

Exhibit 7

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8 **Attorneys for CITY OF SEASIDE**

9 **CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**

10 **IN THE MATTER OF WHETHER THE**
11 **DRAFT CEASE AND DESIST ORDER**
12 **CONCERNING CALIFORNIA AMERICAN**
13 **WATER'S DIVERSION FROM THE CARMEL**
14 **RIVER SHOULD BE ISSUED**

DECLARATION OF DAVID ZEHNDER
IN SUPPORT OF PROPOSED
MODIFICATIONS TO THE DRAFT
CEASE AND DESIST ORDER

15
16 I, David Zehnder declare as follows:

17 1. I am a Managing Principal at Economic & Planning Systems, Inc. ("EPS"), a land
18 use economics consulting firm. I have worked at EPS for sixteen years. My academic credentials
19 include a Dual Bachelor of Arts in Economics and Geography from San Francisco State University
20 and a Master of City Planning from the University of California Berkeley. My areas of expertise
21 include public finance and redevelopment, infill and Brownfield reuse, and resource economics.
22 Additionally, I maintain a professional association with the Urban Land Institute and the California
23 Association of Local Economic Development. I remain engaged in the field of local land use
24 planning and economic evaluation, and have published articles in academic and industry
25 publications in that field. My curriculum vitae, attached as Seaside Exhibit "8," further describes
26 my expertise and qualifications to provide the testimony herein.
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1 2. The opinions stated herein and in the memorandum attached hereto as Seaside
2 Exhibit "9," are based upon my professional experience and knowledge, and the research, analysis,
3 and economic calculations performed by me with assistance from others in our office.

4 3. I was retained by Brownstein Hyatt Farber Schreck, LLP on behalf of the City of
5 Seaside ("City") to perform an analysis of the potential economic impacts to the City ("Impact
6 Analysis") stemming from a possible moratorium on new or expanded water service connections
7 within that portion of the City served by California American Water ("Cal-Am") should a cease and
8 desist order ("CDO") be issued in this hearing that contains the same mandatory reductions for Cal
9 Am's diversions from the Carmel River as set forth in the draft CDO issued on January 15, 2008.
10 The Impact Analysis assumes that such mandatory reductions would necessitate the adoption of a
11 moratorium on new or expanded water service connections within Cal Am's service area, which in
12 turn, would result in a delay or absence of real property development in the City over a 7-year
13 period (2009 through 2016).¹ The memorandum setting forth the Impact Analysis is attached as
14 Seaside Exhibit "9" and is incorporated herein by reference.

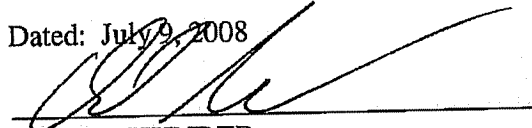
15 4. The Impact Analysis evaluated the potential land use, fiscal, and economic impacts
16 to the City from such a moratorium, including impacts to anticipated tax revenue and job growth.
17 Our findings are based on three categories of development: 1) Approved Projects, which have the
18 highest likelihood of being constructed but are delayed as a result of a moratorium on any new
19 service connections; 2) Pending and Future Reuse Projects, which are in various stages of
20 development approval that may be impacted by the CDO; and 3) the West Broadway Specific Plan,
21 which is currently undergoing the development entitlement process that may be impacted by the
22 CDO. The fiscal and economic impacts shown in this analysis may not be fully realized until the
23 end of the 7-year study period. We also acknowledge that some or all of the projects identified in
24 this analysis may not develop because of other constraints including market, financial,
25 infrastructure, environmental, and community opposition. The procedure that we employed and our
26 findings are described in greater detail in the Impact Analysis.

27 ¹ Based on information provided by Brownstein Hyatt Farber Schreck, LLP, this analysis assumes that the Coastal Water Project, a
28 solution to the CDO, will be fully operational by 2015. The study period for this analysis assumes an additional year to account for
any delays in completion of the project.

1 5. In summary, we determined that if the subject infill development were delayed
2 because of the imposition of a moratorium on new water service connections by Cal Am, the City
3 would forgo approximately \$2.7 million in anticipated annual General Fund revenues. Moreover,
4 approximately 900 new long-term anticipated jobs and approximately 1,620 new one-time
5 anticipated jobs associated with construction would not be created. A delay in the subject infill
6 development would also result in other land use impacts to the City, including failure to satisfy the
7 state-imposed housing element, failure to achieve targeted new affordable housing units, and failure
8 to achieve redevelopment goals set forth in the City's General Plan to revitalize the economic,
9 social, cultural, and recreational attributes of the City's downtown corridor.

10 I declare under a penalty of perjury under the laws of the State of California that the
11 forgoing is true and correct, and that this declaration is executed this 9th day of July, 2008 at
12 Sacramento, California.

Dated: July 9, 2008



DAVID ZEHNDER

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