarding our 510-acre West Coyote Hills (WCH) property and how it relates to the M2 mitigation program. Based on these conversations, and the fact we have spent about 11 years planning WCH as a balanced new community that includes the preservation of 55 percent of the property, we have again concluded that WCH is not a good candidate for the M2 mitigation program. We would like to express our sincere appreciation to you and your staff for taking the time to answer all of our questions, and are reiterating our conclusions in this letter.

Reasons why PCH determined WCH is not a good candidate for the M2 mitigation program, from our meetings with OCTA staff in 2010:

- We were told that habitat connectivity is a primary objective of the M2 mitigation program. WCH lacks wildlife connectivity with other habitat preserves, and is identified as a “habitat island” in the project’s Environmental Impact Report, as there are no existing wildlife movement corridors between it and other native habitat areas (e.g. Puente Hills or Chino Hills).
- OCTA shared with us the funding limitations imposed on the M2 mitigation program as a result of sales tax revenue being less than originally anticipated. This has resulted in the mitigation program lacking sufficient funds to purchase WCH, especially considering that numerous more worthy projects are competing for funding throughout Orange County.

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- We were told it is not clear whether OCTA was in a position to offer a guarantee of indemnification to PCH. Acquisition would have to include a satisfactory indemnification from any future liability from future public use of the land.
- Based on our conversations with OCTA staff, it did not appear that public access was a priority for the program. We made a pledge to Fullerton residents that after City Council approval of our proposed project for WCH we would open the property for public enjoyment through miles of trails, vista parks and a nature center. We are not prepared to go back on the pledges we have made to the community.

These points were summarized in a letter we sent to OCTA in March 2010 (enclosed). The letter also requested that OCTA contact us if additional information became available that might change the basis for concluding that WCH is not a good candidate for the M2 mitigation program. No such information was received.

Reasons why PCH determined WCH is not a good candidate for the M2 mitigation program, from our conversations with staff in 2011:

- We were informed that the goal of the M2 mitigation program is to secure habitat credit to offset impacts from freeway construction. Purchasing WCH would not provide such credits, or would provide limited credits, because 55 percent of the site has already been pledged for conservation. The land identified for preservation represents the highest quality habitat on the property and will be managed through an endowment funded by Pacific Coast Homes.

The U.S. Fish and Wildlife Service concluded that this preserve will result in sufficient habitat for the protection of the California gnatcatcher, a protected species on the site. Furthermore, the areas of the property not already preserved under our plan consist primarily of non-native and disturbed habitat that has been impacted through decades of oil production. Restoration costs would create another barrier to a purchase of the site by OCTA.

- We were told that a significant portion of the \$42 million currently available through the M2 mitigation program is already subject to negotiations to purchase other properties. These properties are primarily near existing nature preserves and would provide for wildlife connectivity and do not have liability issues similar to those associated with WCH (which was an operating oil field for several decades).
- We were told that M2 funds will be used for property management and long-term maintenance, in addition to acquisition. As a result, we came to understand that claims by

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some groups that the entire \$42 million currently available can be used for acquisition are not accurate.

- We were informed that the next allocation will be for only \$14 to \$15 million, and won't be available until 2014 or 2015. This furthered concerns about the unavailability of sufficient funds for the purchase of WCH.

Please let us know if you have any questions regarding the contents of this letter, and again, if there is any information we are not aware of that would cause us to reconsider our position, please forward it to us.

Sincerely,



Jim Pugliese
Project Manager
Pacific Coast Homes

Enclosure: March 22, 2010 Pacific Coast Homes letter to OCTA

cc: Fullerton City Council
Joe Felz, Fullerton City Manager
Open Coyote Hills Advisory Board