



PEBBLE BEACH  
COMPANY

December 14, 2009

Peter Douglas  
Executive Director  
California Coastal Commission  
45 Fremont St.  
Suite 2000  
San Francisco, CA 94105

Re: Compromise Del Monte Forest LCP Amendment/Project

Dear Peter:

We appreciate all the time and effort you and your staff have put into our joint discussions concerning a compromise Local Coastal Program (LCP) amendment and project in the Del Monte Forest -- one that both the Pebble Beach Company ("Company") and Coastal Commission staff ("Staff") can support together. This letter sets forth the agreement in principle we have reached. With respect to the Coastal Commission, it is understood by both parties that this agreement is binding only on Staff and not the Commission, which must make its decision on any proposed compromise LCP amendment and the compromise project and related coastal permit matters (as applicable) pursuant to its legal obligations and after public hearing(s).

1. **Compromise LCP Amendment/Project.** The Company and Staff agree to continue to work together, and in conjunction with Monterey County, to develop a new proposed amendment of the Monterey County LCP's Del Monte Forest (DMF) Land Use and Implementation Plans to implement the measures and allow for the compromise project as outlined herein. Specifically, the Company and Staff agree and will mutually support, in all related dealings with Monterey County, the Coastal Commission, and other parties, a compromise LCP amendment and project that together account and provide for the following:

- ◆ Creation of ninety (90) single-family low-density residential lots, or fewer at the Company's discretion, concentrated in the DMF areas shown on Exhibit 1, and in the general lot configuration shown on Exhibits 2 - 10. Future development on the new lots shall meet all relevant LCP requirements, including setbacks/buffers, except as otherwise specifically set forth in Exhibit 11.
- ◆ A new 100 room (or smaller at the Company's discretion) standard operation (i.e., not a time-share or private ownership or equivalent structure) hotel (and other directly associated components such as restaurants, meeting rooms, spa facilities and parking)

within the area identified as developable for such a hotel facility at the old Spyglass Quarry site as generally shown on Exhibits 12 and 13. In the alternative, creation of ten (10) single-family low-density residential lots, or fewer at the Company's discretion, in the general lot configuration shown on Exhibit 14. Future development of the hotel, or residences and related development on the new lots and access to them, shall meet all relevant LCP requirements, including setbacks/buffers, except as otherwise specifically set forth in Exhibit 11.

- ◆ Hotel, resort, and other improvements associated with The Lodge at Pebble Beach and areas adjacent as generally shown on Exhibits 15 – 22, including up to 80 newly constructed hotel rooms, renovated and expanded meeting facilities, additional parking, and other improvements. All such development shall meet all relevant LCP requirements, including setbacks/buffers, except as otherwise specifically set forth in Exhibit 11.
- ◆ Hotel, resort, other improvements, and restoration associated with The Inn at Spanish Bay and areas adjacent as generally shown on Exhibits 23 – 27, including up to 60 additional hotel rooms, renovated and expanded meeting facilities, additional parking, and other improvements. Parking development as shown on Exhibit 27 shall include concurrent elimination of parking along Congress Road between 17-Mile Drive and Forest Lodge Road and restoration of all such roadside area as native Monterey pine forest habitat. All such development shall meet all relevant LCP requirements, including setbacks/buffers, except as otherwise specifically set forth in Exhibit 11.
- ◆ Redevelopment of the equestrian center, special event staging area, and Pebble Beach driving range (relocating it from its current location to Collins Field adjacent to the equestrian center) in the locations generally shown on Exhibit 28. All such development shall meet all relevant LCP requirements, including setbacks/buffers, except as otherwise specifically set forth in Exhibit 11.
- ◆ Measures necessary to allow removal of the LCP's B-8 zoning overlay and to accommodate the compromise project with respect to traffic and circulation that are consistent with the LCP. Such traffic and circulation measures shall include: (a) all relevant traffic and circulation elements that are associated with the Company's prior Preservation and Development Plan (PDP) project; (b) all relevant prior PDP traffic and circulation CEQA mitigations; and (c) all additional traffic and circulation modifications necessary to adequately address traffic and circulation issues associated with the compromise LCP amendment/project.
- ◆ Measures necessary to allow removal of the LCP's B-8 zoning overlay and to accommodate the compromise project with respect to water supply that are consistent with the LCP. Such water supply measures shall include: (a) all measures necessary to assure no net increase in water demand from Cal-Am sources (i.e., the Carmel River, the Seaside Basin, etc.), with the exception of the use of the remaining available water entitlement from the original 365 acre-feet-per year water entitlement granted to the Company pursuant to its fiscal sponsorship agreement with MPWMD, dated October 3, 1989, consistent with applicable law for such use; (b) all relevant water supply

enhancement elements that are associated with the prior PDP project; (c) all relevant prior PDP water supply CEQA mitigations; and (d) all additional water supply modifications necessary to assure adequate water supply for the compromise LCP amendment/project.

- ◆ Measures necessary to allow removal of the LCP's B-8 zoning overlay and to accommodate the compromise project with respect to sewage treatment capacity that are consistent with the LCP. Such sewage treatment capacity measures shall include: (a) all measures necessary to assure compliance with Regional Water Quality Control Board sewage treatment capacity requirements; (b) all relevant sewage treatment capacity elements that are associated with the prior PDP project; (c) all relevant prior PDP sewage treatment capacity CEQA mitigations; and (d) all sewage treatment capacity modifications necessary to assure sewage is adequately addressed for the compromise LCP amendment/project.
- ◆ Amendments to LUP Table A and related LCP text, including with respect to maximum build-out in DMF and its planning areas, necessary to update the LCP with respect to current conditions and to assure consistency of the compromise project with the LCP as amended.
- ◆ Redesignation/rezoning, as applicable, of the preservation areas generally identified on Exhibits 4-8, 10, 12, and 29 – 36 to Open Space Shoreline/Forest and Resource Conservation, dedication of permanent open space/conservation easements to the Del Monte Forest Foundation covering such preservation areas, and implementation measures necessary to ensure adequate protection and management of such preservation/easement areas as protected habitat areas in perpetuity.
- ◆ Other minor improvements and infrastructure needed to accommodate the compromise project (e.g., utility extensions, directional signs, etc.).
- ◆ Measures necessary to address relevant Monterey County affordable housing requirements.
- ◆ In full satisfaction of any requirement to provide affordable visitor-serving hotel rooms or other such facilities triggered by the compromise project, the Company shall pay a one-time fee not to exceed \$1 million to an organization acceptable to the Commission's Executive Director to provide for lower-cost over-night visitor-serving accommodations in the coastal zone.
- ◆ Measures necessary to update the LCP with respect to public recreational access in DMF including but not limited to:
  - Designation of the existing DMF trail system as a whole, including hiking and shoreline trails, as components of the California Coastal Trail (CCT).
  - Identification of necessary and feasible improvements to the designated CCT and

other DMF public recreational access amenities (including existing shoreline access points) to provide for optimum vehicular, pedestrian, bicycle, and equestrian access to and along the shoreline, and as close to the sea as possible, taking into account the need to balance such access with existing resort and recreational facilities, private property, and public safety, and the need to avoid interfering with existing resort operations and golf course play.


- Development of the improvements identified in the previous bullet in conjunction with the compromise project.
  - Identification of existing public recreational access and use parameters for DMF as a whole (i.e., DMF access gates, fees, hours, etc.), for different types of access features (i.e., CCT, shoreline access points, etc.), for specific access features (i.e., for individual access points, trail segments, etc.), and for different user types (i.e., cars, pedestrians, bicyclists, equestrians, etc.), and implementation measures for such parameters (e.g., updated signs, gate handouts, etc.).
  - Updating, as necessary, temporary event and related public recreational access restrictions (e.g., intermittent public recreational access closures related to events for DMF and specific locations).
  - Updating LUP shoreline access and recreation text and figures to reflect shoreline access and recreation features as developed.
  - Memorializing the Company's continuing commitment to manage and maintain all DMF public recreational access features over their lifetime consistent with the LCP.
- ◆ Amendments to related coastal permits as may be necessary to accommodate the compromise LCP amendment/project (e.g., coastal permits for Spanish Bay, Lodge area, etc.).
  - ◆ Miscellaneous amendments to the LCP as may be identified by Staff and Monterey County to assure internal consistency of the LCP as amended.
2. **Extension of Tolling Agreement.** Staff will recommend to the Coastal Commission that the Tolling Agreement be extended until such time as the Coastal Commission has certified the compromise LCP amendment and all statutes of limitation on legal challenges to such certification have expired.
3. **Administrative Process for Compromise LCP Amendment/Project.** Staff and the Company will meet with Monterey County to discuss and agree upon the necessary administrative process to obtain compromise LCP amendment certification and compromise project coastal development permit approval.

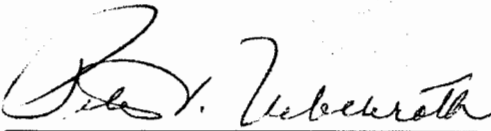
4. **Technical Support.** In addition to supporting the compromise LCP amendment/project, Staff and the Company agree to provide mutual technical assistance as may be appropriate and feasible in processing the compromise LCP amendment and associated coastal development permits and other regulatory approvals.

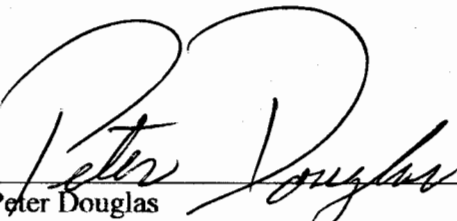

If you agree that this letter accurately sets forth the principal terms of our agreement, please sign below and return one fully signed original of the letter to our attention.

Sincerely,

Pebble Beach Company

By:   
William L. Perocchi  
Chief Executive Officer

By:   
Peter Ueberroth  
Co-Chairman

Agreed:   
By:  Date: 12/15/09  
Peter Douglas  
Executive Director, California Coastal Commission