

EXHIBIT 3

WALLACE RANCH PRELIMINARY PLAT APPLICATION

EXPLANATION OF WATER AVAILABILITY

1. **Introduction.** Wallace Ranch is a clustered residential development of approximately 58 lots within 6-8 phases on 1163.7 acres located six miles downriver (southeast) of Cle Elum, outside of any of existing public water system service area. The project will cluster the residential lots and most amenities into three concentrated areas that will be served by one or more new public water systems. Drinking water supply for each of the clusters, described below, will be supplied by new wells meeting Group B or Group A water system standards, to be approved by Washington State Department of Health, Office of Drinking Water (DOH-ODW). Mitigation for impacts to senior surface water rights will be obtained from existing Kittitas County water banks or by transfer of the Applicant's existing adjudicated surface water rights (described below) to the Trust Water Program. Legal and physical water availability will be demonstrated prior to final plat approval, consistent with state law and Kittitas County's Comprehensive Plan and Development Regulations.

2. **Description of Residential Clusters and Water Systems.**

A. **North A Lots.** The preliminary plat proposes 28 contiguous residential lots ranging in size from 2.5 to 5.0 acres and one community tract of 5 acres. These lots and community tract would be served from a new Group A water system using ground water. The well(s) will be approved for a public water system prior to final plat approval. New groundwater rights and mitigation options are explained below.

B. **South A Lots.** The preliminary plat proposes 10 residential lots ranging in size from 2.5 to 5 acres. These lots would be served from a new Group B water system (with satellite management by the new Group A water system) using ground water. The well(s) will be approved for a public water system prior to final plat approval. New groundwater rights and mitigation options are explained below.

C. **Riverside B Lots.** The preliminary plat proposes 18 contiguous residential lots ranging in size from 2.14 to 4.52 acres. These lots would be served from a new Group A water system using ground water. The well(s) will be approved for a public water system prior to final plat approval. New groundwater rights and mitigation options are explained below.

D. **Homestead Lot.** The preliminary plat proposes to include the homestead and associated out buildings within one 10 acre lot. This lot will be served by the existing well and water system.

3. Group A Water System Application. The developer has contracted with Aspect Consulting and Encompass Engineering & Surveying to design the water systems for the three lot clusters and obtain approval from DOH-ODW for either one Group A water system to operate all three systems or two Group A water systems and one Group B water system as needed to serve the individual lot clusters. A meeting will be scheduled with DOH-ODW’s Spokane Office will be scheduled. It is anticipated that final approval of the water systems by DOH-ODW would occur prior to or concurrent with final plat approval.

4. Water Right Application and Mitigation Options. The use of over 5,000 gallons per day of groundwater for municipal or community domestic purposes requires an application to and a permit issued by the Department of Ecology (Ecology). A total of 55 lots using an average of 250 gallons per day exceeds this limit, requiring a water right permit. Ecology adopted a rule for managing groundwater resources in Upper Kittitas County, effective January 22, 2011. (Chapter 173-539A WAC). This “Upper Kittitas County Groundwater Rule” allows new uses of groundwater if they are “water budget neutral.” Ecology’s rule defines “water budget neutral” as an appropriation or project where withdrawals of public groundwater are exchanged for other water rights into the trust water right program that are at least equivalent to the amount of consumptive use, according to the Kittitas groundwater rule. WAC 173-539A-030. The developer and landowner, Wallace Ranch II LLC, owns several adjudicated water rights for the subject property that are appropriate for offsetting the new consumptive use of groundwater (resulting in a water budget neutral appropriation for the proposed development). An application to place a portion of the developer’s water rights into the Trust Water Program can be processed by Ecology simultaneously with the new groundwater application and may be eligible for expedited processing under WAC 173-539A-060 and Water Resources Program Procedures PRO-1000, Chapter One. Alternatively, the project area is located inside the approved mitigation benefit area of several Kittitas County water banks, meaning that approved mitigation can be purchased by the developer to provide for a water budget neutral appropriation of water for the Wallace Ranch public water system.

The preliminary water budget for this project, based on standard assumptions in the Upper Kittitas Groundwater Rule, is as follows:

<u>Cluster</u>	<u>Lots</u>	<u>Acre-feet/year</u>	<u>Acre-feet consumptive use</u>
North A Lots	28	8.90	3.02
South A Lots	10	3.30	1.12
Riverside B Lots	18	5.93	2.01
Amenities		5.96	4.07
20% Contingency		4.82	2.04
Total		28.91	12.27

Conservatively assuming a 36-inch annual crop requirement, in order to achieve an offset of 12.27 acre-feet/year of consumptive use, Wallace Ranch would need to fallow at least 4.09 acres of currently irrigated land in the area of the Riverside B Lots. The projected fallowing of land for these lots is expected to be considerably greater than 4.09 acres.

5. Wallace Ranch Water Rights. Water rights A and B described below are senior, non-proratable rights with 1884 and 1894 priority dates that authorize diversions from the Yakima River for irrigation of land located in and around the Riverside B Lot cluster along the Yakima River. These lands will be partially fallowed to make room for residential development. Saved water rights will be transferred to the Washington Trust Water Program and may be used as mitigation for the new groundwater rights. The remaining adjudicated water rights are for ranch activities and related residential uses on the Northeast side of State Route 10 and are expected to remain in beneficial use for the foreseeable future for continuation of those uses in association with the development, including amenities such as equestrian facilities, fishing pond, and other ranch-style community uses.

A. S4-83897-J. May 24, 1884 priority date for 3.35 cfs*, 673.06 acre-feet/year for irrigation of 92.2 acres in Section 11 from April 15 to October 1.

B. S4-83912-J. September 24, 1894 priority date for 3.35 cfs*, 279.6 acre-feet/year for irrigation of 39.2 acres in Section 14 from April 15 to October 1. Note: the instantaneous quantity under both these water rights is limited to no more than 3.5 cfs combined. A portion of this water right is already in the Trust Water Program (CS4-02267sb4a) for 1.35 cfs and 428.06 acre-feet/year.

C. S4-83900-J. May 24, 1884 priority date for 0.16 cfs, 39 acre-feet/year from Hart Creek for irrigation of 10 acres in Section 11. Fifty percent of this water right is already in the Trust Water Program (CS4-02267sb4C@1) until April 1, 2020.

D. S4-83899-J. May 24, 1884 priority date for 0.0167 cfs, 6.6 acre-feet/year from an unnamed spring for irrigation of 3.5 acres in Section 11.

E. S4-83898-J. September 25, 1894 priority date for 0.01 cfs, 1 acre-foot/year from an unnamed spring for in-house domestic supply.

