



# CITY OF MORRO BAY CITY COUNCIL AGENDA

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*The City of Morro Bay provides essential public services and infrastructure to maintain a safe, clean and healthy place for residents and visitors to live, work and play.*

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## Regular Meeting Tuesday, April 27, 2021 – 5:30 P.M. Held Via Teleconference

ESTABLISH QUORUM AND CALL TO ORDER  
MOMENT OF SILENCE  
PLEDGE OF ALLEGIANCE  
RECOGNITION  
CLOSED SESSION REPORT  
MAYOR & COUNCILMEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS  
CITY MANAGER REPORTS, ANNOUNCEMENTS AND PRESENTATIONS  
PRESENTATIONS

- Assistance with Utilities Presentation by CPUC Local Government Liaison Christopher Moore
- Recreation Program Update by Kirk Carmichael

### PUBLIC COMMENT

*Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, this Meeting will be conducted telephonically through Zoom and broadcast live on Cable Channel 20 and streamed on the City website (click [here](#) to view). Please be advised that pursuant to the Executive Order, and to ensure the health and safety of the public by limiting human contact that could spread the COVID-19 virus, the Veterans' Hall will not be open for the meeting.*

### Public Participation:

*In order to prevent and mitigate the effects of the COVID-19 pandemic, and limit potential spread within the City of Morro Bay, in accordance with Executive Order N-29-20, the City will not make available a physical location from which members of the public may observe the meeting and offer public comment. Remote public participation is allowed in the following ways:*

- *Community members are encouraged to submit agenda correspondence in advance of the meeting via email to the City Council at [council@morrobayca.gov](mailto:council@morrobayca.gov) prior to the meeting and will be published on the City website with a final update one hour prior to the meeting start time. Agenda correspondence received less than an hour before the meeting start time may not be posted until after the meeting.*
- *Members of the public may watch the meeting either on cable Channel 20 or as streamed on the City [website](#).*
- *Alternatively, members of the public may watch the meeting and speak during general Public Comment or on a specific agenda item by logging in to the Zoom webinar using the information provided below. Please use the "raise hand" feature to indicate your desire to provide public comment. Each speaker will be allowed three minutes to provide input.*

Please click the link below to join the webinar:

- <https://us02web.zoom.us/j/82722747698?pwd=aWZpTzcwTHlRTk9xaTlmWVNW/RWFUQT09>  
Password: 135692
- Or Telephone Attendee: 1 (408) 638-0968 or 1 (669) 900 6833 or 1 (346) 248 7799;  
Webinar ID: 827 2274 7698; Password: 135692; Press \*9 to "Raise Hand" for  
Public Comment

#### A. CONSENT AGENDA

Unless an item is pulled for separate action by the City Council, the following actions are approved without discussion. The public will also be provided an opportunity to comment on consent agenda items.

- A-1 PROGRESS CHECK #2 FOR TLC FAMILY ENTERPRISES' REDEVELOPMENT PROJECT OF LEASE SITE 87-88/87W-88W, LOCATED AT 833 EMBARCADERO ROAD; (HARBOR DEPARTMENT)

**RECOMMENDATION: Progress Check #2 for TLC Family Enterprises' Redevelopment Project of Lease Site 87-88/87W-88W, Located at 833 Embarcadero Road**

- A-2 AUTHORIZATION TO ACCEPT, IF AWARDED, STAFFING FOR ADEQUATE FIRE AND EMERGENCY RESPONSE (SAFER) GRANT, TO FUND FOUR LIMITED TERM FIREFIGHTERS FOR THE MBFD, WITH NO MATCHING FUNDS REQUIRED FROM THE CITY; (FIRE DEPARTMENT)

**RECOMMENDATION: Authorization for the Fire Department to accept, if awarded, a grant from the Department of Homeland Security and Federal Emergency Management Agency for funding under the Staffing for Adequate Fire and Emergency Response (SAFER) Grant for the hiring of up to four limited term firefighters.**

- A-3 ADOPTION OF RESOLUTION NO. 19-21 AUTHORIZING THE CITY MANAGER TO FILE AN APPLICATION AND EXECUTE A GRANT AGREEMENT, IF AWARDED, WITH THE UNITED STATES BUREAU OF RECLAMATION FOR A GRANT OF UP TO \$20 MILLION, PURSUANT TO THE WATER INFRASTRUCTURE IMPROVEMENTS TO THE NATION ACT, FOR THE WATER RECLAMATION FACILITY PROJECT; (PUBLIC WORKS DEPARTMENT/FINANCE DEPARTMENT)

**RECOMMENDATION: Staff recommends City Council adopt Resolution No. 19-21 entitled "A Resolution of the City Council of City of Morro Bay, California, authorizing the City Manager to file an application and execute a grant agreement with the United States Bureau of Reclamation for a grant pursuant to the Water Infrastructure Improvements to the Nation Act (Public Law 114-322), for the Water Reclamation Facility project."**

**Specifically, Resolution No. 19-21 authorizes the following action: 1) Approves the application and authorizes the City Manager to File the Application to the U.S. Bureau of Reclamation (Reclamation) for a Title XVI Grant under the Water Infrastructure Improvements to the Nation Act; 2) Authorizes the City Manager to negotiate and sign the Grant Agreement and related documents; 3) Represents that the City has sufficient funds of its own in addition to the Grant.**

- A-4 APPROVAL OF SECOND AGREEMENT BETWEEN THE SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY (“IWMA”), THE CAYUCOS SANITARY DISTRICT (“CSD”) AND THE CITY OF MORRO BAY (“CITY”) FOR THE OPERATION OF A HOUSEHOLD HAZARDOUS WASTE COLLECTION FACILITY AT 170 ATASCADERO ROAD; (CITY MANAGER)

**RECOMMENDATION:** Staff recommends the Council approve and authorize the City Manager to execute the Second Agreement between the San Luis Obispo County Integrated Waste Management Authority (“IWMA”), the Cayucos Sanitary District (“CSD”) and the City of Morro Bay for the continued operation of a household hazardous waste collection facility at 170 Atascadero Road through August 5, 2022.

B. PUBLIC HEARINGS

- B-1 PUBLIC HEARING FOR CONSIDERATION OF PLAN MORRO BAY: GENERAL PLAN / LOCAL COASTAL PROGRAM UPDATE AND THE FINAL ENVIRONMENTAL IMPACT REPORT AND RELATED DOCUMENTS AND TO PROVIDE DIRECTION, AS DEEMED APPROPRIATE; (COMMUNITY DEVELOPMENT)

**RECOMMENDATION:** Staff recommends the Council hold a public hearing to review and consider the favorable recommendation by Planning Commission for approval of Plan Morro Bay: General Plan/ Local Coastal Program Update, and certification of the Final Environmental Impact Report with Findings of Fact, a Statement of Overriding Considerations and Mitigation Monitoring and Reporting Program.

C. BUSINESS ITEMS

- C-1 PUBLIC MEETING TO RECEIVE PUBLIC TESTIMONY ON (RE)FORMATION OF THE MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT AND LEVY OF ASSESSMENTS; (CITY MANAGER)

**RECOMMENDATION:** *Receive public testimony from members of the public, on the proposed (re)formation of the Morro Bay Tourism Business Improvement District (MBTBID) and the potential levying of assessments, pursuant to the Property and Business Improvement District Law of 1994.*

**NOTE:** The City Council does not take any action at this public meeting. Holding this public meeting is a required *statutory* element of the MBTBID (re)formation process, and this public meeting is not a statutory public hearing.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

E. ADJOURNMENT

The next Regular Meeting will be held on **Tuesday, May 11, 2021 at 5:30 p.m.** via teleconference.

THIS AGENDA IS SUBJECT TO AMENDMENT UP TO 72 HOURS PRIOR TO THE DATE AND TIME SET FOR THE MEETING. PLEASE REFER TO THE AGENDA POSTED AT CITY HALL FOR ANY REVISIONS OR CALL THE CLERK’S OFFICE AT 805-772-6205 FOR FURTHER INFORMATION.

MATERIALS RELATED TO AN ITEM ON THIS AGENDA SUBMITTED TO THE CITY COUNCIL AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC INSPECTION UPON REQUEST BY CALLING THE CITY CLERK’S OFFICE AT 805-772-6205.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN A CITY MEETING, PLEASE CONTACT THE CITY CLERK’S OFFICE AT LEAST 24 HOURS PRIOR TO THE MEETING TO INSURE REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.

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AGENDA NO: A-1  
MEETING DATE: April 27, 2021

# Staff Report

**TO:** Honorable Mayor and City Council **DATE:** April 21, 2021  
**FROM:** Eric Endersby, Harbor Director  
**SUBJECT:** Progress Check #2 for TLC Family Enterprises' Redevelopment Project of Lease Site 87-88/87W-88W, Located at 833 Embarcadero Road

## RECOMMENDATION

Staff recommends to receive and file the Progress Check #2 for TLC Family Enterprises' Redevelopment Project of Lease Site 87-88/87W-88W, Located at 833 Embarcadero Road.

## FISCAL IMPACT

There is no fiscal impact associated with this report.

## BACKGROUND

On December 11, 2018, the City Council approved a new 50-year master lease agreement with TLC Family Enterprises (TLC) in exchange for a complete redevelopment of Lease Site 87-88/87W-88W. TLC's redevelopment proposal was vetted through a request for proposals process in 2017/2018.

The lease contains certain "milestones" or timeline performance requirements TLC must meet to remain in compliance with their lease. TLC has met all of their pertinent milestones, which were amended this past January to account for the negative effects of the COVID-19 pandemic.

On August 11, 2020, in closed session the City Council requested TLC to provide the City with written project progress checks approximately every three months. This is the second of those checks, with the first one having been presented at the January 12, 2021 City Council meeting as part of agenda item A-6.

## DISCUSSION

TLC has submitted for their building plan permits and is currently in plan check. Community Development reports their staff are working through various plan comments with TLC's design team in the normal plan check review process.

Although they are making good progress since submitting their building permit plans late in December 2020, due to some factors not entirely within their control, TLC is unlikely to meet their May 11, 2021 building permit attainment milestone. Staff are, however, confident they will attain their permits in a timely fashion and be ready to commence construction by November 1, 2021, their next key milestone.

TLC's second written project progress check report is included with this staff report in Attachment #1. Their first report is included in Attachment #2 for reference.

Prepared By: EE Dept Review: EE  
City Manager Review: SC City Attorney Review: CFN

**CONCLUSION**

Staff recommends Council receive and file the Progress Check #2 for TLC Family Enterprises' Redevelopment Project of Lease Site 87-88/87W-88W, Located at 833 Embarcadero Road report.

**ATTACHMENTS**

1. TLC Family Enterprise's April 2021 Lease Site Redevelopment Progress Check #2
2. TLC Family Enterprise's December 2020 Lease Site Redevelopment Progress Check #1

## **T.L.C. Family Enterprises Inc.**

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Project Update 4/21/2021

TLC is moving forward with 833 Embarcadero Project.

- Completing requested documents from financial institutions
- Finalizing construction bids and solidifying subcontractors
- Updating business plans
- Significant increase in financial contributions towards our project
- Creating vision boards for hotel room design
- Finalized case good purchases for hotel rooms
- Choosing specific lighting fixtures and art for hotel rooms
- Researching OTA's, POS, Keyless Entry and automation systems
- Purchased multiple websites for HarborWalk Plaza, HarborWalk Inn and subtenants
- Continuing and ramping up marketing on social media to create interest on prospective opening

Please contact us if anymore information is desired. Travis and I are excited about the future and it is looking bright for Morro Bay. We are eager to break ground on this development and see our hard work come to fruition.

Thank you for your time,

Cherise Hansson & Travis Leage

Under the Sea Gallery Lease Site  
87/88, 87W/88W  
833 Embarcadero Rd

**TLC Family Enterprises Update**

- i. Status and details of TENANT'S financing to begin and complete the Project.

- Community West bank letter of interest continues to be in good standing and moving forward with the loan process. We are in the vetting process with two additional banks and they have expressed interest in our project as well and have requested further information.
- Under the Sea Galleries cumulatively are out performing pre-pandemic totals.
- TLC no longer needs to leverage a previously stated investment or cash-in any assets to meet bank requirements for loan.
- Over \$300K spent in soft costs to date.

- ii. Status of TENANT'S meeting the deadlines as stipulated in this section.

- TLC met all goals pre-covid according to original timeline. An extension was granted for building permit submittal and construction date.
- We submitted for building permits Dec. 2020

- iii. TENANT'S efforts and activities to date in advertising, marketing and soliciting subtenants for the completed Project.

Soliciting subtenants

- Projected leasees are well-informed of new timeline and remain interested.
- Lease spaces have numerous interested businesses.
- Rentable spaces are designed pandemic-resistant with low overhead, fast-casual, take-out friendly, ability for outside dining and are in a desirable location. (Many full service restaurants are wanting to transition into these style storefronts. The successful mobile take-out service businesses are also very interested in upgrading to the fast-casual brick-and-mortar sites.) We will begin signing leases 1-2 months before breaking ground and will provide updates at that time if further marketing for rentable spaces is needed.

Development marketing

- Currently TLC is gaining knowledge on marketing strategies for the building as a whole and the hotel.
- We have had multiple articles written on the project and educate individuals on a daily basis in regards to the sites future revitalization.
- Social media is used to inform public with milestones met and will be updated more frequently as the opening day comes closer, November 2022.
- Hotel website address has been purchased and we will update city council closer to opening day.
- Cherise is a newly appointed board member with the Morro Bay Chamber of Commerce. She is learning new methods to benefit the economy of Morro Bay as a citizen and a business owner.
- Our goals for this preliminary period are to find most effective hotel marketing strategies and gain knowledge on best ways for all the property businesses to respond to and recuperate from a pandemic.

Thank you for your time, Cherise Hansson & Travis Leage



**AGENDA NO: A-2**

**MEETING DATE: April 27, 2021**

# Staff Report

**TO: Honorable Mayor and City Council**

**DATE: April 21, 2021**

**FROM: Matt Vierra, Fire Marshal  
Steven C Knuckles, Fire Chief**

**SUBJECT: Authorization to Accept, if Awarded, Staffing for Adequate Fire and Emergency Response (SAFER) Grant, to Fund Four Limited Term Firefighters for the MBFD, with no Matching Funds Required from the City**

## RECOMMENDATION

Authorization for the Fire Department to accept, if awarded, a grant from the Department of Homeland Security and Federal Emergency Management Agency for funding under the Staffing for Adequate Fire and Emergency Response (SAFER) Grant for the hiring of up to four limited term firefighters.

## FISCAL IMPACT

The Staffing for Adequate Fire and Emergency Response (SAFER) Grant covers 100% of the “fully burdened” salary, i.e., salary, benefits, etc. of a Firefighter position which is \$134,449 annually, or \$537,796 for the four (4) positions annually. Under the Fire Department’s proposal to apply for four (4) positions, the grant request will be for \$1,613,395 for the three-year grant period. If awarded, the Fire department will experience the eligibility for (3) Full Time Equivalency (FTE) for retirement in the (3) years with (2) additional FTE eligible in the (5) years.

## BACKGROUND

Every year multiple grant funding opportunities are made available for Fire Departments around the nation. It is common practice for departments to continually apply for these types of grants to help support firefighter safety through strategic grant seeking and funding. The most well-known grant programs are from the Department of Homeland Security/Federal Emergency Management Agency (DHS/FEMA). The primary goal of the Staffing for Adequate Fire and Emergency Response (SAFER) Grants is to enhance the safety of the public and firefighters with respect to fire-related hazards. This is done by providing direct financial assistance to eligible fire departments, nonaffiliated Emergency Medical Services organizations, and State Fire Training Academies. This funding is for critically needed resources to equip and train emergency personnel to recognized standards, enhance operations efficiencies, foster interoperability, and support community resilience. This year’s SAFER Grant has set the highest priority to assist departments experiencing staffing levels significantly below the ideal staffing level required to comply with federal standards (National Fire Protection Association - NFPA 1710 or 1720).

As recommended to the City of Morro Bay in the Hunt fire standards and fire operational cover report in 2004, Emergency Services Ad-Hoc Committee report in 2005, 2010 strategic plan update, and updated 2015 strategic plan, our community will be best served with (2) 3-person engine companies. This staffing model would create less dependency for off duty personnel to respond from home while

Prepared By:   MV   Dept Review:   SK    
City Manager Review:   SC   City Attorney Review:   CFN

meeting the need to respond to simultaneous medical aids with the ability to contain a structure fire in the building of origin.

The goal of the SAFER grant program is to assist local fire departments with staffing and deployment capabilities to respond to emergencies and ensure that communities have adequate protection from fire and fire-related hazards. Local fire departments accomplish this by improving staffing and deployment capabilities, so they may more effectively and safely respond to emergencies. With enhanced staffing levels, departments should experience a reduction in response times and an increase in the number of trained personnel assembled at the incident scene. The citizens of Morro Bay resonated this sentiment that is outlined in the SAFER Grant goals in the recent voter approval of measure E and well as the past voter approval of measure Q.

Increasing staffing within a fire department is twofold, with the first challenge demonstrating the need for more personnel and the costs involved. The second challenge is training personnel to be able to respond at a competent level and requires an 18-month probation period. During this timeframe, the probational firefighter has 20 calendar planned cycles with a minimum of 200 tasks. These tasks range from operational performance evolutions, tool presentations, training evolutions, hands on testing and written quizzes. The probational firefighter is also evaluated by all 3 shifts every six months. At the end of his/her 18-month probation, the firefighter will be required to pass all manipulative and written examinations with a score of 80% or greater.

## **DISCUSSION**

The NFPA states a fire department for suburban areas should provide (10) firefighters within (5) minutes at 90% of the time for a fire in a single-family residence. Currently our department operates with 11 FTE operational personnel and runs nearly 2,000 calls annually from one fire station. The average response from Morro Bay Fire is currently (3) FTE and 1 Reserve Firefighter. The alarm also includes the request for the Fire Chief, Fire Marshal, and Reserve Firefighters. Local automatic aid contracts will bring (2) fire engines and one chief officer from neighboring agencies to the fire scene for a staffing level of (5).

The Reserve Firefighter program has been successful for many years in Morro Bay, but we have witnessed a dramatic decline in qualified candidates due to training obligations, state training mandates and the limited availability to respond to incidents off duty. This has been a trend throughout San Luis Obispo County with all fire departments. In fact, Morro Bay is one of the last city departments in the SLO county to still operate a Reserve Firefighter program. Our current organizational design also depends on off duty full time personnel responding from home. With the change of our reliability of Reserve Firefighters and the limited FTE personnel responding from home, today we must rely on auto aid and mutual aid response from our neighboring communities.

A very accurate measurement of the Fire Departments capabilities to mitigate fire emergencies, is its Insurance Service Organization (ISO) rating. Currently the Fire Department's ISO rating is a Public Protection Classification (PPC) of 3 where a class 1 rating is the highest rating, and a class 9 is the lowest rating. This is extremely important to maintain this rating, not just for the fire department but for the benefit of the entire community. Considering most fire departments like Morro Bay Fire Department have a common PPC rating of 5, and with limited FTE staffing, a PPC-3 is an exceptional rating. But this rating is now becoming in jeopardy with 50% of the ISO evaluation rating based on initial fire attack capabilities, staffing and locations of fire stations. Current fire insurance rates for all structures in our community are tied to our current ISO rating. **It is predicted a 10 to 12 percent increase in our community fire insurance rates would occur if our PPC raises to a 5; 60 to 62 percent increase if**

**we return to a PPC 9.** Staffing a second engine will maintain the fire department current ISO rating. In past ISO evaluations, our call back for off duty personnel was significant enough to maintain a second engine response increasing our water flow on a fire by 1,500 gallons per minute. Today, with the reduction of off duty call back personnel, the Morro Bay Fire Department cannot guarantee a second engine response from its engine bay. The next scheduled ISO evaluation is due in the summer of 2021.

By funding these 4 positions, our department will be able to respond with 5 personnel and 2 engines (along with 5 firefighters from our automatic aid agencies) to any single-family fire. This would bring us closer to full NFPA 1710 compliance. Additional staffing will also increase the overall health and safety of the members of the department by relieving physical and emotional stress, reducing injuries, and providing for a healthier working environment. All of these will reduce risk to Firefighters and our community.

The FEMA Safer Grant that we are applying for will pay for 4 additional firefighter positions. If accepted, it would pay for the total salary and benefit costs for each of the funded positions to include payroll, taxes, and all anticipated costs over the next (3) years. Under normal circumstances SAFER Grants covers a (3)-year grant period with grant funding being reduced each year until the year when the City was responsible for 100% of the cost of the subject firefighters. Additionally, the earlier SAFER grants only covered allowable salary ranges, however the new SAFER grant covers “fully burdened” salaries, i.e., salaries, benefits, etc. The other significant change is that the grant covers 100% of all personnel costs due to our current COVID-19 environment. The proposed (4) grant-funded positions would be brought into the Department at the Firefighter Paramedic salary range and the start date would depend on the award date.

At the conclusion of the grant award at the end of (3) years, the City can choose to eliminate the (4) positions without any penalty and further expectations from FEMA. The City can also elect to maintain the (4) positions with possible funding from a future Battery Energy Storage System Plant (BESS) to meet increased fire suppression requirements due to the BESS or increased revenues from our City’s General Fund and/or sales tax measures. In addition, the Fire Department will experience a workforce reduction due to retirement attrition in (3) to (5) years which can be considered to absorb the qualified grant positions. In short, this funded opportunity will prepare our City for current and future fire suppression needs plus prepare our Fire Department for retirement attrition in (3) to (5) years.

## **CONCLUSION**

The Staffing for Adequate Fire and Emergency Response Grants (SAFER) was created to provide funding directly to fire departments to help them increase or maintain the number of trained “front line” firefighters available in their communities. Applying for this grant is just one element of the mission of the Morro Bay Fire Department, “*To enhance the quality of life by providing exceptional emergency services.*” The anticipated grant funding awards are scheduled for fall 2021, and, if successful, the Department will present a proposal to reduce immediate and long-term payroll costs and stabilize daily staffing. We must also consider fundamental changes in our response model to respond with the appropriate fire suppression for a single family, multi-family, care facility, hotels, and commercial buildings. This SAFER grant augmentation can guide the department in the proper direction for the future to meet the fire suppression needs of this community.

## **ATTACHMENTS**

None

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AGENDA NO: A-3

MEETING DATE: April 27, 2021

# Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** April 20, 2021

**FROM:** Rob Livick, PE/PLS – City Engineer  
Katie Lichtig – Interim Finance Director

**SUBJECT:** Adoption of Resolution No. 19-21 Authorizing the City Manager to file an Application and execute a Grant Agreement, if awarded, with the United States Bureau of Reclamation for a grant of up to \$20 million, pursuant to the Water Infrastructure Improvements to the Nation Act, for the Water Reclamation Facility project

## RECOMMENDATION

Staff recommends City Council adopt Resolution No. 19-21 entitled “A Resolution of the City Council of City of Morro Bay, California, authorizing the City Manager to file an application and execute a grant agreement with the United States Bureau of Reclamation for a grant pursuant to the Water Infrastructure Improvements to the Nation Act (Public Law 114-322), for the Water Reclamation Facility project.”

Specifically, Resolution No. 19-21 authorizes the following action:

1. Approves the application and authorizes the City Manager to File the Application to the U.S. Bureau of Reclamation (Reclamation) for a Title XVI Grant under the Water Infrastructure Improvements to the Nation Act.
2. Authorizes the City Manager to negotiate and sign the Grant Agreement and related documents.
3. Represents that the City has sufficient funds of its own in addition to the Grant.

## ALTERNATIVES

No alternatives are recommended.

## FISCAL IMPACT

The City has secured sufficient funding for the Water Reclamation Facility (WRF) project planning, design and implementation through its own funds, the Water Infrastructure Finance and Innovation Act (WIFIA) loan, and is in the process of securing a California State Revolving Fund (SRF) construction loan to join its existing planning loan. Receipt of a US Bureau of Reclamation grant funding may decrease the City’s own expenditures and/or potentially decrease the loan disbursement expenditures a commiserate amount. Securing the Title XVI grant would help reduce the debt payments on the WRF for the City. The City would achieve the required match for the Title XVI grant through those aforementioned sources.

Prepared By: KL/RL

Dept Review: RL

City Manager Review: SC

City Attorney Review: CN/AL

## **BACKGROUND**

### *Project Funding Overview*

The City has commenced construction of its new water reclamation facility (“WRF Facility”) slated to be completed in Fall 2023. The City has secured funding from the Federal Government in terms of two loans under the Water Infrastructure Finance and Innovation Act (WIFIA), two loans from the State of California through the State Revolving Loan Program, a State of California Recycled Water Grant, and City cash funding (Water/Wastewater). The total cost of the WRF Facility is \$138,680,000.

The U.S. Department of the Interior’s (Department) WaterSMART (Sustain and Manage America’s Resources for Tomorrow) Program provides a framework for federal assistance to stretch and secure water supplies for future generations in support of the Department’s priorities. Through WaterSMART, the Bureau of Reclamation (Reclamation) leverages Federal and non-Federal funding to support stakeholder efforts to stretch scarce water supplies and avoid conflicts over water. Through the Title XVI Water Reclamation and Reuse Program (Title XVI), authorized by Public Law (P.L.) 102-575 in 1992, Reclamation provides financial and technical assistance to local water agencies for the planning, design, and construction of water reclamation and reuse projects. Water recycling is a tool in stretching the limited water supplies in the Western United States. Title XVI projects develop and supplement urban and irrigation water supplies through water reuse—thereby improving efficiency, providing flexibility during water shortages, and diversifying the water supply. These projects provide growing communities with new sources of clean water which increases water management flexibility and makes the water supply more reliable and increase resilience to climate change.

The Water Infrastructure Improvements for the Nation Act (WIIN), P.L. 114-322, was enacted in December 2016 to address water resources infrastructure that is critical to the Nation’s economic growth, health, and competitiveness. Section 4009(c) of Subtitle J of WIIN includes amendments to Reclamation’s Title XVI Program. Prior to the enactment of WIIN, funding for water recycling project construction could only be provided for congressionally authorized Title XVI projects. The WIIN amendments allow new water recycling projects to be eligible to receive Federal funding.

This grant funding opportunity will be for available fiscal year (FY) 2021 enacted appropriations for Title XVI projects authorized under section 4009(c) of the WIIN Act. Applications submitted may also be considered if additional funding becomes available in FY 2021 or thereafter.

In May 2020, the City sent a Title XVI Feasibility Study to Reclamation and it was approved by Reclamation on July 22, 2020. Therefore, the City is now eligible to pursue grant funding up to \$20 Million for the WRF Facility. This will be over a period of a few application rounds.

There are certain significant limitations related to the funding. Listed below are the major limitations:

1. Federal Funding shall not exceed 25% of the Project Cost to a maximum of \$20 million. WIFIA funding does not count toward this. The City would meet this requirement for up to \$20,000,000.
2. Funding must be based on expenditures incurred or planned since July 22, 2020 and up through September 30, 2023. The City meets this requirement.
3. U.S. Congressional legislation listing of the project will be needed in Federal Appropriation Legislation.
4. City has cost share requirement 75%. This will be met with the SRF funding, the WIFIA funding and any city contributed funds.

The City is able to meet all the limitations within its control, including the cost share component. However, if the City is selected for an award, it would still need to achieve Congressional approval

before funds would be extended to the City. The application and award process may take up to a year or more, but current expenses on the WRF would be eligible for grant reimbursement.

**ATTACHMENTS**

1. Resolution No. 19-21
2. Grant Application to USBR.
3. Title XVI Feasibility Study and letter from Reclamation.
4. Letter of Support from Lynn Compton, Chair, Board of Supervisors
5. Letter of Support from California State Senator John Laird
6. Letter of Support from the California Coastal Commission
7. Letter of Support from Congressman Salud Carbajal
8. Letter of Support from US Senator Dianne Feinstein

**RESOLUTION NO. 19-21**

**A RESOLUTION OF THE CITY COUNCIL  
OF CITY OF MORRO BAY, CALIFORNIA  
AUTHORIZING THE CITY MANAGER TO FILE AN APPLICATION AND  
EXECUTE A GRANT AGREEMENT WITH THE UNITED STATES  
BUREAU OF RECLAMATION FOR A GRANT PURSUANT TO THE  
WATER INFRASTRUCTURE IMPROVEMENTS TO THE NATION ACT  
(PUBLIC LAW 114-322), FOR THE WATER RECLAMATION FACILITY  
PROJECT**

**THE CITY COUNCIL  
City of Morro Bay, California**

**WHEREAS**, the United States Bureau of Reclamation (“USBR”) is accepting applications for water recycling projects under Title XVI Water Infrastructure Improvements for the Nation Act (P.L. 114-322) (“Act”), for congressionally approved Title XVI Projects; and

**WHEREAS**, the City of Morro Bay’s (“City’s”) water reclamation facility project (“Project”) is eligible for the USBR grant funding pursuant to the Act’s guidelines and published eligibility guidelines; and

**WHEREAS**, this City Council (“Council”) wishes to authorize and ratify an application pursuant to the Act for the Project for fiscal year 2021-22; and

**WHEREAS**, the USBR requires a grant applicant to provide a resolution adopted by applicant’s governing body designating an authorized representative to submit a funding application and execute an agreement with the USBR for a grant (the “Grant Agreement”); and

**WHEREAS**, this Council wishes to authorize the City Manager of the City to file the application with the USBR and to sign such Grant Agreement, and any amendment thereto and other required documents, on behalf of the City; and

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of City of Morro Bay, California, as follows:

Section 1. The City Council of the City of Morro Bay hereby authorizes submittal by City of Morro Bay to USBR of a grant application for the Water Reclamation Facility project (“Project”) for an amount up to \$20 million. The Council has reviewed and supports the application. Any action previously taken by the City staff or City manager in connection with the grant application is hereby approved, ratified and confirmed.

Section 2. The City Manager of the City of Morro Bay is hereby authorized and empowered to prepare the necessary data, conduct investigations, file such applications, and, if awarded, conduct all negotiations and execute in the name of the City of Morro Bay (“City”), the application, the Grant Agreement, amendments thereto, and all other required documents, if any, necessary for the funding of the Project with the grant, provided that the City is able to satisfy grant terms, conditions, and requirements, and comply with all applicable state and federal laws and regulations, including without limitation the California Environmental Quality Act, the National Environmental Policy Act and other environmental laws, as applicable.

Section 3. Funds are available in City's budget and/or funding plan for the Project to provide the City's required funding and/or in-kind contributions, if the grant is awarded. The City has the capability to complete the Project.

Section 4. The City Manager is directed to work with the USBR to meet established deadlines for entering into a USBR grant, the Grant Agreement or cooperative agreement pursuant to the Act.

Section 5. The City Manager is authorized and directed, if the grant is awarded, to execute the Grant Agreement, and apply the grant monies to the project for which the award is made.

Section 6. This Resolution shall take effect both from as well as after its adoption.

Section 7. The City Clerk is hereby authorized and directed to certify the adoption of this resolution.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay at a regular meeting thereof held on the 27<sup>th</sup> day of April, 2021 by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

---

JOHN HEADDING, Mayor

ATTEST:

---

DANA SWANSON, City Clerk

**CERTIFICATE OF ATTESTATION AND ORIGINALITY**

I, \_\_\_\_\_, City Clerk of the City of Morro Bay, hereby attest to and certify that the foregoing resolution is the original resolution adopted by the Morro Bay City Council at its regular meeting held on the \_\_\_\_ day of \_\_\_\_\_, 2021, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

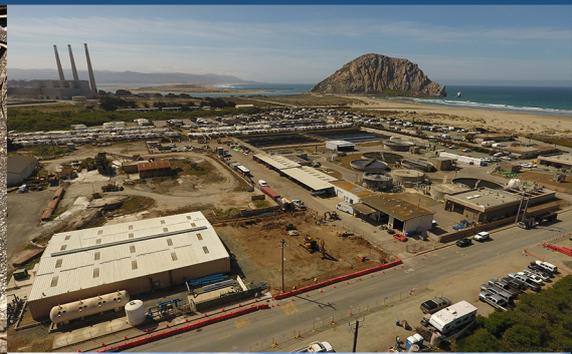
\_\_\_\_\_  
City Clerk



U.S. DEPARTMENT OF INTERIOR BUREAU OF RECLAMATION  
WATERSMART: TITLE XVI WIIN WATER RECLAMATION  
AND REUSE PROJECTS

# MORRO BAY WATER RECLAMATION FACILITY PROJECT

PROGRAM FUNDING FY 2021/2022  
FUNDING OPPORTUNITY NUMBER: R21AS00429



GRANT PROPOSAL | APRIL 23, 2021

MORRO BAY  
**OUR WATER**  
RELIABLE. CLEAN. FOR LIFE.



MORRO BAY  
**OUR WATER**  
RELIABLE. CLEAN. FOR LIFE.

April 23rd, 2021

**Morro Bay Water Reclamation Facility Project**

SAN LUIS OBISPO COUNTY | STATE OF CALIFORNIA  
WaterSMART: Title XVI Water Reclamation and Reuse Projects  
Funding Opportunity Number: R21AS00429

**Applicant/Project Manager:**

**City of Morro Bay**  
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**Submitted to:**

**Bureau of Reclamation**  
**Financial Assistance Operations**  
Attn: Title XVI WIIN NOFO  
P.O. Box 25007, MS 84-27133  
Denver, CO 80225



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## Section 1

### EXECUTIVE SUMMARY

<b>DATE:</b>	April 23, 2021
<b>APPLICANT NAME:</b>	City of Morro Bay
<b>CITY:</b>	Morro Bay
<b>COUNTY:</b>	San Luis Obispo County
<b>STATE:</b>	California

The City of Morro Bay (City) is a small rural community in the County of San Luis Obispo, on the Central Coast of California. The Central Coast has been hard hit by droughts in the last few decades, with anticipated worsening from climate change. The City is reliant on imported water supplies (State Water Project) that are vulnerable to cutback during droughts and interruptions from natural disasters. The entire region needs new, reliable, and resilient water supplies. The City's population is about 10,000 people and it is a popular summer vacation spot, with weekend and holiday visitors more than doubling resident population. The City is adjacent to both the Pacific Ocean and Morro Bay—a marine protected area designated as a state and national bird sanctuary, and a national estuary. Founded in 1870 as a fishing port, Morro Bay's economy today is based on small businesses and tourism. It still has a vital working waterfront and commercial fishing port. Protecting and efficiently managing water resources is essential to maintaining a strong, vibrant local and regional economy. The City-owned sewer and water utilities serve residential and commercial customers within City limits and a few outlying areas. The City has an urgent need to build a new wastewater treatment plant (WWTP), as its current facility is out of compliance with modern treatment and discharge requirements. When seeking to rebuild its WWTP, the California Coastal Commission mandated the City build its new facility in an inland location due to flooding and sea level rise concerns as well as seek water reclamation capabilities in new development. Additionally, The City's Local Plan aimed to seek water reuse alternatives in the City's current water use strategies. The City of Morro Bay is also under a time schedule order to bring its WWTP into compliance with the National Pollution Discharge Elimination System (NPDES) permit requirements for secondary treatment standards by February 28, 2023. The solution to both the water and wastewater issues facing the City was to build a Water Reclamation Facility (WRF) which incorporates advanced treatment for indirect potable reuse, addressing the City's need for a reliable new water supply and the need to build a new WWTP. The new WRF project is currently under construction and anticipated to be completed by August 2023. Upon completion the WRF will be able to provide up to 85 percent of current water demands with a locally produced, reliable supply. **The total cost for the Water Reclamation Facility Project from the date of the Title XVI Feasibility Study approval on July 22<sup>nd</sup>, 2020 and before September 30<sup>th</sup>, 2023 is \$110,879,474. Twenty-five percent of said cost is \$27,800,506. The City of Morro Bay is requesting Bureau funding of \$20,000,000 (the federal agency funding limit) for the Water Reclamation Facility Project.**

## Section 2

### TECHNICAL PROJECT DESCRIPTION

#### Project Overview

Morro Bay is located on California's Central Coast which has both fragile natural environments, variable climates, and constrained water supplies. A regional map of the City and surrounding cities is shown Figure 1.

The City of Morro Bay has begun replacing their existing 62-year old Morro Bay-Cayucos Wastewater Treatment Plant with a new Water Reclamation Facility which will treat the City's existing wastewater into a sustainable water source for groundwater replenishment. This project is critical to securing a reliable long-term water supply for the City and protecting water quality. The WRF Project includes demolishing the existing wastewater treatment plant which is located directly on the beach and replacing it with a new water reclamation facility at an inland location (protected from sea level rise and flooding), constructing two new sanitary sewer pump stations and pipelines, new purified recycled water injection wells for groundwater augmentation, a recycled water pipeline, and a waste discharge (brine) pipeline. The WRF will be singularly owned and operated by the City of Morro Bay and will primarily service residents of the City.

A goal set by the community for the Project is to build a cost-effective wastewater treatment facility for water reclamation. The WRF Project is a comprehensive project that will create a drought resilient water supply source for the City while diversifying their existing supply portfolio and providing full advanced wastewater treatment to meet regulatory effluent discharge requirements. The WRF will have the capacity to produce approximately 825 acre-feet per year (AFY) of highly purified recycled water utilizing full advanced treatment

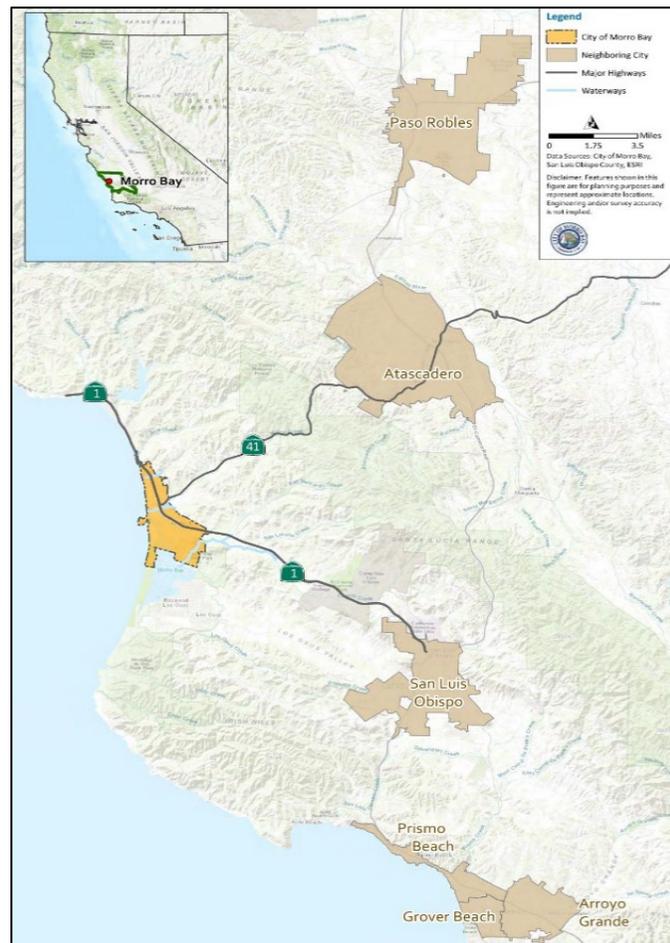


Figure 1 – City Regional Map



technologies. The highly purified water will be injected into the Morro Valley groundwater basin and supplement extracted groundwater at the City’s existing drinking water wells. Injecting treated water into the Morro groundwater basin is expected to have a beneficial effect on groundwater quality, as the aquifer currently has levels of nitrate that exceed primary drinking water maximum contaminant load (MCL), largely attributed to historic agricultural impacts. In addition, the Morro basin is vulnerable to sea water intrusion and groundwater modeling has shown that the injection of the new purified water supply will reduce the risks of elevated TDS concentrations by preventing seawater intrusion for the nearby City wells.

### Project Background and Need

The City of Morro Bay is currently progressing through the construction of the WRF Project (shown in Figure 2) to integrate their existing water supply and wastewater treatment operations into a complete water reclamation program. The WRF project will provide resolution to both wastewater treatment and permitting challenges that have burdened the City for many years while simultaneously providing a reliable and drought resilient water supply that will diversify their existing water supply portfolio.



Figure 2 – WRF Construction Site

The City’s existing wastewater treatment plant (shown in Figure 3) was built before modern state and federal water quality standards and does not meet federal Clean Water Act (CWA) standards for full secondary treatment. The existing plant relies on a trickling filter and open-air sludge beds and sits on 26 acres of prime oceanfront property threatened by coastal hazards. The existing facility discharges approximately 1 million gallons per day (mgd) of treated water into the ocean every day. The wastewater treatment plant has been operating under a 301(h) waiver from the EPA for full secondary treatment requirements for biochemical

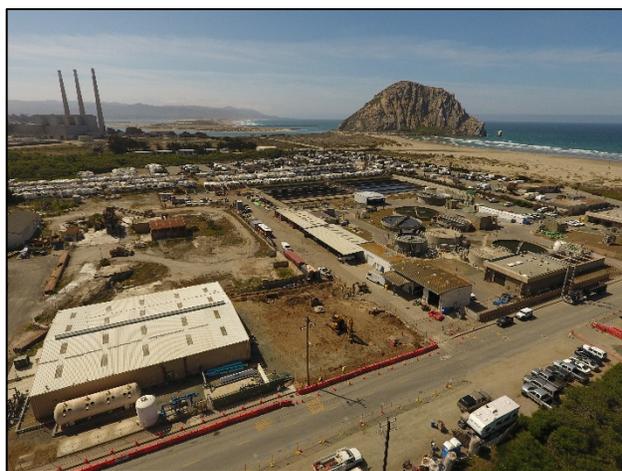


Figure 3 – Existing City WWTP



oxygen demand (BOD) and total suspended solids (TSS) since 1984. In 2018, the City received a time schedule order (TSO) from the Central Coast Regional Water Quality Control Board (RWQCB) requiring compliance with full CWA secondary treatment requirements by February 28, 2023. A TSO issued by the State allows the City to continue operation of their existing facility until their new facility is constructed. If the City does not meet the TSO requirements, it will become subject to fines and a potential cease and desist order.

Because of the age of the existing wastewater treatment plant, its failure to meet core CWA water quality standards and the possibility of potential fines/penalties for failure to meet the RWQCB’s mandate for CWA compliance by 2023, the City has been pursuing a new upgraded wastewater treatment facility for more than a decade. The City initially proposed to redevelop the wastewater treatment plant at its current site, but this development proposal was appealed to the California Coastal Commission (CCC), and ultimately in 2013, the CCC denied the City’s redevelopment-in-place proposal based on inconsistencies regarding avoiding coastal hazards, land use priorities, recycled water provisions and public view protections. The City currently does not have any water reclamation facilities in operation. The relocation of the wastewater facilities has provided the City the opportunity to also add water reclamation or reuse into the project to help supplement their water supply.

The City currently purchases approximately 85 percent of its water supply from outside the city limits by importing water from the California State Water Project (State water or SWP) which is delivered to the City via the California Aqueduct. The City has an allocation of 1,313 AFY from the Central Coast Water Authority (CCWA) who distributes State water to water contractors on the Central Coast. State water delivered to the City originates in both the Shasta-Trinity and Oroville reservoirs and is conveyed via the Sacramento and Feather Rivers to the Clifton Court Forebay of the Sacramento-San Joaquin Delta. From there, water flows by the California Aqueduct and is lifted through a series of pumping plants which divert the water throughout the State to its contractors. Figure 4 at right. State



Figure 4 – State Water Project



Water directed to the Central Coast contractors is diverted via the Coastal Branch turnout and distributed to San Luis Obispo County.

By importing water from the State Water Project, the City faces considerable uncertainty about the future cost and reliability of its water supply. On a regional scale, the City’s supply is at risk if the facility goes intermittently offline and SWP deliveries are disrupted by earthquakes, droughts, natural disasters, or infrastructure maintenance. Source water ecosystems of the Bay-Delta are collapsing and protecting a supply of water for environmental resources is essential for species preservation and recovery. Environmental water issued for Bay-Delta rehabilitation could reduce allocations in the future to all water contractors. These issues surrounding the SWP are exacerbated by climate change and population growth.

The City’s remaining water supply comes from local groundwater wells owned and operated by the City. On a local scale, the City’s groundwater basins have significant water quality issues, including seawater intrusion and high nitrate concentrations that are prevalent in periods of drought and have increased as demands rise. Due to surface water interactions the use of some of the City’s wells becomes impossible during times of drought, decreasing the local supply when its needed most.

Morro Bay is a small community with very limited water supply options available for development. Given the physical restrictions to their existing water supply and the dependence on imported State water the high probability of a domestic water supply shortage poses a significant risk to the City. The Water Reclamation Facility Project diversifies and augments the City’s water supply as well as meets regulatory wastewater treatment standards which provide the City a reliable and clean domestic water supply.

### Project Description

The WRF Project consists of three separate components: treatment, conveyance, and recycled water injection facilities. These three components are respectively included in the WRF, the conveyance facilities and pump stations, and the indirect potable reuse injection wells. These components are at three different locations within the City, therefore the impacted area from the project encompasses a large portion of the City. Figure 5 shows an overview of all three Project locations with respect to the City proper. The

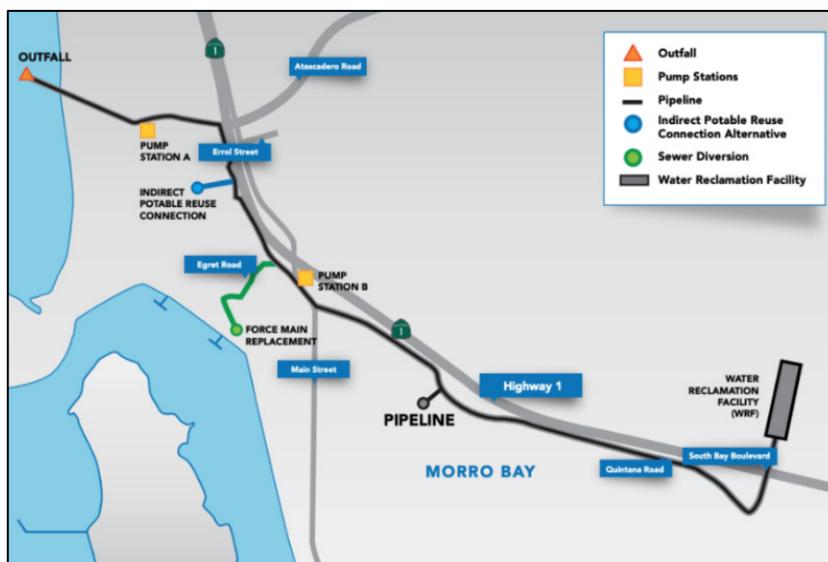


Figure 5 – Project Overview



WRF will be located on South Bay Boulevard near the intersection of Highway 1, just southeast of the City proper. The conveyance facilities start at the existing WWTP and extend to the WRF site and the injection wells are near the intersection of Highway 1 and Morro Creek.

Source waters from the City’s wastewater collection system will be pumped to the WRF site from Pump Stations A and B via dual force main pipelines parallel to Highway 1 along the route illustrated in the layout depicted above. There, wastewater will undergo primary, secondary, and advanced treatment to produce purified recycled water that meets potable water reuse standards. Purified water will be conveyed to the injection well field from the indirect potable reuse (IPR) pump station at the WRF site. After the underground residence time (travel time) required by the California Division of Drinking Water (DDW), groundwater will be extracted downgradient using municipal wells owned by the City of Morro Bay. These wells are located near the intersection of Atascadero Road and Highway 1.

A process flow diagram of the WRF treatment train is shown in Figure 6. The Water Reclamation Facility is an advanced water treatment facility consisting of a membrane bioreactor (MBR) followed by

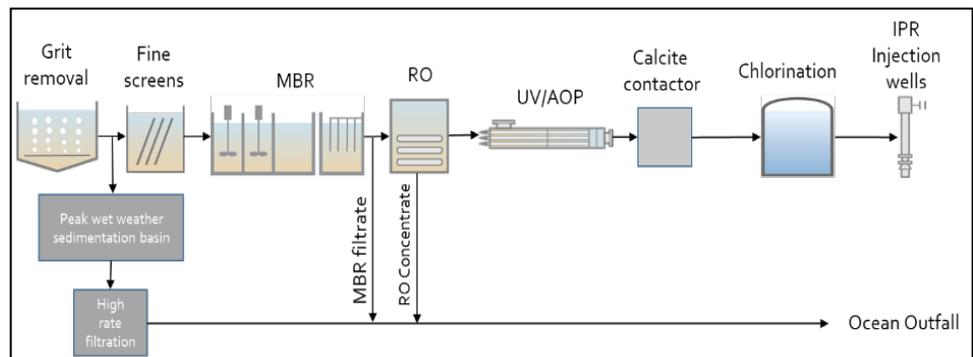


Figure 6 – WRF Process Flow Diagram

reverse osmosis (RO) and ultraviolet advanced oxidation (UV AOP)—the full treatment train is capable of treating wastewater to California’s potable water reuse standards. The design capacity for this facility is approximately 0.97 mgd, which equates to approximately 825 AFY of purified recycled water that will be available for injection into the existing Morro groundwater basin for IPR. Hydrogeologic studies anticipate that between 788 and 1,200 AFY of groundwater will be available for extraction dependent upon current hydrologic conditions without exacerbating seawater intrusion or over pumping the groundwater basin.

### Project Benefits

The WRF Project provides a comprehensive variety of social, economic, regulatory, and environmental benefits on both a local and regional scale. These benefits are categorized to include conformance with regulatory standard requirements, water quality and environmental, water supply portfolio augmentation and diversification, and economics and budgetary.



## Conformance with Development Standard Requirements Benefits

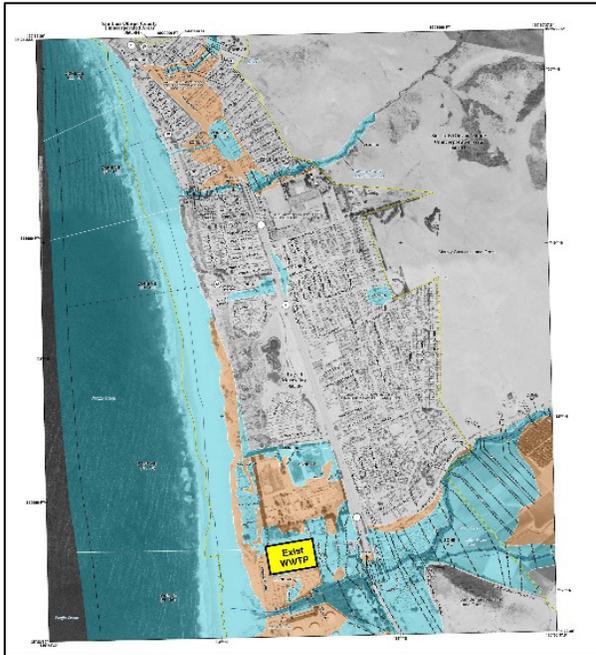


Figure 7 – FEMA Flood Map

The CCC Coastal Development Permit for the WRF Project outlines specific requirements that are included throughout the design and construction of the Project which ultimately benefit the coastal community. The WRF Project site was selected inland to minimize any aesthetic disruptions by being removed with respect to the City center and to have process facilities set back away from publicly traveled ways. Furthermore, as a part of the final phase of the WRF project, the decommissioning and removal of the existing WWTP will improve coastal aesthetics and potential beneficial use to the City's existing property near the embarcadero and Morro Rock State Park. Additionally, the Project's inland location recognizes FEMA's jurisdictional flood plain boundaries (Figure 7) by relocating the WRF outside of

the 100-year floodplain as well as potential sea level rise or tsunami inundation limits and elevations. Eliminating potential damage to the existing facility is in accordance with the State of California's Drought Resiliency Portfolio to reduce flood risks to existing communities in the State.

## Water Quality and Environmental Benefits

The WRF Project will bring the City's entire wastewater treatment operation into compliance with Clean Water Act (CWA) secondary treatment requirements. The City has been operating under a CWA waiver for full secondary treatment for biochemical oxygen demand (BOD) and total suspended solids (TSS) since 1984. The new WRF will produce tertiary effluent that will far exceed Ocean Plan requirements for discharge.

Another water quality benefit will be to the Morro groundwater basin, which has had high concentrations of Nitrate ( $\text{NO}_3$ ) and Salinity (TDS) requiring treatment prior to use for potable supplies. Studies indicate upstream fertilizer runoff by agricultural land use has been found to be the leading cause of nitrate contamination in the groundwater basin leading to concentrations as high as 220 milligrams per liter (mg/L). During drought years, the low groundwater elevation leads to potential seawater intrusion issues threatening the basin groundwater quality TDS concentrations have ranged from 400 to 1,000 mg/L in the Morro Basin due to increase in seawater intrusion and salts infiltrations resulting from agricultural practices and precipitation. The proposed injection of purified water is expected to benefit the



Morro groundwater basin by decreasing existing concentrations of both NO<sub>3</sub> and TDS. Furthermore, the injection well location is expected to further protect the City from seawater intrusion effects by providing a freshwater barrier to the City.

The WRF Project provides environmental benefits by reducing reliance on imported water supplies sourced from the Sierra mountain range to Bay-Delta environments in the future. Water allocations for the State Water Project must balance needs between environmental and the water contractors. Reduced reliance on State water is consistent with the California Water Resiliency Portfolio, which aims to promote recycled water throughout the entire state as well as prioritize regional supply diversification that achieves multiple benefits. This Project promotes the use of recycled water in addition to providing multiple benefits through groundwater quality and supply augmentation and beneficial reuse through water supply diversification.

### Water Supply Portfolio Augmentation and Diversification Benefits

The recycled water facilities of the WRF Project include a water reuse component that offsets existing imported and natural supply sources with a drought resilient source that will directly augment and diversify the City’s existing water supply portfolio. The City’s existing supply portfolio consists of four sources: Morro and Chorro groundwater basins, imported State water, and ocean desalination. The Chorro groundwater basins is unusable due to extraction limitations set by nearby streamflow volumes. The City’s ocean desalination facility is also inoperable and potentially has harmful effects to oceanic habitats at the ocean outfall. The remaining two supplies, State water and the Morro groundwater basin have suffered negative supply and quality impacts from drought. Figure 8 shows the City’s existing water sources in use

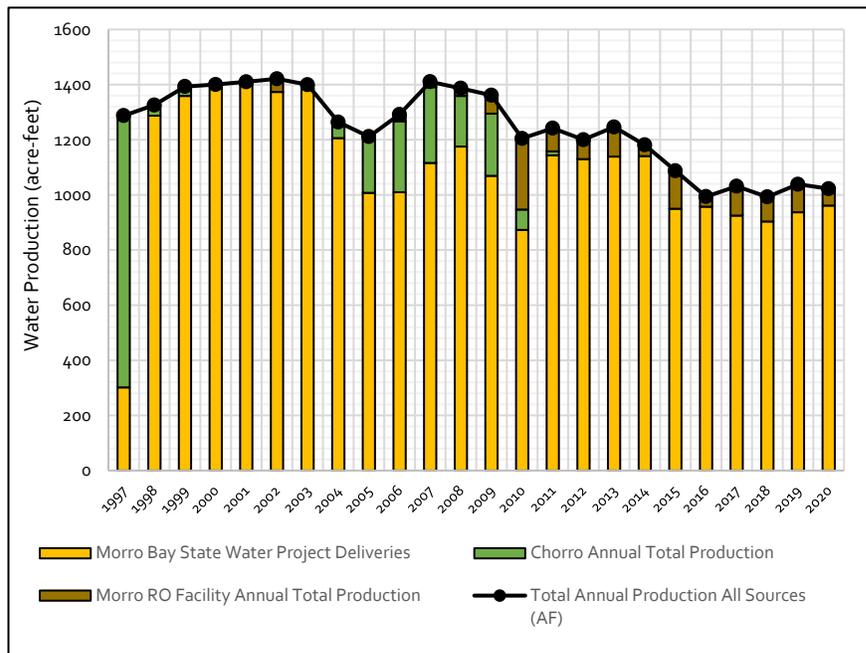


Figure 8 – City Total Annual Water Production

since 1997.

The WRF Project will provide a constant supply of purified water produced on site, and in the City’s operational control. The WRF Project will inject approximately 825 AFY of purified water into the Morro groundwater basin and enable an average of approximately 940 AFY to be extracted from the City’s existing Morro well field for



additional treatment and distribution. The supply provided by the Project offsets the City’s water supply up to 85 percent by reducing the reliance on imported State Water. In comparison to the reliable and local supply produced by the WRF, the annual variability of State Water allocation is extremely dependent on hydrogeological conditions and reservoir storage capacities. With the reduction in use of State Water, the City will be able to utilize the water as a credit and drought supply buffer on an annual basis or for an additional source to be used as necessary. The supply diversification provided by the WRF project will allow the City to operate their domestic water supply system efficiently under both normal and drought conditions and effectively provide drinking water to Morro Bay.

### Economic and Budgetary Benefit

The WRF Project must be completed to meet the TSO issued by the Water Quality Control Board. Given that the wastewater treatment facilities were a necessity, the addition of water reuse is a significant benefit to the City to take advantage of a complete treatment facility upgrade while simultaneously adding a reclamation component to diversify and augment the City’s existing water supply portfolio. Foregoing the development of a new water supply project would result in the City continuing to use less than reliable and not drought resilient imported water as its primary source. A new wastewater treatment plant would still be constructed; however, it would not include the advanced treatment purified water production component. Treated effluent will be discharged to the existing ocean outfall.

Financial studies performed by the City analyzed this scenario of building only wastewater facilities and found that the annual and total financed cost of the Project would be increased since the water reclamation component promotes the project to be competitive for low-interest-rate loans and as just a wastewater treatment project, the potential subsidized funding

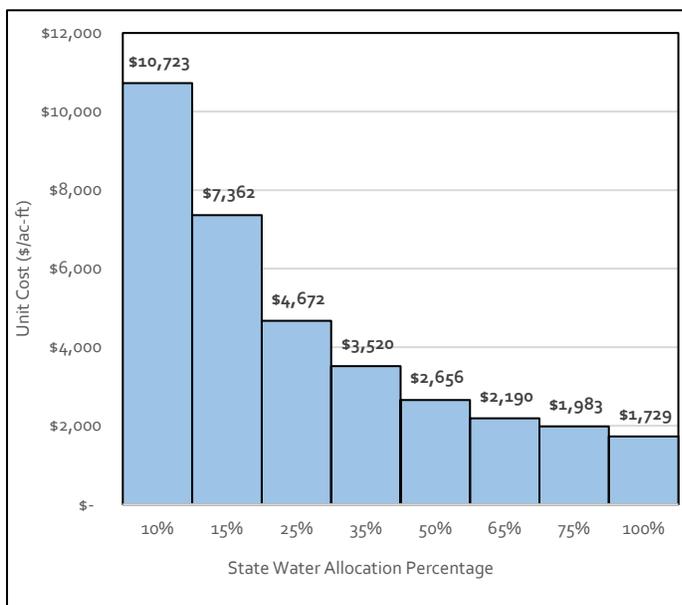


Figure 9 – State Water Unit Cost Fluctuation

would be eliminated. Developing the project without the reuse component means the City would need to rely solely on revenue bonds paid annually by cash generated from sewer rates and would require a larger annual finance payment resulting in higher customer rates.

The new water supply provided by the WRF provides a secure cost per volume in comparison to the State Water. State Water has tremendous fixed costs associated with the existing infrastructure financing and the investment of funds to maintain its facilities. Figure 9 shows how much the City’s unit cost of State Water can



fluctuate depending on available allocations. Note since prices are in dollar per volume (ac-ft), the fixed dollar cost of State Water facilities remains constant even though the allocation volumes decrease, especially during periods of drought. The WRF Project benefits the City's budgetary projections by ensuring a constant operation and production costs of the water supply on an annual basis.

Developing a reliable and resilient water supply is also critical for continued economic security for Morro Bay. The City is a tourist destination with approximately 900 hotel/motel rooms and 250 vacation rentals. These facilities host over 800,000 visitors annual that spend approximately \$161 million dollars (*Source: Dean Runyan and Associates, Economic Impact of Tourism in Morro Bay 2017*). A lack of reliable water supply would jeopardize the ability of the City to accommodate the tourism that essentially runs the local economy. In a drought year like 2021 where allocations are expected to be only at 5 percent of State Water allocation, the City will be faced with significant expenses for unreliable water supply that could limit the ability to support the visitor driven economy.

### Agencies Providing Support

The WRF Project specifically supports the City of Morro Bay. However, recognizing the regional importance of developing new water supplies on the Central Coast, the project is supported by surrounding regions and the State's political representation. The letters of support are included in Appendix A and are listed below.

- County of San Luis Obispo Board of Supervisors
- California Coastal Commission
- Salud O. Carbajal, 24<sup>th</sup> California Congressional District

### Project Components and Construction

The WRF Project components are categorized under treatment, conveyance, and recycled water injection facilities as follows.

#### Treatment: Water Reclamation Facility

The WRF is currently under construction (Figure 10) and substantial completion is expected in March 2022. The WRF treatment facilities consist of headworks including grit removal and fine screens. The biological treatment system is a membrane bioreactor (MBR) with a capacity of 1.88 mgd, shown under construction in Figure 10.

Following treatment through MBR, up to 1.16 mgd (0.97 mgd average flow rate) of MBR



Figure 10 – WRF Construction

filtrate is sent to the indirect potable reuse processes consisting of reverse osmosis, ultraviolet disinfection with advanced oxidation, calcite stabilization, and chlorination. A portion of the flow is disposed of to the ocean outfall as RO concentrate. For influent flow rates greater than 1.16 mgd, a portion of the MBR filtrate are also sent to the ocean outfall. Finally, to accommodate peak wet weather demand, influent flows greater than 1.88 mgd are diverted upstream of the MBR system to a settling basin followed by rapid filtration.

#### Conveyance: Lift Stations and Offsite Pipelines

The conveyance facilities (Figure 11) include approximately 3 miles of sanitary sewer force main and a brine discharge line from the WRF reverse osmosis treatment system. The sanitary sewer force mains are fed directly by the two proposed sewer lift stations A and B. Lift Station A is located at the existing WWTP and Lift Station B is located about halfway along the alignment. The brine line follows the same alignment, however, flows in the opposite direction from the WRF to the existing WWTP where it is pumped directly into the City's existing ocean outfall diffuser. The last pipeline included in the conveyance component is the IPR supply line which is directly sourced from the WRF advanced treatment system and will be pumped directly into the Morro groundwater basin by the proposed Morro injection wells.



Figure 11 – Conveyance Facilities Construction

#### Water Reclamation: Purified Water Injection Wells and IPR Distribution Line.

The water reclamation component of the WRF consists of the design and construction of the purified water injection wells which are broken into three, distinct project phases as described below.

- Project Phase 1 (Complete): Initial feasibility studies of purified water injection and development of hydrogeologic model.
- Project Phase 2 (In progress): Pilot injection testing to more accurately assess potential injection rates and thereby help determine the number and location of injection well needed to meet the goals of the project. Phase 2 efforts are currently ongoing and include:
  - Select the preferred injection location and conduct pilot injection testing.
  - Update groundwater model and confirm the travel time for permitting with the State Water Resources Control Board Division of Drinking Water (DDW).



- Complete a geochemical and clogging analysis for the injection wells.
- Investigate effects of sea level rise and seawater intrusion.
- Project Phase 3 (Has not started): Bidding and construction of the injection wells. Phase 3 is to begin once the pilot injection well testing and confirmation of travel time with DDW is complete.

### Project Readiness

The Water Reclamation Facility is being constructed by a design build team that started design in November 2018 and construction in March 2020. The Project is currently in construction and is on schedule for startup, commissioning, and training starting in March 2022 and completed in August 2023. The WRF startup and commissioning is dependent directly on the conveyance facility construction component to provide the adequate flow of untreated wastewater to the WRF for seeding of the treatment components. The conveyance facility component of the WRF Project began construction in January 2021 and is expected to be complete in March 2022. The final phase of the WRF Project is the reclamation facilities (injection wells) which are currently in Phases 2 and 3 of the water reclamation components described above. The WRF construction is expected to meet the RWQCB TSO date of February 23<sup>rd</sup>, 2023.

### Total Costs and Funding Request

**The total cost for the Water Reclamation Facility Project from the date of the Title XVI Feasibility Study approval on July 22, 2020 and before September 23, 2023 is \$110,879,474 Twenty-five percent of said cost is \$27,800,506. The City of Morro Bay is requesting Bureau funding of \$20,000,000 (the federal agency funding limit) for the Water Reclamation Facility Project.**



### Section 3

## TECHNICAL PROPOSAL: EVALUATION CRITERIA

Table 1 Project Highlights

Category	Highlights
1 Water Supply	<ul style="list-style-type: none"> <li>Title XVI Project provides approximately 825 AFY of purified recycled water for indirect potable reuse.</li> <li>WRF diversifies the City’s existing water supply portfolio</li> <li>Offsets City’s reliance on imported state water up to 85 percent.</li> <li>Creates a drought buffer with existing State Water Allocation</li> </ul>
2 Environment and Water Quality	<ul style="list-style-type: none"> <li>WRF Project treats City’s sanitary sewer to modern Clean Water Act Standards and meets waste discharge requirements (WDR).</li> <li>Project decreases NO<sub>3</sub> and TDS concentrations in Morro groundwater basin.</li> <li>Title XVI Project reduces BOD loading and nutrients in effluent discharge to the existing ocean outfall.</li> </ul>
3 Economic Benefits	<ul style="list-style-type: none"> <li>Monetized benefits of over \$12,000/AFY from TSO compliance, improved groundwater quality, groundwater basin protection, not developing a new water supply, drought resilience and low interest financing.</li> <li>Non-monetized benefits of supporting the local economy that is based on tourism, relocation of facilities out of a flood zone making the property available for other uses, and job creation/local spending due to construction activities.</li> </ul>
4 Reclamation’s Obligations and Benefits to Rural or Economically DAC’s	<ul style="list-style-type: none"> <li>WRF Project helps meet Reclamations’ Obligations by reducing its reliance on State Water, thereby reducing demand on the Delta and the CVP.</li> <li>The WRF project serves a rural community with 13% of its population meeting DAC criteria.</li> </ul>
5 Watershed Perspective	<ul style="list-style-type: none"> <li>WRF Project addresses goals of California’s Climate Resiliency Portfolio and Recycled Water Policy. Also meets goals of County General Plan Water Resources Element and Integrated Regional Water Management Plan.</li> <li>Supports Regional Water management and outreach efforts.</li> </ul>



## Evaluation Criterion 1 – Water Supply

### Subcriterion No. 1a. Stretching Water Supplies

1. *How many acre-feet of water are expected to be made available each year upon completion of the Project? What percentage of the present and/or future annual demand in the project sponsor’s service area will the Project’s reclaimed water provide upon Project completion? The percentage should be based on the total service area demand, not just recycled water demand. Use the total capacity of the entire Project upon completion, not just the water that will be produced by the activities that will be completed over the next 2 years.*

The WRF project will provide up to 825 AFY of purified recycled water to the City of Morro Bay. The purified recycled water will be injected to the Morro groundwater basin and extracted using the City’s existing groundwater wells for indirect potable reuse. This in turn will allow the City to extract between 788 and 1,200 AFY of groundwater from the Morro well field. It is assumed that the average recovery for the Project in terms of quantifying beneficial reuse is approximately 940 AFY which is approximately 85 percent of the City’s current water demand. The hydrogeological conditions affect the existing saturation of the aquifer and soil and affect the ability for the basin to receive the injected recycled water. As discussed, the City is currently still in Phase 2 of the hydrogeological studies which will better confirm the performance characteristics of the groundwater basin.

#### Water Supply Augmentation

Historically, the City utilized four sources for drinking water. Morro and Chorro groundwater basin, ocean desalination, and imported State water. The Chorro groundwater basin water right is limited by stream flows of the adjacent Chorro Creek. If the stream flow is too low, e.g. during drought conditions, the Chorro wells cannot be used. Additionally, the Chorro well field production has elevated concentrations of nitrates and there are no means of treatment between the Chorro well field and the City’s

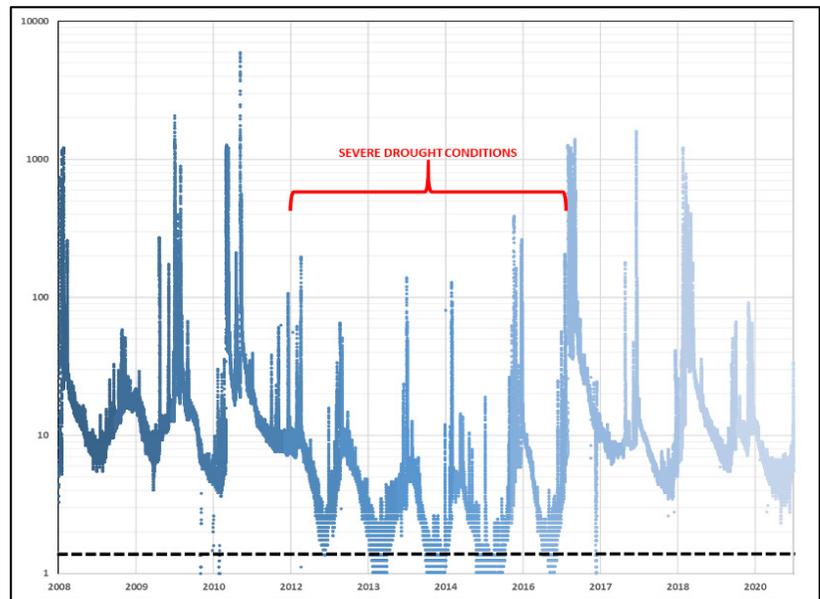


Figure 12 – Chorro Creek Seasonal Flows

distribution System. Figure 12 shows the interconnection between periods of drought and low streamflow in Chorro creek which lead to the abandonment the Chorro well field. The City originally constructed the ocean desalination facility in 1992 in response to drought conditions



but has intermittently used it for domestic water production under very limited permit conditions. The facility is outdated, in a state of much needed repair and is inoperable at this point.

The City's operational supplies include the Morro groundwater basin and imported State Water from the California Aqueduct. The Morro well field is located just east of the City's existing wastewater treatment plant and consists of approximately five wells under operation. The Morro groundwater Basin underlies Morro Valley in west-central San Luis Obispo County and is the primary source of groundwater for the City. The groundwater basin is sourced by surface water percolation from Morro Creek flowing into Morro Bay from the east. Water quality concerns in this region include high concentrations of nitrate (NO<sub>3</sub>) from agricultural runoff and salinity (TDS) resulting from seawater intrusion during drought years. These water quality issues require the use of a brackish water reverse osmosis facility to treat the Morro Basin groundwater to meet drinking water standards. Finished water is sent to a City owned tank prior to public distribution.

Imported State Water is sourced from the California Aqueduct which is supplied from Sierra Nevada mountain range surface runoff and originates in the Sacramento Bay-Delta region. The SWP is a water storage and delivery system of reservoirs, aqueducts, power plants and pumping plants extending more than 700 miles—two-thirds the length of California. The City currently does not have access to any federal water supplies (e.g., U.S. Bureau of Reclamation [USBR]) and as mentioned, all water supplies are either provided by the State of California or locally produced. Water deliveries to State Water Customers is called Total Table-A water allocations. These allocations have been reduced over the last 20 years, with deliveries averaging 76 percent of the total allocation for Coastal Branch contractors (which includes Morro Bay). In the past 10 years Table-A allocations for Coastal Branch contractors has been approximately 73 percent of the total contractual obligation with a decade low of 50 percent allocation in 2018. The following figure shows approximate State Water deliveries for the City over the last two decades. As of March 2021, the State estimates SWP deliveries will be at 5 percent for the current water year.

Approximately 90 percent of the City's supply is from imported State water with the remaining 10 percent of water demand met with groundwater. The City's historical State water deliveries are shown in Figure 13. Note deliveries in 1997 were significantly below average since this was the first year the coastal branch delivered water to Coastal Branch contractors. During drought years, Morro Bay's allotment of water from the State Water Project is especially unreliable. To mitigate these challenges, the City has the ability to take its unused State Water allocation and store it behind San Luis Reservoir as "carry-over water" for use during the same year or the following year. The City also purchases "drought buffer water" from the State, which can be stored for use at a later date (carry-over water). The City does not have any operational jurisdiction of the San Luis Reservoir and is vulnerable to lose any stored volumes during flood or normal years for operational discharges. Additionally as droughts become more frequent in



the future, the opportunity to store drought buffers will become less and less as demand from water contractors consuming full Table A allocations increase.

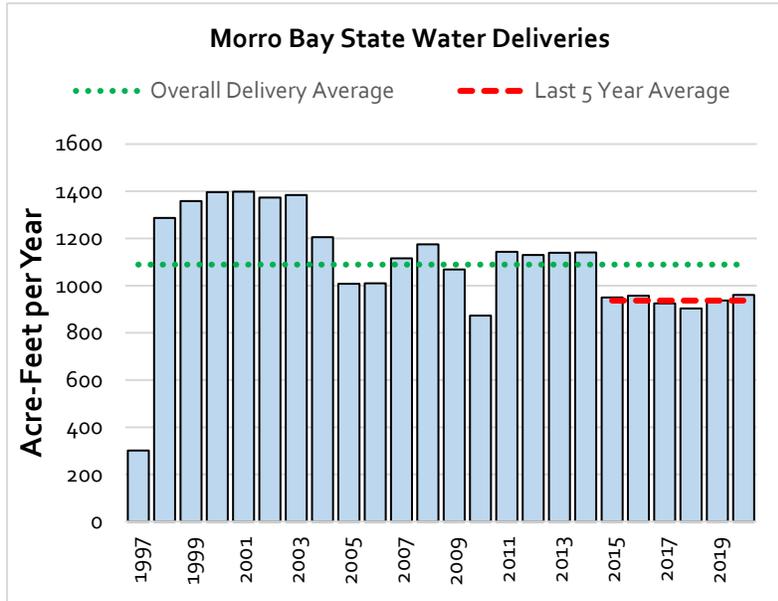


Figure 13 – City State Water Deliveries

The City’s average water demand over the last ten years is approximately 1,100 AFY. During normal/wet years the City’s permitted supply capacity is about 1,894 AFY. Unfortunately, use of fully permitted allocations have become a rare occurrence. On average, State Water delivery allocations to the City specifically is approximately 83 percent of its contracted volume of 1,313 AFY from the CCWA and in periods of serious drought has dropped as low as 5 percent. The

last 5 years show an average State Water delivery of about 71 percent of the City’s contracted volume. Due to the water quality concerns of the Morro Basin well field requiring expensive treatment, the City avoids use of the Morro Basin supplies as much as possible. The City’s 2020 water production was 1022 AF for both State Water and the Morro well field production combined. Of this total supply 94 percent was imported State Water and the remainder was the Morro well field.

**Upon completion, the WRF Project’s objective will be able to offset up to 72 percent of the City’s contractual imported water supply volume and approximately 85 percent of the total average 10 year demand with purified recycled water via IPR. The City will still utilize a much smaller volume of imported state water, dependent on hydrological conditions and groundwater basin performance to meet the supply demands but will significantly reduce the reliance on imported water in the future.**



2. Will the Project reduce, postpone, or eliminate the development of new or expanded non-recycled water supplies? Explain.

Two of the primary objectives of the WRF Project is to reduce reliance on imported water supplies and diversify the City’s existing water supply portfolio with a new source of drinking water. As discussed, the City currently receives approximately 90 percent of their drinking water supply from imported State Water. The City has an allocation of 1,313 AFY from the CCWA who distributes

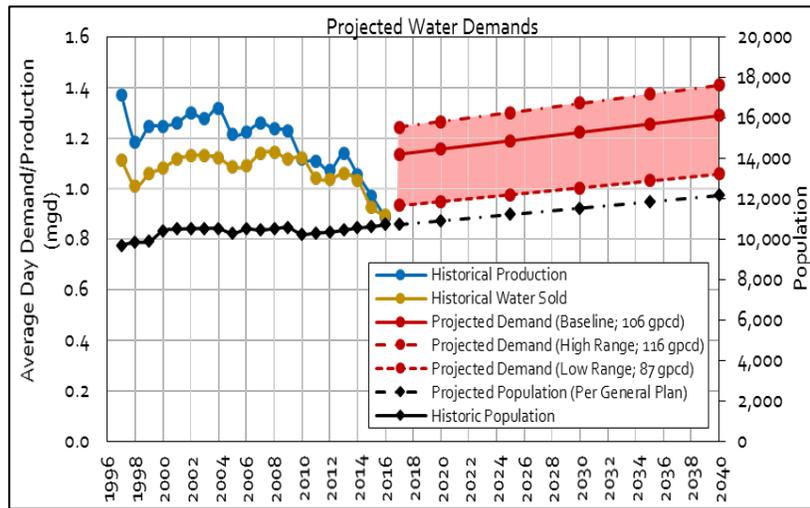


Figure 14 – City Projected Water Demands

4,830 AFY county wide from the California Aqueduct to various San Luis Obispo County water contractors. Per the City of Morro Bay OneWater Plan (2018), the City’s 2040 projected water supply is 1,445 AFY, see Figure 14. Therefore, additional water supplies will be needed in the future even if full allocation of State Water was possible. Given the continued decline of available State Water due to climate change and the goals of the State to reduce reliance on the SWP, additional supplies are needed to meet the City’s future demands. The One Water Plan considered 13 alternative water supplies including ocean desalination, use of the Chorro and Morro Well Fields with treatment, indirect potable reuse, and direct potable reuse. The One Water Plan recommended the implementation of indirect potable reuse, which is moving forward in the WRF project.

If the WRF project were not implemented, the City would be forced to implement a different alternative supply. Given the current unreliability of the Chorro and Morro well fields during drought conditions, if no IPR is augmenting the basins, the most reliable new water supply would be ocean desalination through a complete rehabilitation of the currently defunct facility. The existing ocean desalination facility infrastructure is limited to a capacity of 645 AFY, so even if the facility was completely rebuilt and permits could be acquired, the City would only be able to provide 45 percent of its future demands with desalination. However, with the current California Coastal Commission permit expired, it will be very difficult to secure new permits for unpopular ocean desalination. The augmented supplies from the WRF Project implementation have the capability of offsetting approximately 85 percent of current demands and up to around 65 percent of the total future demand with local water. Therefore, the WRF project results in postponing or eliminating the need for developing an alternative supply project or rebuilding the ocean desalination facility.



**3. Will the Project alleviate pressure on existing water supplies and/or facilities? If so, please describe the existing water supplies, identify the supplies and/or facilities that will be impacted and explain how they will be impacted by the Project, including quantifications where applicable.**

The WRF Project will alleviate the water supply stress the City has experienced in the past. The Project will directly alleviate pressure on the dependence of importing State Water and will alleviate the intermittent capacity of the Morro Well Field.

#### Reduction in Imported State Water Dependence

The City's existing water system is completely dependent on imported State Water for their drinking water supply. Since the City has imported State water, on average it comprises approximately 90 percent of the City's total water production with the remaining 10 percent from the Morro Groundwater basin. The WRF Project alleviates a tremendous amount of pressure on the reliance of State Water. Offsetting large portions of imported water eliminates possible emergency shortages as result of drought periods, infrastructure failures, or natural disasters. Water distributed by the CCWA to central coast water contractors is sourced from the California Aqueduct via the Coastal Branch Pipeline. If this pipeline were to need major repairs, be severely damaged, or offline for an extended period, the City would not be able to receive imported water deliveries. The City does not have an alternative supply that can meet its domestic demand. The WRF Project will help meet the State's goals to reduce reliance on State Water through development of local supplies. While the City will still need to use some SWP supplies, because the majority of their water demand can be supplied by the WRF Project, they will have increased flexibility as to when and how much SWP to take in a given hydrologic year. This will alleviate pressure on SWP deliveries, and thereby reduce impacts on the Sacramento - San Joaquin Delta by at least 825 AFY and potentially up to 940 AFY in a drought year.

#### Morro Well Field Capacity and Operations

Currently, when State Water supplies are unavailable due to drought cutbacks or during maintenance down times, the City must rely entirely on their Morro Well field for water supply. The Morro groundwater basin has a small capacity and the City's existing wells are approximately a half mile from the Pacific Ocean. As a result, the basin has historically suffered from seawater intrusion when pumped for extended times at levels required to meet the City's water demands. Additionally, the Morro basin suffers from water quality issues related to upstream agricultural practices (nitrates). To address these issues, extracted groundwater from the Morro Well field currently is treated by its Brackish Water Reverse Osmosis (BWRO) facility. With the implementation of the WRF Project, injecting purified water into the basin will greatly increase the reliability of the Morro Wells thus providing an adequate alternative supply the City can rely on during drought periods or operational shutdowns of the State Water facilities. Predictive modeling scenarios indicate that an injection well layout in the Western project area would mitigate against seawater intrusion during pumping of City wells. Predictive nitrate



modeling scenarios also indicate during combined injection and City pumping, that all City wells will have improved water quality over time (due to the high quality of purified water) with significantly lower nitrate concentrations under an injection well operation. By injecting 825 AFY of purified water, the City will be able to extract up to 1200 AFY from the Morro Basin for potable supply.

**4. What performance measures will be used to quantify actual benefits upon completion of the Project?**

While the WRF Project primary benefits are to adequately treat the City’s wastewater to the appropriate regulatory quality and to diversify and augment the City’s water supply portfolio, the Project offers a comprehensive variety of interdisciplinary benefits. The performance of the Project will be quantified through the following measures and achievements from the Project implementation.

**Water Quality and Environmental Effects**

The City’s existing WWTP discharges non-secondary treated wastewater to an ocean outfall diffuser located approximately 2,700 feet offshore just northwest of the WWTP, see Figure 15. The treated effluent is discharged through a 170-foot diffuser into open sea-water 50 feet below the surface. Currently the City receives a waiver from the State for full secondary treatment requirements (BOD and TSS). The WRF Project will result in



Figure 15 – City Ocean Outfall Location

improved water quality produced at the WWTP as well as discharged to the ocean outfall, even with the reverse osmosis concentrate being disposed to the ocean. **The WRF effluent and concentrate discharge to the ocean will be monitored through its monthly and annual NPDES discharge reporting.**

The WRF’s purified recycled water injected directly into the Morro groundwater basin is expected over time to flush out the existing nitrate (NO<sub>3</sub>) and salinity (TDS) elevated levels in the basin. **The reduction in both nitrate and salinity concentrations as measured at the extraction wells will directly measure the Morro groundwater quality performance from the implementation of the WRF Project.**



## Water Supply Portfolio Augmentation and Diversification



Figure 16 – Existing Morro Well

One of the primary objectives for the WRF Project is to diversify and augment the City's existing water supply portfolio. The WRF Project will inject up to 825 AFY of purified water into the Morro groundwater basin and allow the City to recover about 940 AFY of groundwater utilizing their existing Morro Well Field, see left. It is anticipated that approximately 85 percent of the City's 10-year water demand will potentially be offset with locally produced water rather than imported State Water. As mentioned, the City's State Water Table-A allocation can potentially be banked as a

drought buffer in DWR's San Luis Reservoir. **The performance of the WRF Project will be measured in various quantities, including percentage reduction from City average of State water volume imported on an annual basis, percentage offset of water supplied from local sources in lieu of imported State Water, volume of water injected into Morro groundwater basin, volume of water extraction from Morro Wells, and the volume of water banked for drought buffer.**

### Subcriterion No. 1b. Contributions to Water Supply Reliability

- 1. Will the Project make water available to address a specific concern? Consider the number of acre-feet of water and/or the percentage of overall water supply to be made available by the Project. Explain the specific concern and its severity. Also explain the role of the Project in addressing that concern and the extent to which the Project will address it. Specific concerns may include, but are not limited to: Water supply shortages, Water supply reliability, Groundwater depletion, Water quality issues, Natural disasters that may impact water supply infrastructure, Heightened competition for water supplies, Availability of alternative supplies, Increasing cost of water supplies.*

The Project's primary objectives are to satisfy the regulatory requirements of effluent discharge quality and to provide the City with a reliable water supply alternative which augments and diversifies their existing supply portfolio. The City must meet the wastewater regulatory time schedule order set by the RWQCB in order to avoid penalties or legal action for its ability to comply. The WRF Project will produce approximately 825 AFY of purified recycled water to be injected into the existing groundwater basin and recovered with existing infrastructure to provide up to 85 percent of the City's existing water supply on annual basis. Currently the City is extremely vulnerable to the effects from severe drought conditions and climate change. Locally, existing water sources do not provide as great of benefit as the WRF Project and are crippled by drought conditions and environmental concerns. Geographically the City is at a disadvantage in



obtaining additional imported supplies due in part to its rural location. Specifically, the concerns addressed by the Project are as follows.

### Water Supply Shortages and Reliability

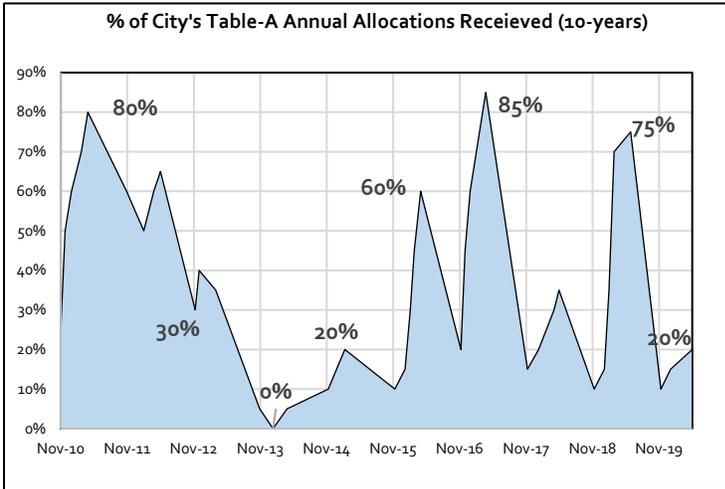


Figure 17 – Fluctuation of State Water Allocation

The City has a contracted volume of State Water allocated from the California Aqueduct, which is distributed by the CCWA to San Luis Obispo and Santa Barbara County Central Coast water contractors. The City’s 10-year average of imported state water is approximately 90 percent of their total supply. Over the last 10-year’s the annual average of total volume supplies to Central Coast contractors has been 72 percent. However, this allocation

percentages fluctuates throughout the year as allocations are steadily increased or decreased dependent on hydrologic and reservoir conditions as the year progresses. For example, contractually SLO County has a total annual allocation of 25,000 AFY, but only has the infrastructure to provide approximately 4,830 AF and allocation percentage set by the State Department of Water Resources (DWR) is 20 percent, then within that time period, until updated by DWR, SLO County Water Contractors can only receive 5,000 AF. Figure 17 shows the allocation fluctuations for all Water Contractors over the last ten years. Note the period between 2012 and early 2016 where allocations did not exceed 40 percent. The last 100 percent allocation was in 2006 which was followed by allocation less than 40 percent until December 2010. **As of April 2021, the SWP Table-A allocation for its water contractors is at 5 percent. For all of the San Luis Obispo County Contractors, that is approximately 1,250 AF.** During times of State Water cutback the City must rely on the Morro groundwater basin. As discussed, this basin is extremely stressed and poses a threat of seawater intrusion during times of drought.

**The Project will specifically address water supply shortages to the City by providing a local drought resilient water supply that offsets a large portion of the City’s imported water demand and will be available year-round. Ultimately the WRF Project reduces the reliance the City has on imported State Water, while diversifying and augmenting their water supply portfolio.**



### Groundwater Depletion and Water Quality

The WRF Project will inject up to 825 AFY of purified recycled water into the existing Morro groundwater basin. The proposed injection of purified water is expected to benefit the Morro groundwater basin by decreasing existing concentrations of both NO<sub>3</sub> and TDS. Figure 18 to the right shows the projected nitrate concentrations for the Morro Well fields over an extended period with the injection rate from the

WRF Project set slightly less than the average anticipated rate of 800 AFY. Without injection, nitrate concentrations on average remain about 125 mg/L, well above drinking water standards of 10 mg/L. However, with the proposed project, modeling shows the nitrate levels will decrease by approximately 25 percent in 5 to 10 years.

Furthermore, the injection well location is expected to further protect the City from seawater intrusion effects by providing a freshwater barrier to the City. During drought conditions, the groundwater inflow from the Morro groundwater basin injection will flow from east to west towards the ocean and prevent seawater intrusion from encroaching further west from the Ocean. Past investigations on the effects of the City extracting their full groundwater right from the Morro basin without supplemental purified recycled water injection shows that some of the wells in the Morro well field will exhibit TDS concentrations between 1,000 and 13,000 TDS (ambient seawater has a concentration around 35,000 ppm). In periods of drought and normal years when State Water is unavailable, the City must utilize a much higher extraction of groundwater from the Morro basin to satisfy potable demands. Without the project, degradation of groundwater quality will continue and the City will have to continue to treat all extracted water. If too much seawater intrusion occurs, the aquifer could be permanently degraded. **The WRF Project injection of purified water is expected to benefit the Morro groundwater basin by decreasing existing concentrations of both NO<sub>3</sub> and TDS. Furthermore, the injection well location is expected to further protect the City from seawater intrusion effects by providing a freshwater barrier on the western part of the City.**

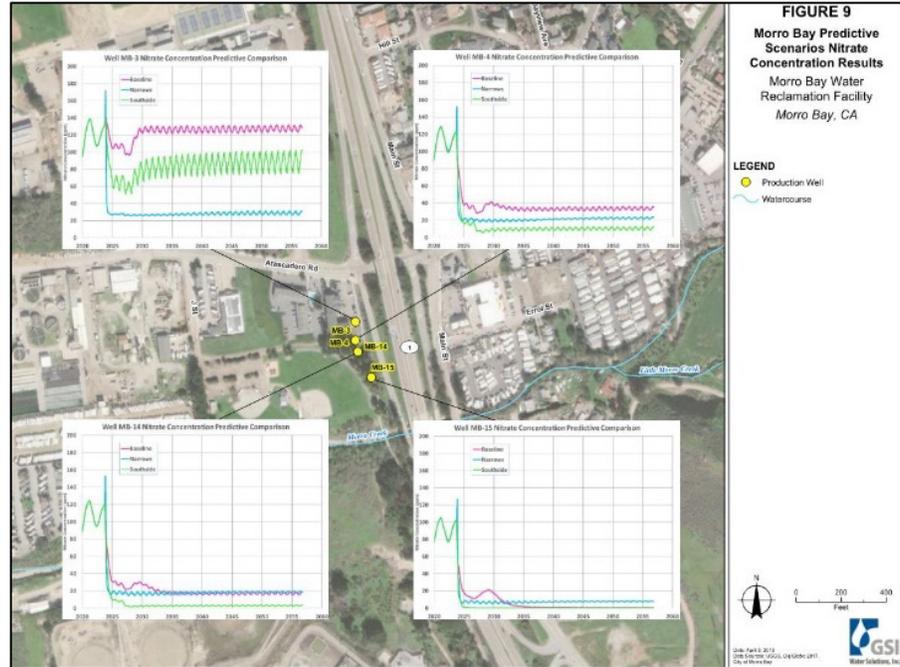


Figure 18 – Morro Well Field Nitrate Analysis



### Natural Disasters that May Impact Water Supply Infrastructure

Natural disasters in the State of California are categorized into four major categories. Earthquakes, drought, fires, and floods. Such disasters can potentially affect all parts of the State and can have significant effects on linear infrastructure such as the State Water Project. The State Water Project is an interconnected series of reservoirs, canals, pumping plants, pipelines, and various other types of conveyance infrastructure located throughout the entire state. This series of interconnected infrastructure supplies numerous other linear infrastructure systems that support cities, counties, water districts and communities.

#### Fires

Wildfires are a natural part of California’s landscape and its season continues to lengthen as the effects from climate change on the west exacerbates drier and hotter conditions. The State Water Project is supplied by surface runoff from precipitation runoff along the Sierra Nevada Mountain Range. In 2020 alone, 4.2 million acres of land burned in the State of California.

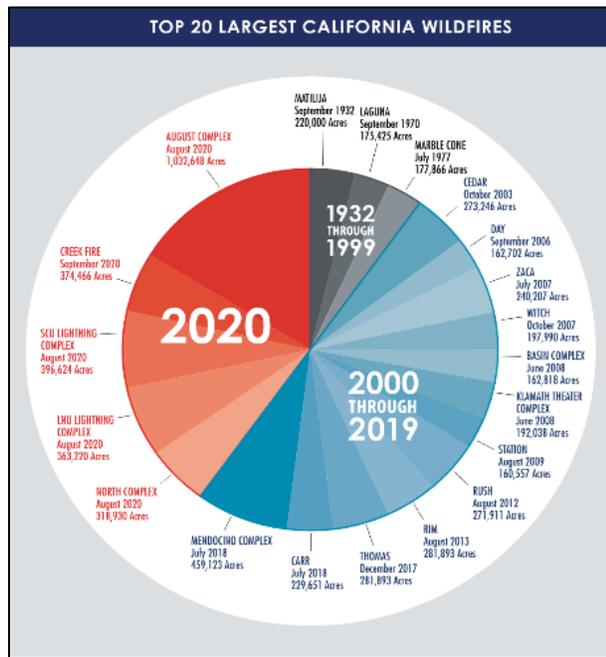


Figure 19 – California Fire Statistics

Figure 19 shows that five of the largest fires in California’s history occurred in 2020. The majority of this land occurred in forested areas which act as tributaries to these reservoirs. Following forest fires, a significant amount of debris runoff occurs during post fire precipitation events. This influx of debris to these reservoirs can cause extreme water quality issues and potentially damage existing infrastructure. Fires can potentially halt distributions to water contractors given areas effected by fires might be damaged or require evacuations for safety concerns from fires. As wildfire impacts and severity continue to grow year by year, there is an increased likelihood that major components of the State Water Project can be impacted, affecting deliveries to Water Contractors.

### Earthquakes

The State of California is one of the most seismically active states in the United States. There are over 500 active seismic faults in the State and two of the most active and large faults pass within San Luis Obispo County, see Figure 20; the San Gregorio and the San Andres. The coastal branch of the State Water Project supplies water to CCWA which distributes to Central Coast water contractors. The Coastal branch passes directly over the San Andres Fault. The City of Morro Bay is about 10 miles east of the San Gregorio fault. Like wildfires, an earthquake can occur hundreds of miles away that could potentially affect a major piece of State Water Project infrastructure which in turn can halt water deliveries to the City for an extended time. The probability of an earthquake occurring is very

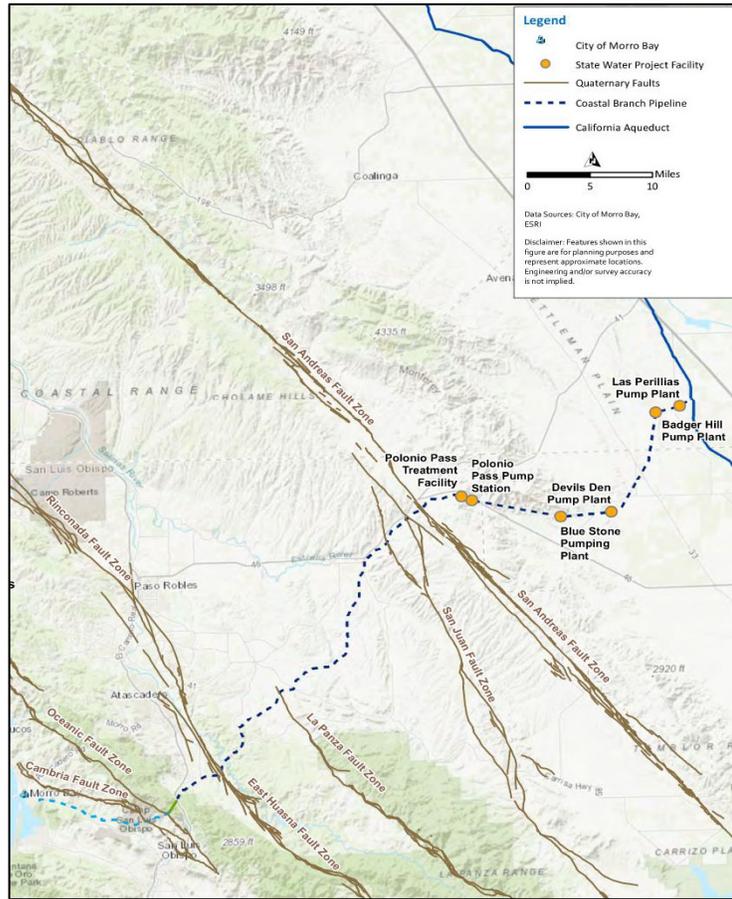


Figure 20 – Coastal Branch vs. Seismic Faults

likely, however extremely difficult, if not impossible to estimate when and where one will occur. The major concern to the City is an earthquake can eliminate any deliveries without any warning and cause a significant potential risk that imported water deliveries are not available to the City. The City’s dependence on imported water coupled with a limited water supply portfolio poses a significant risk to the major components of the State Water Project are damaged and non-operational. The City does purchase drought buffer to augment imported water supplies, however if water cannot be delivered, that buffer is unusable. **Linear infrastructure is extremely vulnerable to natural disasters such as fire and earthquakes that can affect different components in multiple different areas that can greatly affects users downstream. The WRF Project alleviates the reliance on one sole water supply year around, by providing a local and reliable supply to continually provide an adequate supply that can support the City for an extended period of time.**

## Floods and Sea Level Rise



Figure 21 – 100-year Flood Inundation Limits

Floods and sea level rise pose a significant local concern with potential great impact on the City of Morro Bay. One of the primary objectives of this Project was to mitigate potential flood and coastal hazards to any new wastewater treatment plant new development. Figure 21 shows the existing wastewater treatment facility is within FEMA's 100-year flood plain (light blue) and near the 500 year flood plain (orange). Additionally, sea level rise plays a role in potential hazards with increasing tides and mean sea level. Findings from NOAA predict that Sea Level Rise will

not have any impacts to the existing wastewater treatment plant, however parts of the City and Morro Creek show inundation from Sea Level rise. It would be expected that rising sea levels will also increase the influx of seawater into the freshwater Morro groundwater basin. **One of the primary objectives of the WRF Project is to relocate the City's wastewater treatment plant to an inland location to eliminate any potential damage from the Morro Creek 100- and 500-year flood inundation limits. Additionally, components of the Project that are within these limits are shown to be flood proofed and set to elevations above the flood elevation. The Project also creates a freshwater barrier in the groundwater basin that will alleviate and prevent seawater intrusion impacts even during drought condition and to protect the Morro groundwater basin from seawater that could permanently degrading the water quality.**

### Drought

The City of Morro Bay is extremely affected by drought conditions throughout the state and locally. As of April 2021, the County is currently in a state of moderate drought as defined by the California Drought Monitor

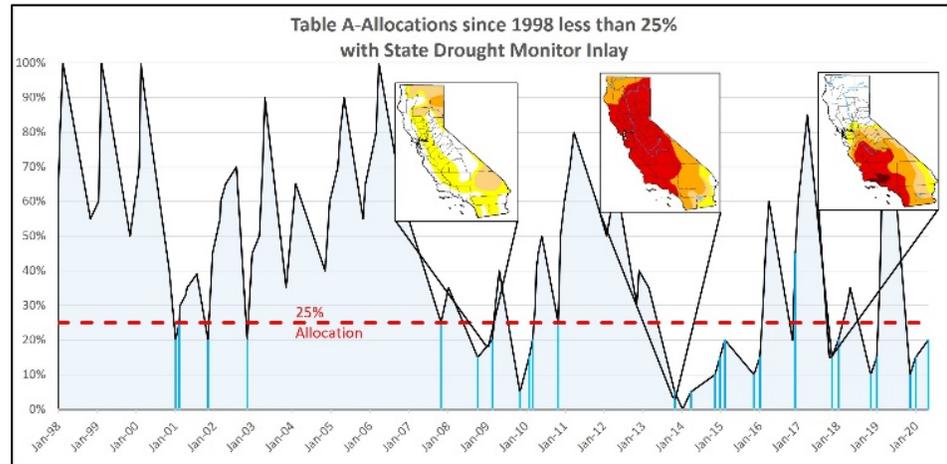


Figure 22 – State Water Allocation vs. State-Wide Drought

program. As discussed, one of the City’s four existing water supplies, the Chorro field is non-operational from water quality concerns and due to the fact that its usage is dependent on the flowrate of the adjacent Chorro Creek. Therefore, this water supply is not available during periods when water is most needed. Additionally, Figure 22 shows that the SWP allocations are significantly less when the larger regions of the State are in severe periods of drought therefore showing this concern is regional and that the City has a very low amount of reliability with its largest water supply during drought conditions. **One of the primary objectives of the WRF Project is to create a reliable and drought resilient water supply to the City. The WRF will produce purified recycled water through reclamation thus having a constant annual supply of source water which will be used for indirect potable reuse for groundwater augmentation and a dependable source for the City.**

### Heightened Competition for Water Supplies

The State Water Project, which is the City’s dominate supply source, suffers from both increasing drought due to climate change and heighten competition for water supplies. State Water is conveyed from the Sacramento-San Joaquin Delta, shown in Figure 23 and is closely tied to the Central Valley Project (CVP), which also conveys Delta water across the state. Water from the Delta provides drinking water to two-thirds of California’s population as well as irrigation water to millions of



Figure 23 – Sacramento - San Joaquin River Delta



acres of farmland. There are many competing interests for Delta water and the supplies are threatened by sea level rise, flooding, earthquakes, aging levees, invasive species, and contamination. Additionally, native fish species in the Delta (including state and federal endangered species) have suffered from the altered flows resulting from the SWP and CVP operations. The problems facing the Delta are challenging and have been studied for decades. The competition for Delta water will continue in the future as the population of the State continues to grow and climate change lessens available supplies. Recognizing this issue, the Governor released the 2020 California Water Resiliency Portfolio which encourages reducing reliance on the Delta through improving water supply diversity and implementation of other supplies such as reuse.

### Availability of Alternative Supplies

In 2017, the City examined multiple water supply project alternatives in a comprehensive planning effort known as the One Water Plan. The objective of each alternative is to diversify the City's water supply portfolio while creating resiliency in the supply for future drought or emergency conditions. The City has two other sources outside of State Water and the Morro Well field: the Chorro well field and Ocean Desalination. Currently, the ocean desalination facility is outdated and in a state of much needed repair and therefore not in use. The City originally constructed the facility in response to drought conditions but has intermittently used it for domestic water and emergency production. The City's Chorro Well Field includes six wells and is located west of the City. Groundwater pumping is available at the Chorro Well Field only when the recorded stream flow in the adjacent Chorro Creek is above 1.4 cubic feet per second (cfs). Historically, during dry years, the Chorro Well Field has been inoperable due to extremely low flows in Chorro Creek. The City has not used the Chorro well field since 2011.

Alternative water supply options evaluated in the One Water Plan included adding additional treatment to the Morro or Chorro well fields or reinstating the desalination facility. New development to these water supplies was not considered further due in part to the unreliability of the source water (e.g. Chorro groundwater basin), the degradation of groundwater quality from extensive groundwater pumping, and the supply yield and cost. Similarly, the ocean desalination facility is limited by its existing infrastructure and permitting. Building a new larger ocean desalination would be difficult to obtain both regulatory permits as well as support from environmental organizations. **The alternative supplies are simply not available and have too many environmental impacts. The City is in a rural area and the development of a new water supply either imported or domestic is extremely expensive and challenging to accomplish. The WRF Project provides the City with the ability to meet various regulatory objectives while providing the City with an effective water supply that is resilient to drought conditions and available throughout the year as a drinking water supply.**

## Increasing Cost of Water Supplies

The increasing cost of water can be analyzed both locally and regionally. Locally, if the City utilized the Morro well field greater without augmentation from the WRF, it was found that seawater intrusion and nitrate concentration would increase. This in turn would cause treatment and

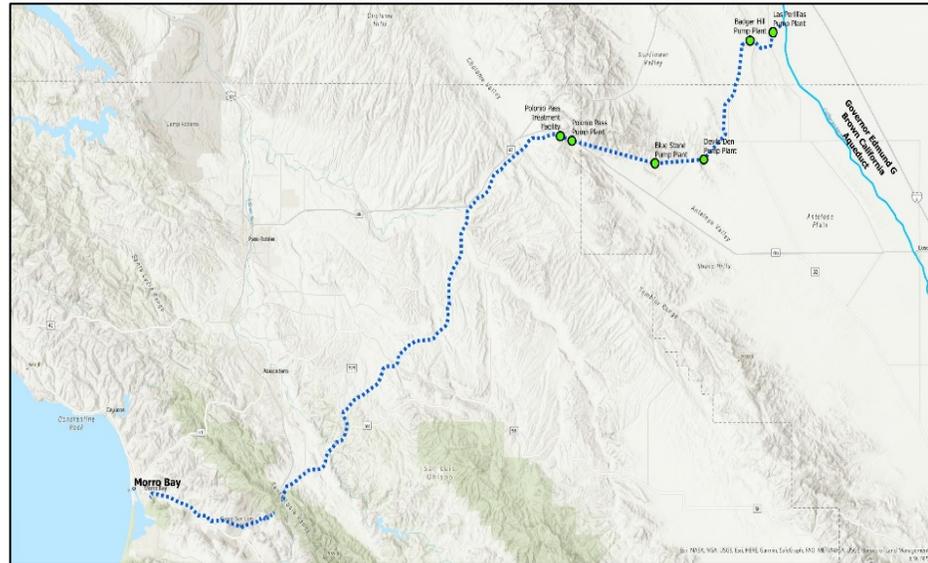


Figure 24 – Coastal Branch Pumping Plants

operational costs to increase with the need to further treat extracted groundwater prior to distribution. Regionally, the fixed State Water Project annual costs have gradually increased with inflation, however the variable costs take into consideration pumping power costs and intermittent charges with changing operational conditions or minor infrastructure repairs. Coastal branch water is some of the most expensive deliveries made from the State Water Project. The coastal branch alone must go through five pumping plants (see Figure 24) to pass the Coastal mountain range. Fluctuating and rising energy costs can significantly increase the unit cost of water. Additionally, the fixed costs of State Water for Coastal Branch contractors is approximately \$26 million a year, therefore no matter what allocation is given, this must be paid. In theory, with less allocation the unit cost will increase. It is expected that this fixed cost will end in 2035 due in part to the completion of the original infrastructure financing, however additional regional water projects are potentially under development (e.g. California WaterFix). Finally, any major improvements to the State Water Project that will benefit in any way water contractors downstream of improvement will be distributed to downstream contractors. Again, with the downward trends of Table A allocations and increasing costs of construction, over time the unit cost of State Water continues to rise. **The WRF Project alleviates the increasing cost of water supplies by eventually decreasing the treatment and operational costs of the City's existing water treatment facility and developing a local supply which eliminates any pumping power costs the City would have to pay for SWP deliveries and the annual variable improvement costs shared by Water contractors.**



**2. Will water made available by this Project continue to be available during periods of drought? To what extent is the water made available by this Project more drought resistant than alternative water supply options? Explain.**

The City’s existing water supplies are completely reliant upon hydrologic conditions. The Morro groundwater basin is supplied from precipitation and surrounding inflow in the Morro Valley. As for State Water, the majority of the supply is from precipitation and snowmelt in the Sierra Nevada mountain range. Dependent on hydrologic conditions, the SWP supply allocation is determined by the State. As shown above, the State Water Project allocation varies through each year. Therefore, the City’s available water supplies are extremely variable each year and are completely dependent on the existing hydrologic condition. **The water supply provided by the WRF Project is expected to be available year-round. The WRF will treat all the City’s wastewater and will produce purified recycled water which will be injected into and recovered from the Morro groundwater basin for indirect potable reuse.**

**3. Has the area served by the Project been identified by the United States Drought Monitor as experiencing severe, extreme, or exceptional drought at any time in the last 4 years?**

In 2014, the governor of California declared a drought state of emergency for the state of California, which includes the area served by the Project; this declaration was lifted in 2017, but drought persisted in the Morro Bay region. As seen in the figure below, San Luis Obispo (SLO) County still suffered from drought conditions even after the state of emergency was lifted and is currently experiencing a drought in 2021.

Provisions of California’s Emergency Services Act were used to declare a statewide drought emergency for the 2012-16 event and its immediate predecessor in 2007-09. At the same time, USDA Farm Service Agency declared San Luis Obispo County a Secretarial Disaster Designation from crop year 2012 through 2019 as shown in Figure 25. Furthermore, most of California was declared a Secretarial Disaster Designation in crop year 2021, see Figure 26.

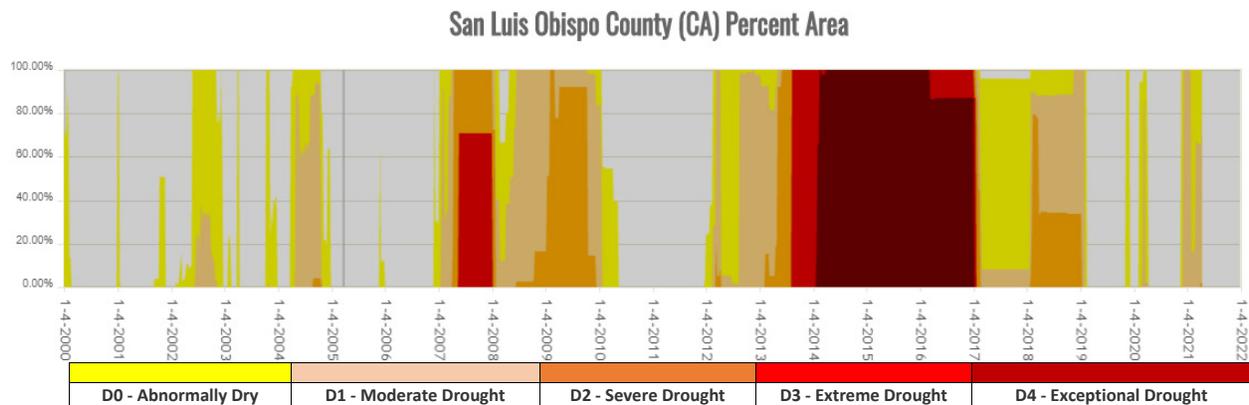


Figure 25 – U.S. Drought Monitor Time Series

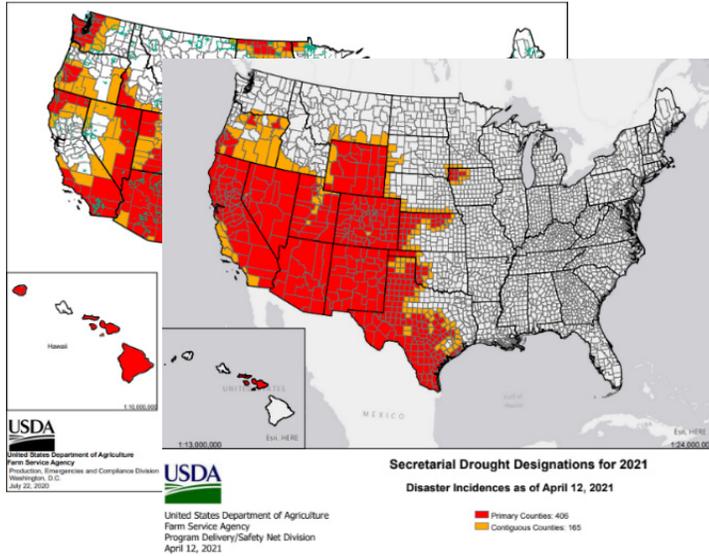


Figure 26 – USDA Drought Monitor Maps

The City currently purchases 90 percent of its water supply from outside city limits. The imported water originates from hundreds of miles away in the Sierra Nevada Mountains and the California Bay-Delta. Statewide and regional droughts have a significant impact on the City’s water supply. The San Luis Obispo County allocation of 25,000 AFY can be affected depending on different factors, such as drought conditions in different regions of the State that supply SWP infrastructure and water resource management of

environmental flows in the California Bay-Delta. Currently, the allocation for 2021 SWP water contractors has decreased to 5% of the contracted amount due to an ongoing drought. This leaves 1,250 AF for the entire County and even less for the City. Drought conditions in California are expected to become more frequent and more severe. SWP deliveries are lower during state-wide droughts (e.g. 2012-2019). Therefore, a reduced allocation of SWP water could become normal, which drastically limits the City’s water supply.

**4. Has the area served by the Project been designated as a drought disaster area by the State in the last 4 years?**

Given that the City is dependent on local groundwater supplies as its other major source, it is highly vulnerable to the ongoing drought conditions. SLO County (along with much of California) has been in a declared drought for years as documented by the Drought Monitor (see Figure 27):

- 2014, 2015 and 2016 - Severe/Exceptional Drought
- 2017 - Abnormally Dry
- 2018 – Abnormally Dry/Moderate/Severe Drought
- 2019 and 2020 – None
- 2021 – Abnormally Dry/Moderate Drought

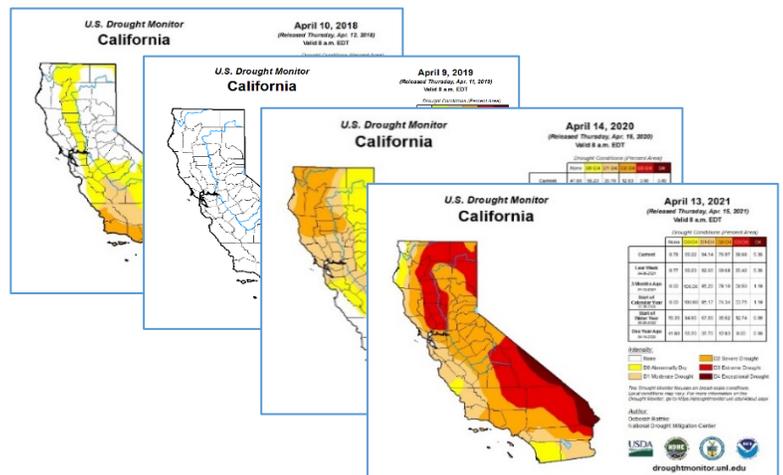


Figure 27 – California State Drought Monitor Report



### Evaluation Criteria 2 – Environment and Water Quality

The City of Morro Bay sits in an exceptionally beautiful and productive environment. The City is just north of the Morro Bay National Estuary which is the most important wetland on the California central coast. The Morro Bay estuary supports several biotic communities including coastal salt marsh, tidal mudflats, and coastal scrub. Additionally, the waters off shore of the City are part of the Monterey Bay National Marine Sanctuary (MBNMS), which is a Federally protected marine area off the shore of California's central coast. Stretching from Marin to Cambria, the MBNMS supports one of the world’s most diverse marine ecosystems and is home to numerous mammals, seabirds, fishes, invertebrates, and plants in a remarkably productive coastal environment. The WRF project enhances and protects these local features by providing high quality treatment and reuse of the community’s wastewater, protecting the ocean as well as the groundwater basin.

#### 1. Will the Project improve the quality of surface water or groundwater?

Yes, the project is expected to decrease both the Total Dissolved Solids (TDS) and Nitrate (NO<sub>3</sub>) concentrations in the Morro groundwater basin. Hydrogeological investigations show that if the City continue to utilized the Morro groundwater basin by extracting their full allocation of 581 AFY, TDS concentrations would range from about 1,000 to 13,000 mg/L from seawater intrusion and the Nitrate concentrations would remain at approximately 125 mg/L. Modeling of the proposed project used a purified recycled water injection volume of 800 AFY (anticipated injection volume is 825 AFY) and found that the Morro groundwater basin TDS concentrations remain relatively steady and below 1,000 mg/L and the nitrate concentration is reduced by approximately 25 percent. Therefore, the WRF project improves the groundwater basin.

#### 2. Will the Project improve effluent quality beyond levels necessary to meet State or Federal discharge requirements?

Yes, the City’s wastewater discharge effluent currently does not meet CWA secondary treatment standards for publicly owned treatment systems and has received a TSO from the Regional Board with interim effluent limitations. The WRF Project will significantly improve the City’s wastewater discharge effluent to meet the effluent limitations listed in Table 2 to the right. Additionally, about 85 percent of the City’s effluent will be produced into purified recycled water and treated to potable water standards which will ultimately be used as an additional water supply to the City via indirect potable reuse (IPR).

Table 2 Effluent Quality Parameters

Parameter	Units	Average Monthly
Biochemical Oxygen Demand 5-day @ 20° C(BOD <sub>5</sub> )	mg/L	30
Total Suspended Solids (TSS)	mg/L	30

#### 3. Will the Project improve flow conditions in a natural stream channel?

No, the project is not discharging treated effluent to any natural stream or channels in the area.

#### 4. Will the Project restore or enhance habitat for non-listed species? If so, how?

Yes, the project includes a 1.9 acre riparian enhancement plan (REP) just east of the WRF construction Site. See Figure 28. The REP has been developed to provide mitigation for direct and indirect effects on riparian habitat and several special-status animal species that are active in the area. The REP will remove invasive and non-native plant species in the area and restore the site with locally native species that will become self-sustaining over time. The addition of these native plants will prevent erosion and sedimentation from the WRF site through habitat restoration and re-establishment of areas temporarily disturbed during construction. Additionally, the REP aims to preserve and increase the site's habitat functions and values with the increase in the native plant species. Several species of migratory birds, songbirds have the potential to nest in the site as well as the American badger has the potential for utilizing the area as a habitat in the future. The REP includes a long-term monitoring and irrigation program to ensure that the implementation of the REP establishes in the area to provide a native habitat for local species in the area as well as restore this portion of the project to its natural function.

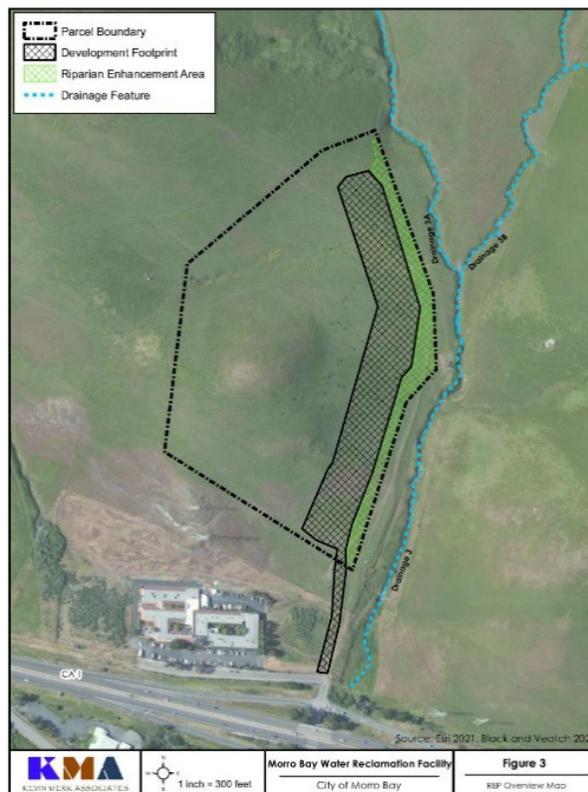


Figure 28 – Riparian Enhancement Plan Limits

#### 5. Will the Project provide water or habitat for federally listed threatened or endangered species? If so, how?

Yes, the REP eliminates invasive plant species and creates adequate habitat for the USFW Special Status Species the California red legged frog (CRLF). The REP provides vegetation cover for CRLF dispersal and enhances habitat connectivity along the adjacent drainage corridor. No CRLF suitable habitats were identified on the WRF site or along the conveyance facilities during the project biological surveys, however the REP involves the conversion of disturbed annual grassland in the REP area to a native woodland/scrub riparian community that will have higher value for wildlife providing increased cover and foraging opportunities, as well as protection of water quality in downstream resources including the nearby adjacent drainage and Morro Bay Estuary.



### Evaluation Criteria 3 – Economic Benefits (35 points)

The primary objectives of the Water Reclamation Facility Project are: 1) to adequately treat the City's wastewater to meet Clean Water Standards and to meet the time schedule order issued by the State, 2) to provide a sustainable and reliable water supply that is drought resilient and is continually available year round, 3) to diversify and augment the City's existing water supply portfolio and significantly reduce their dependence on imported water supplies, 4) to improve the water quality of the existing Morro groundwater basin through groundwater injection and recovery and, 5) to meet development standards while simultaneously improving coastal resources and the mitigation of catastrophic damage and operational challenges from coastal hazards. The total cost to be expended by the City of Morro Bay is estimated to be approximately \$138.7 million which includes the complete construction of a new water reclamation facility, lift stations and offsite pipelines, purified water injection wells in the Morro groundwater basin, and engineering design, program management, and administration.

**The total cost for the Water Reclamation Facility Project from the date of the Title XVI Feasibility Study approval on July 22<sup>nd</sup>, 2020 and before September 23<sup>rd</sup>, 2023 is \$111,593,796. Twenty-five percent of said cost is \$27,898,449. The City of Morro Bay is requesting Bureau funding of \$20,000,000 (the federal agency funding limit) for the Water Reclamation Facility Project.**

#### Sub-criterion 3a – Cost Effectiveness

The WRF Project is broken into two different financial components; water and sewer. The water component includes the facilities associated with the purified recycled water injection and treatment processes. The sewer component includes the lift stations, force mains, brine disposal line, and sewer treatment facilities of the Project. The City has received a time schedule order from the State requiring secondary treatment of their wastewater and requires a new wastewater treatment plant location per the Coastal Development Permit to mitigate coastal hazards and provide reclaimed water production. Building both wastewater and purification facilities at the same time provides a cost effective approach to providing multiple benefits for the City. Instead of building two complete separate treatment plants, the City combined the facilities into one reclamation process that can treat wastewater effectively and produce a reliable water supply. Additionally, the reclamation component of the project enables the City to apply for competitive funding opportunities.

The City expects funding for the WRF Project to be a combination of long term debt from low-interest-rate financing and grants, and cash funding provided by the WRF Project sewer and water surcharge. Table 3 outlines the water and sewer components of the anticipated funding for the project. Based on the City's latest financial analysis, it plans to finance the WRF Project using the following funding sources:

- \$10 million planning loan awarded to the City from California's Clean Water State Revolving Fund (SRF) with a subsidized interest rate of 1.70 percent.



- \$56.4 million loan from the US Environmental Protection Agency’s (EPA’s) Water Infrastructure and Financing Innovation Act (WIFIA). WIFIA can be used to finance up to 49 percent of the WRF project cost with low interest rates and advantageous repayment terms.
- \$57.31 million loan which will include \$5 million in principal forgiveness from the Clean Water SRF Financing Program.

Grants and subsidized loans enhance the cost-effectiveness of the project, resulting in lower future debt service and reducing the burden on local ratepayers.

Table 3 WRF Total Funding Costs by Sewer and Water

WRF Funding	Total	Water	Wastewater
WIFIA Financing	\$56,371,000	\$31,187,000	25,184,000
SRF Loan	\$57,309,000	-	57,309,000
SRF Grant	\$5,000,000	-	5,000,000
Cash Funding	\$20,000,000	-	20,000,000
<b>WRF Total Project Costs</b>	<b>\$138,680,000</b>	<b>\$31,187,000</b>	<b>\$107,493,000</b>

1. *Reclamation will calculate the cost per acre-foot of water produced by the Project using information provided by Project sponsors. Please provide the following information for this calculation:*
  - a. *The total estimated construction costs, by year, for the Project (include all previous and planned work) as shown in Table 4.*

Table 4 shows the estimated construction cost of the Morro Bay WRF Project by year. The total project construction cost is \$123.3 million. As noted in Table 3, the total anticipated construction cost of the Project is broken into both a water and sewer component. The cost of the recycled water produced by the Project is comprised of only the water component (listed in Table 3) of the Project overall at \$31.2 million. The wastewater component of the Project was necessary to meet the TSO requirements and is an important pretreatment before purification for potable reuse. The wastewater components construction costs are estimated at \$107.5 million. The additional advanced treatment processes were designed in addition to the secondary treatment for the beneficial reuse application to the City.

Table 4 WRF Total Estimated Construction Cost

Calendar Year	Construction Costs
2018	\$1,663,275
2019	\$5,596,112
2020	\$18,596,049
2021*	\$46,628,928
2022*	\$32,806,500
2023*	\$17,276,417



Calendar Year	Construction Costs
2024*	\$717,500
<b>Total Estimated Construction Cost</b>	<b>\$123,284,781</b>
Total Design, Planning, Legal, and Administration Costs*	\$15,395,219
<b>Total Estimated Project Cost*</b>	<b>\$138,680,000</b>
*Includes Planned Costs	

*b. The total estimated or actual costs to plan and design the Project.*

Table 4 also shows the non-construction costs of the project including program management, public outreach, legal review, construction management, planning, and administration. These costs are estimated to be approximately \$15.4 million as shown in Table 5 to the right. This value includes approximately \$5 million of expenditures prior to March 2018 with previous program manager.

Table 5 Estimated Equipment Replacement Costs and Time

Calendar Year	Program Costs
Prior up to 2018	\$5,009,835
2019	\$2,297,776
2020	\$3,386,681
2021*	\$2,150,400
2022*	\$1,991,528
2023*	\$432,000.00
2024	\$127,000.00
<b>Total</b>	<b>\$15,395,219</b>

*c. The average annual operation and maintenance costs for the life of the Project. Please do not include periodic replacement costs in the operation and maintenance costs.*

The annual operation and maintenance (O&M) costs for the Water Reclamation Facility Project and the associated lift stations is estimated to be \$3.8 million annually. This amount includes costs for power, chemicals, labor, and regular maintenance replacement items for mechanical and process equipment (filters, UV lamps, membranes, etc.) and general site maintenance of the facilities.

*d. The year the Project will begin to deliver reclaimed water.*

The WRF Project is expected to be completed in the February 2023 with startup and commissioning completed in August 2023. The treatment facilities will begin start up and commissioning in March 2022, and with final completion in October 2022. Final injection wells are schedule to be complete in the 2023. Purified recycled water will begin to be produced in 2022 and delivery to the injection wells in 2023.

*e. The Projected life (in years) that the Project is expected to last. Note: this should be measured from the time the Project starts delivering water.*

The projected life of the facility is at a minimum 50 years. Process structural elements and significant site components such as drainage features and parking lots are expected to have a life cycle longer than the upgrade timeline. The project is expected to deliver water in 2023, therefore the projected life is to 2073.



*f. All estimated replacement costs by year as shown in Table 5. If there are multiple replacement costs in one (1) year, or at the same interval, please total them and put them on one line with the year or interval.*

The project estimated replacement costs by year are shown in Table 6 below. Each line item is a brief description of the equipment replacement or major maintenance activities.

Table 6 Estimated Equipment Replacement Costs and Time

Equipment Replacement Description	Year	Cost
Belt Filter Press Belt Replacement	2025	\$ 11,500
Fine Screen Chain Replacement	2027	\$ 1,000
UV Disinfection Equipment	2027	\$ 43,000
Secondary Treatment Membrane Diffuser Replacement	2028	\$ 2,000
RO System Cartridge Filter	2028	\$ 6,000
Fine Screen Motor Drive Sprocket Replacement	2028	\$ 1,500
Odor Control System Fans and Air Supply	2031	\$ 80,500
RO System Membrane Replacement	2033	\$ 14,000
Fine Screen Motor Replacement	2033	\$ 3,000
Membrane Bio-Reactor Cassettes	2033	\$ 33,500
Secondary Treatment Process Air Blowers	2038	\$ 14,500
Secondary Treatment Submersible Mixers	2038	\$ 12,000
Secondary Treatment Waste Activated Sludge Pumps	2038	\$ 26,500
Membrane Bio-Reactor Feed Pumps	2038	\$ 63,500
Membrane Bio-Reactor Blowers	2038	\$ 14,500
Membrane Bio-Reactor Filtrate Pumps	2038	\$ 10,500
Outfall Brine Pumps Station Equipment Maintenance	2038	\$ 57,500
Recycled Water Pump Station Equipment Maintenance	2038	\$ 57,500
RO System Feed Pump and Equipment Replacement	2043	\$ 720,000
Wastewater Pump Station Pump Replacement	2048	\$ 150,000



- g. The maximum volume of water (in acre-feet) that will be produced annually upon completion of the Project. This volume of water must correspond to the costs provided above. If costs are only provided for a portion or phase of the project, then only the water produced by that same portion or phase of the project will be considered under this criterion.*

The costs provided are for the design capacity for of the WRF Project. **The design capacity is approximately 0.97 mgd, which equates to approximately 825 AFY of purified recycled water that will be injected into the existing Morro groundwater basin for IPR.** The costs will not be shared with other municipal agencies and completely financed by the City of Morro Bay. The volume of recycled water produced will only be used for the City's benefit. Assuming the design capacity will be produced over a life cycle of 50 years, it is expected the City will produce approximately 41,250 acre-feet of water.

- 2. Reclamation will calculate the cost per acre-foot for the Title XVI Project using the information requested in question No. 1 and compare it to the non-reclaimed water alternative, and any other water supply options identified by the applicant to evaluate the cost effectiveness of the Project. Please provide the following information for this comparison:*

- a. A description of the conditions that exist in the area and projections of the future with, and without, the Project.*

Historical water system production for the City has varied greatly. There is a potential for supply imbalances given the City's current water supply portfolio and external factors that may cause fluctuations in the supply from year to year. The following sections describe the details of these water demands and imbalances.

Currently, the City is able to meet its demands by utilizing a combination of imported State Water and local groundwater. The City currently purchases approximately 85 percent of its water supply from outside the city limits by importing water from the California State Water Project (State water or SWP). However, during severe drought conditions where State Water allocations are minimal or a scenario in which imported water is unavailable, the City's water supply portfolio has major limitations. The Chorro Well Field is not operational due to low or zero flows in Chorro Creek and water quality issues. Additionally, the City's emergency ocean desalination facility is not operable due to aging assets and is not currently permitting. The only remaining local supply is the Morro Well Field which lacks sufficient production volume to meet long term demands.

Historical data and groundwater modeling indicate that the City's Morro wells are at risk of seawater intrusion if the full permitted pumpage is produced with no IPR injection. Seawater intrusion can permanently damage a groundwater basin. These conditions are aggravated by drought conditions and requires that the City treat the extracted water prior to distribution. In addition, the Morro groundwater quality has suffered from high levels of nitrate coming from upstream agriculture. Predictive nitrate modeling scenarios indicate during combined IPR



injection and City pumping, that all City wells have will have improved water quality over time with significantly lower nitrate and TDS concentrations under an injection well operation.

The City of Morro Bay has no water reclamation and reuse technology in its current water supply portfolio. Rather, treated wastewater is discharged through the ocean outfall and diffuser located approximately 2,900 feet offshore. The City’s current wastewater treatment plant does not meet Title 22 standards and is out of compliance with current secondary treatment standards. It has been determined that reclamation efforts with the existing facilities are not possible.

With the WRF Project, the City can satisfy the time schedule order for providing new wastewater treatment, meet the NDPES requirements set by the State, as well as meet the Coastal Commission permit requirements of development inland and mitigating future damage from coastal resources. The City can also postpone the need to expand or retrofit its existing water supply portfolio. The WRF Project’s augmented supply to the Morro Groundwater Basin postpones the need to develop treatment from extracted groundwater from the Chorro Basin, upgrade the ocean desalination facility, and acquire additional State Water Rights from DWR to meet growing future water demands. With the growing severity and occurrence of drought conditions in the State,

this project will allow the City to significantly reduce their dependence on imported State Water. During drought conditions, the City can securely rely on their newly developed water supply via the IPR at the Morro well field and significantly decrease their dependence on State Water. Even during periods of 0 percent allocation, the City will have an adequate supply of water, as the project

provides up to 85% of the City’s current average demands. Without the project, population growth will also create a significant imbalance in the City’s ability to meet future water demands. As shown in Figure 29, the population of Morro Bay is projected to increase to 12,150 people by the year 2040, and the City’s average daily demand and total annual demand are projected to approach 1.29 MGD or 1,445 AFY by 2040.

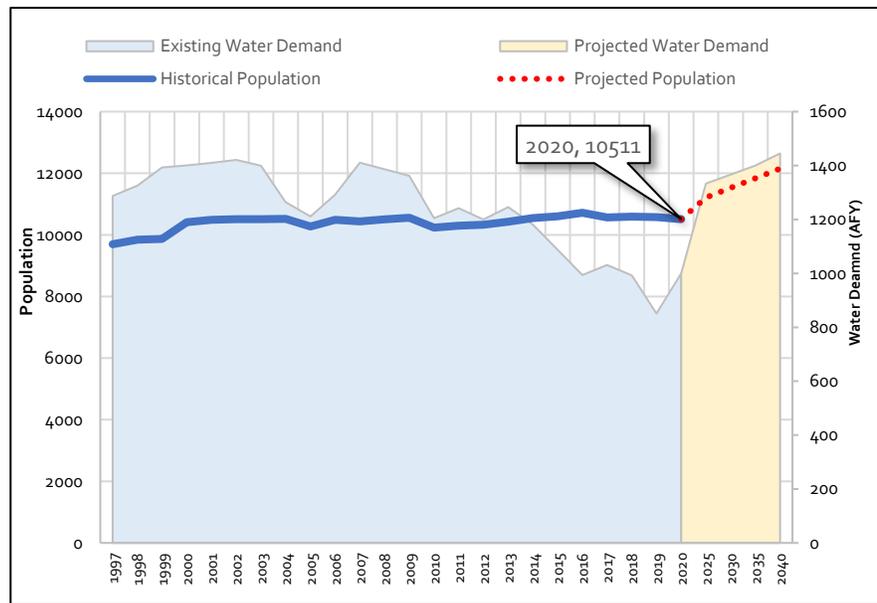


Figure 29 – Population Projections and Water Demands



A reliable source of water is necessary to confidently meet these growing water demands. With the additional water supply provided by the WRF Project, the City of Morro Bay can increase groundwater extraction in the Morro Basin to between 940 and 1,200 AFY (dependent on hydrologic conditions) to significantly close the gap between supply and demand. As shown in Figure 29, the City’s demand has been decreasing since 2013, but with population growth and an increased need for water, between 2020 and 2040 the demand is estimated to increase. Therefore, with an assumed future demand of 1,445 AFY at an average recovery from the Morro well field, the City will only have to provide approximately 35 percent of imported water to meet the remainder of their demand.

*b. Provide the cost per acre-foot of other water supply alternatives that could be implemented by the non-Federal Project sponsor in lieu of the Project. This must include, but is not limited to, one non-reclaimed water alternative that would satisfy the same demand as the Project. Other water supply alternatives beyond one non-reclaimed water alternative are not required, but may be provided where available to demonstrate the cost effectiveness of the Project.*

Other than the WRF Project, the City of Morro Bay considered variations of eight different water supply alternatives as part of their One Water Plan. Alternatives included treatment of the existing Morro well field (at the permitting capacity of 581 AFY if no injection), treatment of the existing Chorro well field (permitted capacity of 1142.5 AFY but only if streamflow is at least 1.4 cubic feet per second), a combination thereof, ocean desalination, and direct potable reuse. Figure 30 to the left shows the supply benefit each water supply alternative offers to the City. All the water supply alternatives underwent a thorough investigation of drought resilience, energy usage, normal supply yield, and costs.

Alternatives included the development of existing infrastructure at the Morro, Chorro and desalination facility with treatment technology and infrastructure to utilize full allocation of resources. Note the combination of the Chorro and Morro well field alternatives could completely offset the City’s imported water supply 100 percent with a local supply. However, this alternative included the Chorro well field which is extremely susceptible to drought and has a low net yield during drought conditions. The

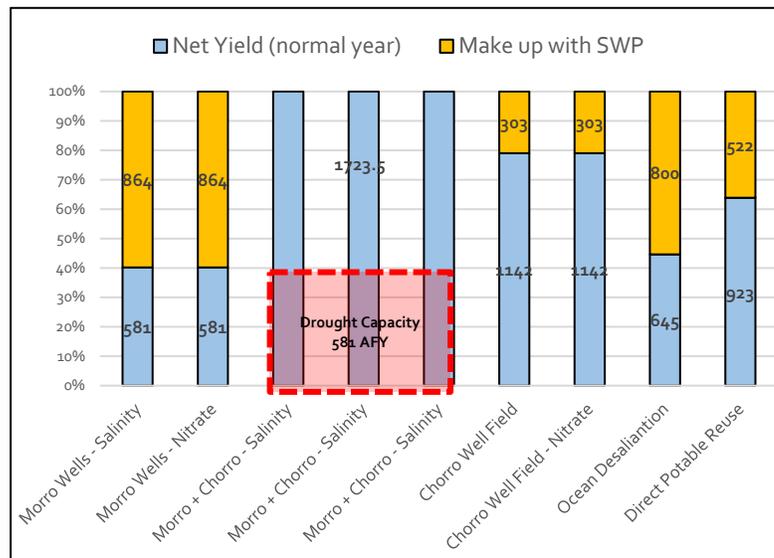


Figure 30 – Alternative Supply Evaluations



yields on the Chorro wells have historically been so low due to the streamflow requirement, that the City has stopped using this permitted supply. To address this lack of flow, an alternative considered was streamflow augmentation of Chorro Creek with recycled water. However, this alternative would face difficulty implementing due to regulatory issues. Direct Potable Reuse using reclaimed water was also considered as well as redevelopment of the City’s defunct and nonoperational ocean desalination facility which is limited to a capacity of 645 AFY.

Figure 30 shows the volume of water that is locally produced for each alternative and how much water must be imported to meet the projected 2040 projected demand of 1,445 AFY. Each alternative unit cost was estimated which included total capital, energy, O&M, and engineering design costs to implement. Table 7 also lists the estimated unit costs of each alternative. Of the eight water supply alternatives, only the Morro well field treatment and the ocean desalination do not utilize reclaimed water and as shown neither alternatives are capable of producing an equivalent volume of water compared to the WRF Project. The alternatives shown in Table 7 below shows the total estimated cost per acre foot of water to meet the total 2040 projected demand of 1,445 AFY by combining the cost of the alternative with the costs of State Water required to make up for the lack of local supply. The total cost of State Water in Table 7 assumes a Table A allocation of 72 percent resulting in a unit cost of approximately \$2,175 per acre foot for State Water.

Table 7 Water Supply Alternative Costs (normal year)

Water Supply Alternative	Yield (AFY)	Alternative Unit Costs (\$/AF)	Imported Water Volume (AFY)	Imported Water Volume	Total Unit Cost of Water (Alt + SWP)	Comment
Proposed Project WRF - IPR	940	\$1,945*	5 percent	505	\$4,120	825 Injected RW
Morro Wells - Salinity	581	\$1,546	40 percent	864	\$3,039	Potential for SWI
Morro Wells - Nitrate	581	\$1,236	40 percent	864	\$3,039	Potential for SWI
Morro + Chorro - Salinity	1723.5	\$1,748	100 percent	-	\$2,175	Unreliable supply
Morro + Chorro - Salinity	1723.5	\$1,184	100 percent	-	\$2,175	Unreliable supply
Morro + Chorro - Salinity	1723.5	\$1,472	100 percent	-	\$2,175	Unreliable supply
Chorro Well Field Augmentation	1142	\$1,663	79 percent	303	\$2,478	Regulatory complexity
Chorro Well Field Augmentation - Nitrate	1142	\$2,258	79 percent	303	\$2,478	Regulatory complexity
Ocean Desalination	645	\$2,932	45 percent	800	\$2,975	Regulatory complexity
Direct Potable Reuse	923	\$2,208	64 percent	522	\$2,697	Regulatory complexity

\*See Sub-Criterion b – Economic Analysis and Project Benefit.



Due to the limited capacity, drought risk and regulatory implementation risks none of the other alternatives considered provided the benefits for reliable, drought proof supply that WRF IPR project provides.

Non-WRF Project Water Supply

If the City pursued a non-WRF Project water supply, the two remaining local sources available that would be most reliable are Ocean Desalination and treatment expansion for the Morro well field. The combination of both water supplies would be required to develop a comparison water supply to the WRF Project. The Morro well field has a prescribed extraction volume of 581 AFY and the Desalination plant, 645 AFY, which combined is 1,226 AFY. Note without injection, the proposed Morro Well treatment facility would require both TDS and Nitrate treatment capabilities. Table 8 below shows the estimate cost of the combined Morro treatment and ocean desalination projects as compared to the WRF project (recycled water elements only).

Table 8 Total Annual Production Cost

Project Scenario	10-year Avg. City demand	Water Supply Benefit	State Water Make-Up (ac-ft)	Unit Cost of Production*	Total Annual Production Cost
Morro TDS & NO3 Treat + Ocean Desal	1,100	1226	0	6,244	\$6,868,226
WRF	1,100	940	160	1,945	\$1,780,625
*Morro Bay OneWater					

- c. If available, provide the cost per acre-foot of one water supply project with similar characteristics to the Project. This information does not have to be provided if it is not available. It is intended to provide another possible comparison to demonstrate the cost effectiveness of the Project.*

The City of Morro Bay’s project is a bit unique in both its small size (flow rate) as well as the combination of both a complete wastewater replacement and implementation of potable reuse. There are many potable reuse projects that are in development across California and the western US, however, not many at this small of a size.

One project that has some similarities is Soquel Creek Water District’s Pure Water Soquel project which will be purifying wastewater for injection into a groundwater basin that is over-drafted and at risk of sea water intrusion. Pure Water Soquel will produce 1,500 AFY of new supply for groundwater injection and up to 340 AFY for tertiary irrigation use by the City of Santa Cruz for a total yield of 1,840 AFY. Estimated costs in 2022 are \$89 million and annual O&M costs are estimated at \$2.6 million a year, for a unit cost of \$4,600/AFY. Both Soquel and Morro Bay are small communities located on California’s Central Coast where drought impacts have been significant. Both communities have limited options for other supply sources, are



facing supply issues with drought and climate change and dealing with groundwater basins that are troubled by quality and sea water intrusion. The solution for both of these communities is potable reuse through groundwater injection.

*d. Discussion of the degree to which the Project is cost-effective. Include, where applicable, a discussion of why the Project may be cost effective even if the overall Project cost appears to be high.*

If the City were to forego the development of a new water supply project, it would result in the City using imported water as its primary source. A new wastewater treatment plant will still be constructed, but it will not include the advanced treatment purified water production component. Treated effluent will be discharged to the existing ocean outfall. The water component of the project promotes the project to be competitive for low-interest-rate loans, however, no longer having a water supply component associated with the project eliminates potential funding. Developing the project without this component will rely solely on revenue bonds paid annually by cash generated from the WRF surcharge and require a larger annual finance payment resulting in a higher WRF Project monthly surcharge. The Table 9 shows this difference between the annual finance scenarios of utilizing low interest financing and a more classic approach of bonds sold by the City. By not developing the water supply project alternative into the WRF Project, the City is relinquishing the additional local supply volume, diversification, and drought tolerance generated by IPR via groundwater injection and would end up with an additional \$1 million a year in annual debt service.

The high cost of the Project considers of a multitude of factors including but not limited to, regional location, ruralness, technicality of work, complicated construction, mitigation efforts, resource monitoring, economic conditions, permitting, and public outreach. These considerations increase cost and scope as the Project progresses throughout construction, however are necessary to develop the WRF Project in order for the City to meet the Coastal Development Permit and permit requirements set by the California Coastal Commission and the Regional Water Quality Control Board (RWQCB), respectively. If the purification and IPR groundwater injection pieces were eliminated, the City would still need to build the wastewater treatment but there would be no water supply benefit in this “No Project Alternative” and the City’s water supply portfolio would remain unchanged (reliant on imported water and at risk during drought conditions) at a significant cost to develop the WRF project.

Table 9 Annual Debt Service Comparison

Finance Scenario	WIFIA Water	WIFIA Sewer	SRF Sewer	Revenue Bonds	Annual Debt Service
Low-interest Financing	\$1,089,000	\$874,000	\$2,332,000	-	<b>\$4,295,000</b>
No Recycled financing	-	-	\$1,130,000*	\$4,164,000	<b>\$5,294,000</b>
<i>*SRF Planning loan with a finance term of 10 years, once paid, total debt service for “No Recycled Scenario” is approximately \$4.164 million annually.</i>					



### Sub-criterion 3b – Economic Analysis and Project Benefits

- 1. Summarize the economic analysis performed for the Project including information on the Project's estimated benefits and costs. Describe the methodologies used for the analysis that has been conducted. Points will be awarded based on a comparison of the benefits and costs of the Project.*

The City of Morro Bay has anticipated the need to finance a new wastewater treatment plant by adopting five years of sewer and water rate increases in 2015, creating a new wastewater treatment plant fund of approximately \$56 million. The last of these rate increases was implemented in July 2019. Prior to these rate increases, the City had not adopted any water rate increase in 20 years but had periodically adopted sewer rate adjustments. The addition of the IPR water supply component to the WRF project increased the total cost to an estimated \$138.7 million. To fund a project of this size, the City implemented a WRF project surcharge to the water and sewer utility bills. The WRF Project Surcharge will generate revenue to finance the City's annual water and sewer capital improvement projects in the City and to provide cash reserves for debt services for the WRF Project construction. To finance the project, the City secured additional funding through low-interest-rate loans and grants.

As discussed, the wastewater component of the Project was required for the City to meet regulatory stipulations set by the State and the development of the water reclamation component of the Project was added as part of the City's Local Plan to provide recycled water for beneficial use. Being said, the unit cost of water for the Project is calculated using only the water component of the annual debt financing and annual O&M costs due in part that if the advanced water treatment components were not included for reclamation, the project would still be required to be constructed to meet the issued TSO. With total annual operation cost of the WRF, the water component of annual debt service finance and O&M expenses (Table 10, next page), and the total water supply of 825 AFY provided by the project, the approximate annual water supply unit cost is approximately \$1,945 per acre-foot in 2022 dollars. The water cost represents the facilities for the purified water treatment, distribution system and the injection wells for IPR application.

In comparison to State Water financial analysis, a large portion of the cost of importing water is the capital cost required to finance the major conveyance facilities such as the CCWA Polonio Pass Water Treatment facility, the Chorro Valley Pipeline, and a portion of the State Water Project infrastructure. The City is expecting to complete financing payments for the CCWA component by 2022 and the State Water components by 2035. However, the City will be required to absorb for any upstream infrastructure improvements to the SWP.

Each year, minimum operation, maintenance, power and replacement costs (OMP&R) are included in the total water cost, in addition to an annual variable OMP&R cost that is added as needed. Variable operations and maintenance costs are also included for CCWA. The City must also pay an annual capital cost financing payment for the CCWA facilities as well as an annual operation and maintenance cost for the water delivered. Over the past five years, the City on



average has received about 72 percent of its total allocation of State Water and has paid approximately \$2,100 per acre-foot. However, with reduced allocations projected to be in the future with increased frequency and severity of droughts, the unit cost of State Water dramatically increases with reduced allocation, due to the fixed costs that must be paid.

The WRF Project unit cost of water production is relatively stable with increases in inflation for power costs and O&M over time. Additionally, with the continual influx of purified water into the Morro groundwater basin, it is expected that the city’s existing water treatment facility O&M costs will be reduced.

*a. Quantified and monetized Project costs, including capital costs and operations and maintenance costs.*

The total project capital and estimated annual O&M costs are shown below in Table 10.

Table 10 Project Capital Costs and Total Annual O&M Costs

Project Component	Water	Sewer	Total Capital Cost
Water Reclamation Facility	\$22,826,509	\$55,885,591	\$78,712,100
Conveyance Facility		\$38,792,000	\$38,792,000
Offsite Recycled Water Facilities	\$5,780,700		\$5,780,700
General Program Implementation	\$2,955,878	\$12,439,322	\$15,395,200
<b>Total Capital Cost</b>	<b>\$31,563,087</b>	<b>\$107,116,913</b>	<b>\$138,680,000</b>
<b>Estimated Annual Operating and Maintenance Expenses<sup>(1)</sup></b>			
WRF Wastewater Operations			\$3,368,000
Conveyance to WRF			\$288,000
Recycled Water Operations			\$226,000
<b>Total Annual O&amp;M cost</b>			<b>\$3,882,000</b>

Notes:

(1) Costs include permitting, design, procurement, construction, and construction management, escalated to 2022 Startup.

(2) Includes estimated cost inflation to construction mid-point where applicable.

*b. Quantified and monetized Project benefits. This includes benefits that can be quantified and expressed as a monetized benefit per acre-foot. This may include, but is not limited to, benefits related to water supply quantity and water supply reliability, recreational benefits, ecosystem benefits, water quality, energy efficiency, and environmental compliance and permitting. Benefits may also include the avoided costs of no action (i.e., the costs that would be incurred if the Project were not implemented), and the willingness of users or customers to pay for a benefit or to avoid a negative outcome (e.g., the willingness of households to pay for a water supply system that would reduce groundwater overdraft). If quantified and/or monetized information for these benefits is not available, they may be addressed in response to question two below.*

The primary benefits of the Morro Bay WRF Project are to provide the City a wastewater treatment facility that meets the regulatory NPDES discharge requirements for wastewater effluent and to provide a reliable water supply that augments and diversifies their existing



water supply portfolio. Although a small community, the City of Morro Bay is major tourist attraction along the California Central Coast and has great potential in monetizing gains directly from the WRF. The City experiences an increase of up to 22 percent in sewer and water use during major holidays and must support the local industries for local economic development. Most of the City's economy is visitor-serving and local retail, therefore further protecting the City's water and sewer infrastructure and resources is an essential need that must be maintained at all times whether a natural disaster or popular vacation holidays. The Project is estimated at a minimum of \$100 million dollar benefit to the City.

### Conformance with Regulatory and Development Standard Requirements

#### *Time Schedule Order Compliance*

The time schedule order indicates that the City must report their effluent discharge quality after the date of February 28<sup>th</sup>, 2023 to the Regional board. The discharge effluent quality shall meet the required TSS and BOD concentrations listed in the TSO. If the City does not report and meet said objectives, they could be fined up to \$3,000 a violation (per day) until reporting is complete. The accumulation of these fines can result in an annual total violation costs a little over \$1 million dollars a year. Quantified with the production of the produced recycled, water, the monetized benefit is approximately \$1,330 per AFY saved.

#### *Flood Inundation Mitigation*

The new WRF Project development must be relocated to an inland location to eliminate any potential damage to the City's only wastewater treatment facility during a major flooding event. The monetized benefit to the City is the wastewater component of the WRF facility total cost of \$107.5 million. Wastewater service at all times is an essential need for the City and if the city's existing treatment facility was to be damaged, this is the approximate value the City would have to pay to completely replace the facility inland. Although this benefit is monetized on a whole, it cannot be monetized to a unit cost, since the City is only required to move the existing wastewater treatment facility, therefore the sewer cost, which does not include the production of recycled water.

### Water Quality and Environmental Resources

#### *Morro Groundwater Basin Quality Improvement*

Hydrogeological analyses on the performance of the Morro groundwater basin indicated that with the injection wells supplied from the WRF Project, the TDS and nitrate concentrations will decrease over time. It was found that if the morro wells were used without any injection the TDS levels are expected to increase significantly allowing seawater intrusion into the western boundary of the basin during drought periods. The proposed injection wells create a seawater intrusion barrier on the western boundary of the City therefore significantly reducing any potential seawater intrusion and maintaining TDS concentrations at a reasonable level. The same scenario applies to the nitrate concentration in the Morro groundwater basin. With the proposed injection the nitrate levels in the basin are estimated to decrease by about



25 percent. Table 11 below shows the quantified annual savings benefit to the City utilizing the Morro wells with and without injection.

**Table 11 Morro Groundwater Basin Quality Improvement Monetized Benefit**

RW inject?	10-year Avg. City Demand (ac-ft)	Volume of Injection (ac-ft)	Vol. from Morro (ac-ft)	SWP Make-Up (ac-ft)	Cost of Existing Treatment Facility (\$/ac-ft)	State Water Unit Cost @ 75 percent allocation	WRF Water Component Unit Cost*	Total Annual Cost of Water Production	Monetized Benefit (\$/ac-ft)
No	1,100	-	581	519	\$1,600	\$2,100	-	2,019,500	
Yes	1,100	825	940	160	-	\$2,100	\$1,945	1,940,625	
<b>Annual Savings @ 75 percent SWP Allocation</b>								<b>\$78,875</b>	<b>84</b>
<b>Annual Savings @ 50 percent SWP Allocation</b>								<b>\$367,439</b>	<b>391</b>
<b>Annual Savings @ 25 percent SWP Allocation</b>								<b>\$1,413,743</b>	<b>1,504</b>

\*Includes O&M

*Cost benefit of Groundwater Basin Protection*

The same hydrogeological studies indicate that utilizing the full production rights of the Morro Well Field without an injection project would eventually lead to increased levels of TDS from seawater intrusion and elevated levels of Nitrate to accumulate in the groundwater basin. With TDS levels expected to reach 13,000 mg/L and Nitrate concentrations hovering around 125 mg/L, the groundwater basin could potentially become unusable for the City’s future water supply. The cost benefit of the WRF Project is the approximate \$31.6 million water component and the water facilities O&M over the useful life of the project (with inflation at 2.2%) representing the City investment to fully utilize the groundwater basin. This ultimately prevents the City’s existing water supply at the groundwater basin from reaching a point inhibiting any future use therefore requiring the City to find a new water supply. The water component of the WRF Project is the augmentation of the existing supply and the diversification from the existing source. The monetized benefit is a function of the volume of water available for use (~940 AFY) over the useful life of the Project (50 years) to the City resulting from the efforts to protect the groundwater basin which is approximately \$1,102 per AFY.

**Water Supply Augmentation and Diversification**

*Non-WRF Project Water Supply*

If the City pursued a non-WRF Project water supply the two remaining local sources available that are most reliable would be Ocean Desalination and treatment expansion for the Morro well field. The combination of both water supplies would be required to develop a comparison water supply to the WRF Project. The Morro well field has a prescribed extraction volume of 581 AFY and the Desalination plant, 645 AFY, which combined is 1,226 AFY. Note without injection, the proposed treatment facility would require both TDS and Nitrate treatment



capabilities. As shown in Table 12 the annual benefit associated with not having to develop these two supplies is estimated at over \$5 million a year.

Table 12 Non-WRF Project Supply Operation Savings

Project Scenario	10-year Avg. City demand	Water Supply Benefit	State Water Make-Up (ac-ft)	Unit Cost of Production*	Total Annual Production Cost	Total Annual Savings
Morro TDS & NO3 Treat + Ocean Desal	1,100	1226	0	6,244	\$6,868,226	
WRF	1,100	940	160	1,945	\$1,780,625	<b>\$ 5,087,601</b>
<b>Quantified Benefit (\$/AFY)</b>						<b>\$5,412</b>
*Morro Bay OneWater						

*Drought Resiliency*

One of the WRF Project’s primary objectives is to provide a drought resilient water supply. Imported state water allocations fluctuate tremendously, especially during times of drought. The drought resilient monetized benefit will consider an assumed allocation from State Water of 25 percent which is the approximate average allocation during the last major drought in California. As discussed earlier, the approximate cost of State Water to the City at a 25 percent allocation is about \$4,672 per ac-ft, which is due in part to the fixed rate transportation cost (historical financing) of the State Water Project and the Coastal Branch projects. Even if there is no allocation, the City must still pay this annual fee. During drought years, the City will be required to pay a higher price for water since with a low volume of imported water, the offset will be used with the Morro Wells and the existing BWRO treatment facility as well as SWP carry over water (if available). This in turn results in a total cost of about \$6,272 per ac-ft (BWRO + State Water). In comparison, with the WRF Project, the water production cost remains relatively steady at approximately \$1,945 per ac-ft. The monetized annual benefit of having the WRF project online is about \$4,327 per ac-ft during extreme drought conditions (\$6,272/ac-ft – \$1,945/ac-ft).

**Economic and Budgetary**

*Low interest loan financing.*

The implementation of recycled water into the WRF Project enables the City to be competitive for low interest financing. The City has received low interest loans from WIFIA (Federal funding) and SRF (State). Financial analyses performed by the City have shown a “No Recycling” alternative that identifies potential annual payments given the project was funded by standard bonds and only the wastewater component was considered. In this case no recycled water would be produced and no injection wells would be installed. The total capital cost in this scenario is approximately \$107 million. Currently the City is expecting to pay about \$4.295 million annually to cover the financing for the Project. The total annual debt service if the



project was funded by standard bonds at an assumed 4 percent interest rate is expected to yield an annual payment of \$4.865 million. As stated, the annual cost of the project is shown to be more without a water component and even a lower cost since the interest rate is more than four times higher with typical bond funding. The total financed cost with and without reclamation is approximately \$137 and \$146 million, respectively. If the City were to forego the reclamation part of the project, there is no cost benefit to the City, however with incorporating the water component, the cost benefit over the financed 30-year period is a \$335 per AFY of recycled water produced by the WRF.

*c. Comparison of Project’s quantified and monetized benefits and costs.*

The total monetized cost benefits is the accumulation of the quantifiable benefits listed in Table 13 below. The benefits are presented in dollars per acre-foot of water that provides a quantifiable beneficial use to the City. The Project on a whole provides an estimated monetized benefit of approximately \$12,590 per AFY.

Table 13 Non-WRF Project Supply Operation Savings

Monetized Benefit Description	Quantified Benefit (\$/AFY)
Time Schedule Order Monetized Benefits	\$1,330
Morro Groundwater Basin Quality Improvement (assuming SWP allocation of 75%)	\$84
Morro Groundwater Basin Protection	\$1,102
Non-WRF Project Water Supply	\$5,412
Drought Resiliency	\$4,327
Low Interest Loan Financing	\$335
<b>Total Project Monetized Benefit</b>	<b>\$12,590</b>

*2. Some Project benefits may be difficult to quantify and/or monetize. Describe any economic benefits of the Project that are difficult to quantify and/or monetize. Provide a qualitative discussion of the economic impact of these benefits. Points will be awarded based on the potential economic impact of the Project-related benefits. Some examples of benefits may include, but are not limited to, acres of land or stream miles that may be benefitted or not harmed, benefits to habitat or species, flood risk mitigation, local impacts on residents and/or businesses, job creation, and regional impacts. This may also include benefits listed in question one, if they have not been monetized (e.g., water reliability, water quality, recreation).*

*Tourism benefit to supply influx during summer.*

The City of Morro Bay’s economy is a visitor serving local retail economy. San Luis Obispo County receives millions of overnight and day tourists every year. Peak tourist season is during the summer months between June and August. Providing a reliable and resilient water supply for the residents as well as the tourists is critical for continued economic security for Morro



Bay. The City has approximately 900 hotel/motel rooms and 250 vacation rentals. These facilities host over 800,000 visitors annual that spend approximately \$161 million dollars (Source: Dean Runyan and Associates, Economic Impact of Tourism in Morro Bay 2017). A lack of reliable water supply would jeopardize the ability of the City to accommodate the tourism that essentially runs the local economy.

Historical water production data shows the City's imported water demand increases up to 22 percent of the average monthly during peak tourist periods. Both the sewer and water services must be maintained to service a spike in population over a short period of time to meet tourism needs. During these months, the City typically receives state water to meet the increased demand. During drought periods when State water is not available, the City would not have an adequate water supply to support the tourism demands. A reduction in tourism results in lost revenue earned by the local economy.

#### *Relocation of the wastewater facilities*

The relocation of the wastewater treatment plant as part of the WRF Project provides various economic advantages in both short- and long-term planning for the City's Embarcadero waterfront. The existing WWTP is comprised of approximately 26 acres of prime oceanfront real estate as shown in Figure 31. Upon completion of the WRF Project, the decommissioning and demolition of the existing WWTP is scheduled to begin near the end of the Project. The City can potentially sell this 26-acre property for a significant sum of money or develop a tourist attraction or commercial center to attract visitors and generate revenue. The City has not voiced any plans regarding the future of this property, therefore monetizing a specific benefit would be difficult due to the unknown future and potential costs associated with this site.



Figure 31 – Decommissioned WWTP Land

#### *Local Economy and Job Creation.*

The construction of the WRF project has brought an influx of employment into Morro Bay where they rent hotels, fill up their gas tanks, buy lunch and spend money on other items. The City has promoted local labor in their public bids to stimulate employment opportunities for residents and nearby commuters. It is unknown how many construction workers are renting hotel rooms or temporary housing as opposed to commuting from neighboring communities. But undoubtedly there is money being spent in Morro Bay by the influx of workers. This activity,



while having a short duration only during construction, does provide an economic benefit to the community.

### Evaluation Criteria 4 – Reclamation’s Obligations and Benefits to Rural or Economically Disadvantaged Communities

#### Sub-criterion 4a – Legal and Contractual Water Supply Obligations

*Explain how the Project relates to Reclamation’s mission and/or serves a Federal interest. Does the Project help fulfill any of Reclamation’s legal or contractual obligations such as providing water for tribes, water right settlements, river restoration, minimum flows, legal court orders, or other obligations? Explain. Note: a Project may help Reclamation fulfill its obligations even if the project sponsor is not a Reclamation contractor, and indirect benefits to Reclamation will also be considered under this criterion.*

The Morro Bay WRF project directly supports Reclamation’s mission to manage, develop and protect water in an environmentally and economically sound manner. The project is all about better utilizing wastewater resources to address a water supply need, while improving water quality, moving out of a flood plain and adapting to sea level rise by relocating critical infrastructure. By providing for potable reuse in the community, the City is adding flexibility and resiliency to their water supply and alleviating the impacts of climate change.

Reclamation has a direct interest in the Central Valley Project (CVP) in California which works in concert with the State Water Project (SWP) to transfer water from Northern California, through the Delta, to users in the Southern half of the State. Both the CVP and SWP use the Delta and the San Luis Reservoir. The SWP also can deliver water to CVP contractors when the systems have capacity. Because both the CVP and the SWP convey water in the Sacramento River and the Delta, facility operations are coordinated based on the Coordinated Operating Agreement, the Bay-Delta Plan Accord, and many other agreements. By developing an alternative water supply that is local, the City is reducing reliance on their SWP allocation and therefore the Delta.

Reclamation also has direct interest in the San Luis Unit which is a part of both the CVP and SWP and is jointly operated by Reclamation



Figure 32 – CVP and SWP Infrastructure



and the CA Dept of Water Resources. The San Luis Power Plant is also a joint Federal-State facility that is located at the San Luis Dam and is part of the CVP/SWP system.

### Sub-criterion 4b – Benefits to Rural and Economically Disadvantaged Communities

- 1. Does the Project serve a rural or economically disadvantaged community? If so, provide supporting information. A rural community is defined as a community with fewer than 50,000 people.*

Yes, the project serves a rural community of less than 50,000 people with portions of the community considered economically disadvantaged. The City of Morro Bay provides water, wastewater, and storm drain service to approximately 10,500 people, according to 2019 U.S. Census population estimates. In addition, future growth within the City is limited by Measure F, a voter-approved growth management ordinance that limits City population to 12,200 residents. City population projections anticipate the population will not reach 12,000 residents until 2040. Thus, it can be anticipated that Morro Bay will remain a rural community for the foreseeable future.

The City of Morro Bay has been identified as a disadvantaged community in the 2019 San Luis Obispo County Integrated Regional Water Management Plan. According to 2019 U.S. Census estimates, the median household income for Morro Bay is \$68,262, which is lower than the median income for San Luis Obispo County (\$73,518) and the State of California (\$75,235). Approximately 11 percent of individuals in Morro Bay are considered living below the poverty level. The California Department of Water Resources (DWR) maintains Census data on disadvantaged communities within the state. DWR defines a disadvantaged community as a population with an MHI less than 80 percent of the statewide MHI. According to the dataset, three Census block groups with approximately 1,400 residents in total (or 13.3 percent of the City population) qualify as a disadvantaged community within the City. Figure 33 shows the disadvantaged community Census block groups within the City and respective City service area.



Figure 33 – DAC Status Census Blocks

**2. Are any rural or economically disadvantaged communities within the Project sponsor’s service area? If so, provide supporting information. This may include neighborhoods or census tracts within a larger service area that are economically disadvantaged, and/or rural areas that are part of a larger urban area.**

The City of Morro Bay’s service area is considered a rural community with pockets of disadvantaged communities. The service area largely matches Morro Bay’s City limits, as shown above in Figure 33, apart from a few pockets of remote agricultural areas. The City population is currently 10,511 and is not planned to surpass 12,200 residents in the foreseeable future, remaining well below the 50,000-population threshold of the definition of rural. In addition, approximately 13 percent of the project service population is considered a disadvantaged community, based on MHI thresholds established by DWR.

**Evaluation Criteria 5 – Watershed Perspective**

**1. Does the Project implement a regional or state water plan or an integrated resource management plan? Explain.**

The WRF project and the development of potable reuse to augment local water supply is consistent with many State and Local Plans. In July 2020, recognizing the need to plan for climate related impacts, the State of California released the 2020 California Water Resiliency Portfolio which encourages improving water supply diversity, treatment of compromised supplies, and planning for changing supply availabilities (including reduced reliance on

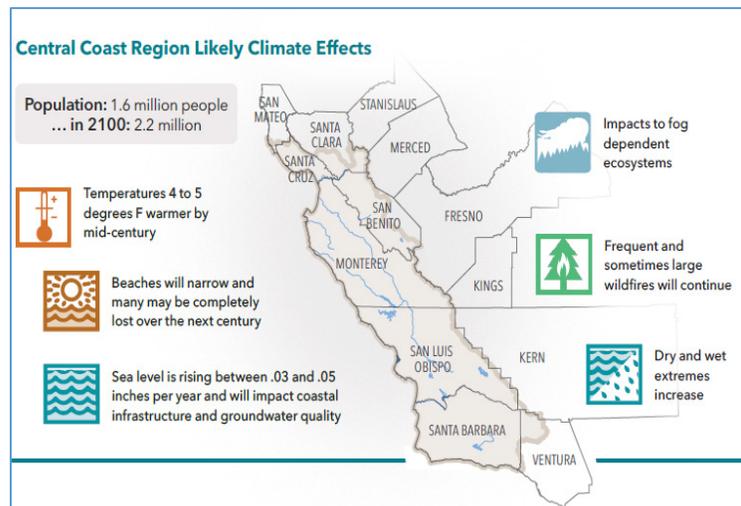


Figure 34 – CA Water Resiliency Portfolio’s identified impacts

State Water). One specific strategy identified was support of local and regional water agencies to reuse 2.5 million acre-feet a year over the next decade by 2030. Figure 34 shows the identified climate impacts to the Central Coast region identified in the Portfolio. The State also has a 2018 Recycled Water Policy that set the 2030 use goal and recognizes the importance of recycled water as a critical water supply for CA.

The San Luis Obispo County’s Conservation and Open Space Element (COSE) of the General Plan includes Water Resources Policy 1.3, which says use of reclaimed water, interagency cooperative projects, desalination of contaminated groundwater supplies, and groundwater recharge projects should be considered prior to using imported sources of water or seawater desalination, or dams and on-stream reservoirs. The WRF project directly supports this policy



by implementing potable reuse. The County also developed a Regional Recycled Water Strategic Plan in 2014 that identifies Morro Bay as a key opportunity for implementing recycled water.

Locally, the San Luis Obispo County Integrated Regional Water Management (IRWM) Plan is a collaborative effort to manage water resources, focusing on strategies to improve sustainability of existing and future needs of the County. The City of Morro Bay is a participant in the IRWM through the Regional Water Management Group (RWMG). The RWMG recommended the following project elements for IRWM Plan adoption: groundwater storage, desalination, municipal recycled water, surface storage, groundwater remediation, system reoperations/optimizations, and water transfers. The WRF project meets these elements of the IRWM Plan.

**2. Does the Project help meet the water supply needs of a large geographic area, region, or watershed? Explain.**

While the WRF project is focused on serving the needs of the City of Morro Bay, this project has several regional benefits. First of all, the City is the first in the County to implement a large scale, permanent potable reuse project. This project will provide an example to other water utilities in the County for ways to develop reliable and resilient water supplies through diversification and potable reuse implementation.

Additionally, with the WRF project online, the City of Morro Bay will be less reliant on State Water. While this will be critically important for the City during drought years, during wet years the City will have the option to rely on their potable reuse project and transfer their State Water to other users within the County. In March 2021, the County Board of Supervisors approved the State Water Project Contract Water Management Amendment with the State Department of Water Resources (DWR) to allow for greater water management flexibility in transfers and opportunities for cost recovery. Prior to this amendment, the contractual mechanisms for selling or transferring unneeded or unused SWP allocations was limited and did not cover even a fraction of the annual costs individual subcontractors pay on an annual basis. The stated goal of this amendment is:

*The State and the Agency sought to create a programmatic solution through transfers or exchanges of SWP water supplies that encourages regional approaches among water users sharing watersheds and strengthening partnerships with local water agencies, irrigation districts, and other stakeholders.*

By running the WRF, up to 825 AFY of SWP could be made available to other water utilities in the region to help alleviate declining groundwater levels or address supply shortfalls. Past drought conditions have already revealed vulnerabilities in regional water supplies as several communities have been forced to find additional or alternate water supplies. As drought frequency increases, precipitation decreases, and water demand increases, the impacts to the County's water supply sources will be increasingly disruptive. Better utilizing SWP supplies will be an important strategy for adapting to climate change in the region.



3. Does the Project promote collaborative partnerships to address water-related issues? Explain.

Locally, the City has been working with residents, commercial businesses, and industries as well as regulatory agencies to develop the WRF project. The project is the outcome of decades of study, research, negotiation, and planning to address both water and wastewater issues in a creative, holistic manner. The City’s One Water Plan took the approach of considering all water one water and developing comprehensive water resources solutions with the input of the community.

Regionally, the City has participated in regional management committees. One of the key issues in the region is how to best utilize the County’s allocation of State Water Project (SWP) water, as shown in Figure 35. Efforts to better utilize SWP throughout the County have been considered to develop cost effective programs allowing for full utilization of contracts and facilities. As a SWP subcontractor, the City participates in the State Water Subcontractors Advisory Committee. The group recently completed a study of SWP Management Tools to better meet the objectives of reliability, cost effectiveness and long-term portfolio diversity. There is local interest to use SWP as a supplemental supply for resiliency and to address groundwater declines in vulnerable basins. Once the WRF is producing potable reuse supplies, a portion of the City’s SWP supplies could be utilized to help alleviate regional supply issues.

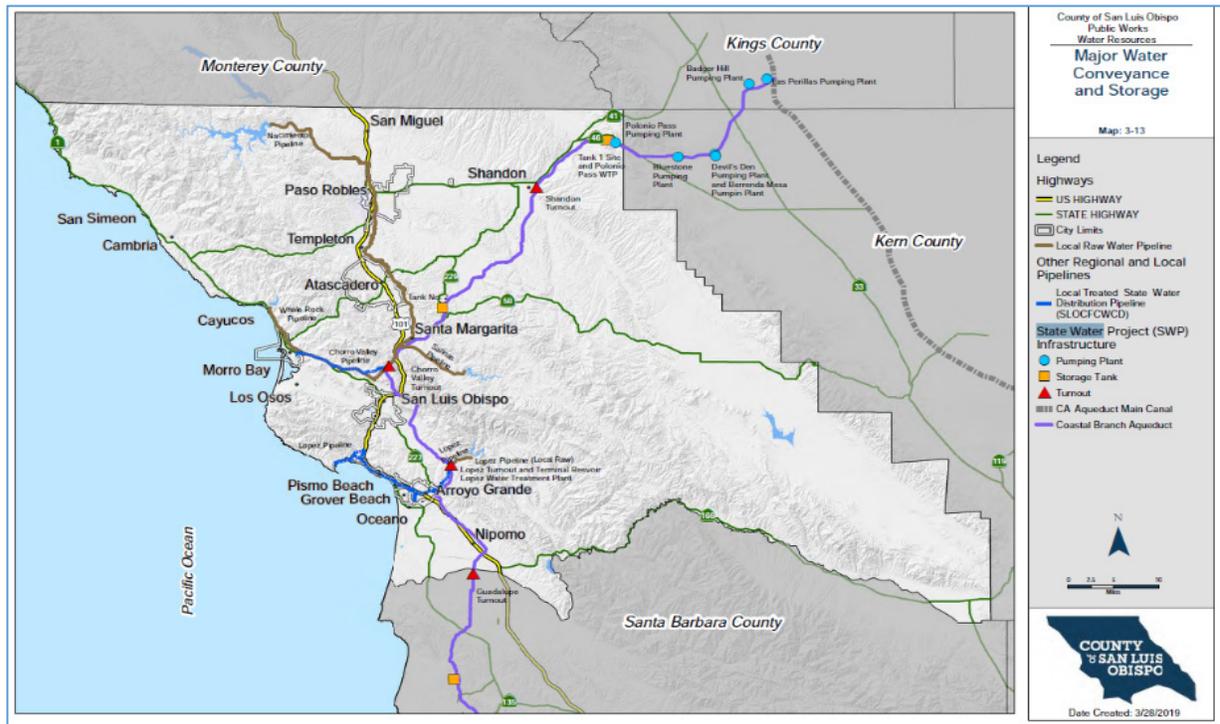


Figure 35 - State Water Project pipelines run through the County and provide an important supply to many communities



**4. Does the project include public outreach and opportunities for the public to learn about the project? Explain.**

The City has had a very public process throughout the development of the WRF project, starting back over 20 years ago when they started considering recycled water use and rebuilding/relocating the WWTP. The WRF and potable reuse components were part of a Morro Bay One Water Plan completed in 2018, which included numerous public meetings the Public Works Advisory Board and the City Council.

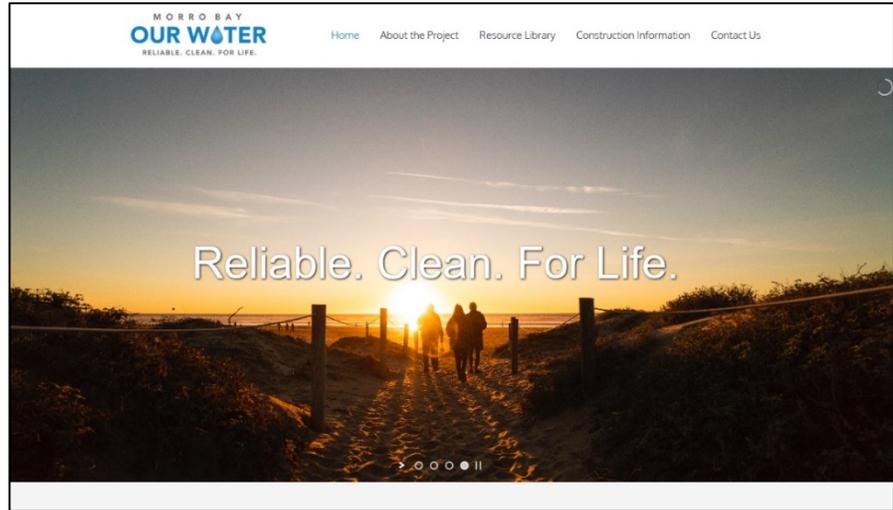


Figure 36 – City of Morro Bay’s WRF webpage

The One Water Plan recommended the development of the WRF as a potable reuse project to diversify the City’s water supply. The City also completed its environmental documentation (environmental impact report or EIR) for the WRF project in 2018. In development and approval of the EIR, numerous public meetings were held for comment and review, including final adoption hearings by the City Council.

Since completing the EIR, the City has continued to make sure the community understands the project and has developed a webpage devoted to the WRF, which includes fact sheets and frequently asked questions (see <https://morrobaywrf.com/>). There are also still many public presentations at advisory committees, City Council and Chamber of Commerce meetings as construction has progressed and funding sources secured. The City continues to be committed to education and outreach to its residents and businesses.



## Section 4

# ENVIRONMENTAL AND CULTURAL RESOURCE COMPLIANCE

### Environmental and Cultural Resource Overview

*Respond to the following list of questions focusing on the National Environmental Policy Act (NEPA), National Historic Preservation Act (NHPA), and Endangered Species Act (ESA) requirements. Please answer the following questions to the best of your knowledge. If any question is not applicable to the Project, please explain why. The application should include the answers to:*

The City of Morro Bay (City) completed all local, State, and Federal environmental compliance documents (California Environmental Quality Act [CEQA]), and the EPA has conducted a National Environmental Policy Act (NEPA) review, due to the WIFIA and SRF loan process, for the Water Reclamation Facility Project to ensure a construction start date in early 2020. The City had concurrent review of the Project with the US Fish and Wildlife Service as well as the State Historic Preservation Office to identify potential negative impacts to both biological and cultural resources.

The City performed a Draft EIR for the Water Reclamation Facility Project in March 2018 and subsequently completed the Final EIR in June 2018. In March 2020, EPA developed a Programmatic Environmental Assessment (PEA) to analyze the potential environmental impacts from the Water Reclamation Facility Project related to the issuance of credit assistance under the WIFIA program. Based on the PEA, it was determined that no significant environmental

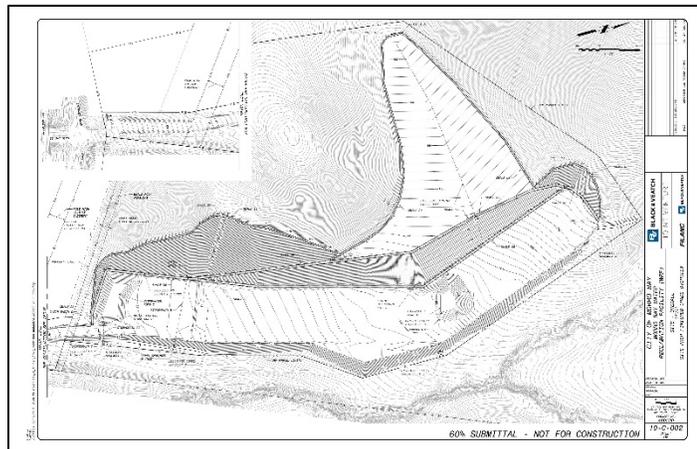


Figure 37 – WRF Grading Plan

impacts are anticipated from the issuance of WIFIA credit assistance stating that, “the proposed action does not constitute a major Federal action significantly affecting the quality of the human environment, making the preparation of an Environmental Impact Statement (EIS) unnecessary. Furthermore, The Bureau of Reclamation (Bureau) issued the City of Morro Bay Water Reclamation Facility Title XVI Feasibility Study in July 2020 supporting the authorization and allowing for the issuance of grant agreements for the project.

*Will the proposed Project impact the surrounding environment (e.g., soil [dust], air, water [quality and quantity], animal habitat)? Please briefly describe all earth-disturbing work and any work that will affect the air, water, or animal habitat in the Project area. Please also*



*explain the impacts of such work on the surrounding environment and any steps that could be taken to minimize the impacts.*



Figure 38 – Dust Control Measure (Water Tanker)

The WRF Project will have a less than significant impact on the surrounding environment given implemented mitigation efforts, and in some areas, will create beneficial environmental impacts. The earth-disturbing activities for the WRF include significant grading to develop the site to its final elevation, see WRF Grading plan at right. Earthwork activities for the project are complete and during construction any air quality impacts are to be managed with dust control measures as necessary throughout construction, see Figure 38. The construction

activities are adjacent to a riparian habitat area just to the east of the site. It was found that the Project could potentially affect but is not likely to adversely affect this habitat during construction. The WRF Project includes a full riparian enhancement plan to benefit the biological habitat in the area by replacing invasive trees, plants, and grasses with local species for the benefit of biological and water resources, see Figure 28. The conveyance facilities component of the Project includes minor earthwork activities that are located within previous disturbed areas (City roads). Soil disturbance is only through pipe trench excavation within existing City right-of-way and excavation of underground wastewater storage for two sewer lift stations. Biological habitats were potentially thought to be present on a seasonal basis at the Morro Creek crossing. Any potential habitats in the creek were to not be disrupted since all construction activities and permanent facilities must maintain a buffer distance from any State wetland boundary. Similar to the WRF Project, impacts to air quality from the conveyance facilities are to be managed via dust control measures during all construction activities. The recycled water facilities has the least amount of soil disturbance. This component includes 4 to 5 injection wells with supporting 8-inch linear infrastructure. This component of the Project is still in the design phase and it is expected that the biological impact will be less than significant. Previous coordination with the Project biologist anticipate that prior to all construction activities a biological survey of any areas of disturbance will be performed. A general description of mitigation measures can be found in the Draft EIR at <http://www.morrobayca.gov/DocumentCenter/View/11684/WRF-Draft-EIR---All-Chapters-Combined>). All potential effects of the Morro Bay Water Reclamation Facility are less than significant or less than significant with mitigation. In summary, mitigation measures and other improvements undertaken as part of the project include amongst others: 1) geotechnical investigation shall be prepared by a certified engineer for all facilities involving substantial ground disturbance or excavation. This was complete for both the Conveyance Facilities and the



WRF 2) during construction, implementing fugitive dust control measures to reduce PM10 emissions in accordance with SLOAPCD requirements. These activities are currently in progress. 3) after construction, disturbed areas shall be managed to control erosion, including: repaving areas within roadways, restoring vegetated areas, and regrading surfaces to minimize changes in drainage patterns, and 4) a qualified biologist shall identify the project boundaries adjacent to Morro Creek and the allowable limits of construction activities to avoid direct and indirect impacts to riparian habitat.

*Are you aware of any species listed or proposed to be listed as a Federal threatened or endangered species, or designated critical habitat in the Project area? If so, would they be affected by any activities associated with the proposed Project?*

The following species are listed as federally threatened or endangered in the vicinity of the Project area.

- California Red-Legged Frog
- Morro shoulderband snail
- Tidewater Goby

The existing sewer collection system would continue to collect raw wastewater from within the City and direct it to the existing WWTP. At that location, wastewater will be conveyed via a pipeline to the new WRF. The pipeline would be installed underground for the majority of the alignment following urban and developed areas along Atascadero Road, Quintana Road and South Bay Boulevard. In an effort to minimize effects to the environment during construction, natural habitat areas and creeks along the alignment have been avoided by the project. The pipeline system

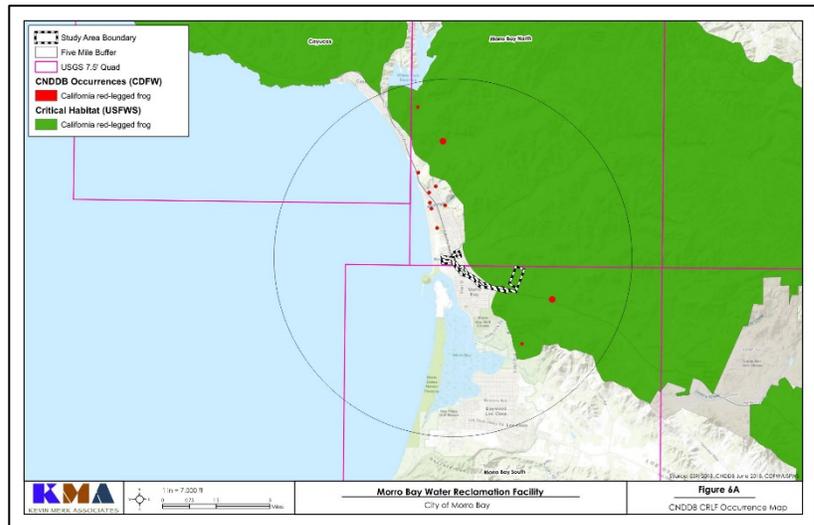


Figure 39 – CRLF Habitat(s)

would cross Morro Creek via a pipe bridge to avoid impacting the creek’s bed and banks. At other drainage features crossing the alignment by road culverts, the pipeline would be installed beneath them. The WRF site will be surrounded by permanent fencing with wildlife exclusion features to prevent migration of any species into the facility. The Draft EIR states that the special status species under biological resources that impact the Morro shoulderband snail were identified as a Class II impact, less than Significant with Mitigation. Biological mitigation measures can be found in Section 3.4 of the Draft EIR in Appendix E. Additionally, the California



Red Legged Frog (CRLF) and the Tidewater Goby could potentially be present, see habitat areas in Figure 39, at least on a seasonal basis in Morro Creek; however, it was concluded that due to lack of habitat, it is unlikely for these species to be present in or near the preferred WRF site or along the proposed pipeline alignment except at the Morro Creek crossing locations. As indicated in the WRF REP, no California red-legged frogs were identified on the WRF site or along the conveyance element as suitable aquatic habitat was absent during surveys. The Morro shoulderband snail is a federally endangered mollusk found in coastal scrub habitat on Baywood fine sand soils and dunes in the vicinity of the REP site, but does not occur on clay soils such as are present onsite. Baywood fine sands are present along the conveyance alignment, and any undeveloped areas are being avoided by the conveyance element of the project. Any negative affects to the southern steelhead are mitigated by the utility bridge crossing Morro Creek as well as the implementation of storm water pollution prevention plan (SWPPP) measures at Morro Creek during any construction activities.

*Are there wetlands or other surface waters inside the Project boundaries that potentially fall under Clean Water Act (CWA) jurisdiction as “Waters of the United States”? If so, please describe and estimate any impacts the proposed Project may have.*

Wetlands and riparian areas are located near the project construction areas and potentially could be impacted by the project, specifically during construction of the proposed recycled water injection wells. The project will follow the agency-adopted mitigation measures and conditions of the Clean Water Act Sections 401 Water Quality Certification and 404 Waters of the U.S. Nationwide Permit by implementing construction best management practices (BMPs), preparing a Stormwater Pollution Prevention Plan (SWPPP) in compliance with NPDES General Construction permit, and siting wells in upland areas. For example, a 404 permit from the Army Corps of Engineers was not required at Morro Creek with the implementation of the utility bridge spanning the wetland delineation. With implementation of these mitigation measures, no direct impacts will occur. The recycled water injection wells are expected to be constructed near potential wetland habitat near the confluence of Morro Creek and Willow Camp Creek. The injection well final design has not started, therefore it is anticipated that they will be sited appropriately to avoid wetland jurisdictions and habitats in the area. As previously stated, the WRF construction site includes an REP, which is a requirement of the CDP for the Project. The nearby drainage is identified as an emergent freshwater wetland in the National Wetland inventory, however through further site investigations it was found that wetland habitats did not occur. The REP is still being implemented as a condition of the WRF CDP and no work will occur in the bed or within the banks of any natural drainage feature in the Project area.

*When was the water delivery system constructed?*

Morro Bay’s treatment facilities and supporting infrastructure comprise of the existing wastewater treatment plant (WWTP), an inoperable desalination facility, existing freshwater wells at the Morro and Chorro groundwater basin and supporting infrastructure from the SWP Coastal Branch and Chorro Valley pipelines. The existing WWTP contains buildings or structures



that were built between 1954 and 1984. This includes the original structures for the primary clarifier/chlorine contact chamber, the biofilter/trickling filter no. 1, and the digester no. 1. The desalination facility was constructed in 1992, which supplemented the City's water supply; however, it is in a state of much needed repair and is inoperable. The Chorro groundwater wells are currently disconnected from the City's water distribution system due to elevated nitrate concentrations and operational drought restrictions. The State Water Project (SWP) Coastal Branch Pipeline and the San Luis Obispo County Chorro Valley Pipelines were completed in 1997. Both pipelines deliver the City's imported water sourced from the California Aqueduct. Prior to any imported water, the City relied on groundwater wells as their potable water supply.

*Will the proposed Project result in any modification of or effects to, individual features of an irrigation system (e.g., headgates, canals, or flumes)? If so, state when those features were constructed and describe the nature and timing of any extensive alterations or modifications to those features completed previously.*

This project will not include any modifications to individual features of an irrigation system.

*Are any buildings, structures, or features in the irrigation district listed or eligible for listing on the National Register of Historic Places? A cultural resources specialist at your local Reclamation office or the State Historic Preservation Office can assist in answering this question.*

No, this project does not include any areas listed on the National Register of Historic Places within the Project limits.

*Are there any known archeological sites in the proposed Project area?*

Several archaeological or historical resources are located within the Project area, specifically within or immediately adjacent to the conveyance pipelines and the injection and monitoring wells. Ground disturbance related to construction could potentially impact all of these resources directly, which would constitute a significant and unavoidable impact under CEQA and SHPO. However, mitigation and monitoring measures have been adopted and are currently being implemented during construction in order to reduce impacts to the degree feasible for the resources near the conveyance pipelines and the injection wells in the future. Implementing these mitigation measures for the other areas of the Project (e.g., the WRF, lift station, decommissioning of the current WWTP, and operation) would reduce impacts to less than significant. Mitigation measures include retaining a qualified archaeologist, developing a cultural resources monitoring and mitigation program, conducting a construction worker cultural resources sensitivity training, monitoring by an archaeological and Native American monitors through construction activities, and ceasing activity if an archaeological resource is discovered (Mitigation Measures CUL-1, CUL-5 through CUL-9).



***Will the proposed Project have a disproportionately high and adverse effect on low income or minority populations?***

No, disproportionately high and adverse human health or environmental effects on minority and low-income populations would not occur from the proposed activities. The different tracts of land in which the project would be located are not substantially different with respect to income and poverty level. Part of the Project Components are within a designated DAC as shown in Figure X. The WRF Site is in a rural area, therefore construction activities are not expected to impact any communities and post-construction, the site will be in a rural location outside of typically traveled ways. The raw wastewater and brine/wet weather discharge pipeline and the proposed IPR West pipeline would only cause temporary impacts during construction. Traffic and property access mitigation measures will be implemented throughout the entirety of construction to mitigate any impacts whatsoever to the population in general. After construction is completed, the surface disturbance would be restored to pre-construction conditions since the pipelines are underground, and the land value of surrounding neighborhoods would not be affected, regardless of demographics or socioeconomic status.

***Will the proposed Project limit access to and ceremonial use of Indian sacred sites or result in other impacts on tribal lands?***

Construction activities occur near several Native American culturally sensitive areas as identified in the Draft EIR. Throughout construction of both the WRF Site and the conveyance facilities Native American monitors are present during all below ground construction activities and all contractors have been adequately trained to respond appropriately if culturally sensitive remains or fragments are found during construction. The City continues to perform their due diligence in public outreach with the Native American tribes associated with the culturally sensitive areas.

***Will the proposed Project contribute to the introduction, continued existence, or spread of noxious weeds or non-native invasive species known to occur in the area?***

No, the Project will not contribute to the introduction and continued existence or spread of noxious weeds or non-native invasive plants. The Project biologist has actively reviewed hydroseeding mixes for slope stabilization installation and has identified invasive plant species in the area that are acceptable to be removed for construction purposes as well as the REP. The majority of the Project takes place in an area that is already disturbed or is expected to be cleared of invasive plant species. The WRF site was cleared prior to development and exposed areas are to be hydroseeded with native seed mixture or landscaped with coastal plants and trees. The conveyance facilities are completely within the City developed right-of-way and invasive species introduction will be minimal to none. The proposed injection wells are expected to be in a non-developed area, however biological surveys indicate that the majority of the vegetation is invasive species to the area.



## Section 5 REQUIRED PERMITS OR APPROVALS

*Applicants must state in the application whether any permits or approvals are required and explain the plan for obtaining such permits or approvals.*

The City of Morro Bay identified a number of permits and approvals that are required from local and state agencies to implement the Water Reclamation Facility Project. Table 14 lists **the major state and local permits and approvals that have been secured as required to start construction or are in progress with said agencies. Construction of the WRF started in March 2020 and is expected be complete in Fall 2022, The conveyance facilities is began in January 2021 and is expected to be complete in April of 2022, and the recycled water facilities are expected to start construction in Fall 2021 and be complete in late 2022. The remaining permits and approvals will be secured prior to facility startup or during construction of the Project components.**

Table 14 Non-Federal Agency Permits

Agency	Permit or Approval	Status
California Coastal Commission	General: Coastal Development Permit	Completed
	WRF: Coastal Development Permit	Completed
	Conveyance Facilities: Coastal Development Permit	Completed
	Recycled Water Facilities: Coastal Development Permit	In Progress, expected completion Fall 2021
California Department of Transportation (Caltrans)	Conveyance Facilities: Encroachment Permit	Completed
California Department of Fish and Wildlife	WRF: Section 1602 Lake and Streambed Alteration Program	Completed
	Conveyance Facilities: Section 1602 Lake and Streambed Alteration Program	Completed
	Recycled Water Facilities: Section 1602 Lake and Streambed Alteration Program	Completed
State Water Resources Control Board, Regional Water Quality Control Board	WRF: NPDES Permit (Reclamation Ditch and Blanco Drain Diversion)	In Progress
	WRF: Construction General Permit Order 2009-0009-DWQ	Completed
	WRF: DDW Separation Request	In Progress, expected completion Summer 2021
	Conveyance Facility: Construction Permit Order 2009-0009-DWQ	Completed
	Conveyance Facility: DDW Separation Request	In Progress expected Completion June 2021
State Water Resources Control Board – Division of Drinking Water	Recycled Water Facilities: Aquifer Storage and Recovery Permit	In Progress, Fall 2021
	WRF: Potable Ruse Permit	In Progress, expected completion Fall 2022
California State Historic Preservation Officer	WRF: Authorization to Start Construction	Complete
	Conveyance Facilities: Authorization to Start Construction	Phase 2A – Summer 2021 Phase 2B Complete
	Recycled Water Facilities: Authorization to Start Construction	Phase 3 – Fall 2021
San Luis Obispo County Air Pollution Control District	WRF: Naturally Occurring Asbestos	Completed
	WRF: Authority to Construct/Permit to Operate (Generator)	In Progress, expected completion March 2022
	WRF: Authority to Construct/Permit to Operate (Odor Control)	In Progress, expected completion March 2022
	Conveyance Facilities: Authority to Construct/Permit to Operate (Generator)	In Progress, expected completion March 2022



Agency	Permit or Approval	Status
	Recycled Water Facilities: Authority to Construct/Permit to Operate (Generator)	Not Yet Started
* = Amendments have occurred during construction to account for no substantive changes in circumstances.		

Local agency permits and approvals (including easements, right of entry agreements, land lease/sales, and encroachment permits), have been secured for the Water Reclamation Facility Project. All easements and rights of entry have been coordinated and/or negotiated with the property owner for confirmation in access. Agencies that have been in contact throughout the entirety of all three components of the project are as follows: City of Morro Bay, California Department of Transportation, Vistra Energy, and Pacific Gas and Electric.



## Section 6

### PROJECT BUDGET

The Project budget includes the following:

- Funding plan and letters of commitment
- Budget Proposal
- Budget Narrative

#### Funding Plan and Letters of Commitment

The City of Morro Bay established user surcharges for the WRF Project included in each water and sewer monthly utility bill. The City is committed to fully finance the capital cost and annual operation and maintenance costs of the WRF Project. The water and sewer surcharges reinforce the City's sewer and water fund reserves to finance capital improvements for the WRF Project on an annual basis. In addition to revenue produced by normal sewer and water service rates, surcharges are expected to generate \$2.17 and \$1.65 million annually for the sewer and water funds.

The City expects funding for the WRF Project to be a combination of long term debt from low-interest-rate financing and grants, and cash funding provided by the WRF Project sewer and water surcharge. Based on the City's latest financial analysis, it plans to finance the WRF Project using the following funding sources:

- \$5.0 million planning grant from California's Clean Water State Revolving Fund (SRF) with a subsidized interest rate.
- \$56.4 million low interest loan from the US Environmental Protection Agency's (EPA's) Water Infrastructure and Financing Innovation Act (WIFIA) at an interest rate of 0.8317%.
- \$57.3 million low interest loan from the California State Revolving Fund (SRF) at an interest rate of 1.20%. This funding source will be used specifically for the wastewater financial component of the Project.
- \$20 million cash funding from City reserves from the WRF water and sewer surcharges.

#### Budget Proposal

*Identify the sources of the non-Federal cost-share contributions for the Project. How applicants will make their contribution to the cost-share requirement and source funds contributed by the applicant (e.g. reserve account, tax revenue, and/or assessments).*

The City implemented a water and sewer rate surcharge fee in addition to a water and sewer rate increase for all rate payers in 2019. The rate increase and surcharges are anticipated to fund the City's water and sewer O&M, capital improvement fund and develop the City's cash reserves for annual debt service. The City will be utilizing low-interest loans from both WIFIA and SRF to cover the upfront cost of the Project with the associated debt service amortized for



a 30-year repayment period. The only other revenue the City will earn for the WRF Project is from new development fees to account for increase water and sewer demands to be accommodated by the City's existing facilities. The City is applying a \$5 million SRF grant to the overall project costs. This grant is not counted towards the non-federal cost-share of the Project cost since the City does not have to pay back the grant funds, however both the WIFIA and SRF low-interest loans are counted since the City ultimately has to pay off both loans.

***Any third-party contributions (i.e. goods and services provided by a third party).***

The City has not received any third-party contributions to the project cost or activities.

***Any cash requested or received from other federal and non-federal entities.***

The City has received the following funds from federal and non-federal entities.

- \$5.0 million SRF planning grant
- \$56.4 million WIFIA loan
- \$57.3 million SRF loan

***Any pending funding requests (i.e., grants or loans) that have not yet been approved and how the projected will be affected if such funding is denied.***

As listed above the SRF loan contract is currently under negotiation and is very close to being executed between the City and SRF. If the City does not receive this loan the implications on the annual debt service incurred would be a very large burden to the City. Most of the Project is currently being funded by competitive low interest loans therefore providing a reasonable annual debt service the City can manage with their WRF water and sewer surcharges while also providing additional funds to the City's cash reserve. If the SRF Loan was not executed, the annual debt service would significantly increase and the need for additional funds would be required through typical bond coverage. If this funding was denied, the City would have to produced approximately \$57.3 million coverage by an alternative funding mechanism.

***Identify whether the budget proposal includes any project costs which have been or may be incurred prior to award including project expenditure and amount, date of cost incurrence, and benefit to the Project.***

The WRF and the conveyance facilities components of the Project are currently in construction. The Bureau approval of the Morro Bay Title XVI Feasibility Study is July 22<sup>nd</sup>, 2020 with coverage to Project costs up to September 30<sup>th</sup>, 2023. The Majority of the Project is expected to be completed prior to the latter date. Any cost spent on the Project prior to the August 25<sup>th</sup> date and after September 30<sup>th</sup> are ineligible to be considered in the funding request. Table 15 below lists the total Project Costs that are eligible for Bureau Grant funding.



Table 15 Project Capital Costs per Year

Calendar Year	Total Construction Cost	General Program Costs	Total Project Cost	Total Ineligible Project Costs by Date
Prior up to 2018	\$1,663,275	\$5,009,835	\$6,673,110	\$6,673,110
2019	\$5,596,112	\$2,297,776	\$7,893,888	\$7,893,888
2020	\$18,596,049	\$3,386,681	\$21,982,730	\$7,926,904
2021*	\$46,628,928	\$2,150,400	\$48,779,328	\$35,000.00
2022*	\$32,806,500	\$1,991,528	\$34,798,028	-
2023*	\$17,276,417	\$432,000.00	\$17,708,417	\$4,427,104
2024*	\$717,500	\$127,000.00	\$844,500	\$844,500
<b>Totals</b>	<b>\$123,284,781</b>	<b>\$15,395,219</b>	<b>\$138,680,000</b>	<b>\$27,800,506</b>
<b>*Includes Projected Budgetary Costs</b>				

**Budget Narrative**

The WRF Project will be funded with a combination of low-interest loans and cash funding generated from sewer and water rates/surcharges. It is anticipated that the cash received from the Title XVI Program would be used to offset cash funding provided by the City. The total project cost above includes both budget actuals and projected budgets to the end of the Project. The following items are included in the total project costs but are not eligible to be covered by the Title XVI grant funding:

- \$5 million SRF grant used to fund part of the Project.
- \$1.23 million land acquisition, rights-of-way, and appraisal activities.
- Approximately \$30,000 engineering fees for development of the Approved Title XVI Feasibility Study. This effort was prior to July 22<sup>th</sup>, 2020.
- Approximately \$35,000 engineering fees for the development of this Title XVI Grant Application.
- All Project costs spent up to and through 2018 for a total of approximately \$6.7 million.
- All Project costs spent through 2019 for a total of approximately \$7.9 million.
- All Project costs up to July 22<sup>nd</sup>, 2020 for a total of approximately \$7.9 million.
- Projected costs from September 30<sup>th</sup>, 2023 to the end of the project for a total of \$5.3 million.

**The total estimated cost for the Water Reclamation Facility Project from the date of the Title XVI Feasibility Study approval on July 22<sup>nd</sup>, 2020 and before September 30<sup>th</sup>, 2023 is \$110,879,494. Twenty-five percent of said cost is \$27,800,506. The City of Morro Bay is requesting Bureau funding of \$20,000,000 (the federal agency funding limit) for the Water Reclamation Facility Project.**



# Appendix A

## LETTERS OF SUPPORT



## COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS

*John Peschong District One Supervisor*

*Bruce Gibson Vice-Chairperson, District Two Supervisor*

*Dawn Ortiz-Legg District Three Supervisor*

*Lynn Compton Chairperson, District Four Supervisor*

*Debbie Arnold, District Five Supervisor*

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April 10, 2021

Camille Calimlim Touton  
Deputy Commissioner  
U.S. Bureau of Reclamation  
1849 C Street NW  
Washington DC 20240-0001

Re: Title XVI: City of Morro Bay Water Reclamation Facility Project

Dear Deputy Commissioner Touton:

On behalf of the County of San Luis Obispo, I am writing in support of the City of Morro Bay's application for funding under the Bureau of Reclamation's Title XVI Program to help fund the Morro Bay Water Reclamation Facility (WRF) project. The County understands the project is eligible for program funding under the Water Infrastructure Improvements for the Nation (WIIN) Act, and we take this opportunity to express our support for the City's Title XVI application.

Morro Bay's WRF project will provide purified recycled water using advanced treatment, providing the City with a local, reliable water supply. The WRF will treat an annual average flow of 0.97 million gallons of wastewater per day through preliminary, secondary, tertiary, and advanced treatment. While the old facility was close to the shoreline, the WRF is situated inland, outside the flood zone in accordance with Coastal Commission requirements and best resiliency practices. The WRF includes a sewage pump station, 3-mile sanitary sewer force main, a treatment brine disposal line and a purified recycled water line supplying injection wells. The WRF will produce purified water that meets indirect potable reuse standards for a groundwater replenishment reuse application. At an annual volume of 825 acre-feet per year, the purified water produced will have the ability to offset approximately 80 percent of the community's water supply and is projected to improve groundwater quality and help address drought in the short and long term.

Construction for the WRF started in March 2020 and all elements are expected to be completed by the fall of 2023. The total project cost is approximately \$138 million with a significant amount financed by way of the California State Revolving Fund (SRF) and USEPA's

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**County of San Luis Obispo Government Center**

1055 Monterey Street | San Luis Obispo, CA 93408 | (P) 805-781-5450 | (F) 805-781-1350

info@slocounty.ca.gov | slocounty.ca.gov

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Water Infrastructure Finance and Innovation Act (WIFIA). Morro Bay is a small community and the means of developing new water supplies is both challenging and expensive. The City of Morro Bay seeks Title XVI grant funding in the amount of \$20,000,000 - the program funding limit for this project. Title XVI funding would significantly reduce the financial pressure on the City's rate payers and present an opportunity for the Bureau to partner with the City on this important project.

Thank you for your consideration, and we urge you to give the City's application all due consideration.

Sincerely,



LYNN COMPTON  
Chair, Board of Supervisors

c - Board of Supervisors  
Wade Horton, County Administrator  
Mike Miller, The Ferguson Group

**CALIFORNIA COASTAL COMMISSION**

CENTRAL COAST DISTRICT OFFICE  
725 FRONT STREET, SUITE 300  
SANTA CRUZ, CA 95060-4508  
VOICE (831) 427-4863  
FAX (831) 427-4877

**April 14, 2021**

Camille Calimlim Touton  
Commissioner  
Bureau of Reclamation  
U.S. Department of Interior  
1849 C Street, NW  
Washington, D.C. 20240

Dear Commissioner Touton:

I write in strong support of the City of Morro Bay's Water Reclamation Facility (WRF) Project, which allows Morro Bay to build water resiliency in response to climate change impacts as well as alleviate drought impacts in a water short region. The project will also allow the City to retire its aging shoreline wastewater treatment plant and ensure that critical public infrastructure is located out of harm's way, including in light of sea level rise. In short, the project is a critically needed one to address a series of climate change impacts and provide the City will resiliency into the future. That is why the California Coastal Commission unanimously approved a coastal development permit for the project in July of 2019, finding that it is consistent with the California Coastal Act and a model for the rest of state in addressing these important coastal resource issues.

I write to you in support of the City of Morro Bay's request for additional funding from the Bureau of Reclamation through its Water Infrastructure Improvements for the Nation (WIIN) Title XVI Program. Construction for the WRF started in March 2020, and all elements are expected to be completed by the fall of 2023. Morro Bay is a small community, and the means of developing new water supplies is both challenging and expensive. Receipt of grant support will greatly reduce the financial pressure on the City's rate payers and ensure the community has a reliable, local water supply.

Thank you for your consideration, and I urge you to give the City's request all due consideration.

Sincerely,

A handwritten signature in black ink that reads "Kevin Kahn".

Kevin Kahn  
Central Coast District Supervisor  
California Coastal Commission

COMMITTEE ON TRANSPORTATION  
AND INFRASTRUCTURE  
VICE-CHAIR

SUBCOMMITTEE ON AVIATION

SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

SUBCOMMITTEE ON WATER RESOURCES  
AND ENVIRONMENT

COMMITTEE ON ARMED SERVICES  
SUBCOMMITTEE ON STRATEGIC FORCES

SUBCOMMITTEE ON TACTICAL AIR  
AND LAND FORCES

COMMITTEE ON AGRICULTURE  
SUBCOMMITTEE ON BIOTECHNOLOGY,  
HORTICULTURE, AND RESEARCH

SUBCOMMITTEE ON LIVESTOCK  
AND FOREIGN AGRICULTURE

SUBCOMMITTEE ON GENERAL FARM  
COMMODITIES AND RISK MANAGEMENT

**Congress of the United States**  
**House of Representatives**  
Washington, DC 20515

SALUD O. CARBAJAL  
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April 12, 2021

Camille Calimlim Touton  
Deputy Commissioner  
U.S. Bureau of Reclamation  
1849 C Street NW  
Washington DC 20240-0001

Dear Deputy Commissioner Touton:

I am writing in support of the City of Morro Bay's application for funding under the Bureau of Reclamation's Title XVI Program to help fund the Morro Bay Water Reclamation Facility (WRF) project through the Water Infrastructure Improvements for the Nation (WIIN) Act.

Morro Bay's WRF project will provide purified recycled water using advanced treatment, providing the City with a local, reliable water supply. The WRF will treat an annual average flow of 0.97 million gallons of wastewater per day through preliminary, secondary, tertiary, and advanced treatment. While the old facility was close to the shoreline, the WRF is situated inland, outside the flood zone in accordance with California Coastal Commission requirements and best resiliency practices. The WRF includes a sewage pump station, 3-mile sanitary sewer force main, a treatment brine disposal line and a purified recycled water line supplying injection wells. The WRF will produce purified water that meets indirect potable reuse standards for a groundwater replenishment reuse application. At an annual volume of 825 acre-feet per year, the purified water produced will have the ability to offset approximately 80 percent of the community's water supply and is projected to improve groundwater quality and help address drought in the short and long term.

Construction for the WRF started in March 2020 and all elements are expected to be completed by the fall of 2023. The total project cost is approximately \$138 million with a significant amount financed by way of the California State Revolving Fund (SRF) and USEPA's Water Infrastructure Finance and Innovation Act (WIFIA). Morro Bay is a small community and the means of developing new water supplies is both challenging and expensive. The City of Morro Bay seeks Title XVI grant funding in the amount of \$20,000,000 - the program funding limit for this project. Title XVI funding would significantly reduce the financial pressure on the City's

rate payers and present an opportunity for the Bureau to partner with the City on this important project.

Again, I support the City of Morro Bay's WRF project application for funding through the Water Infrastructure Improvements for the Nation (WIIN) Act, consistent with all relevant rules and regulations.

Sincerely,

A handwritten signature in blue ink, appearing to read "S. Carbajal", is written over a light blue horizontal line.

**SALUD CARBAJAL**  
**Member of Congress**



## Appendix B

# DRAFT OFFICIAL CITY RESOLUTION

**RESOLUTION NO. \_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF CITY OF MORRO BAY AUTHORIZING THE CITY MANAGER TO FILE AN APPLICATION AND EXECUTE A GRANT AGREEMENT WITH THE UNITED STATES BUREAU OF RECLAMATION FOR A GRANT PURSUANT TO THE WATER INFRASTRUCTURE IMPROVEMENTS TO THE NATION ACT (PUBLIC LAW 114-322), FOR THE WATER RECLAMATION PROJECT**

**WHEREAS**, the United States Bureau of Reclamation (“USBR”) is accepting applications for water recycling projects under Title XVI Water Infrastructure Improvements for the Nation Act (P.L. 114-322) (“Act”), for congressionally approved Title XVI Projects; and

**WHEREAS**, the City of Morro Bay’s (“City’s”) water reclamation facility project (“Project”) is eligible for the USBR grant funding pursuant to the Act’s guidelines and published eligibility guidelines; and

**WHEREAS**, this City Council (“Council”) wishes to authorize and ratify an application pursuant to the Act for the Project for fiscal year 2021-22; and

**WHEREAS**, the USBR requires a grant applicant to provide a resolution adopted by applicant’s governing body designating an authorized representative to submit a funding application and execute an agreement with the USBR for a grant (the “Grant Agreement”); and

**WHEREAS**, this Council wishes to authorize the City Manager of the City to file the application with the USBR and to sign such Grant Agreement, and any amendment thereto and other required documents, on behalf of the City; and

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of City of Morro Bay, as follows:

Section 1. This Council hereby authorizes submittal by City of Morro Bay to USBR of a grant application for the Project for an amount up to \$20 million. The Council has reviewed and supports the application. Any action previously taken by the City staff or City manager in connection with the grant application is hereby approved, ratified and confirmed.

Section 2. The City Manager is hereby authorized and empowered to prepare the necessary data, conduct investigations, file such applications, and, if awarded, conduct all negotiations and execute in the name of the City, the application, the Grant Agreement, amendments thereto, and all other required documents, if any, necessary for the funding of the Project with the grant, provided that the City is able to satisfy grant terms, conditions, and requirements, and comply with all applicable state and federal laws and regulations, including without limitation the California Environmental Quality Act, the National Environmental Policy Act and other environmental laws, as applicable.

Section 3. Funds are available in City's budget and/or funding plan for the Project to provide the City's required funding and/or in-kind contributions, if the grant is awarded. The City has the capability to complete the Project.

Section 4. The City Manager is directed to work with the USBR to meet established deadlines for entering into a USBR grant, the Grant Agreement or cooperative agreement pursuant to the Act.

Section 5. The City Manager is authorized and directed, if the grant is awarded, to execute the Grant Agreement, and apply the grant monies to the project for which the award is made

Section 6. This Resolution shall take effect from and after its adoption.

Section 7. The City Clerk is hereby authorized and directed to certify the adoption of this resolution.

AYES:

NOES:

ABSENT:

ABSTAIN:

**PASSED AND ADOPTED** by the City Council, City of Morro Bay at a regular meeting thereof held on the \_\_\_<sup>th</sup> day of \_\_\_ 2021 by the following vote:

\_\_\_\_\_  
JOHN HEADDING, Mayor

ATTEST:

\_\_\_\_\_  
DANA SWANSON, City Clerk

**CERTIFICATE OF ATTESTATION AND ORIGINALITY**

I, \_\_\_\_\_, City Clerk of the City of Morro Bay, hereby attest to and certify that the foregoing resolution is the original resolution adopted by the Morro Bay City Council at its regular meeting held on the \_\_\_\_ day of \_\_\_\_\_, 2021, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
City Clerk



# Appendix C

## GRANT FORMS



City of Morro Bay  
Water Reclamation Facility Program  
Management

## TITLE XVI FEASIBILITY STUDY

FINAL | May 2020







City of Morro Bay  
Water Reclamation Facility Program Management  
**TITLE XVI FEASIBILITY STUDY**

FINAL | May 2020



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## Abbreviations

AADF	annual average daily flow
AFY	acre-feet per year
BO	Biological Opinion
BOD	biochemical oxygen demand
BWRO	brackish water reverse osmosis
CCC	California Coastal Commission.
CDP	Coastal Development Permits
CCWA	Central Coast Water Authority
CCRWQCB	Central Coast Regional Water Quality Control Board
CEQA	California Environmental Quality Act
cfs	cubic feet per second
City	City of Morro Bay
CRLF	California Red Legged Frog
CWA	Clean Water Act
DDW	Division of Drinking Water
DWR	California Department of Water Resources
EIR	Environmental Impact Report
EPA	Environmental Protection Agency's
gpm	gallons per minute
GSI	GSI Water Solutions
IPR	indirect potable reuse
LCP	Local Coastal Plan
MCL	maximum contaminant level
MG	million gallons
mg/L	milligrams per liter
MGD	million gallons per day
MKN	Michael K. Nunley & Associates
NO <sub>3</sub>	Nitrate
NPDES	National Pollutant Discharge Elimination System
OMP&R	operation, maintenance, power and replacement costs
ppm	parts per million
PS-A	Pump Station A
RO	reverse osmosis
RWQCB	Regional Water Quality Control Board
SLOCFCWCD	San Luis Obispo County Flood Control and Water Conservation District
SRF	State Revolving Fund

State Water or SWP	California State Water Project
TDS	Total Dissolved Solids
TSS	Total Suspended Solids
USFWS	U.S. Department of Fish and Wildlife Service
USBR	Bureau of Reclamation
WRF	Water Reclamation Facility
WRFCAC	Water Reclamation Facility Citizens Advisory Committee
WRF Project or Title XVI Project	Water Reclamation Facility Project
WIFIA	Water Infrastructure and Financing Innovation Act
WWTP	wastewater treatment plant

## EXECUTIVE SUMMARY

The City of Morro Bay (City) in the County of San Luis Obispo is equidistant from Los Angeles and San Francisco on the coast of California, and has a population of roughly 10,000. The City is adjacent to both the Pacific Ocean and Morro Bay—a marine protected area designated as a state and national bird sanctuary, and a national estuary. Founded in 1870 as a fishing port, Morro Bay's economy today is based on small businesses and tourism. It still has a vital working waterfront and commercial fishing port. Protecting and efficiently managing water resources is essential to maintaining a strong, vibrant economy in Morro Bay and the surrounding region.

### *Problem Statement and Need*

The City of Morro Bay seeks a new water supply in order to reduce reliance on imported water. The imported water supply is vulnerable to disruptions from drought, curtailments, earthquakes and climate change.

The City also has an urgent need to build a new wastewater treatment facility (water reclamation facility), as its current facility is out of compliance with modern treatment and water quality standards and discharge requirements. Because it is located in a tsunami zone *and* on a beach, the California Coastal Commission has mandated that the City build its new facility in an inland location. Furthermore, the Regional Water Quality Control Board and the California Coastal Commission, in accordance with California's Recycled Water Policy, have specified that the project should contain a re-use component.

Building a Water Reclamation Facility which incorporates advanced treatment for indirect potable reuse, addresses the City's need for a new water supply and its need to build a new water reclamation facility. Morro Bay is a small city with limited resources and options. The selected project is an efficient and cost effective means to address the need for a new water supply and the need for a new water reclamation facility.

### *Proposed Recycled Water Project*

The preferred alternative is a water reclamation facility that incorporates advanced treatment, providing the City with a local, reliable water supply. The Water Reclamation Facility Project (WRF Project or Title XVI Project) will be designed to treat an annual average flow of 0.97 million gallons of wastewater per day (MGD) through preliminary, secondary, tertiary, and advanced treatment. The Water Reclamation Facility (WRF) will produce purified water that meets indirect potable reuse standards for a groundwater replenishment reuse application, per California Code of Regulations Title 22 purified water requirements. At an annual volume of 825 acre-feet per year (AFY), the purified water produced will have the ability to offset approximately 80 percent of the community's water demand. This project will benefit residents and businesses in the City of Morro Bay and water and sewer customers in the surrounding area.

### *Project Cost Summary*

The Water Reclamation Facility Project is estimated to cost \$126 million. The City of Morro Bay has demonstrated diligence in its proactive funding approach implementing water and sewer surcharges, and securing the remaining financing with low-interest loans and grants. While the unit cost of the WRF Project exceeds that of the "No Project Alternative," the economic analysis demonstrates significant qualitative benefits, as described below.

### *Project Schedule*

The City of Morro Bay received the Coastal Development Permit (CDP) required by the California Coastal Commission for the WRF Project in November 2019. The CDP requires that a number of special conditions be met before the start of construction. The special conditions associated with the start of the construction for the WRF have been met, and the City began construction on this element of the project in late March 2020. Schedule of construction milestones is included in Appendix G. The City is working to complete the design for the conveyance facilities, which include two raw sewage lift stations and four parallel sewer force mains from the existing wastewater treatment plant to the new WRF. In parallel, the City is also working to address the special conditions in the CDP for the conveyance facilities and construction is anticipated to begin in August 2020. The outfall assessment for the project includes a complete assessment of the City's existing Ocean Outfall and is scheduled to begin in late April 2020.

The time schedule order issued by the Central Coast Regional Water Quality Control Board (CCRWQCB) requires that the City comply with the new secondary treatment standards by February 28, 2023. This milestone will be met when the WRF is substantially complete. Substantial completion of the WRF is expected to be in May 2022. The completion of the injection wells is expected to be in August 2023. At this time, the City will begin injecting purified water into the Morro Groundwater Basin and augmenting the City's water supply.

### *Project Benefits*

The Water Reclamation Facility Project is both locally and regionally significant. The City currently purchases most of its water supply from outside the region, importing water from the California State Water Project. This water originates hundreds of miles away, in the Sierra Nevada Mountains and the Bay-Delta, and is vulnerable to disruption from drought, curtailments, climate change and earthquakes.

By purchasing water from an external supplier, residents and businesses in Morro Bay face considerable uncertainty about future costs and reliability. It follows that creating more certainty in the water supply provides many economic and public health benefits including:

- Reduced risk of supply disruptions and associated economic impacts.
- Improved drought resilience.
- Improved community ability to adapt to climate change.
- Reduce demand on the State Water Project.
- Improved environmental water quality in Morro Bay
- Reduced risk of public health impacts from supply disruptions
- Protection the local economy which relies on small businesses and a clean environment.
- Improved water quality through injection of advanced treated recycled water into the improve groundwater.

## Section 1

# INTRODUCTION

The City is interested in pursuing funding for the WRF Project under the Title XVI Reclamation Wastewater and Groundwater Study and Facilities Act, Section 1604 (Feasibility Studies) (Pub. L. 102-575; 43 USC 390h et seq.), as amended and the Water Infrastructure Improvements for the Nation Act of 2016 – Title I Water Resources Development, section 4009 (Pub. L. 114-322). This feasibility study provides the U.S. Bureau of Reclamation (USBR) the necessary information to address USBR requirements to request funding for a water reclamation and reuse application. The City is the only project sponsor, and intends to finance the WRF Project through a combination of low-interest State and federal loans and cash reserves.

### 1.1 Reclaimed Water Project Study Area

The WRF Project consists of three separate components that will be utilized to augment the City's water supply:

1. The WRF.
2. Injection wells to allow for indirect potable reuse.
3. Raw wastewater conveyance system and pump stations.

Figure 1 shows the proposed location of the WRF Project components. Because these components are at three different locations within the City of Morro Bay, the study area for the project encompasses a large portion of the City. The WRF will be located on South Bay Boulevard near the intersection of Highway 1, just southeast of the City proper and North of Highway 1. The facility will be constructed on undeveloped pasture land in the foothills north of Highway 1 outside of the City limits. The City may annex the land into the City limits and incorporate it into the sphere of influence once the WRF is constructed.

Source waters from the City's wastewater collection system will be pumped to the WRF site from the City's wastewater treatment plant located on Atascadero Road just northeast of Morro Rock. This raw wastewater will be pumped via dual force main pipelines parallel to Highway 1, as illustrated by the black line in Figure 1. Advanced treated purified water produced at the WRF will be conveyed three miles to injection wells for indirect potable reuse (IPR). This location is still not yet finalized as the City is still undergoing hydrogeological investigations; however, the injection will occur at one of two potential injection well sites labeled "West IPR" and "East IPR" in Figure 1. The purified water will be injected into the underlying Morro Valley Groundwater Basin. After the required residence time (groundwater travel time) as required by the California Division of Drinking Water (DDW), groundwater will be extracted downgradient using municipal wells owned by the City of Morro Bay. These wells are located near the intersection of Atascadero Road and Highway 1, just east of Pump Station A (PS-A).

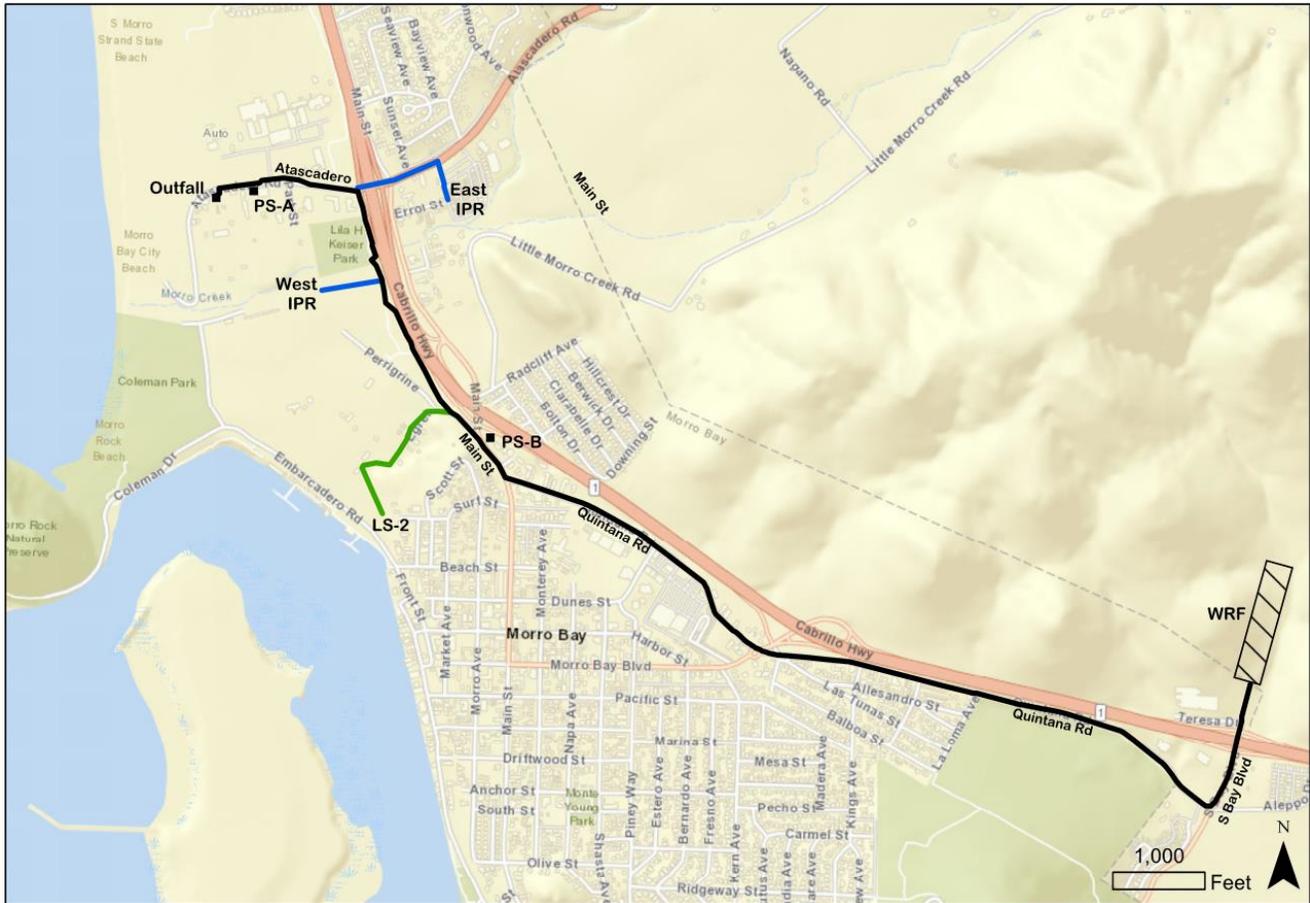


Figure 1 Water Reclamation Facility (WRF) Project Study Area

## Section 2

# WATER RESOURCES SUPPLY AND DEMAND

### 2.1 Problem Statement and Need

The City of Morro Bay currently purchases 87 percent of its water supply from outside the city limits by importing water from the California State Water Project (State Water or SWP) which is delivered to the City via the California Aqueduct. Purchased water originates hundreds of miles away in the Sierra Nevada Mountains and the California Bay-Delta. The remaining water supply comes from local groundwater wells owned and operated by the City.

By importing water from the State Water Project, the City faces considerable uncertainty about the future cost and reliability of its water supply. Many externalities beyond the City's control could drastically affect this water supply. State Water Project deliveries may be disrupted at any time by earthquakes, droughts, or other natural disasters. Source water ecosystems of the Bay-Delta are collapsing and protecting a supply of water for that environment is essential for species preservation and recovery. Environmental water issued could reduce allocations in the future. These issues surrounding the State Water Project are exacerbated by climate change and population growth. By 2050, California's Population is projected to reach 50 million people.

The City's groundwater basins have significant water quality issues, including seawater intrusion and high nitrate concentrations. Due to surface water interactions the use of some of the City's wells becomes impossible during times of drought, decreasing the local supply when it's needed most. It follows that creating more certainty in Morro Bay's water supply by decreasing reliance on imported water and rehabilitating the current groundwater condition will provide both social and economic benefits to residents and businesses of this community.

### 2.2 Current Water Supply

The City has utilized the same water supply portfolio for over 20 years and does not plan on developing any new supplies in the near future other than the proposed WRF Project. Morro Bay's water supply portfolio currently consists of four different sources:

1. The California State Water Project.
2. The Morro Groundwater Basin.
3. The Chorro Groundwater Basin.
4. Ocean Desalination by reverse osmosis (RO).

The City currently does not have access to any federal water supplies (e.g., USBR). As listed above, all water supplies are either provided by the State of California or locally produced. The City currently does not produce any reclaimed water nor does it have access to reclaimed water supplies or systems. All domestic water use is supplied by potable water. Figure 2 shows the percent of water production from Morro Bay's water supply over the last 20 years.

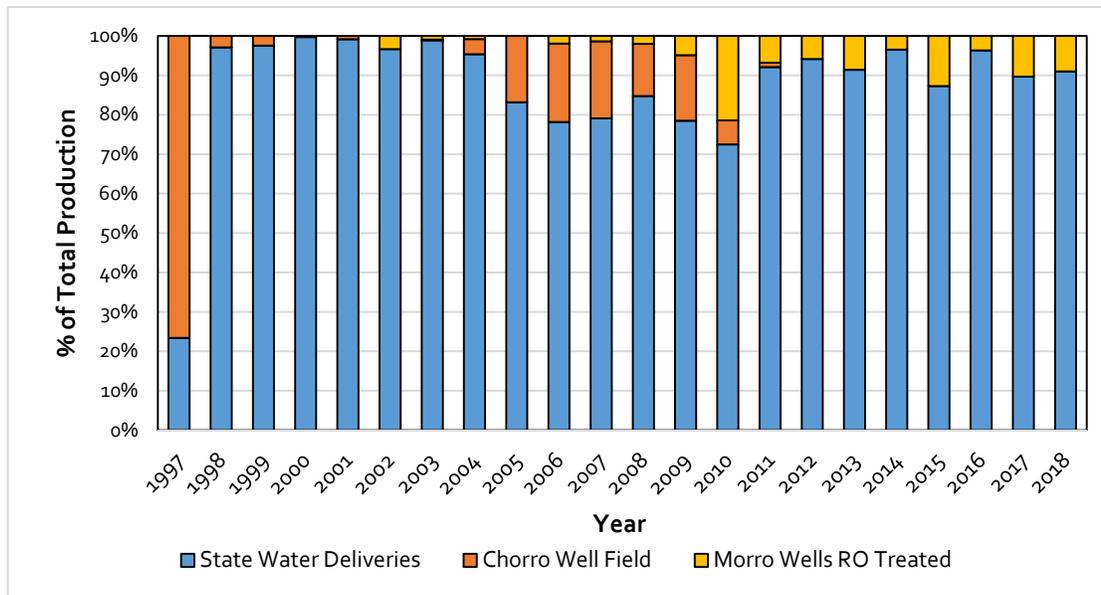


Figure 2 Percentage of Total Water Production

### 2.2.1 State Water Project

The SWP is a water storage and delivery system of reservoirs, aqueducts, power plants and pumping plants extending more than 700 miles—two-thirds the length of California. As shown in Figure 3, the State Water delivered to the City originates in both the Shasta-Trinity and Oroville reservoirs and is conveyed via the Sacramento and Feather Rivers to the Clifton Court Forebay of the Sacramento-San Joaquin Delta. From there, water flows by the California Aqueduct and is lifted through a series of pumping plants which divert the water throughout the State to its contractors. Figure 4 shows the names, location, and first year of service for long-term State Water contractors as of December 21, 2016. State Water directed to the Central Coast contractors is diverted via the Coastal Branch turnout.

Water is then pumped through the Coastal Branch Pipeline from the Bluestone Pumping Plant to the Polonio Pass Treatment Facility and then to the Cholame Valley near the small city of Santa Margarita in San Luis Obispo County. The Polonio Pass water treatment facility is owned and operated by the Central Coast Water Authority (CCWA). CCWA is a public entity formed under Central Coast public agencies to manage water resources supplied by the California Department of Water Resources (DWR) facilities for beneficial use to the surrounding regions. From Polonio Pass, CCWA facilities serve as the primary transmission infrastructure of State Water to San Luis Obispo and Santa Barbara Counties. From here, the Coastal Branch splits by various turnouts to serve regions throughout the Central Coast.

San Luis Obispo County has a long term contract with DWR for 25,000 acre-feet annually of “Table-A water”, This is the maximum amount of State Water the County can receive each year, as displayed in Bulletin 132, Management of the California State Water Project, Table B-4. However, because the Coastal Branch pipeline cannot hydraulically convey the full allocation, only 4,830 acre-feet of Table A water is contracted to San Luis Obispo County. Of this amount, only 1,313 acre-feet is allocated to the City of Morro Bay.

Figure 5 shows the volume of State Water the City received over the last 20 years. Total Table-A water allocations have been reduced over the last 20 years, deliveries average 85 percent of the contracted allocation. The remaining 15 percent of water demand is met with groundwater. Note deliveries in 1997 were significantly below average since this was the first year the coastal branch delivered water to State Contractors. During drought years, Morro Bay's allotment of water from the State Water Project is especially unreliable. To mitigate these challenges, the City has the ability to take its unused State Water allocation and store it behind San Luis Reservoir as "carry-over water" for use during the same year or the following year. The City also purchases "drought buffer water" from the State, which can be stored for use at a later date (carry-over water).

During low allocation years for the State Water Project the City of Morro Bay relies on its drought buffer with San Luis Obispo County Flood Control and Water Conservation District (SLOCFCWCD). This ensures the City receives its entire allocation of 1,313 AFY when the SWP can deliver at least 36 percent of contracted water to its recipients. However, the storage from carryover water is no longer available if it interferes with storage of State Water for SWP needs in San Luis Reservoir. Once this occurs, the carry over water is converted to Article 21 water and made available to all SWP contractors causing Morro Bay to lose its purchased carry-over water stored in the San Luis Reservoir.

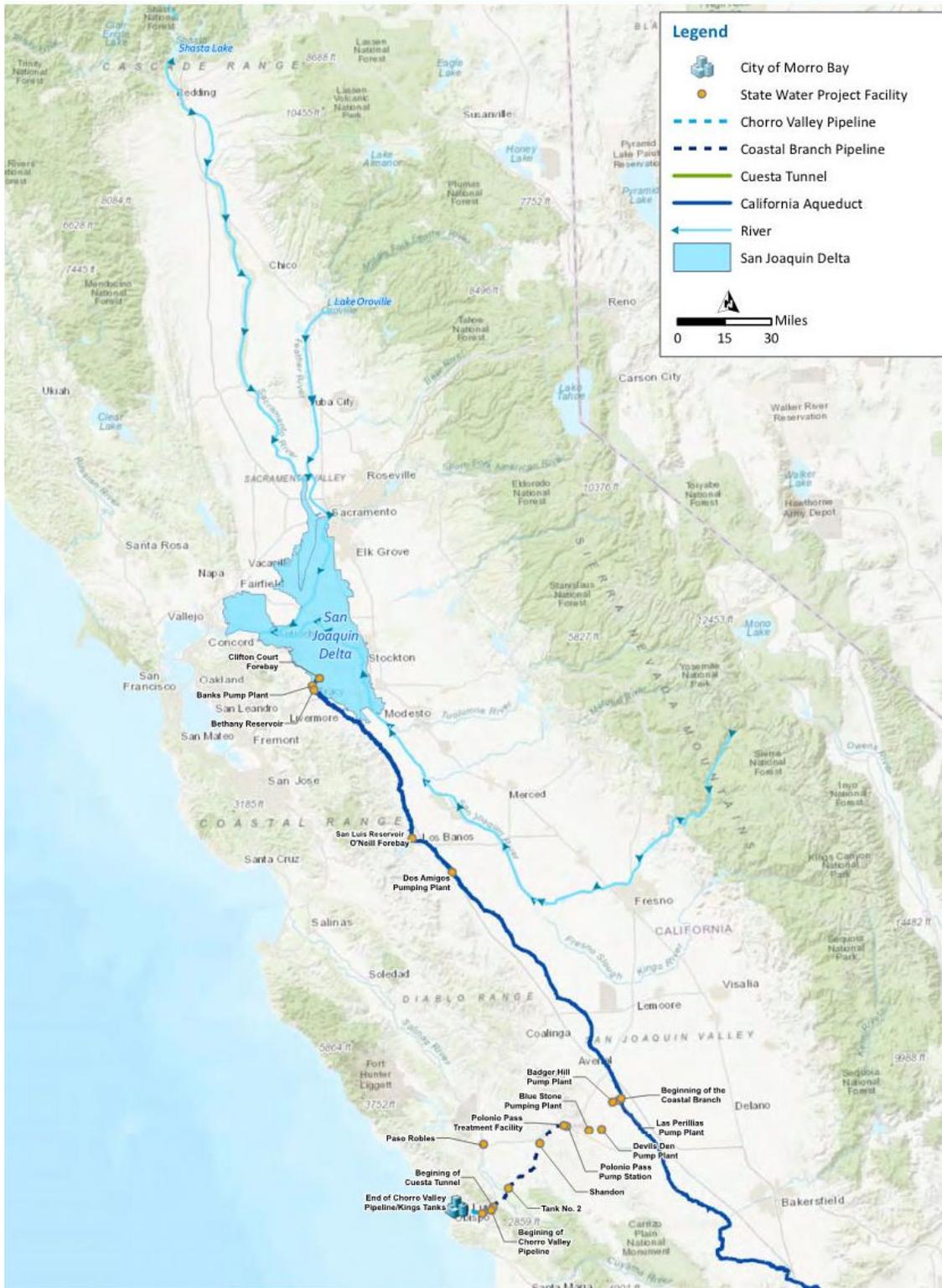
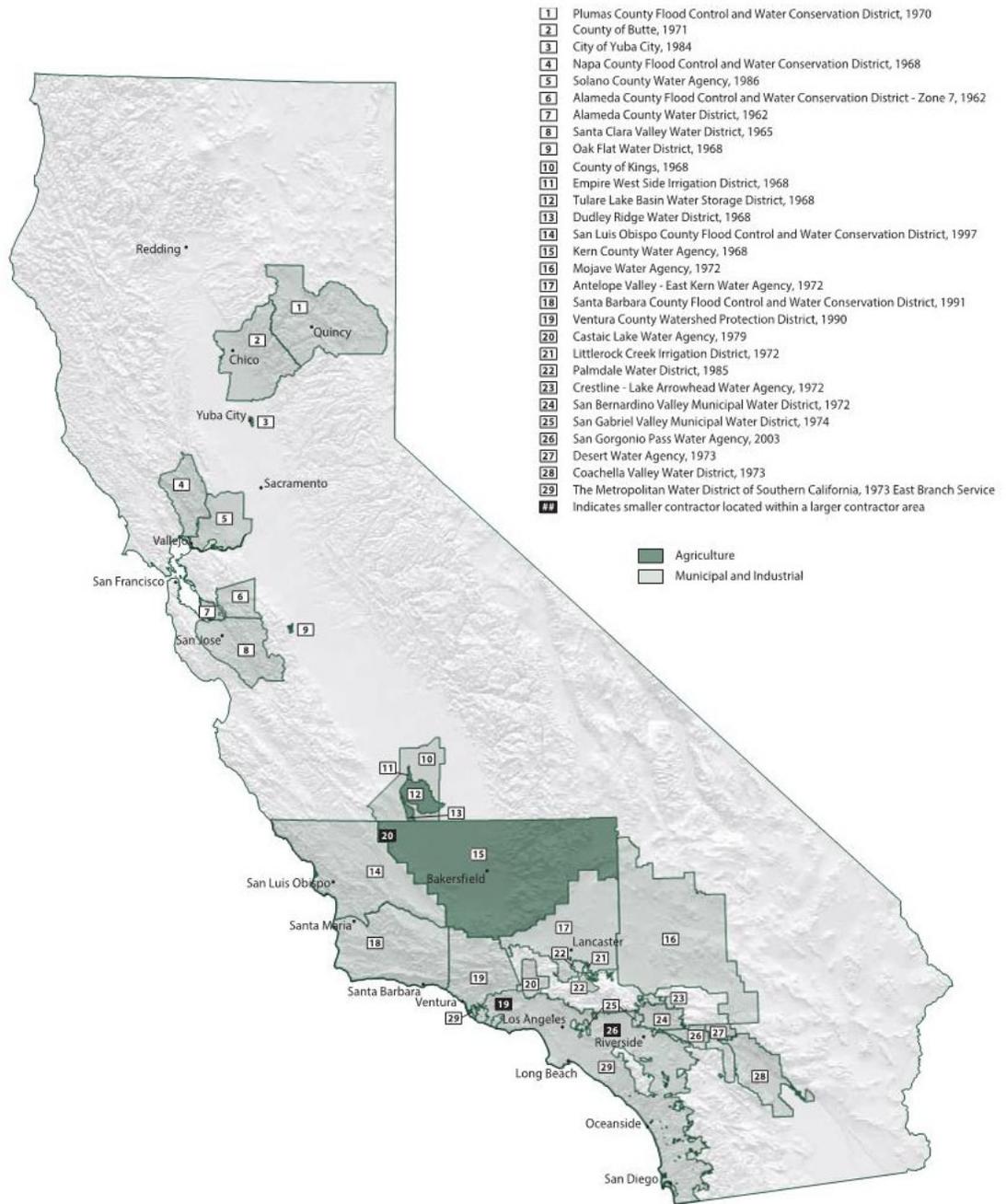


Figure 3 Path of Water Imported from the State Water Project to Morro Bay



Source: DWR Bulletin 132-17

Figure 4 Long-Term Contractors Receiving Water Allotments from the State Water Project

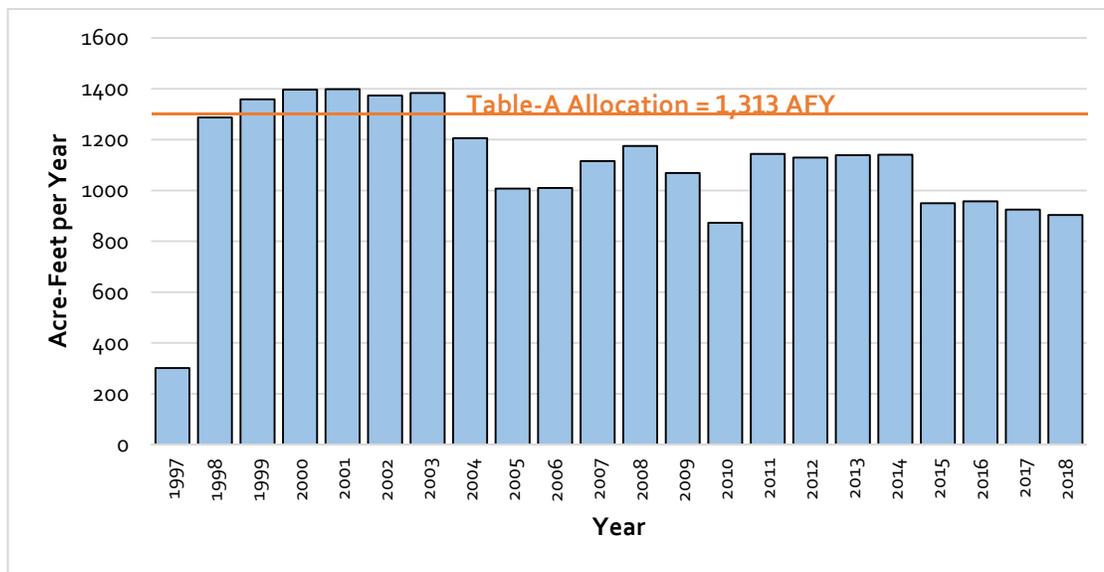


Figure 5 State Water Project Deliveries to Morro Bay

### 2.2.2 Morro Groundwater Basin

The Morro Groundwater Basin underlies Morro Valley in west-central San Luis Obispo County and is the primary source of groundwater for the City. The groundwater basin is approximately 1,200 acres and is bounded on the west by the Pacific Ocean and on all other sides by contact with impermeable rocks of the Jurassic to Cretaceous age Franciscan Group. The groundwater basin is sourced by surface water percolation from Morro Creek flowing into Morro Bay from the east. Groundwater is unconfined, and DWR Bulletin 118 and well reports indicate a basin thickness of around 60 feet with well depths ranging from 60 to 80 feet. Water quality concerns in this region include high concentrations of nitrate (NO<sub>3</sub>) from agricultural runoff and salinity (TDS) resulting from seawater intrusion during drought years.

The City’s Morro Well Field includes eight wells located near the intersection of Atascadero Road and Highway 1. As shown in Figure 7 the City treats groundwater from the Morro Well Field for both nitrate and TDS at the Brackish Water Treatment Facility. Finished water is sent to a City owned tank (King’s Tank) for public distribution.

The State Water Quality Control Board permitted yield for this well field is 581 AFY, and 1.2 cubic feet per second (cfs) instantaneously through appropriative rights to the Morro Groundwater Basin. The Morro Well Field has been used the last nine out of the last ten years due to drought conditions which resulted in SWP cutbacks. Average use of the well field was 104 AFY in the years used. Table 1 shows the total use of the Morro Well field since 1997. Note this is not the total volume extracted from the Morro Well Field, but the total produced and sent to the distribution system sourced by the Morro Wells.

### 2.2.3 Chorro Groundwater Basin

The Chorro Groundwater Basin underlies Chorro Valley in west-central San Luis Obispo County and serves as the secondary source of groundwater to the City. The basin is approximately 3,200 acres and is bounded on the west by the Pacific Ocean and on all other sides by impermeable Franciscan Group and Miocene intrusive rocks. The basin runs parallel to Highway 1 and Chorro Creek which ultimately drains into Morro Bay State Marine Reserve.

The Chorro Groundwater Basin is sourced from Chorro Creek and treated wastewater from the California Men’s Colony wastewater treatment plant approximately nine miles east of Morro Bay. Groundwater in this basin is unconfined. High concentrations of nitrates from agricultural runoff are also a concern here.

The City’s Chorro Well Field includes six wells and is located west of the City near Chorro Creek Road, as shown in Figure 7. Groundwater from these wells is not treated before being sent to the King’s Tank, so these wells are disconnected from the drinking water distribution system.

The State Water Quality Control Board permitted yield of the Chorro Groundwater Basin is 1,142.5 AFY with an instantaneous yield of 3.2 cfs through appropriative rights to the Chorro Groundwater Basin. Groundwater pumping is available at the Chorro Well Field only when the recorded stream flow in the adjacent Chorro Creek is above 1.4 cfs. Historically, during dry years, the Chorro Well Field is inoperable due to extremely low flows in Chorro Creek. Table 1 shows the total use of the Chorro Well Field since 1997.

Figure 6 shows years where streamflow was below the pumping threshold, which limited the Chorro groundwater supply to the City. During the last severe drought period in the state—2010 to 2015—streamflows in the summer months were much less than flows during the same months in years prior. 2016 and 2017 proved to be wet years for the state, recharging the groundwater basin. Because of Chorro Creek’s reactivity to precipitation, use of the well field for a potable water supply continuously throughout the year is limited, if non-existent.

Table 1 Total City Water Facility Production

Year	Chorro Wells Annual Total Production (acre-feet)	Morro Wells RO Treated Annual Total Production (acre-feet)
1997	986.0	0.0
1998	38.5	0.0
1999	34.1	0.0
2000	3.8	0.0
2001	11.5	0.0
2002	0.0	47.5
2003	3.0	12.8
2004	48.6	9.8
2005	203.5	0.0
2006	257.2	24.6
2007	275.6	19.1
2008	183.4	27.9
2009	226.0	66.5
2010	73.6	258.1
2011	14.1	84.1
2012	0.0	70.3
2013	0.0	107.0
2014	0.0	40.7
2015	0.0	137.9
2016	0.0	36.2
2017	0.0	106.4
2018	0.0	89.1

### 2.2.4 Ocean and Brackish Groundwater Desalination

Morro Bay operated an ocean desalination facility in the past, which supplemented the City’s water supply since the 1990s. The desalination facility is shared with the Brackish Water Treatment Facility, which treats groundwater from the Morro Well Field. Five seawater wells provided source water for the desalination facility. Currently, the facility is outdated and in a state of much needed repair and therefore not in use. The City originally constructed the facility in response to drought conditions, but has intermittently used it for domestic water production. Initial Coastal Development Permits were issued on an emergency basis and allowed the City to operate the ocean desalination facility for only two years before requiring a new Coastal Development Permit to continue operation.

In 2009, the City made modifications to its seawater treatment system and expanded its brackish water treatment train to more effectively treat nitrates from the Morro Well Field. In 2010, the facility served as the City’s primary source of water during a partial shutdown of the State Water Project. Source water for the facility is obtained from brackish water wells located along the Harbor Walk Pathway, as shown in Figure 7. In 2016, the City requested a coastal development permit to continue intermittent operation of the seawater wells and facility discharge. This permit was granted given the condition that the CCRWQCB approves its discharge during operations using seawater. Operating the desalination train of the Brackish Water Treatment Facility produces an instantaneous treatment capacity of 400 gallons per minute (gpm) and a permitted annual production capacity of 645 AFY.

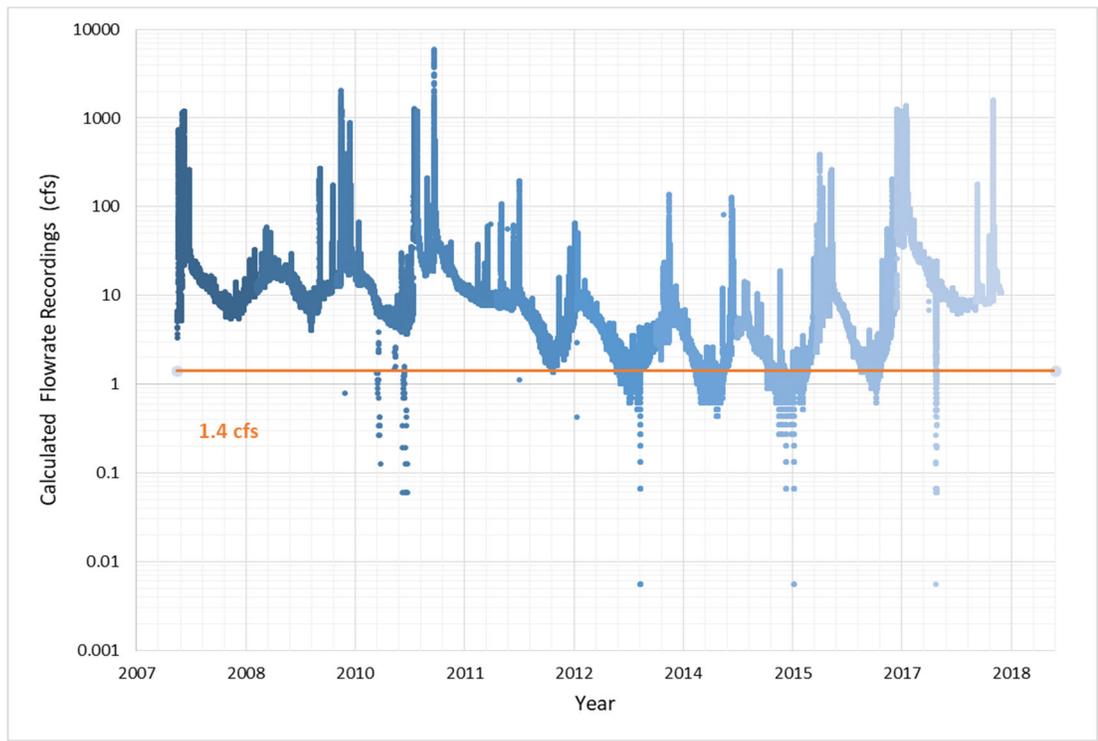


Figure 6 Calculated Streamflow Measurements for Chorro Creek at Canet Bridge

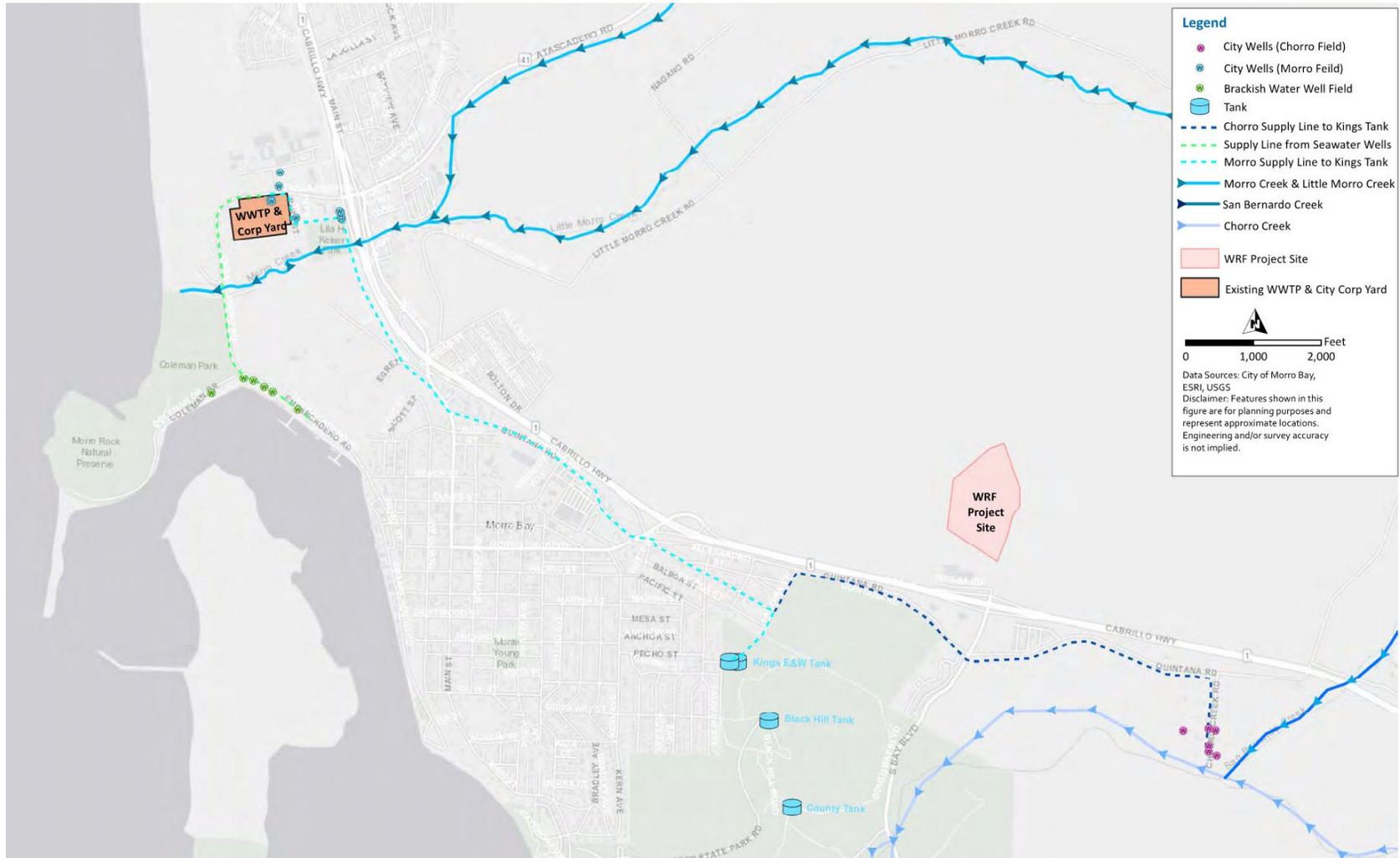


Figure 7 City of Morro Bay Production Wells

## 2.3 Domestic Water Demands and Imbalances

Historical water system production have varied greatly, as do project demands through the year 2040. There is a potential for supply imbalances given the City's current water supply portfolio and external factors that may cause fluctuations in the supply from year to year. The following sections describe the details of these water demands and imbalances.

### 2.3.1 Water Production

Water production varies annually in response to customer water usage, which is correlated to weather, development, economic conditions, population, and conservation activities. Figure 8 illustrates the City's water production from 1997 to 2019, which includes water from the City's four water supply sources: The State Water Project, The Morro Groundwater Basin, the Chorro Groundwater Basin and ocean desalination. As shown in Figure 8, water production has trended downward since 1997, with significant drops in water production every year since 2014. This is attributed to water conservation associated with State mandates under extreme drought conditions.

### 2.3.2 Projected Demands and Imbalances

Currently, the City is able to meet demand by utilizing a combination of imported State Water and local groundwater. However, during severe drought conditions where State Water allocations are minimal or a scenario in which imported water is unavailable, the City's water supply portfolio has major limitations. The Chorro Well Field has a strong surface water connection. When the Chorro Well Field is not operational due to low or zero flows in Chorro Creek, the only remaining local supply is the Morro Well Field lacks sufficient production volume to meet demand. Additionally, during drought conditions, Morro Groundwater typically has higher TDS concentrations from seawater intrusion and requires treatment prior to distribution. Reliability issues may also arise when the volume of the San Luis Reservoir is needed for State Water operations, causing the City to lose rights to all previously purchased stored water, as described in Section 2.2.1.

Population growth will also create a significant imbalance in the City's ability to meet future water demands. The population of Morro Bay is projected to increase to 12,150 people by the year 2040, and the City's average daily demand and total annual demand are projected to approach 1.29 MGD or 1,445 AFY by 2040, as shown in Table 2.

A reliable source of water is necessary to confidently meet these growing water demands. With the additional water supply provided by the Water Reclamation Facility Project, the City of Morro Bay can increase groundwater extraction up to approximately 1,120 AFY<sup>1</sup> significantly closing the gap between supply and demand.

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<sup>1</sup> Lower Morro Valley Basin Screening-Level Groundwater Modeling for Injection Feasibility by GSI Water Solutions, Inc. May 16<sup>th</sup>, 2017

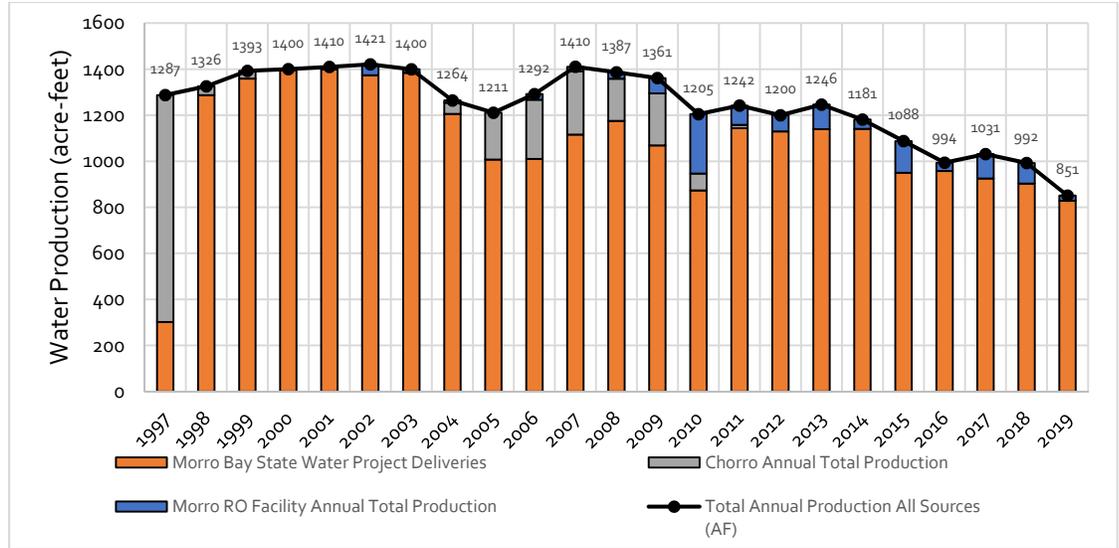


Figure 8 City of Morro Bay Water Production since 1997

Table 2 Future Demand Projections for the City of Morro Bay through 2040

Year	Projected Average Day Demand (MGD)	Projected Annual Demand (AFY)
2020	1.16	1299
2025	1.19	1333
2030	1.22	1367
2035	1.25	1400
2040	1.29	1445

## 2.4 Water Quality Concerns

Three of the City’s four water supply sources have water quality limitations that restrict supply, and require treatment operations. However, water imported to Morro Bay via the State Water Project is generally good quality surface water that originates from snow melt from the Sierra Nevada Mountains. There are no water quality that concern supply with imported State Water. The water is treated at the Central Coast Water Authority Polonio Pass Surface Water Treatment Facility. This water is sent directly into the water distribution system via the City’s King’s Tank.

### 2.4.1 Water Quality in the Morro Groundwater Basin

High concentrations of nitrate (NO<sub>3</sub>) and salinity (TDS) are water quality concerns within the Morro Groundwater Basin. Prior studies indicate upstream fertilizer runoff from agricultural land use as the leading cause of nitrate contamination in the basin, resulting in concentrations as high as 220 milligrams per liter (mg/L). Maximum contaminant levels (MCLs) are set at 12 mg/L. Further contamination is possible during drought years when low groundwater elevation leads to seawater intrusion. Studies indicate that TDS concentrations have ranged from 400 to 1,000 mg/L in the Morro Basin.

TDS MCLs are set at 500 mg/L. Because of these water quality concerns, the City treats groundwater from the Morro Well Field for both nitrate and TDS at the Brackish Water Treatment Facility. Finished water is sent to the King's Tank for public distribution.

#### **2.4.2 Water Quality in the Chorro Groundwater Basin**

High concentrations of nitrates are also a concern within the Chorro Groundwater Basin. Nitrate concentrations range from 25 mg/L to 100 mg/L and are attributed to nitrate based fertilizer runoff from upstream agricultural land use. Since groundwater from the Chorro Well Field is not treated prior to being sent to the King's Tank, these wells have been disconnected from the drinking water distribution system.

#### **2.4.3 Water Quality from Ocean Desalination**

As described in Section in 2.2.4, the ocean desalination facility is currently inoperable due to mechanical and permitting issues. When the facility operates using its brackish water wells, the product water quality meets drinking water quality standards and its effluent has salinity levels between 21,000 to 26,000 parts per million (ppm), which is less than levels in ambient seawater of 31,000 to 34,000 ppm. The Central Coast Regional Water Quality Control Board determined that the discharge from the ocean desalination facility is subject to the Board's "General Low-Threat" discharge permit. This permit is available to discharges that contain minimal amounts of pollutants and pose little threat to water quality. If the ocean desalination facility were to be re-activated and the seawater wells were to be used, the Regional Water Board would need to re-assess the permit.

## Section 3

# WATER RECLAMATION AND REUSE OPPORTUNITIES

### 3.1 Current Water Reuse and Reclamation Availability

The City of Morro Bay has no water reclamation and reuse technology in its current water supply portfolio. Rather, treated wastewater is discharged through the ocean outfall and diffuser located approximately 2,900 feet offshore. The City's current wastewater treatment plant does not meet Title 22 standards and is out of compliance with current secondary treatment standards. It has been determined that reclamation efforts with the existing facilities are not possible.

In 2017, the City contracted Michael K. Nunley & Associates (MKN) to develop the "City of Morro Bay Master Water Reclamation Plan" (see Appendix A) which investigated opportunities for water reclamation and reuse in the study area. All opportunities utilized effluent from a new Water Reclamation Facility treated to a level specific to each use of reclaimed water. The following sections summarize recommendations from the plan.

#### 3.1.1 Source Water for Water Reclamation

Source waters are defined as the untreated wastewater that is to be processed at the proposed WRF to ultimately be reused as purified water. The map provided in Figure 7 shows the City's existing Wastewater Treatment Plant located on Atascadero Road, northeast of Morro Rock and West of Highway 1. This facility is jointly owned and serves both the City of Morro Bay and the Cayucos Sanitary District. The new Water Reclamation Facility will be owned by the City of Morro Bay and will only serve the Morro Bay Service area.

The CCRWQCB oversees wastewater treatment plant discharge requirements through monitoring the National Pollution Discharge Elimination System (NPDES) permit. The City of Morro Bay's Wastewater Treatment Plant does not meet the regulatory requirements for discharge since it lacks the capability of secondary treatment therefore the CCRWQCB has established interim discharge requirements, which are presented in Table 3 below.

Table 3 Interim Effluent Limitations

Parameter	Units	Interim Effluent Limitations	
		Average Monthly	Instantaneous Maximum
Biochemical Oxygen Demand	mg/L <sup>(2)</sup>	120	180
5-day @ 20°C (BOD <sub>5</sub> ) <sup>(1)</sup>	lbs/day <sup>(2)</sup>	2,062	3,092
Total Suspended Solids (TSS) <sup>(1)</sup>	mg/L <sup>(2)</sup>	70	105
	lbs/day <sup>(2)</sup>	1,203	1,804

Notes:

- (1) The 30-day average percent removals shall be no less than at least 75 percent for TSS and 30 percent for BOD<sub>5</sub>.
- (2) Mass-based effluent limitations were calculated using the following formula: lbs/day = pollutant concentration (mg/L) \* Design flow (2.06 MGD) \* conversion factor (8.34).

Source: www.waterboards.ca.gov Permit No. CA0047881

Annual average daily flow (AADF) for the Wastewater Treatment Plan is 0.84 MGD, however, instantaneous flows in excess of 1 MGD require a portion of the primary effluent to be blended with disinfected secondary effluent prior to discharge to the ocean outfall. The process flow diagram components are listed below and shown in Figure 9.

- Liquid Treatment Processes:
  - Headworks
  - Fine Screening
  - Grit Removal
  - Trickling Filters
  - Secondary Clarifiers
  - Disinfection with Sodium Hypochlorite
- Solids Treatment:
  - Anaerobic Digestion
  - Drying Beds with On-site Composting

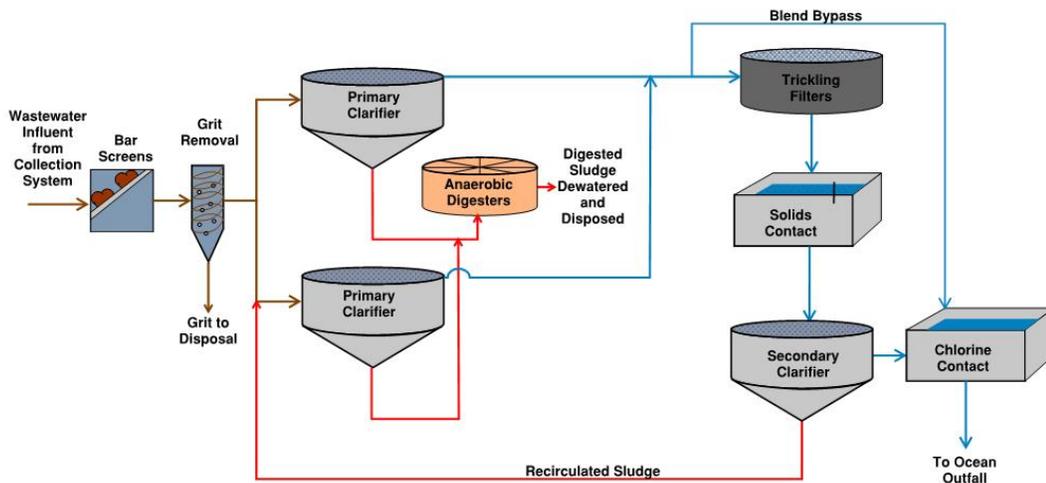


Figure 9 Existing WWTP Process Flow Diagram

Two pump stations will convey raw sewage source waters from the Wastewater Treatment Plant to the new Water Reclamation Facility requiring only minimal modifications to the existing wastewater collection system. When the WRF is completed, the old Wastewater Treatment Plant will be decommissioned.

Stormwater runoff is not considered a source for potential water reclamation as the City's storm drain collection system has minimal conveyance infrastructure and much of the stormwater flows overland to the Pacific Ocean. Also due to land constraints, there are very few opportunities to capture stormwater.

### 3.1.2 Potential Reclaimed Water Use

The City investigated several opportunities for reclaimed water use as recommended by the Master Water Reclamation Plan. The water reuse opportunities were developed by the considering the feasibility of utilizing recycled water by having an established customer base and identifying all of the potential uses for recycled water in the City. Additional uses to augment existing water supplies were investigated by the City. Finally, each developed option was evaluated to assess the feasibility of implementing the project. These water reuse options are listed below:

1. No water reuse application
2. Urban reuse
3. Agricultural irrigation
4. Exchange with agricultural users for:
  - a. Reduced groundwater pumping
  - b. Riparian rights
  - c. Pumped groundwater delivered to the City.
5. Indirect potable reuse via surface application or injection wells
6. Seawater intrusion barrier
7. Augmented streamflow in Chorro Creek
8. Direct potable reuse

#### 3.1.2.1 No Water Reuse Application

The "no water reuse application" consists of constructing the WRF Project with the exception of any facilities necessary to meet Title 22 standards for either unrestricted reuse or potable reuse. All treated effluent from the WRF would be disposed via the ocean outfall through a dedicated pipeline. This option is also technical infeasible as the City's Local Coastal Plan (LCP) requires reclamation. This application is representative of the City's current water supply condition.

#### 3.1.2.2 Urban Reuse

Urban reuse consists of utilizing reclaimed water for public landscaping and urban use such as irrigating play fields, golf courses, parks, roadway medians, and urban landscaping. Urban reuse requires reclaimed water to be tertiary filtered and disinfected per Title 22 standards for unrestricted reuse. Use of reclaimed water can offset potable water for landscaping applications. This use would require additional distribution system infrastructure, which comes with significant costs, and would require a user base that is willing to utilize the purified.

### 3.1.2.3 Agricultural Irrigation

Agricultural irrigation opportunities include selling reclaimed water to agricultural users for irrigation purposes. Any reuse for agricultural purposes must be treated appropriately to meet criteria set by Title 22 standards. Agricultural users are all outside of the City's water system service area boundary, therefore, a new distribution system is necessary to serve the purified water. The MKN Technical Memorandum "Morro Bay New Water Reclamation Facility – Water Reuse Opportunities" describes the outreach efforts done by the City to agricultural users for securing indications of interest. The MKN Master Water Reclamation Plan states that outreach efforts revealed that farmers did not view the deal favorably due to price competitiveness between pumped groundwater and delivered reclaimed water.

### 3.1.2.4 Exchange with Agricultural Users

Exchange of purified water produced at the WRF for groundwater from private agricultural users could take three forms: 1) exchange for reduced groundwater pumping, 2) exchange for riparian rights to increase groundwater withdraw and 3) exchange for pumped groundwater delivered to the City. Users would enter into an agreement to reduce their upstream groundwater pumping or riparian groundwater withdrawals, and allow the City to maximize its wellfield capacity by limiting the volume of groundwater removed from the Morro or Chorro basin.

Alternatively, the City could also enter into an agreement with private users to have groundwater pumped from agricultural wells conveyed to the City's drinking water treatment facility to be distributed for domestic use. Similar to the "agricultural irrigation" opportunity in Section 3.1.2.3, the MKN Master Water Reclamation Plan states that nearby agricultural users were unwilling to participate in any reclaimed water reuse contracts with the City in exchange for groundwater rights.

### 3.1.2.5 Indirect Potable Reuse

Indirect potable reuse includes recharging the groundwater basin with reclaimed water through surface application (ponds) or subsurface injection via injection wells. A study performed by GSI Water Solutions (GSI) in July 2016 determined that groundwater recharge by percolation ponds can provide the City with a small water supply benefit; however, the opportunity is dependent upon land availability and weather conditions. GSI also investigated the potential benefit of injecting reclaimed water into the Morro Groundwater Basin. Their findings suggest that a benefit equal to the volume of State Water imported annually could be withdrawn from the City wells. Additionally, injecting reclaimed water into the groundwater basin will improve groundwater quality by reducing nitrate levels and providing an additional freshwater barrier to seawater intrusion.

### 3.1.2.6 Seawater Intrusion Barrier

Injecting purified water into the City's brackish water wells or other strategically placed injection wells could create a seawater intrusion barrier for the City's existing wells. This would allow the City to maintain groundwater pumping during drought years by reducing the threat of seawater intrusion. The volume of purified water required to maintain the seawater barrier is considerable, and the purified water has no beneficial reuse application once it mixes with seawater underground. This opportunity was seen as uneconomical to the City.

### 3.1.2.7 Chorro Creek Streamflow Augmentation

Purified water could be used to improve the flow rate in Chorro Creek enabling greater use of the Chorro Well Field. The State Water Board considers this application to be “indirect potable reuse,” and additional treatment would be required. During wet years, surface application of reclaimed water in Chorro Creek would not result in a significant benefit to groundwater recharge; therefore, most of the purified water likely sent directly to the ocean via Chorro Creek. Similar to the “seawater intrusion barrier,” opportunity of Section 3.1.2.6, having purified water discharge directly to the ocean provides no beneficial use to the City. If the City were to execute an agreement to contribute flow to Chorro Creek, this would result in a long term binding commitment which would require the City to maintain its portion of flow regardless of drought conditions and its water supply. Future regulations by the CCRWQCB will also require a high-level of treatment for any treated wastewater discharged to this surface water to meet stringent nitrate and salinity limits.

### 3.1.2.8 Direct Potable Reuse

Direct potable reuse has not been authorized for any domestic use applications in the State of California. It is expected that direct potable reuse regulations will be set in the next 3 to 5 years so this application could be a useful opportunity in the future.

### 3.1.3 Water Reuse Opportunity Analysis

The Master Water Reclamation Plan concluded that the preferred selection of water reuse would be an indirect potable reuse application utilizing injection wells and extraction wells. This provides the greatest water supply benefit to the City in comparison to agricultural exchanges with nearby farmers and urban reuse. Indirect Potable Reuse was not compared to Chorro streamflow augmentation, seawater intrusion barrier protection, and direct potable reuse since these opportunities were seen as uneconomical applications and did not present any beneficial use to the City.



## Section 4

# WATER RECLAMATION AND REUSE ALTERNATIVES

### 4.1 Water Supply Alternatives Analysis

In 2017, the City examined multiple water supply project alternatives in a comprehensive planning effort known as the OneWater Plan (see Appendix B). From the results of the water reuse opportunities analysis in Section 3, potable water supply projects alternatives were developed utilizing purified water from the Water Reclamation Facility project and from proposed improvements to the City's existing water system. The objective of each alternative is to diversify the City's water supply portfolio while creating resiliency in the supply for future drought or emergency conditions.

Table 4 shows the water supply project alternatives and corresponding capacities and unit costs that were compared in the Water Supply Alternatives Analysis. Many of the alternatives do not meet the 2040 potable water demand of 1,445 AFY and are supplemented with imported State Water, as shown in Figure 10.

The alternatives underwent an evaluation with respect to criteria reflecting Morro Bay's interests. The evaluation criteria considers the general economic, resilience, and implementation aspects of each project to assess how each alternative compares to the existing system supply and operations. The following sections present a detailed description of each alternative evaluated for the City, as well as a discussion of the selection of the preferred water supply alternative.

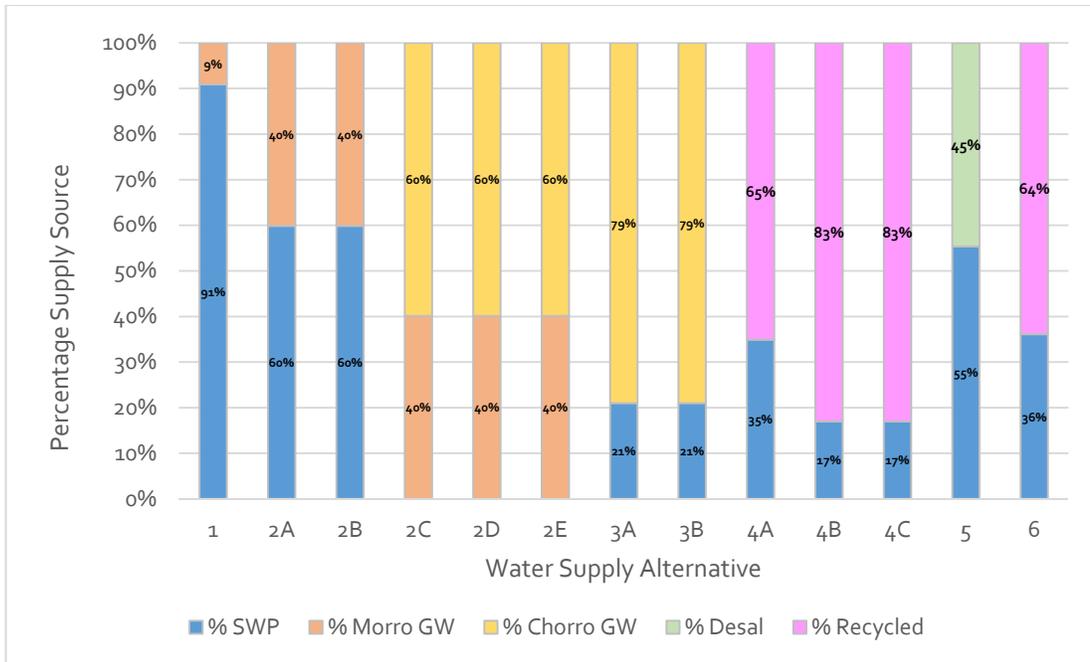


Figure 10 Water Supply Source Percentages of Average Day Demand

Table 4 Water Supply Project Alternatives

Project No.	Project Name	Supply Capacity (AFY)	Unit Cost
1	State Water Project (No Project Alternative)	1,313	\$1,843 <sup>(2)</sup>
2A	Morro Well Field with Salinity Treatment	581	\$1,546
2B	Morro Well Field with Nitrate Treatment	581	\$1,236
2C <sup>(1)</sup>	Morro and Chorro Well Fields with Salinity Treatment	1,724	\$1,748
2D <sup>(1)</sup>	Morro and Chorro Well Fields with Nitrate Treatment	1,724	\$1,184
2E <sup>(1)</sup>	Morro and Chorro Well Fields with Nitrate and Salinity Treatment	1,724	\$1,472
3A <sup>(1)</sup>	Chorro Well Fields with Streamflow Augmentation	1,142	\$1,663
3B <sup>(1)</sup>	Chorro Well Fields with Streamflow Augmentation and Nitrate Treatment	1,142	\$2,258
4A	Morro Well Field IPR by Groundwater Injection	943	\$2,396
4B	Morro Well Field IPR by Groundwater Injection with Salinity Treatment	1,200	\$3,005
4C	Morro Well Field IPR by Groundwater Injection with Nitrate Treatment	943	\$3,056

Table 4 Water Supply Project Alternatives (continued)

Project No.	Project Name	Supply Capacity (AFY)	Unit Cost
5	Ocean Desalination	645	\$2,932
6	Direct Potable Reuse	923	\$2,209

Notes:

- (1) Assuming Chorro Creek flowrate is greater than 1.4 cfs, permitting groundwater extraction from the City's Chorro Well Field.
- (2) Differs from Morro Bay OneWater, assuming 85% Table-A Allocation.

#### 4.1.1 Alternative 1 - State Water (No Project)

The "No Project Alternative" includes the City building a new wastewater treatment plant for secondary treatment only. By continuing to rely solely on imported State Water from the California Aqueduct as a main source of water, the City faces considerable uncertainty about future costs and reliability. State Water originates in Northern California and is conveyed through a series of canals, pipes, and pumping plants to the Polonio Pass Treatment Facility, which serves as the primary conveyance of State Water to San Luis Obispo and Santa Barbara Counties. Of the 4,830 acre-feet of Table-A water contracted to San Luis Obispo County, 1,313 acre-feet is allocated to the City of Morro Bay. The City and other State Water Project users in San Luis Obispo County have also purchased a "drought buffer" of excess Table-A supply to improve reliability in times of reduced deliveries, the City has a more reliable supply. The location and major project components of Alternative 1 are shown in Figure 3.

Since 1997, when the City began receiving deliveries from the State Water Project, about 87 percent of the City's domestic water supply is imported. During periods of drought, the State Water is not always available to its contractors, as demonstrated in 2015 when SWP deliveries dropped to 21 percent. The 2017 DWR Final State Water Project Delivery Capability Reports estimates the SWP Table-A delivery allocations meeting the average delivery demand to its contractors will be approximately 77 percent over the next two years.

#### 4.1.2 Alternative 2A - Morro Well Field with Salinity Treatment

Alternative 2A (Figure 11) includes treatment of groundwater extracted from the Morro Well field by a new Brackish Water Reverse Osmosis (BWRO) facility that would replace the City's existing, aging brackish water desalination facility. The new BWRO facility is preliminarily estimated to provide treated capacity to match the Morro Well Field annual extraction of 581 AFY. To meet the total demand for the City, Alternative 2A will be supplemented with imported State Water and provides 40 percent of the City's water supply from local sources. For this alternative, it has been assumed that the existing BWRO facility will be completely replaced by the proposed BWRO facility at a new location and the waste product (brine) will be sent directly into the existing ocean outfall. Alternative 2A would be exclusively fed by the Morro Well Field and, once treated, finished water will be sent by a new booster pump station to the King's Tank. The process flow diagram for Alternative 2A is shown in Figure 12.



Figure 11 Overview of Alternative 2A

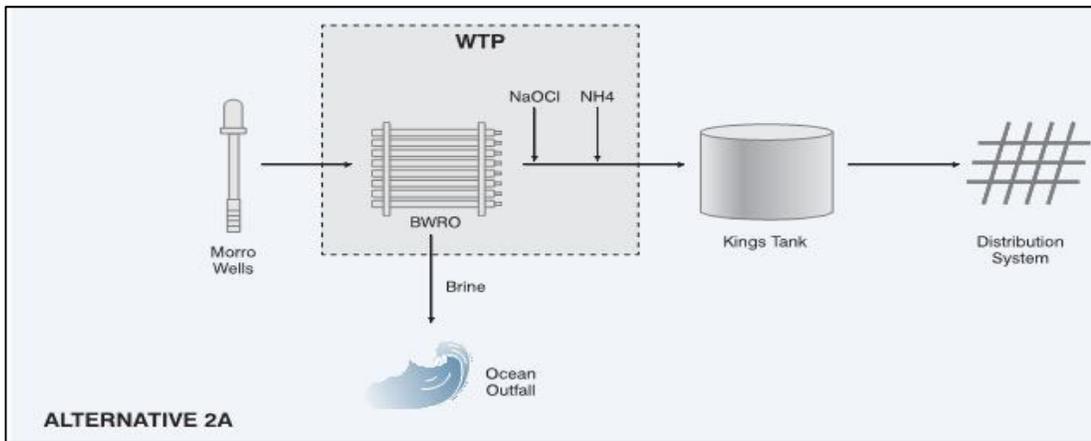


Figure 12 Process Flow Diagram for Alternative 2A

### 4.1.3 Alternative 2B - Morro Well Field with Nitrate Treatment

Alternative 2B (Figure 13) includes treating extracted groundwater from the Morro Well Field at a new nitrate treatment facility. This alternative is similar to Alternative 2A, but utilizes a different treatment process to provide the necessary treatment before the water can be used by the City’s distribution system. The total yield for Alternative 2B is the same as Alternative 2A and also provides 40 percent of the City’s water supply from local sources. Nitrate concentrations in the Morro Well Field have exceeded the drinking water primary MCL as a result of agricultural runoff. This option assumes that salinity is not the primary concern for the Morro Well Field and high nitrates are the constituent of concern.

From the new treatment facility, finished water will be pumped by a new booster pump station to the existing King’s Tank prior to distribution. The process flow diagram for Alternative 2B is shown in Figure 14.



Figure 13 Overview of Alternative 2B

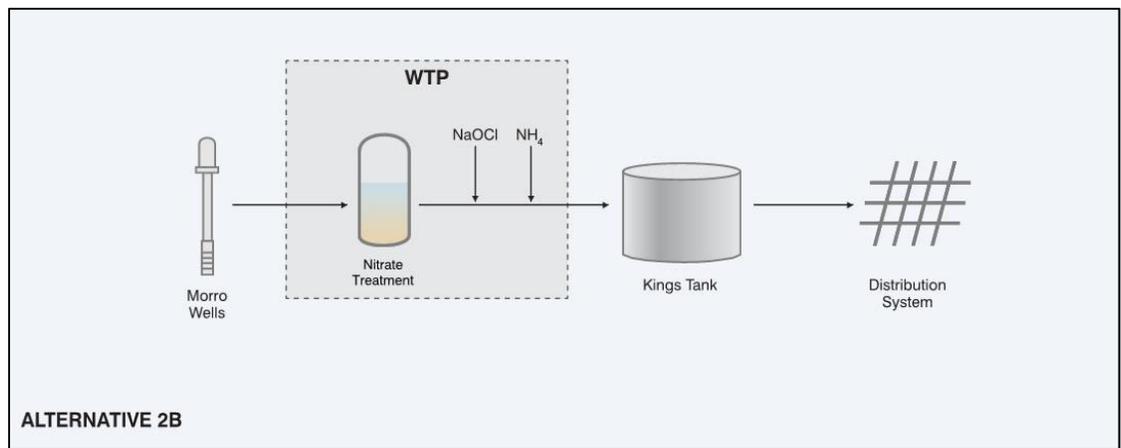


Figure 14 Process Flow Diagram for Alternative 2B

#### 4.1.4 Alternative 2C - Morro and Chorro Well Fields with Salinity Treatment

Alternative 2C (Figure 15) includes treating extracted groundwater from both the Morro and Chorro Groundwater Basins at a centralized salinity treatment facility similar to Alternative 2A. Morro and Chorro Groundwater Basins have permitted yields of 581 and 1,142.5 AFY, respectively. However, the combined groundwater yield of 1,723.5 AFY is only available when the Chorro Creek discharge is above the permit limit. When both sources are available, the entire City water supply could be sourced locally.

For the combined treatment from both the Morro and Chorro Well Fields, facilities must be designed to treat the total well capacity of both basins combined and have the range to treat water from only the Morro Well Field if conditions dictate. A transmission pipeline and booster pump station will be required to convey extracted raw groundwater from the Chorro wells to the new treatment facility. Finished water will be sent via a booster pump station to the King’s Tank prior to distribution. The process flow diagram for Alternative 2C is shown in Figure 16.

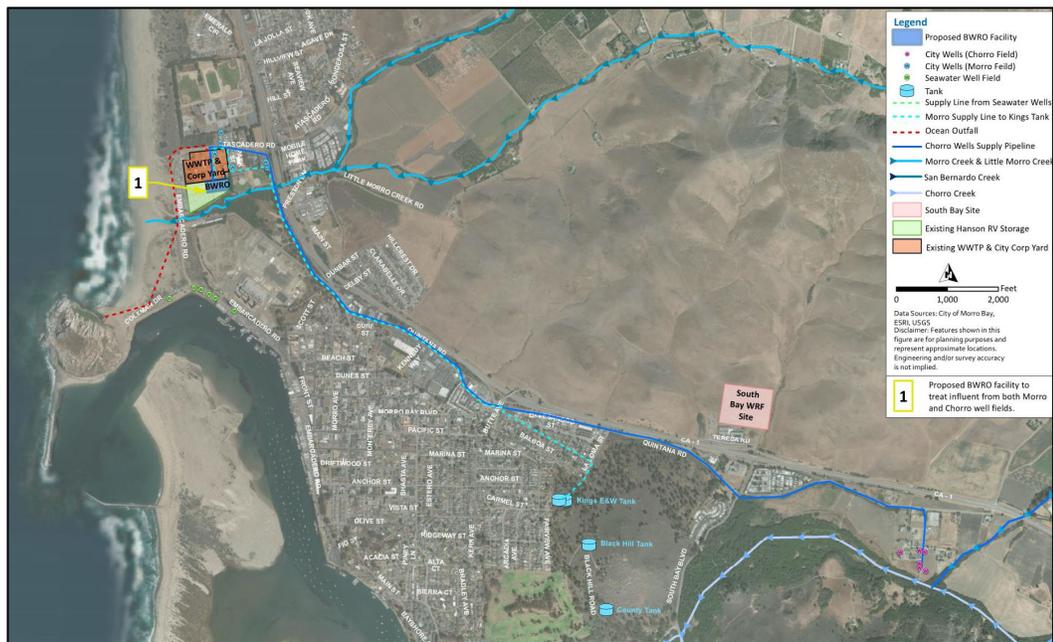


Figure 15 Overview of Alternative 2C

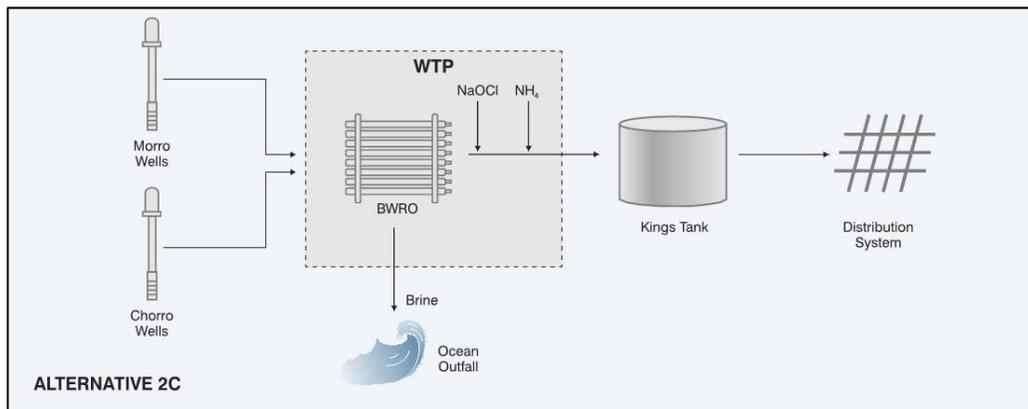


Figure 16 Process Flow Diagram for Alternative 2C

### 4.1.5 Alternative 2D - Morro and Chorro Well Fields with Nitrate Treatment

Alternative 2D (Figure 17) includes treating extracted groundwater from both the Morro and the Chorro Groundwater Basins at a centralized treatment facility similar to Alternative 2B. However, this option assumes that salinity is not the primary concern for the Morro or Chorro Well Fields and high nitrates are the constituent of concern. The groundwater yield and limitations are the same as Alternative 2C.

The proposed treatment facilities in Alternative 2D must be designed to treat the total well capacity of both basins and have the range to treat water from only Morro Well Field if conditions require. Finished water will be stored in the King’s Tank prior to distribution. This alternative assumes that TDS removal is not required. The process flow diagram of Alternative 2D is shown in Figure 18.

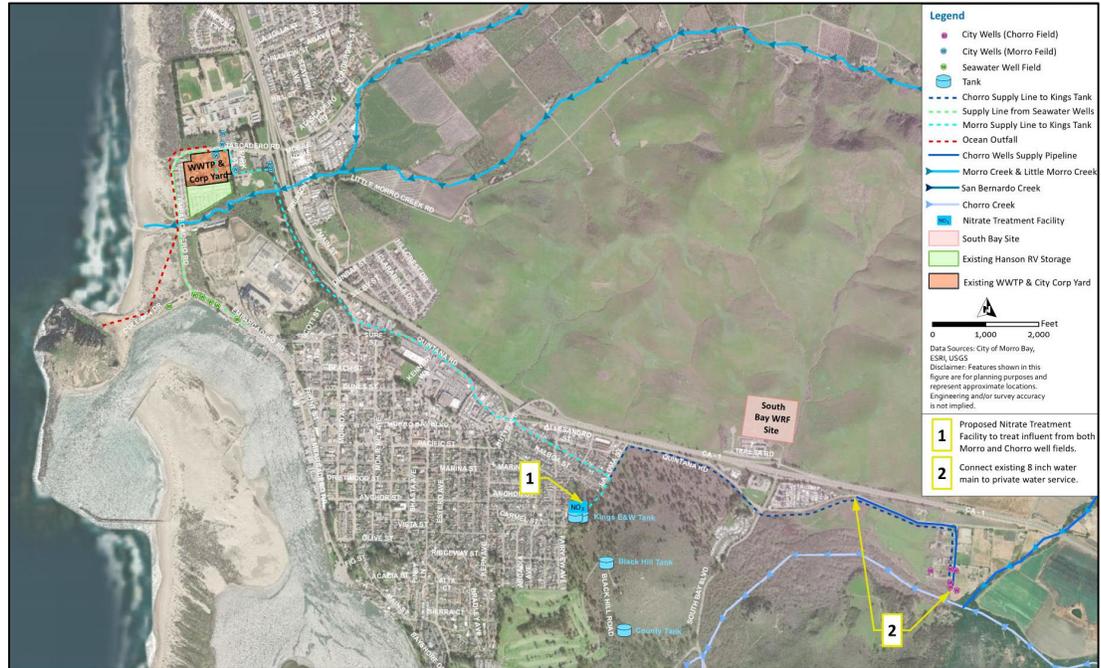


Figure 17 Overview of Alternative 2D

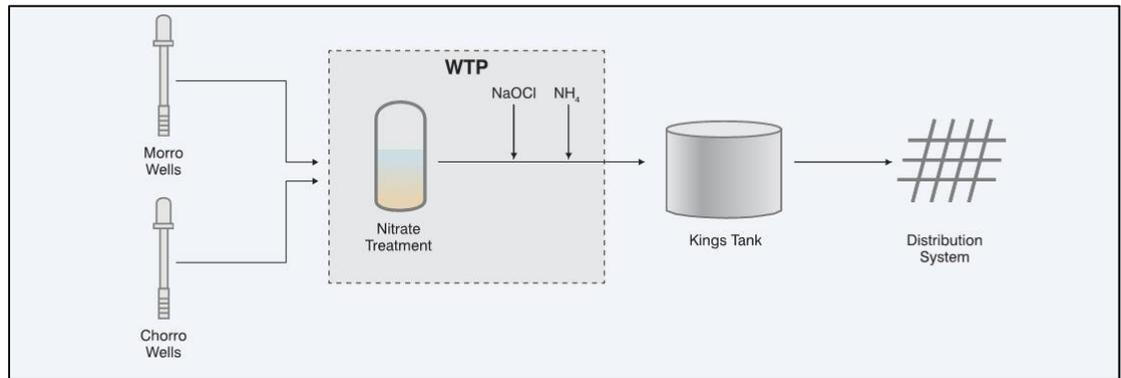


Figure 18 Process Flow Diagram for Alternative 2D

#### 4.1.6 Alternative 2E - Morro and Chorro Well Fields with Nitrate and Salinity Treatment

Alternative 2E (Figure 19) includes treating extracted groundwater from both the Morro and the Chorro Groundwater Basins at individual salinity and nitrate treatment facilities, respectively. The groundwater yield and limitations are the same as Alternative 2C. Figure 19 shows the facilities associated with Alternative 2E. The salinity treatment facility will be located in the same location as Alternative 2A, and the nitrate facility will be located at the King’s Tank site, similar to Alternative 2D.

A transmission pipeline and pump station will be required to convey extracted raw groundwater from the Chorro Well Field to the new treatment facility whereas the majority of the conveyance for the Morro Well Field will utilize existing infrastructure. All treated groundwater will be sent to the King’s Tank prior to distribution. The process flow diagram of Alternative 2E is shown in Figure 20.

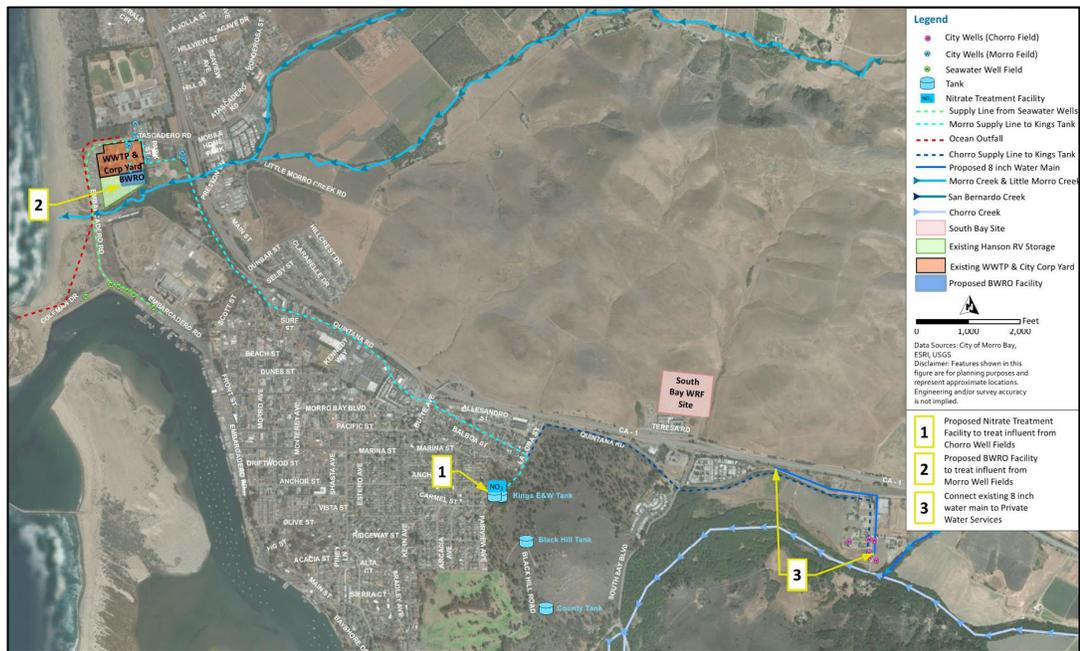


Figure 19 Overview of Alternative 2E

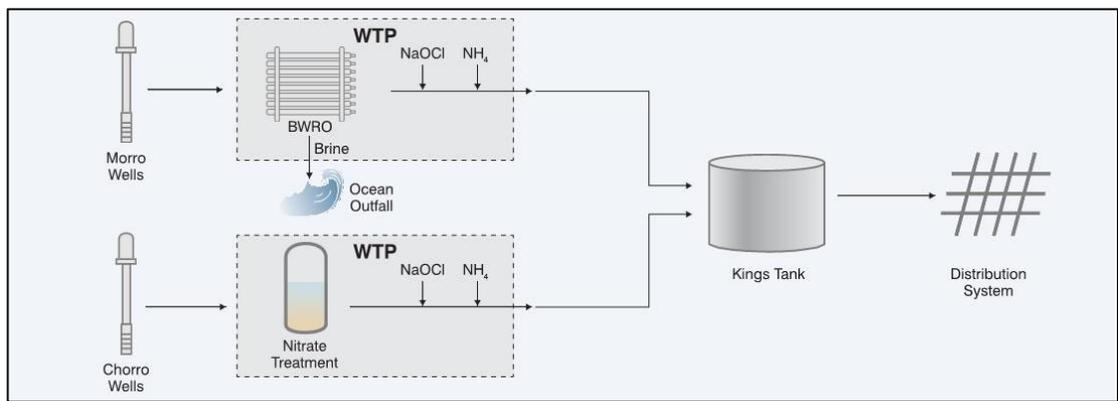


Figure 20 Process Flow Diagram for Alternative 2E

#### 4.1.7 Alternative 3A - Chorro Well Fields with Streamflow Augmentation

Alternative 3A (Figure 21) utilizes treated water from the Water Reclamation Facility’s secondary effluent as streamflow augmentation to satisfy the discharge limitations stated in the Chorro Well Field groundwater permit. The treated wastewater water undergoes filtration and disinfection meeting Title 22 recycled water standards at the WRF site and is discharged directly to Chorro Creek. Approximately half of the total effluent flow will pass through RO at the WRF to reduce TDS below the total maximum daily load for Chorro Creek.

The discharge locations are specific to the Chorro Groundwater Basin permit requirements. Therefore, a new permanent streamflow gauge is required to be installed downstream of the Chorro Well Field. Having the appropriate flow within Chorro Creek allows for normal use of the Chorro Well field. Augmenting Chorro Creek to meet the required discharge requirements yields a total volume of 1,142.5 AFY to the City from the Chorro Well Field. Groundwater yields are required to be supplemented with imported State Water and provides 79 percent of the City’s water supply from local sources. Alternatively, if the Morro Wells are available, then Alternative 3A can also be supplemented by the Morro Wells to provide the City’s water supply. Extracted groundwater will be conveyed directly to the King’s Tank prior to distribution. The process flow diagram of Alternative 3A is shown in Figure 22.



Figure 21 Overview of Alternative 3A

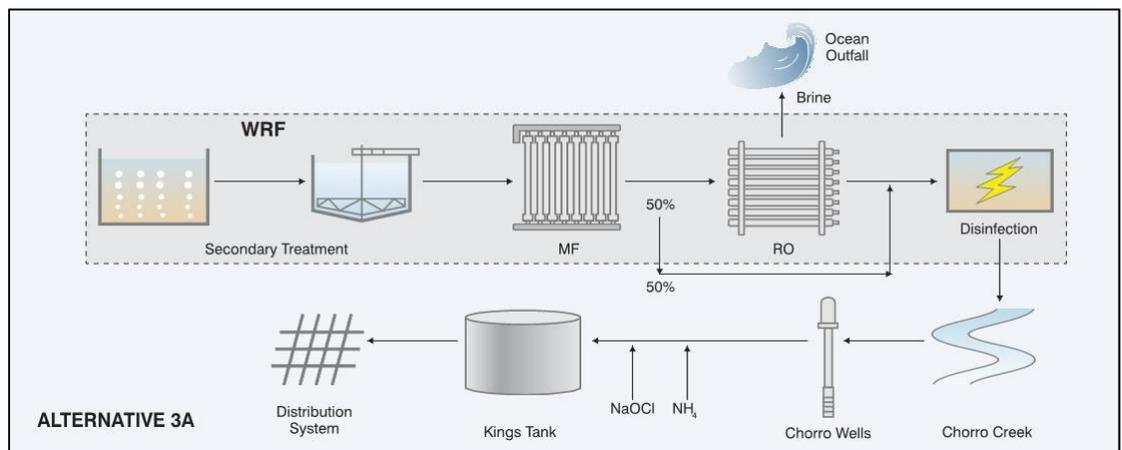


Figure 22 Process Flow Diagram for Alternative 3A

### 4.1.8 Alternative 3B - Chorro Well Fields with Streamflow Augmentation and Nitrate Treatment

Alternative 3B (Figure 23) consists of utilizing recycled water produced from the WRF Project secondary effluent as streamflow augmentation to satisfy the streamflow limitations in Chorro Creek similar to Alternative 3A. The supply yield is the same as Alternative 3A and also provides 79 percent of the City’s water supply from local sources. Extracted groundwater will be conveyed directly to a new nitrate treatment facility prior to the King’s Tank for storage. The process flow diagram for Alternative 3B is shown in Figure 24. While Alternative 3A assumed that the drinking water standards for nitrate could be met without post treatment, Alternative 3B assumes that water extracted at the Chorro Well Field would be treated prior to reaching the King’s Tank.



Figure 23 Overview of Alternative 3B

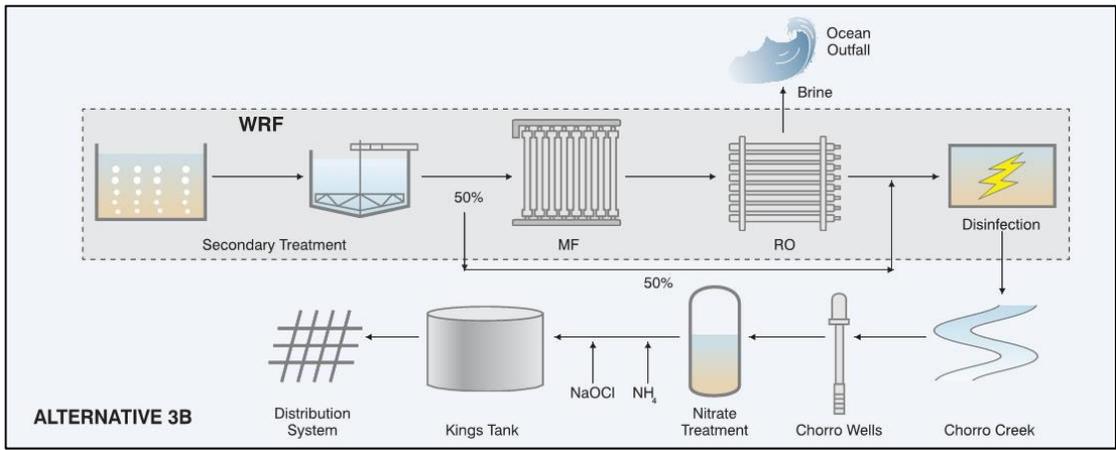


Figure 24 Process Flow Diagram for Alternative 3B

#### 4.1.9 Alternative 4A - Morro Well Field IPR by Groundwater Injection

Alternative 4A (Figure 25) utilizes purified water produced by the WRF project for injection into the Morro Well Field for IPR. The purified water at the WRF will undergo complete advanced treatment prior to injection into the Morro Groundwater Basin, the primary source of groundwater for the City. The injection wells will be located either east or west of existing Morro groundwater to ensure the appropriate residence times prior to extraction to meet State indirect potable water reuse regulations. Once extracted from the existing Morro Wells, the water will undergo the City’s existing treatment and distribution operating procedures as necessary. The supply yield of Alternative 4A is limited by the allowed volume of water extracted from the Morro Well Field. A preliminary study was performed by GSI suggested that a maximum extraction volume of 943 AFY would limit sea water intrusion effects on the Morro Groundwater Basin. To meet the City’s future demand, Alternative 4A yield would be supplemented by imported State Water and provides 65 percent of the City’s water from local sources. The process flow diagram for Alternative 4A is shown in Figure 26.



Figure 25 Overview of Alternative 4A

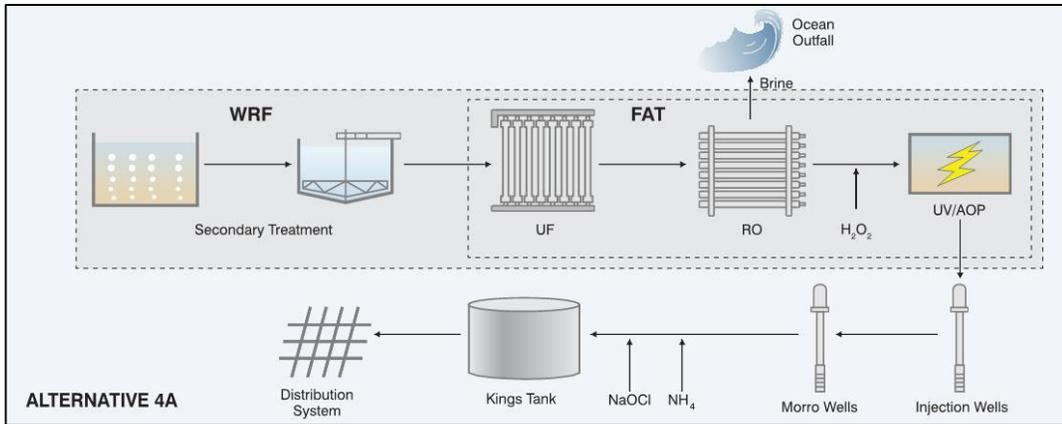


Figure 26 Process Flow Diagram for Alternative 4A

#### 4.1.10 Alternative 4B - Morro Well Field IPR by Groundwater Injection with Salinity Treatment

Alternative 4B (Figure 27) includes the same infrastructure as Alternative 4A with the exception of a new BWRO facility to treat extracted groundwater from the Morro Groundwater Basin. In the past, Morro Groundwater Basin has experienced seawater intrusion issues causing increased TDS levels in the extracted groundwater. The new salinity treatment facility will be located with the same layout and infrastructure as Alternative 2A. The supply yield of Alternative 4B is limited by the allowed volume of water extracted from the Morro Well Field. A preliminary study performed by GSI suggested that a maximum extraction volume of around 1,200 AFY would cause sea water intrusion effects on the Morro Groundwater Basin but, with the proposed salinity treatment facility, TDS levels caused by increased seawater intrusion can be eliminated. Effects of seawater instruction would be continually monitored to avoid deterioration of the Morro Groundwater Basin. The Alternative 4B supply yield would be supplemented by imported State Water and provides 83 percent of the City’s water from local sources. The process flow diagram for Alternative 4B is shown in Figure 28.



Figure 27 Overview of Alternative 4B

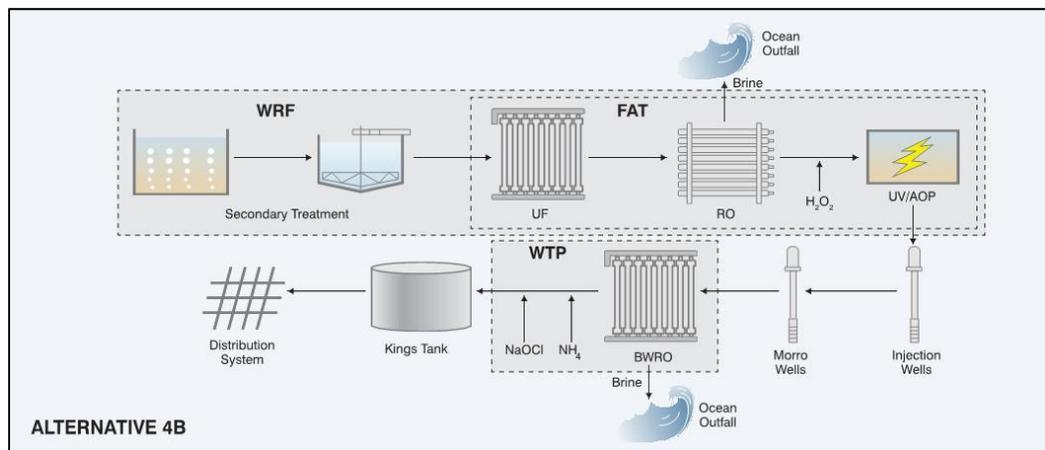


Figure 28 Process Flow Diagram for Alternative 4B

#### 4.1.11 Alternative 4C - Morro Well Field IPR by Groundwater Injection with Nitrate Treatment

Alternative 4C (Figure 29) includes the same infrastructure as Alternative 4A and 4B with the exception of a new nitrate treatment facility to treat extracted groundwater from the Morro Groundwater Basin. Historically, agricultural runoff upstream of Morro Creek has increased nitrate concentrations in the groundwater. Exceeding nitrate concentrations within the groundwater requires treatment post-extraction from the Morro wells. The supply yield of Alternative 4C is limited similarly to Alternative 4A. Since the nitrate treatment facility is not designed to treat high salinity levels, the seawater intrusion affects from increased pumping would need to be closely monitored in order to prevent seawater intrusion. The process flow diagram for Alternative 4C is shown in Figure 30.



Figure 29 Overview of Alternative 4C

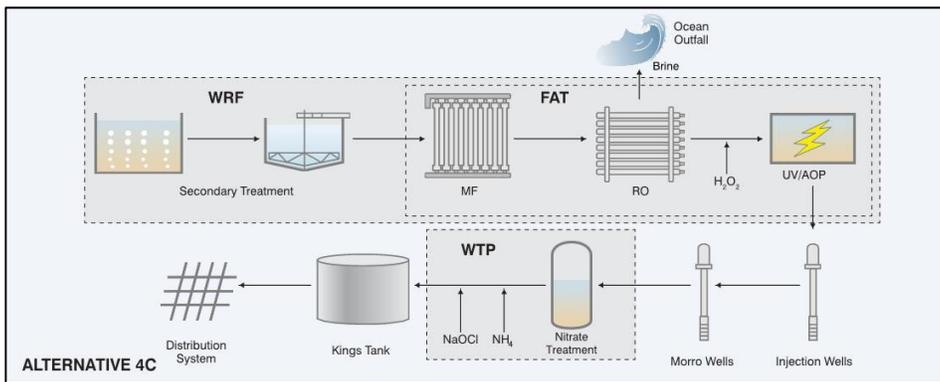


Figure 30 Alternative 4C Process Flow Diagram

#### 4.1.12 Alternative 5 - Ocean Desalination

Alternative 5 (Figure 31) consists of a new ocean desalination treatment facility. The original Coastal Development Permit limited emergency operation of the desalination facility to only two years, with the opportunity to renew for normal use. The permit was never renewed, but the facility was operated during water supply shortages. Due to the age and condition of the original desalination facility, Alternative 5 completely replaces the existing facility. To mitigate exposure from the 100-year flood zone, Alternative 5 will be relocated to a new location outside of the flood zone and away from coastal hazards. This facility will be supplied by seawater wells which will all be rehabilitated prior to operation. The City’s current seawater desalination facility has an annual permit limit of 645 AFY with an instantaneous capacity of 400 gpm. Alternative 5 assumes the new facility will have the same capacity of the existing desalination plant to be within the existing permit guidelines.

To meet the projected demands for the City, it would be necessary for either groundwater or imported State Water to supplement the proposed desalinated supply. If supplemented with State Water or local groundwater, Alternative 5 provides 45 percent of the City’s supply with local sources. The treated water will be conveyed to the King’s Tank prior to distribution. The CCRWQCB has indicated that continued use of a desalination facility would require the City to dispose of brine using an alternative outfall. This alternative does not include the cost, planning, permitting, or construction for a new ocean outfall. The process flow diagram for Alternative 5 is shown in Figure 32.



Figure 31 Overview of Alternative 5

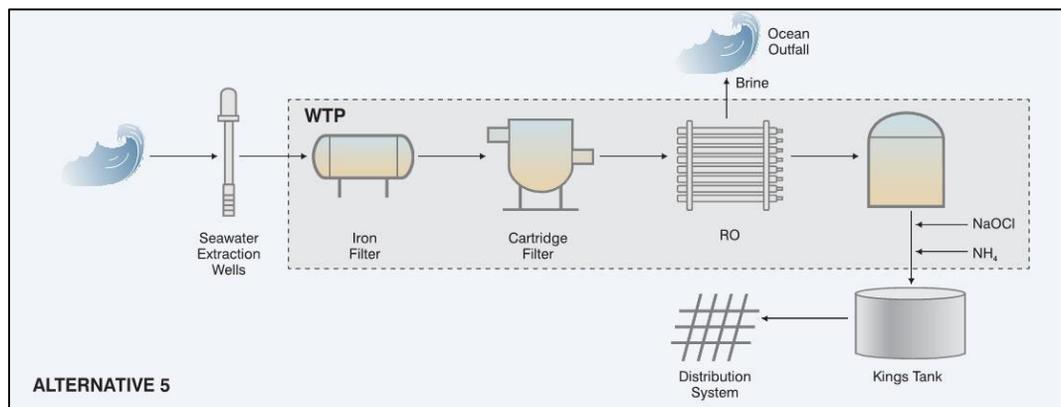


Figure 32 Process Flow Diagram for Alternative 5

### 4.1.13 Alternative 6 – Direct Potable Reuse

Alternative 6 (Figure 33) utilizes secondary effluent coupled with advanced treatment, monitoring, and engineered storage for direct potable reuse located at the WRF. Direct Potable Reuse includes the full advanced treatment train similar to Alternatives 4A through 4C followed by additional downstream microfiltration, granular activated carbon vessels for polishing, advanced monitoring, and engineered water storage. Unlike the other alternatives described in this report, this alternative does not rely on the City’s ground or surface water resources. The capacity of Alternative 6 is dependent upon the treatment capacity of the WRF facility – designed for a capacity of 0.97 MGD, however advance treatment components has an 85 percent recovery therefore the purified water production capacity is approximately 923 AFY. To meet the projected demands for the City, groundwater or imported State Water would supplement the proposed supply. If supplemented with State Water, Alternative 6 provides 64 percent of the City’s water from local sources. From the on-site storage tanks, the treated water will be conveyed to the King’s Tank prior to distribution. The process flow diagram of Alternative 6 is shown in Figure 34.



Figure 33 Overview of Alternative 6

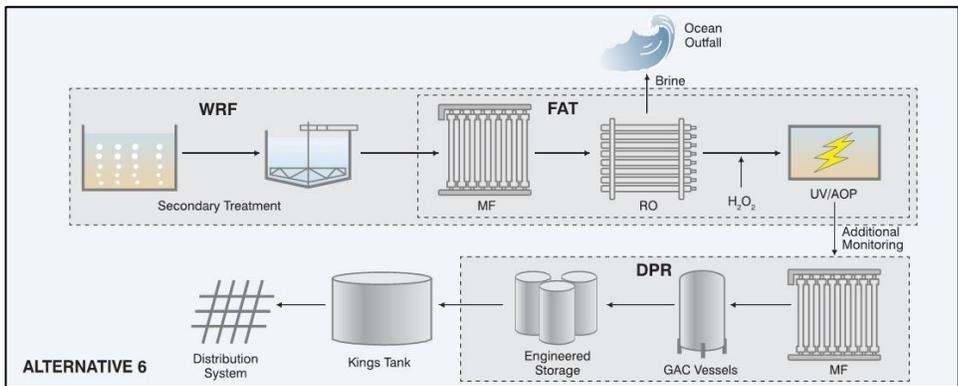


Figure 34 Process Flow Diagram for Alternative 6

## 4.2 Water Supply Alternatives Life Cycle

It is expected that the water supply alternatives will require periodic equipment replacement and regular operation and maintenance typical of any treatment and distribution process. In the development of the unit costs presented in Table 4, Table 5 lists the assumed life cycled periods for equipment and processes. It is expected at the end of these time frames that equipment would be upgraded or expanded to prolong the longevity and increase the production of the facility. Overall with routine maintenance and operation, the life expectancy of the water supply alternatives is expected to be 50 to 75 years. The goal for the City is to provide an indefinite water supply that is reliable and long lasting to mitigate any potable water shortages that have been seen in the past.

Table 5 Facility Life Cycle Periods

Facility Type	Life Cycle Period (Years)
Wells	50
Pump Station	40
Potable/Recycled Pipelines	50
Storage Tanks	30
Groundwater Treatment	30
Wastewater Treatment	30
DPR/IPR/Desalination	30
Membranes	15

## 4.3 Selection of Preferred Water Supply Alternative

From the OneWater Plan Water Supply Analysis, Alternative 4A was selected as the preferred water supply option. In this Alternative, the WRF Project includes advanced treatment, producing purified water for injection into the Morro Well Field, and aligns with the indirect potable reuse application presented in the Master Water Reclamation Plan.

Groundwater extracted from the Morro Well Field would directly supply the City's potable water distribution system when State Water is not available. While the Morro Groundwater Basin currently has nitrate concentrations that exceed the nitrate primary maximum contaminant level in places, preliminary hydrogeology work indicates that injection and more consistent pumping could lower nitrate concentrations to below drinking water standards. Other options such as blending with State Water could be used if the water extracted from the Morro Groundwater Basin with IPR still exceeds drinking water standards.

Benefits of this alternative include the ability to reuse purified water produced from the WRF Project limiting the City's reliance on imported State Water and improving water quality of the Morro Groundwater Basin. Alternative 4A provides optimal life-cycle benefits to the City by utilizing a new source of water rather than relying on an existing supply as the source.



## Section 5

# ECONOMIC ANALYSIS AND FINANCIAL PLAN

### 5.1 Background

The preferred water supply alternative (Alternative 4A) adds advanced treatment to the Water Reclamation Facility Project to support indirect potable reuse. Purified water produced at the facility will be injected into the Morro Well Field. This section presents the economic analysis for the selected alternative, as well as the “No Project Alternative” of importing State Water. Because the same water supply alternative was recommended as a result of both the Master Reclamation Plans and OneWater Morro Bay, comparing additional alternatives was not necessary in this analysis. The following details are presented for each component of the economic analysis.

- Imported State Water cost components and potential cost fluctuations of imported water.
- WRF Project financial analysis, including presentation of the water and sewer WRF Project surcharges used to fund the project development.
- The benefits forgone by the City if it pursues the “No Project Alternative” as required by the California Coastal Commission, yet remains reliant upon imported water.

#### 5.1.1 Economic Analysis of Imported Water from the State Water Project

The City’s water demand has been trending downward since 2014, Morro Bay has increasingly relied upon imported State Water rather than its local supply. The DWR Bulletin 132-17, *Management of the California State Water Project*, Table B-24 in Appendix B shows that Coastal Branch Area Water Supply Contractor’s pay a significantly higher unit cost for water supply than the other five project service areas, with the exceptions of San Geronio Pass Water Agency and Ventura County Watershed Protection District. The unit cost of water fluctuates from year to year depending on State reservoir supply, and whether DWR has scheduled capital projects affecting any reach of the State Water Project. Figure 35 shows a flowchart of the cost components the City considers for all imported State Water.

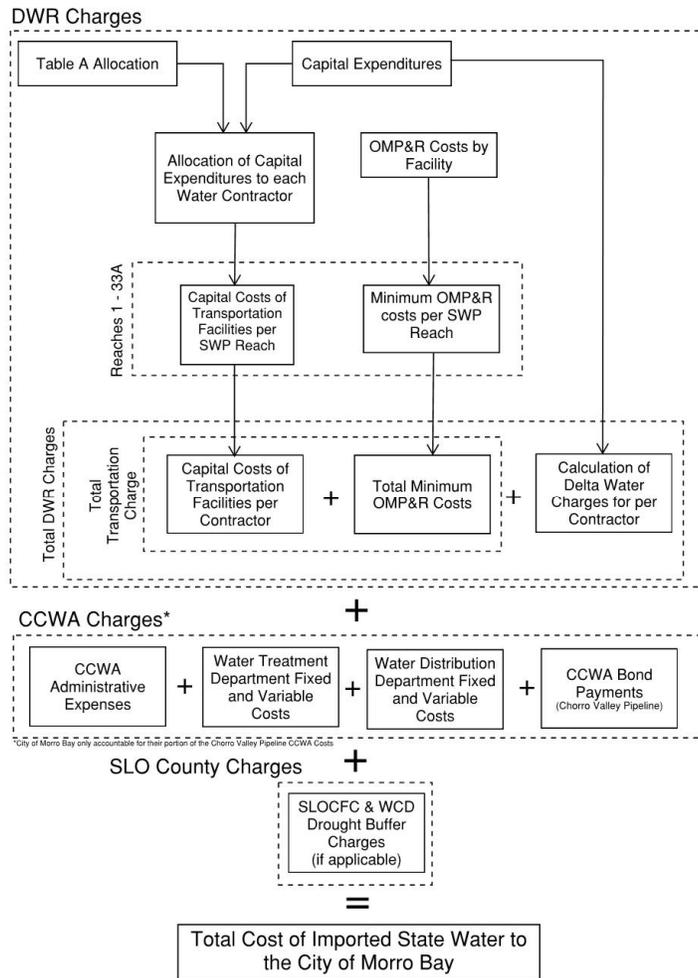


Figure 35 Cost Components of Imported State Water

As illustrated in Figure 35, a large portion of the cost of importing water is the capital cost required to finance the major conveyance facilities such as the CCWA Polonio Pass Water Treatment facility, the Chorro Valley Pipeline, and a portion of the State Water Project infrastructure. The City is expecting to complete financing payments for the CCWA component by 2022 and the State Water components by 2035. However, the City will be required to absorb a portion of the cost of the California WaterFix project, a large-scale infrastructure project planned to address capacity in the SWP in the future. This cost is not to be accounted for until approximately 2032.

Each year, minimum operation, maintenance, power and replacement costs (OMP&R) are included in the total water cost, in addition to an annual variable OMP&R cost that is added as needed. Variable operations and maintenance costs are also included for CCWA. The City must also pay an annual capital cost financing payment for the CCWA facilities as well as an annual operation and maintenance cost for the water delivered. Figure 36 shows a projected unit cost of State Water to the City in present day dollars given the various cost components shown in Figure 35. It is assumed that the City will receive 85 percent of their Table-A allocation in the future.

This projection assumes the present value of the DWR and CCWA cost components with respect to the actual and projected State Water Deliveries to the City. Note that the State Water future deliveries past 2018 are assumed to be 100 percent. Under these assumptions, capital transportation and minimum OMP&R cost components will remain constant regardless of the volume of water delivered.

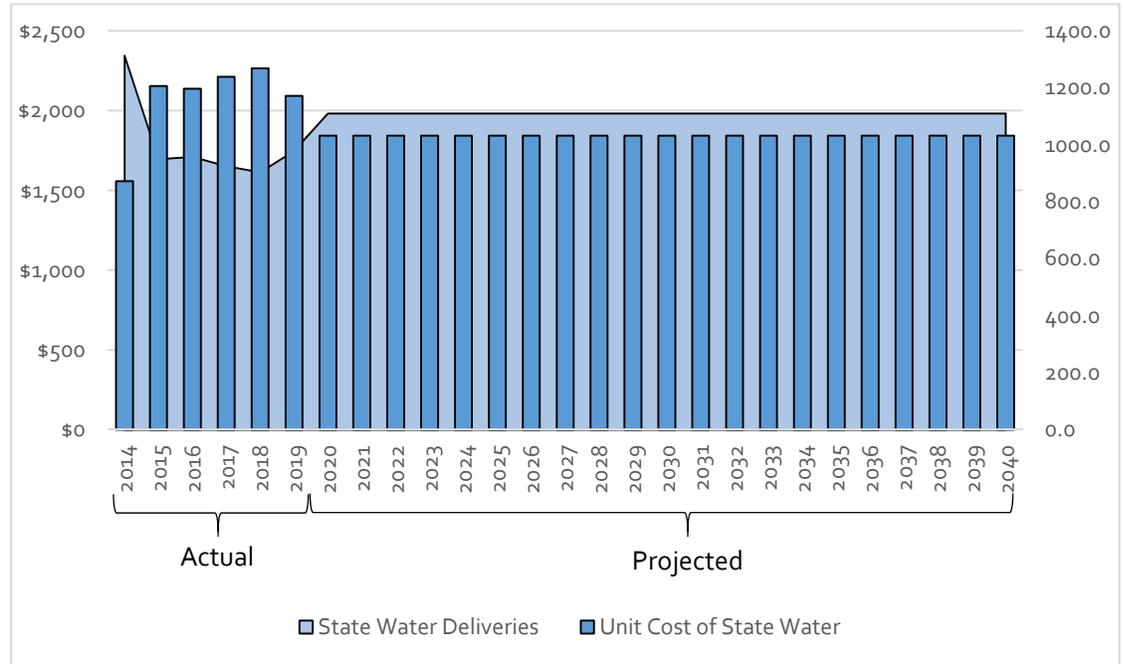


Figure 36 The City's Actual and Projected Costs of Importing State Water

Figure 37 shows the estimated fluctuation of unit cost given reduced annual water deliveries to the City. Over the past five years, the City on average has received about 72 percent of its total allocation of State Water and has paid approximately \$2,100 per acre-foot.

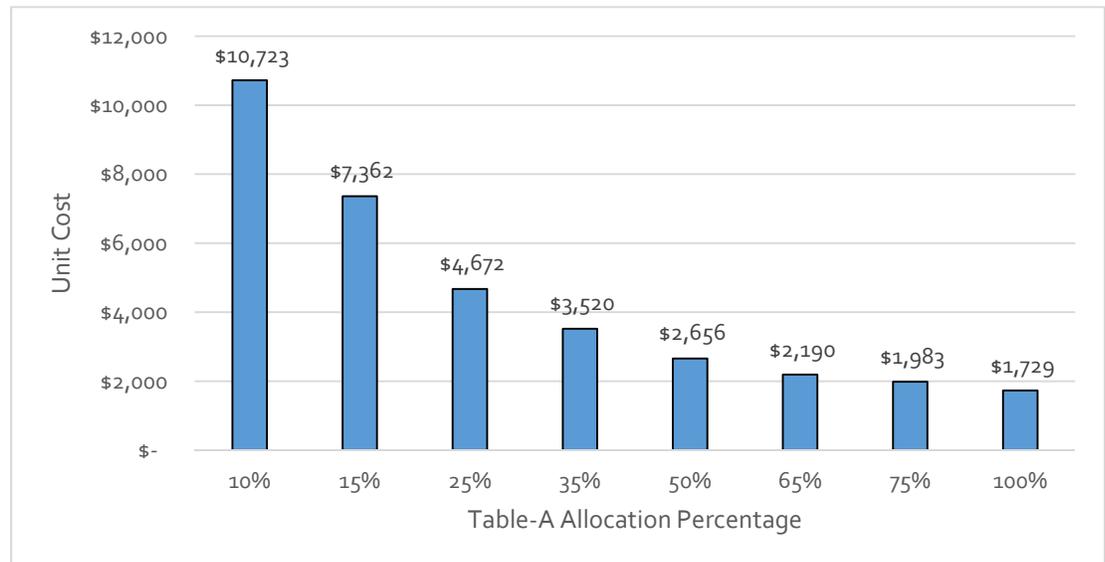


Figure 37 Variation in Unit Cost for Table-A Water Allocation

The economic analysis determined that the “no project” alternative has a significant degree of cost fluctuation associated with State Water deliveries. Coupled with the City’s reliance on State Water for potable water supply, the “No Project Alternative” presents a potential economic hardship for the City. By being dependent on allocations set by the State, while simultaneously making annual payments for the capital financing of SWP and CCWA delivery facilities, the City does not control how much water it receives. Therefore, local water production management must be strategically balanced with the volume and cost of available State Water to meet the City’s demands. The “No Project” alternative is also inconsistent with the City’s LCP that requires the City to incorporate reclamation into the WRF Project.

It is not the intention for the proposed Title XVI – Water Reclamation Facility to completely replace State Water, but to supplement the City’s supply with a local, reliable, and cost-effective source and lessen its dependence on the SWP. This approach also has a secondary benefit of improving the water quality with respect to both nitrates and salinity in the Morro Groundwater Basin. Ultimately, the sole reliance on imported State Water does not prove to be an economic solution given the variable delivery of Table-A allocations, the vulnerability of the State Water Project infrastructure, and the high capital financing and OMP&R costs associated with its facilities.

## 5.2 Economic Analysis of the Water Reclamation Facility

The City of Morro Bay has anticipated the need to finance a new wastewater treatment plant by adopting five years of sewer and water rate increases in 2015, creating a new wastewater treatment plant fund of approximately \$56 million. The last of these rate increases was implemented in July 2019. Prior to these rate increases, the City had not adopted any water rate increase in 20 years, but had periodically adopted some sewer rate adjustments.

The recommended alternative discussed in the Master Water Reclamation Plan and the One Water Morro Bay is to implement a water reuse strategy into the WRF Project that augments the City’s water supply using indirect potable reuse via groundwater injection. Cost estimates for the reuse and water supply alternatives were compared in the evaluation analysis. The addition of the IPR water supply component to the WRF project increased the total cost to an estimated \$126 million, as detailed in Table 6.

To fund a project of this size, the City implemented a WRF project surcharge to the water and sewer utility bills as outlined in the City of Morro Bay Financial Plan and Rate Analysis for a New Water Reclamation Facility by Bartle Wells Associates (Rate Study) located in Appendix C. The update to this study can be found in Appendix D. The WRF Project Surcharge will generate revenue to finance the City’s annual water and sewer capital improvement projects in the City and to provide cash reserves for debt services for the WRF Project construction. To finance the project, the City secured additional funding through low-interest-rate loans and grants.

Table 6 Total Project Construction and O&amp;M Costs for the Water Reclamation Facility Project

Project Capital Costs		
Water Reclamation Facility		\$77,264,000
Conveyance Facility		\$31,321,000
Offsite Recycled Water Facilities		\$5,583,000
General Program Implementation		\$11,714,000
<b>Total</b>		<b>\$125,882,000</b>
	Cost Estimate (2018 \$)	Escalated Cost <sup>(1)</sup> (2022 \$)
WRF Wastewater Operations	\$2,879,000	\$3,368,000
Conveyance to WRF	\$246,000	\$288,000
Recycled Water Operations	\$193,000	\$226,000
<b>Total</b>	<b>\$3,318,000</b>	<b>\$3,882,000</b>

## Notes:

- (1) Costs include permitting, design, procurement, construction, and construction management.
- (2) Includes estimated cost inflation to construction mid-point where applicable.
- (3) Operating cost estimates escalated by 4 percent per year through projected operational startup on January 1, 2022.

With the total annual operation cost of the WRF once complete, shown in Table 6 and the total water supply of 825 AFY provided by the project, the approximate annual water supply unit cost is approximately \$4,705 per acre-foot in 2022 dollars. Of the total costs shown in Table 6, the allocation of the WRF Project cost to water and wastewater utilities is shown in Table 7. The ultimate allocation of total cost is shown in Figure 38. The water cost represents the facilities for the purified water distribution system and the injection wells for IPR application. The wastewater costs represent the conveyance facilities and the wastewater component of the WRF. It is expected that the total costs will be distributed over the next three fiscal years until 2021/22 as shown in Figure 39.

Table 7 WRF Project Cost Allocation to Water vs. Wastewater

Project Component	Total Cost	Water	Water %	Wastewater	Wastewater %
Water Reclamation Facility	\$77,264,000	\$22,407,000	29%	\$54,857,000	71%
Conveyance Facilities	\$31,321,000	-	0%	\$31,321,000	100%
Offsite Recycled Water Facilities	\$5,583,000	\$5,583,000	100%	-	0%
General Program Implementation*	\$6,651,000	\$1,629,000	24.5%	\$4,664,000	70.1%
Prior Project Expenditures	\$5,063,000	\$244,000	4.8%	\$4,819,000	95.2%
<b>Total</b>	<b>\$125,882,000</b>	<b>\$29,863,000</b>	<b>24%</b>	<b>\$95,661,000</b>	<b>76%</b>

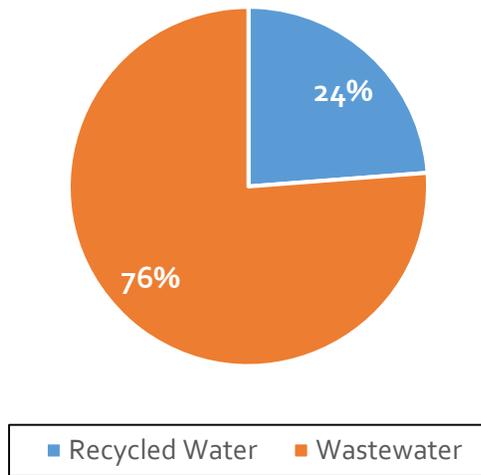


Figure 38 Water versus Sewer Allocation Percent of Total Project Costs

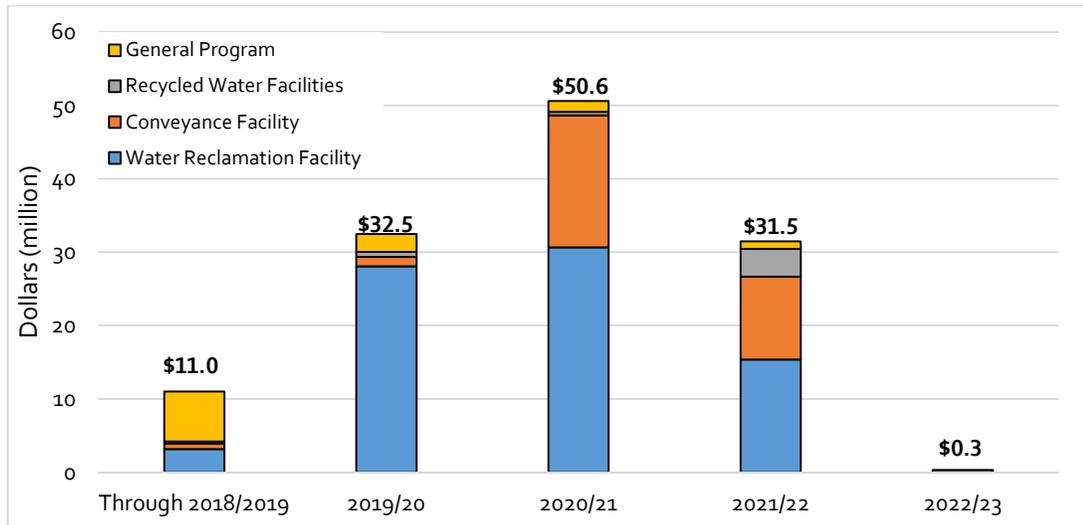


Figure 39 WRF Total Cost by Fiscal Year

### 5.2.1 Cost Comparison

For the “No Project Alternative” wherein the City continues to purchase imported water from the State Water Project, the unit cost is estimated at \$2,300 per acre-foot in 2022 dollars. While the preferred alternative of the WRF Project has a greater unit cost of approximately \$5,635 per acre-foot in 2022 dollars. However, the “No Project Alternative” has several fatal flaws and is not a feasible direction for the WRF Project. As stated previously, a WRF Project devoid of reclamation would be inconsistent with the City’s LCP. Furthermore, reclamation has been mandated by the California Coastal Commission (CCC). The City first brought the WRF Project to the CCC in 2013. At the time, the project consisted of the construction of new secondary treatment facilities located adjacent to the existing Wastewater Treatment Plant site. At the time, the CCC denied the City a Coastal Development Permit (CDP) for several reasons including its location in an area of coastal hazards and tsunami and the lack of reclamation.

Over the years, the CCC has made it clear to the City that any wastewater treatment project seeking a CDP must include some form of reclamation.

The “No Project Alternative” also does nothing to improve the water quality in the Morro Groundwater Basin. Even if the City were to continue to utilize State Water as its primary source of supply, it must rely on the Morro Well Field during periodic maintenance of State Water Project infrastructure or unplanned outages. Without injection, nitrates in the Morro Groundwater Basin will continue to exceed regulatory limits and water extracted by the Morro Well Field will need to be treated before it can be used by the community. Use of the City’s BWRO facility is costly and it is in need of significant repairs. Significant expenditures would certainly be incurred in the near future if this treatment is still required.

The City’s water supply portfolio remains unchanged at a cost of \$102 million dollars to develop the WRF project without a water supply component. The WRF with no reuse is approximately \$6.2 million more than compared to the estimated wastewater component cost of \$96 million as shown in Table 7. Table 8 shows the total cost comparison between the WRF Project and the WRF Project without the water reuse component, rather the Morro Well Field Water Supply Alternatives from OneWater Morro Bay. Of the Morro Well Field water supply alternatives evaluated, options considering Chorro Groundwater Basin were not included due to the unreliability of the Chorro Wells. With the WRF water reuse component, the project is eligible for competitive funding opportunities through the State of California and the Federal Government therefore reducing annual debt payments for the City.

Table 8 Project Annual Cost Comparison

Water Supply Portfolio	Local Supply Yield (AFY)	Local Supply Annual Production Estimated Cost	WRF Annual Finance Cost	WRF Annual O&M Cost	State Water Volume	Imported State Water Cost	Total Annual Cost
WRF IPR BWRO State Water	943	\$755,000	\$4,422,000	\$3,882,000	502	\$1,055,000	\$10,114,000
WRF (no reuse) Alt 2A State Water	581	\$903,000	\$4,164,000	\$3,656,000	864	\$1,815,000	\$10,538,000
WRF (no reuse) Alt. 2B State Water	581	\$830,000	\$4,164,000	\$3,656,000	864	\$1,815,000	\$10,465,000
WRF (no reuse) Alt. 5 State Water	645	\$1,401,000	\$4,164,000	\$3,656,000	800	\$1,680,000	\$10,491,000

**5.2.2 Project Funding Sources**

The City expects funding for the WRF Project to be a combination of long term debt from low-interest-rate financing and grants, and cash funding provided by the WRF Project sewer and water surcharge. Table 7 outlines the water and sewer components of the anticipated funding for the project as shown in the rate study. Based on the City’s latest financial analysis, it plans to finance the WRF Project using the following funding sources:

- \$10.3 million planning loan awarded to the City from California’s Clean Water State Revolving Fund (SRF) with a subsidized interest rate of 1.70 percent.
- \$48.5 million loan from the US Environmental Protection Agency’s (EPA’s) Water Infrastructure and Financing Innovation Act (WIFIA). WIFIA can be used to finance up to 49 percent of the WRF project cost with low interest rates and advantageous repayment terms.
- \$48.5 million loan which will include \$5 million in principal forgiveness from the Clean Water SRF Financing Program.

The total funding source allocation between the water and wastewater components of the project is shown in Table 9. Grants and subsidized loans enhance the cost-effectiveness of the project, resulting in lower future debt service and reducing the burden on local ratepayers.

The City has incorporated a WRF Project surcharge for water and sewer utilities applied monthly to residential and commercial users. The surcharge generates cash to fund debt repayment on an annual basis. The surcharge was implemented in FY 2019/20. Table 10 outlines the total monthly charge as presented in the rate study. Note that the water monthly charge is based on a typical single family home using 500 cubic feet of water per month.

Table 9 WRF Project Funding Sources

	Total	% of Total	Water	% of Total	Sewer	% of Total
WRF Total Project Costs	\$125,882,000		\$29,865,000	23.7	\$96,017,000	76.3
<b>Projected Funding Sources</b>						
WIFIA Loan	\$48,500,000	38.5	\$13,200,000	44.2	\$35,300,000	36.8
SRF Loans <sup>(1)</sup>	\$48,500,000	38.5	\$13,200,000	44.2	\$35,300,000	36.8
SRF Grant	\$5,000,000	4.0	\$1,186,000	4.0	\$3,814,000	4.0
Cash Funding	\$23,882,000	19.0	\$2,279,000	7.6	\$21,603,000	22.5
<b>Total</b>	<b>\$125,882,000</b>	<b>100.0</b>	<b>\$29,865,000</b>	<b>100.0</b>	<b>\$96,017,000</b>	<b>76.3</b>

Notes:

(1) Assumes outstanding SRF Planning Loan is rolled into a 30-year SRF Loan.

Table 10 Total Monthly Water and Sewer Charges with WRF Surcharges

	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Monthly Utility Bill</b>					
Sewer Monthly Charge	\$77.00 <sup>(1)</sup>	\$83.00 <sup>(1)</sup>	\$83.00	\$83.00	\$83.00
Water Monthly Charge	\$62.50 <sup>(1)</sup>	\$67.00 <sup>(1)</sup>	\$67.00	\$67.00	\$67.00
Subtotal Monthly Bill	\$139.50	\$150.00	\$150.00	\$150.00	\$150.00
<b>WRF Facility Surcharges</b>					
Sewer WRF Facility Surcharge	-	\$25.00	\$25.00	\$25.00	\$25.00
Water WRF Facility Surcharge	-	\$16.00	\$16.00	\$16.00	\$16.00
Subtotal Monthly Surcharge	-	\$41.00	\$41.00	\$41.00	\$41.00
<b>Total Monthly Charges</b>	<b>\$139.50</b>	<b>\$191.00</b>	<b>\$191.00</b>	<b>\$191.00</b>	<b>\$191.00</b>

Notes:

(1) Last rate increase from 5-year plan that began in 2015.

### 5.2.3 Financial Capability of Sponsor

The City of Morro Bay City Council adopted Resolution No. 71-18 to establish user surcharges for the WRF Project. This resolution has committed the City to fully finance the capital cost and annual operations and maintenances costs of the WRF Project. The water and sewer surcharges shown in Table 10 reinforce the City's sewer and water fund reserves to finance capital improvements for the WRF Project on an annual basis. In addition to revenue produced by normal sewer and water service rates, surcharges are expected to generate \$2.17 and \$1.65 million annually for the sewer and water funds. Tables 11 and 12 in Appendix D shows the sewer and water cash flow projections for the City during the WRF construction and first five years of the debt service payments. Regardless of the City receiving Title XVI funding, this project will be implemented as planned with the funding sources outlined in Section 5.2.2.

The Title XVI funding is expected to decrease the required cash funding or the amount annual debt service owed by the City as shown in Table 9. Any grant funding received will be used to potentially decrease the proposed water and sewer surcharges to help reduce the financial burden on the City’s ratepayers.

**5.2.4 Financial Analysis**

The total financing for the WRF Project includes the combination of financing required by the City to fund the WRF Project construction. As discussed in Section 5.2.1, the City has received funding sources providing low-interest-rate loans to minimize debt service over the repayment period. The major funding sources shown in Table 9 include two \$48.5 million low-interest-rate loan from WIFIA and SRF. Table 11 presents the assumed WIFIA and SRF loan debt service estimates as shown in the Updated Rate Study located in Appendix D.

Table 11 Loan Debt Service Estimates

Funding Source	Funding Value	Interest Rate	Repayment Term	Associated Loan Costs	Total Loan Principal	Annual Debt Service
WIFIA	\$48,500,00	2.20%	30 years	\$2,049,000	\$50,549,000	\$2,320,000
SRF	\$48,500,00	1.60%	30 years	\$1,269,000	\$49,769,000	\$2,102,000
Total Debt Service Payment						\$4,422,000

The amortization schedule and allocation between water and sewer costs are shown in Tables 8, 9, and 10 of the Updated Rate Study located in Appendix D. The total finance cost of both loans is approximately \$132.6 million dollars over the 30 year repayment term. Given the total cost, approximately \$96.6 and \$36.1 million are allocated to water and sewer debt service respectively.

Tables 11 and 12 in Appendix D show the water and sewer cash flow projections. These cash flows go up to fiscal years 2027/28. The following items are key points to consider for the City’s financial plan to fund the WRF project.

- The surcharges are expected to generate \$2.17 and \$1.65 million annually for the sewer and water facilities in addition to revenue produced by normal utility service rates.
- Cash reserves accumulate until 2021/2022 to begin debt service payments in 2022/23.
- Loan repayment is covered with cash revenue form the surcharge.
- WIFIA loan and SRF loan proceeds are initially received in 2019/20 to begin financing the beginning of construction of the WRF Project.
- WIFIA and SRF loan proceeds end in 2021/22, cash funds to cover remaining project expenses.
- Sewer and Water CIP project costs steadily increase up to 2021/22 and remain around \$1 million a year after WRF project is complete.

**5.2.5 Conditions With and Without the Project**

Foregoing the development of a new water supply project would result in the City using imported water as its primary source. A new wastewater treatment plant (water reclamation facility) will still be constructed, but it will not include the advanced treatment purified water production component. Treated effluent will be discharged to the existing ocean outfall.

The Rate Study analyzed this scenario and found that the total monthly surcharge would be \$41 per monthly bill for a single-family home. The water component of the project promotes the project to be competitive for low-interest-rate loans, however, no longer having a water supply component associated with the project eliminates potential subsidized funding. Developing the project without this component will rely solely on revenue bonds paid annually by cash generated from the WRF surcharge and require a larger annual finance payment resulting in a higher WRF Project monthly surcharge. By not developing the water supply project alternative into the WRF Project, the City is relinquishing the additional local supply volume, diversification, and drought tolerance generated by IPR via groundwater injection. The costs are necessary to develop the WRF Project in order for the City to meet the Coastal Development Permit and NPDES permit requirements set by the California Coastal Commission and the Regional Water Quality Control Board (RWRQCB), respectively. There is no water supply benefit in the “No Project Alternative”—the City’s water supply portfolio remains unchanged at a significant cost to develop the WRF project.

#### 5.2.6 Non-Economic Benefits

The WRF Project development provides various qualitative benefits to the City that are difficult to measure at any one time. The WRF development has aimed to provide the City with a beneficial long term investment in their water supply portfolio by creating a drought resilient water supply and by rehabilitating the existing Morro Groundwater Basin. Having a drought tolerant supply provides a sense of economic security by enabling the City and the local economy to confidently trust that their water supply is resilient and available year round. This in turn reduces water importation and sole reliance on the State Water ultimately reducing importation costs. All of the projects evaluated in OneWater Morro Bay, with the exception of the “No Project Alternative” would result in the City reducing their reliance on imported water from the State Water Project, not only benefiting the City but the State as well. Additionally, environmental benefits from the WRF project are improvements made to the existing Morro Groundwater Basin. By injecting purified water into the aquifer, nitrate contaminant concentrations are reduced therefore improving groundwater quality. During times of drought, the injected purified water will also benefit the basin by providing additional seawater intrusion protection. The WRF Project will improve treated effluent quality that is discharged to the ocean therefore eliminating hazards with marine habitats within the vicinity of the ocean outfall and its surrounding environments. Any social impacts caused by odors, aesthetics, or traffic associated with the existing wastewater treatment plant will be lessened to areas near Morro Bay’s waterfront.



## Section 6

# SELECTION OF TITLE XVI PROJECT

The selected Title XVI Project (Water Reclamation Facility (WRF) Project) utilizes source water from the City's existing sanitary sewer collection system and produces purified water at the Water Reclamation Facility to be injected into the existing Morro Groundwater Basin and ultimately extracted by existing City wells for domestic use. This project provides significant benefits by increasing the supply volume and drought resilience of the City's water supply portfolio. Additionally, this project also meets a City goal to provide water reuse efforts and reduce the volume of imported State Water. This reduction provides a sense of security by reducing reliance upon imported water. Being able to confidently use water from a sustainable source provides a positive impact to the local community and economy. The economic benefits can ultimately be seen in the long term with reduced water import costs and eliminate the need for costly emergency measures to be taken if State Water is unavailable. The selected Project falls in line with the recommendations made in both the City's Master Water Reclamation Plan and OneWater Morro Bay to provide water supply through IPR via groundwater injection. As discussed in Section 2, the City's existing water supplies are vulnerable to drought, infrastructure deterioration, and contaminating constituents. Coupled with the growing demands and the likely scenario of supply shortfalls, the City will not be able to meet its domestic water demands. The selected Title XVI project provides the resilience and supply the City needs to meet those demands.

The Title XVI Project postpones the need for the City to expand or retrofit its existing water supply portfolio. The augmented supply to the Morro Groundwater Basin postpones the need to develop treatment from extracted groundwater from the Chorro Basin, upgrade the ocean desalination facility, and acquire additional State Water Rights from DWR to meet growing future water demands. The City can still pursue capital projects aimed to expand and protect its water supply at an additional cost outside of the WRF Project.



## Section 7

# ENVIRONMENTAL CONSIDERATIONS AND POTENTIAL EFFECTS

### 7.1 Environmental Considerations for the WRF Project

The City of Morro Bay has prepared an Environmental Impact Report (EIR) pursuant to the California Environmental Quality Act (CEQA) and State CEQA guidelines to provide the public with information regarding the potential effects of the surrounding local environment and region associated with the development of the WRF Project. The WRF Project Draft EIR, which can be found in Appendix E, investigated multiple site alternatives for the WRF facility and developed the associated environmental impacts for each site, as well as an analysis for the “No Project Alternative”. The site analysis investigated if alternate locations would alleviate significant effects caused by the WRF Project and the potential effects would be lessened or avoided if the WRF Project was not pursued. The ultimate goal of the EIR is to identify significant environmental effects and their associated mitigation measures. The following list itemizes the environmental resources assessed in the EIR:

- Aesthetics
- Agricultural and Forestry Resources
- Biological Resources
- Cultural Resources
- Geology, Soils and Seismicity
- Greenhouse Gas Emission and Energy
- Hazards and Hazardous Materials
- Hydrology and Water Quality
- Land Use and Planning
- Mineral Resources
- Noise and Vibration
- Environmental Justice
- Population and Housing
- Public Services
- Recreation
- Traffic and Transportation
- Tribal Cultural Resources
- Utilities and Service Systems.

The following sections describe the results of the EIR site analysis and environmental resources assessed in the EIR.

### 7.1.1 WRF Site Alternatives Analysis

Between 2011 and 2017, the City performed numerous site screening studies to determine which site would serve as the best location for the WRF project. A total of 17 sites were investigated as potential options. The City's ultimate decision criteria was to find a site that had the least environmental impact and was also cost effective and enabled the City to maintain its goals of producing recycled water. The City created the Water Reclamation Facility Citizens Advisory Committee (WRFCAC) to ensure public involvement throughout the site alternative screening studies performed by the City. During these studies, outreach via stakeholder meetings and public workshops were conducted to gather input associated with cost, environmental impacts, aesthetics, constructability, private property impacts, and potential hazards which ultimately developed into siting criteria throughout the screening process. Per CEQA guidelines alternatives are to be analyzed based on lessening or mitigating potential environmental impacts as listed in the previous section. As a result of the public outreach performed in the Draft EIR, input from the public resulted in very similar comments regarding the following:

- Adequacy of the WRF Alternative's Analysis
- WRF Site and Annexation
- Accidental Spills and Impacts to Morro Bay Estuary

Section 10 of the Final EIR, located in Appendix F, addresses these comments through developed Master responses. A brief summary of each response is provided below.

#### *Adequacy of the WRF Alternative' Analysis*

Several commenters expressed concerns that the selected South Bay Boulevard site was not the ideal selection for the WRF project and that other sites presented preferential conditions the City should consider. The City performed numerous site alternative screenings prior to the selection of the proposed WRF project. Several site alternatives were investigated as well as a No Project Alternative and an existing wastewater treatment site alternative. It was found that the No Project Alternative, which is also considered the "Environmentally Superior Alternative" in this case, would not achieve the benefits provided by the WRF Project and not meet the CCRWQCB requirement to improve effluent quality or the City's goal to produce recycled water.

Additionally, the Existing Site Alternative was rejected from future consideration, because the existing facility was seen by the CCC as inconsistent with the City's Local Coastal Plan and a new CDP for any development would not be approved. The Draft EIR concluded that the South Bay Site did not present any significant and unavoidable environmental impacts identified and the only impacts would be to cultural resources on the conveyance facility pipeline near Morro Creek.

#### *WRF Site Annexation*

Public comments were received regarding the preferred WRF site and its associated footprint, developed area, conservation of open space and easements, annexation into the City, and the arrangement of the remainder of the total parcel area. The 27.6-acre area of the WRF site is part of a larger 396-acre parcel. The City expects to annex the 27.6-acre area into the City limits and sphere of influence. The position of the proposed site is strategically placed to allow design flexibility in order to minimize impacts to aesthetics, biological resources, and geologic resources. Additionally, the position of the WRF Site with respect to the remainder parcel area, allows for the acquisition of a conservation easement to address agricultural and open space concerns and potentially provide habitat preservation zones.

### *Accidental Spills and Impacts to Morro Bay Estuary*

Public Comments were received regarding the concern for potential spills during operation of the WRF Project and its associated facilities. This concern rises due to the fact that the WRF project is adjacent to a tributary of Chorro Creek and rests within the Chorro Creek Watershed, which drains into the Morro Bay Estuary. Concerns were presented regarding flooding of the lift station wet wells since they are located in a FEMA 100-year inundation zone. Additionally, the rupture of the proposed raw wastewater pipeline at any point from the lift station to the WRF was an expressed concern. The following responses were provided to address the concerns regarding potential spills during operations.

- The WRF infrastructure includes instruments and design alarms that would provide continuous monitoring to prevent or contain potential spills on site. The prevention of spills is of the utmost importance to the City during operation of the WRF.
- The proposed lift stations are expected to be designed to be completely flood proofed above the 100-year inundation zone. Mechanical and electrical equipment and wet well access points are to be elevated above the flood elevation to be completely operational during an extreme flood event.
- The proposed raw water pipelines from the influent lift stations are to be designed and installed with a leak detection system that would monitor pressure continuously during operations.

#### **7.1.2 Environmental Impacts and Mitigation Measures**

The Draft EIR investigated potential impacts caused by the WRF project and its associated components. Impacts were categorized by the list presented in Section 7.1 and given a significance to represent its effects. The significance definitions as defined in the Draft EIR are shown in Table 12.

Table 12 **Impact Classification and Significance**

Impact Significance	Definition
Class I. Significant and Unavoidable	Impact that cannot be reduced to below the threshold level even with mitigation measures.
Class II. Significant but Mitigable	Impact that can be reduced to below the threshold level given available and feasible mitigation measures.
Class III. Not Significant	Impact may be adverse, but does not exceed the threshold levels and does not require mitigation.
Class IV. Beneficial	Effect that would reduce existing environmental problems or hazards.

Mitigation measures were assigned to Class I and Class II impacts. It was found the preferred South Bay Boulevard Site and Lift Station locations had no significant impacts with regards to the site. The only significant impact identified was to Cultural Resources which occurred along the conveyance pipelines and at the injection and monitoring wells shown below.

#### *Human Remains*

*Impact 3.5-3: The proposed project could disturb human remains during construction, including those interred outside of formal cemeteries. This would be a Class I impact, Significant and Unavoidable.*

Mitigation measures have been outlined in the Draft EIR to alleviate the impact to cultural resources. Specifically mitigation measures CUL-1 through CUL-9 and CUL-14 can be implemented to reduce impacts to Cultural Resources. Pages 3.5-22 through 3.5-29 of the Draft EIR describe the mitigation measures to be taken to alleviate the cultural resources impacts during the development of the WRF Project.

## 7.2 Affected Biological Resources

Section 3.4 of the Draft EIR states that the special status species under biological resources that impact the Morro Shoulderband snail were identified as a Class II impact, less than Significant with Mitigation. Biological mitigation measures can be found in Section 3.4 of the Draft EIR in Appendix E. Additionally, the California Red Legged Frog (CRLF) and the Tidewater Goby could potentially be present, at least on a seasonal basis in Morro Creek; however, it was concluded that due to lack of habitat, it is unlikely for these species to be present in or near the preferred WRF site or along the proposed pipeline alignment except at the Morro Creek crossing locations. Definitive surveys to determine the species status or absence were not performed because the lower reach of Morro Creek or seasonal drainages in the study area do not appear to provide suitable aquatic habitat for the species. Since the WRF Project is receiving federal funding from the EPA WIFIA program, it requires concurrence by the U.S. Department of Fish and Wildlife Service (USFWS) of environmental impacts made from project. The EPA concluded that the WRF project may affect, but is not likely to adversely affect the CRLF, Tidewater Goby, and the Morro Shoulderband Snail. These potential affect determinations were coordinated with the USFWS for concurrence. The USFWS concurred that the WRF project would not likely adversely affect the Morro Shoulderband Snail if mitigation measures are incorporated into the project. Additionally, the USFWS did not concur with the EPA that the WRF project does not adversely affect the CRLF and the Tidewater Goby and has requested more information to better assess the EPA's determination. All additional information requested has been sent to the USFWS as well as a request from the EPA and the City to expedite any review of information to be completed by January 20, 2020. On December 19, 2019, the City received a response from USFWS regarding the request to expedite the consultation of requested information for the WRF Project, but with no commitment to a particular date of completion. On February 20, 2020, the City received the Final Biological Opinion (BO) from the CRLF from the USFWS that includes the necessary avoidance measures the City must incorporate into the project.

## Section 8

# LEGAL AND INSTITUTIONAL REQUIREMENTS

The implementation of the WRF Project must meet various legal and institutional requirements prior to its completion. The following items are currently being addressed with the associated governing agencies.

### *Water Rights Issues*

- The City has appropriative groundwater rights to the Morro Groundwater Basin. The WRF Project will inject up to approximately 825 acre-feet per year of purified water into the groundwater basin allowing the City to extract nearly 1,000 acre-feet per year in total. The City will have to update their appropriative groundwater permit for the Morro Groundwater Basin to allow for the increase in annual groundwater extraction.

### *Permits*

- The City has received the final CDP for the project from the CCC. The City is currently addressing the special condition requirements outlined in the Notice of Intent to Issue Costal Development Permit (CDP 3-19-0463 issued July 19, 2019) to move forward to begin constructing the WRF Project components.
- Potable water supplied by IPR will require extensive permitting by DDW to ensure water quality.  
As mentioned in Section 7, the City coordinated with the EPA WIFIA Program and the USFW and has received the Final Biological Opinion for the CRLF.
- The proposed WRF will discharge treated effluent per requirements set by the CCRWQCB. The City of Morro Bay will be required to meet the effluent discharge requirements for Discharge Point No. 001 outlined in the NPDES No. CA0047881 Order No. R3-2017-0050 adopted by the Central Coast Water Board on December 7th, 2017. Table 13 lists the effluent discharge limitations to be met for Discharge Point No. 001. The current discharge requirements for the existing plant are under interim limits as shown in Table 3 since the facility cannot meet secondary treatment requirements until the WRF Project is completed.

Table 13 Effluent Discharge Limitations

Parameter	Units	Effluent Limitations		
		Average Monthly	Average Weekly	Maximum Daily
Biochemical Oxygen Demand 5-day @ 20°C (BOD <sub>5</sub> ) <sup>[1]</sup>	mg/L	30	45	--
	lbs/day <sup>[2]</sup>	515	773	--
Total Suspended Solids (TSS) <sup>[1]</sup>	mg/L	30	45	--
	lbs/day <sup>[2]</sup>	515	773	--
Oil and Grease	mg/L	25	40	75
	lbs/day <sup>[2]</sup>	430	687	1,289
Settleable Solids	ml/L	1.0	1.5	3.0
pH	Standard Units	6.0 – 9.0 at all times		
Turbidity	NTU	75	100	225

Notes:

(1) The average monthly percent removal for BOD<sub>5</sub> and TSS shall not be less than 85 percent.

(2) Mass based effluent limitation were calculated using the following formula:

lbs/day = pollutant concentration (mg/L) \* Design flow (2.06 MGD) \* conversion factor (8.34).

Research Needs

- No additional research needs are required for this project. The WRF Project that Morro Bay will implement is a proven concept that is well regulated and accepted within California. Industry leaders for this type of project, which includes the use of RO for injection of purified water into the groundwater, include the Orange County Water District (the world’s largest potable reuse system at 130 MGD final capacity), Los Angeles, the West Basin Municipal Water District, the Groundwater Replenishment District, and Monterey One Water. There are near term (<1 to <5 years away) groundwater replenishment projects for Oxnard, Ventura, Oceanside, and Soquel Creek Water District. Longer term, within the next 10 years, there are projects from the Metropolitan Water District and Los Angeles that may exceed several hundred MGD of new potable reuse capacity. Overall within California, potable reuse has been safely implemented for over 40 years.

Outfall Inspection

- The CCC has required that prior to operation of the WRF, a complete assessment of the existing ocean outfall must be performed to verify the integrity of the outfall diffuser, ports, and pipeline. The WRF is projected to discharge 25 percent of its treated effluent and brine to the existing ocean outfall.

Appendix A  
MASTER WATER RECLAMATION PLAN



Appendix B  
ONEWATER PLAN



Appendix C  
FINANCIAL PLAN & RATE ANALYSIS FOR A NEW  
WATER RECLAMATION FACILITY



Appendix D  
WATER RECLAMATION FACILITY FINANCIAL  
PLAN UPDATE



Appendix E

MORRO BAY WATER RECLAMATION FACILITY  
DRAFT ENVIRONMENTAL IMPACT REPORT



Appendix F

MORRO BAY WATER RECLAMATION FACILITY  
FINAL ENVIRONMENTAL IMPACT REPORT



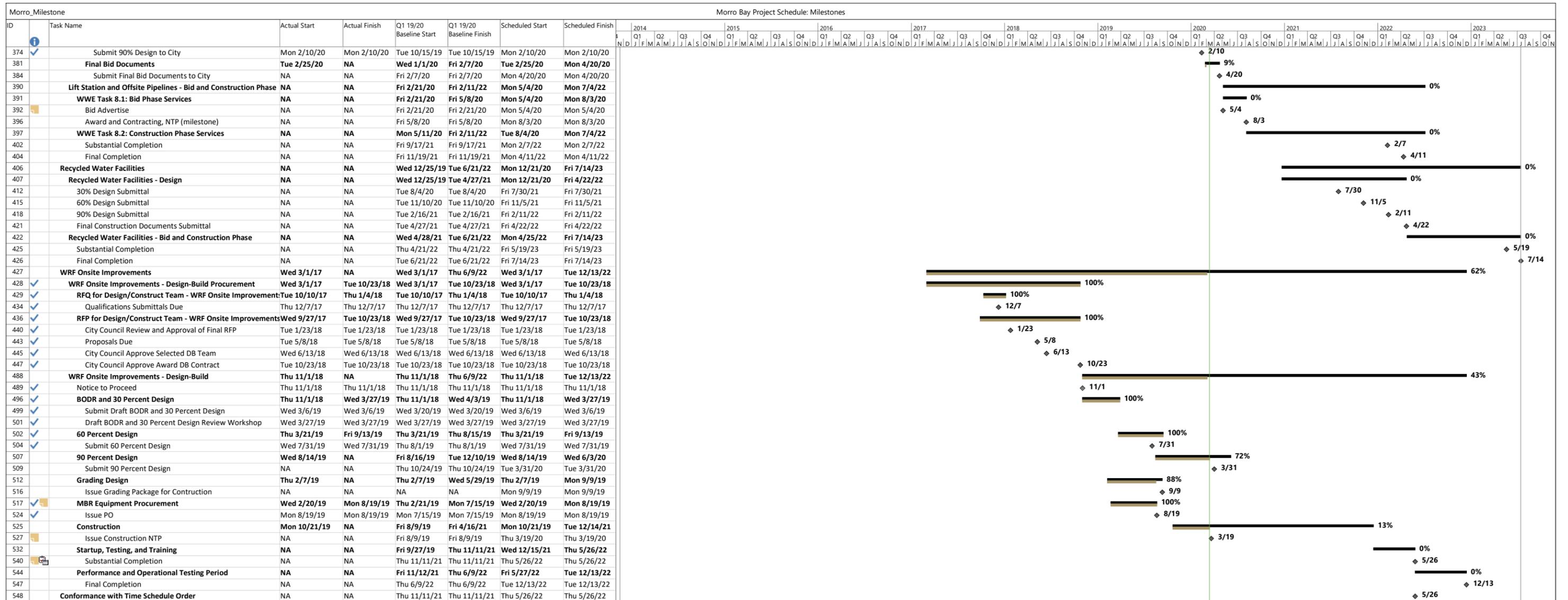
Appendix G  
**SCHEDULE OF CONSTRUCTION MILESTONES**



Morro Milestone								Morro Bay Project Schedule: Milestones																																																			
ID	Task Name	Actual Start	Actual Finish	Q1 19/20 Baseline Start	Q1 19/20 Baseline Finish	Scheduled Start	Scheduled Finish	2014 2015 2016 2017 2018 2019 2020 2021 2022 2023																																																			
								Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
0	<b>Morro Bay WRF Project</b>	<b>Mon 11/18/13</b>	<b>NA</b>	<b>Mon 11/18/13</b>	<b>Tue 6/21/22</b>	<b>Mon 11/18/13</b>	<b>Fri 7/14/23</b>	69%																																																			
1	<b>Program Planning</b>	<b>Tue 12/10/13</b>	<b>Fri 12/20/19</b>	<b>Tue 12/10/13</b>	<b>Mon 4/22/19</b>	<b>Tue 12/10/13</b>	<b>Fri 12/20/19</b>	100%																																																			
2	<b>Initial Program Support</b>	<b>Tue 12/10/13</b>	<b>Fri 12/20/19</b>	<b>Tue 12/10/13</b>	<b>Mon 4/22/19</b>	<b>Tue 12/10/13</b>	<b>Fri 12/20/19</b>	100%																																																			
17	City Council Decision on WRF Site	Tue 6/14/16	Tue 6/14/16	Tue 6/14/16	Tue 6/14/16	Tue 6/14/16	Tue 6/14/16	6/14																																																			
18	<b>Property Negotiation</b>	<b>Tue 6/14/16</b>	<b>Fri 12/20/19</b>	<b>Tue 6/14/16</b>	<b>Mon 4/22/19</b>	<b>Tue 6/14/16</b>	<b>Fri 12/20/19</b>	100%																																																			
19	<b>South Bay Boulevard Site</b>	<b>Tue 6/14/16</b>	<b>Fri 12/20/19</b>	<b>Tue 6/14/16</b>	<b>Mon 10/17/16</b>	<b>Tue 6/14/16</b>	<b>Fri 12/20/19</b>	100%																																																			
24	Property Procurement complete	Fri 12/20/19	Fri 12/20/19	NA	NA	Fri 12/20/19	Fri 12/20/19	12/20																																																			
28	<b>Master Planning</b>	<b>Thu 12/11/14</b>	<b>Tue 9/25/18</b>	<b>Thu 12/11/14</b>	<b>Tue 9/25/18</b>	<b>Thu 12/11/14</b>	<b>Tue 9/25/18</b>	100%																																																			
92	<b>Design Refinement and Alternative Development</b>	<b>Wed 7/12/17</b>	<b>Tue 9/26/17</b>	<b>Wed 7/12/17</b>	<b>Tue 9/26/17</b>	<b>Wed 7/12/17</b>	<b>Tue 9/26/17</b>	100%																																																			
95	Receive Direction from City Council on Preferred Site and	Tue 9/26/17	Tue 9/26/17	Tue 9/26/17	Tue 9/26/17	Tue 9/26/17	Tue 9/26/17	9/26																																																			
97	<b>RFP for Groundwater Modeling and Pilot Injection Testing</b>	<b>Wed 3/14/18</b>	<b>Tue 9/25/18</b>	<b>Wed 3/14/18</b>	<b>Tue 9/25/18</b>	<b>Wed 3/14/18</b>	<b>Tue 9/25/18</b>	100%																																																			
103	Award Contract	Tue 9/25/18	Tue 9/25/18	Tue 9/25/18	Tue 9/25/18	Tue 9/25/18	Tue 9/25/18	9/25																																																			
104	<b>Procurement of Lift Station/Transmission Mains Design Consult</b>	<b>Wed 12/14/16</b>	<b>Tue 11/21/17</b>	<b>Wed 12/14/16</b>	<b>Tue 11/21/17</b>	<b>Wed 12/14/16</b>	<b>Tue 11/21/17</b>	100%																																																			
108	Selection of LS/Pipelines Design Consultant	Tue 11/21/17	Tue 11/21/17	Tue 11/21/17	Tue 11/21/17	Tue 11/21/17	Tue 11/21/17	11/21																																																			
109	Notice to Proceed	Tue 11/14/17	Tue 11/14/17	Tue 11/14/17	Tue 11/14/17	Tue 11/14/17	Tue 11/14/17	11/14																																																			
112	<b>Hydrogeological Support</b>	<b>Tue 9/25/18</b>	<b>NA</b>	<b>Tue 9/25/18</b>	<b>Mon 2/7/22</b>	<b>Tue 9/25/18</b>	<b>Mon 1/10/22</b>	45%																																																			
113	<b>Pilot Injection Testing and Groundwater Monitoring</b>	<b>Tue 9/25/18</b>	<b>NA</b>	<b>Tue 9/25/18</b>	<b>Mon 2/7/22</b>	<b>Tue 9/25/18</b>	<b>Mon 1/10/22</b>	50%																																																			
114	<b>GSI Task 1 - Characterize and Select Preferred Project Area</b>	<b>Tue 10/23/18</b>	<b>NA</b>	<b>Tue 10/23/18</b>	<b>Tue 5/28/19</b>	<b>Tue 10/23/18</b>	<b>Fri 3/20/20</b>	96%																																																			
123	GSI Task 1 - Characterize and Select Preferred Project Area	NA	NA	Tue 5/28/19	Tue 5/28/19	Fri 3/20/20	Fri 3/20/20	3/20																																																			
124	<b>GSI Task 2 - Pilot Injection Testing</b>	<b>NA</b>	<b>NA</b>	<b>Wed 3/27/19</b>	<b>Tue 8/13/19</b>	<b>Mon 2/17/20</b>	<b>Fri 7/3/20</b>	0%																																																			
127	GSI Task 2 - Pilot Injection Testing Complete	NA	NA	Tue 8/13/19	Tue 8/13/19	Fri 7/3/20	Fri 7/3/20	7/3																																																			
128	<b>GSI Task 3 - Injection Test Groundwater Modeling</b>	<b>NA</b>	<b>NA</b>	<b>Wed 8/14/19</b>	<b>Tue 10/29/19</b>	<b>Mon 7/6/20</b>	<b>Fri 9/25/20</b>	0%																																																			
130	GSI Task 3 - Injection Test Groundwater Modeling Complete	NA	NA	Tue 9/17/19	Tue 9/17/19	Fri 7/10/20	Fri 7/10/20	7/10																																																			
140	<b>Environmental Documentation</b>	<b>Fri 3/20/15</b>	<b>Thu 8/8/19</b>	<b>Fri 3/20/15</b>	<b>Mon 5/27/19</b>	<b>Fri 3/20/15</b>	<b>Thu 8/8/19</b>	100%																																																			
146	<b>Coordination of CEQA/Permitting</b>	<b>Tue 7/5/16</b>	<b>Thu 8/8/19</b>	<b>Tue 7/5/16</b>	<b>Mon 5/27/19</b>	<b>Tue 7/5/16</b>	<b>Thu 8/8/19</b>	100%																																																			
171	<b>Publish Public Draft EIR</b>	<b>Thu 3/29/18</b>	<b>Thu 3/29/18</b>	<b>Thu 3/29/18</b>	<b>Fri 5/18/18</b>	<b>Thu 3/29/18</b>	<b>Fri 5/18/18</b>	100%																																																			
173	Publish Draft EIR	Fri 3/30/18	Fri 3/30/18	Fri 3/30/18	Fri 3/30/18	Fri 3/30/18	Fri 3/30/18	3/30																																																			
181	<b>Prepare Final EIR</b>	<b>Mon 6/18/18</b>	<b>Tue 8/14/18</b>	<b>Mon 6/18/18</b>	<b>Tue 8/14/18</b>	<b>Mon 6/18/18</b>	<b>Tue 8/14/18</b>	100%																																																			
185	Certification of Final EIR	Tue 8/14/18	Tue 8/14/18	Tue 8/14/18	Tue 8/14/18	Tue 8/14/18	Tue 8/14/18	8/14																																																			
186	<b>Prepare Addendum to FEIR</b>	<b>Wed 2/13/19</b>	<b>Thu 8/8/19</b>	<b>Wed 2/13/19</b>	<b>Mon 5/27/19</b>	<b>Wed 2/13/19</b>	<b>Thu 8/8/19</b>	100%																																																			
189	Notice to Proceed to ESA	Mon 3/18/19	Mon 3/18/19	Mon 3/18/19	Mon 3/18/19	Mon 3/18/19	Mon 3/18/19	3/18																																																			
194	<b>ESA Task 2b - Draft Addendum</b>	<b>Wed 5/15/19</b>	<b>Thu 8/8/19</b>	<b>Tue 4/16/19</b>	<b>Mon 5/27/19</b>	<b>Wed 5/15/19</b>	<b>Thu 8/8/19</b>	100%																																																			
196	ESA Draft Addendum Complete	Tue 7/16/19	Tue 7/16/19	Mon 5/13/19	Mon 5/13/19	Tue 7/16/19	Tue 7/16/19	7/16																																																			
199	ESA Final Addendum Complete	Thu 8/8/19	Thu 8/8/19	Mon 5/27/19	Mon 5/27/19	Thu 8/8/19	Thu 8/8/19	8/8																																																			
200	<b>General Permitting</b>	<b>Tue 9/26/17</b>	<b>NA</b>	<b>Wed 3/1/17</b>	<b>Fri 4/3/20</b>	<b>Tue 9/26/17</b>	<b>Thu 5/21/20</b>	62%																																																			
201	<b>Coastal Development Permit (CDP)</b>	<b>Tue 12/4/18</b>	<b>Tue 7/16/19</b>	<b>Tue 12/4/18</b>	<b>Fri 8/9/19</b>	<b>Tue 12/4/18</b>	<b>Tue 7/16/19</b>	100%																																																			
206	CCC Issue CDP	Tue 7/16/19	Tue 7/16/19	Fri 8/9/19	Fri 8/9/19	Tue 7/16/19	Tue 7/16/19	7/16																																																			
218	<b>CDFW Permitting</b>	<b>Fri 12/6/19</b>	<b>NA</b>	<b>Mon 3/11/19</b>	<b>Fri 11/29/19</b>	<b>Fri 12/6/19</b>	<b>Thu 5/21/20</b>	58%																																																			
222	Receive CDFW Permit	NA	NA	Fri 8/23/19	Fri 8/23/19	Thu 5/21/20	Thu 5/21/20	5/21																																																			
233	<b>Potable Reuse Permitting</b>	<b>Wed 3/13/19</b>	<b>NA</b>	<b>Thu 3/21/19</b>	<b>Tue 3/16/21</b>	<b>Wed 3/13/19</b>	<b>Thu 10/14/21</b>	37%																																																			
241	<b>Draft Title 22 Engineer's Report</b>	<b>Wed 3/27/19</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>Wed 3/27/19</b>	<b>Wed 5/26/21</b>	19%																																																			
243	Draft Title 22 Engineer's Report Prepared	NA	NA	Tue 11/26/19	Tue 11/26/19	Wed 3/3/21	Wed 3/3/21	3/3																																																			
245	<b>Final Title 22 Engineer's Report</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>Wed 7/21/21</b>	<b>Thu 8/19/21</b>	0%																																																			
248	DDW Acceptance of Title 22 Engineer's Report	NA	NA	Tue 5/12/20	Tue 5/12/20	Thu 8/19/21	Thu 8/19/21	8/19																																																			
256	ROWD Prepared	NA	NA	Tue 11/26/19	Tue 11/26/19	Wed 3/3/21	Wed 3/3/21	3/3																																																			
258	RWQCB Issues NPDES and MRP	NA	NA	Tue 7/7/20	Tue 7/7/20	Thu 10/14/21	Thu 10/14/21	10/14																																																			
259	<b>Funding</b>	<b>Mon 11/18/13</b>	<b>NA</b>	<b>Mon 11/18/13</b>	<b>Fri 11/29/19</b>	<b>Mon 11/18/13</b>	<b>Thu 7/2/20</b>	96%																																																			
260	<b>Rate Study Update</b>	<b>Sat 4/28/18</b>	<b>Tue 9/11/18</b>	<b>Sat 4/28/18</b>	<b>Tue 9/11/18</b>	<b>Sat 4/28/18</b>	<b>Tue 9/11/18</b>	100%																																																			
271	Rate Workshop	Sat 6/23/18	Sat 6/23/18	Sat 6/23/18	Sat 6/23/18	Sat 6/23/18	Sat 6/23/18	6/23																																																			
275	City Council Rate Notice	Tue 7/10/18	Tue 7/10/18	Tue 7/10/18	Tue 7/10/18	Tue 7/10/18	Tue 7/10/18	7/10																																																			
277	Rate Public Hearing	Tue 9/11/18	Tue 9/11/18	Tue 9/11/18	Tue 9/11/18	Tue 9/11/18	Tue 9/11/18	9/11																																																			
278	<b>Grant and Loan Pursuit and Management</b>	<b>Mon 11/18/13</b>	<b>NA</b>	<b>Mon 11/18/13</b>	<b>Fri 11/29/19</b>	<b>Mon 11/18/13</b>	<b>Thu 7/2/20</b>	95%																																																			
282	<b>Clean Water SRF Construction Loan - SWRCB Division of Finance</b>	<b>Mon 11/18/13</b>	<b>NA</b>	<b>Mon 11/18/13</b>	<b>Fri 11/29/19</b>	<b>Mon 11/18/13</b>	<b>Thu 7/2/20</b>	85%																																																			
297	<b>SWRCB Review of Complete Application</b>	<b>Mon 12/31/18</b>	<b>NA</b>	<b>Mon 12/31/18</b>	<b>Fri 11/29/19</b>	<b>Mon 12/31/18</b>	<b>Thu 7/2/20</b>	80%																																																			
298	CWSRF Construction Loan Complete Application Deadline	Mon 12/31/18	Mon 12/31/18	Mon 12/31/18	Mon 12/31/18	Mon 12/31/18	Mon 12/31/18	12/31																																																			
299	Fundability Score Assigned	Thu 1/17/19	Thu 1/17/19	Fri 1/25/19	Fri 1/25/19	Thu 1/17/19	Thu 1/17/19	1/17																																																			
300	Fundability List Published	Sat 4/27/19	Sat 4/27/19	Fri 4/5/19	Fri 4/5/19	Sat 4/27/19	Sat 4/27/19	4/27																																																			
302	Funding Commitment Received	Fri 7/12/19	Fri 7/12/19	Fri 7/12/19	Fri 7/12/19	Fri 7/12/19	Fri 7/12/19	7/12																																																			
305	Receive Signed Loan Agreement	NA	NA	Fri 11/29/19	Fri 11/29/19	Thu 7/2/20	Thu 7/2/20	7/2																																																			
306	<b>WIFIA Loan</b>	<b>Fri 1/5/18</b>	<b>Mon 3/9/20</b>	<b>Fri 1/5/18</b>	<b>Fri 8/9/19</b>	<b>Fri 1/5/18</b>	<b>Mon 3/9/20</b>	100%																																																			
310	Draft WIFIA Loan Application Complete	Mon 7/2/18	Mon 7/2/18	Mon 7/2/18	Mon 7/2/18	Mon 7/2/18	Mon 7/2/18	7/2																																																			
311	WIFIA Loan Application Deadline	Mon 7/2/18	Mon 7/2/18	Mon 7/2/18	Mon 7/2/18	Mon 7/2/18	Mon 7/2/18	7/2																																																			
315	Receive Signed Loan Agreement	Mon 3/9/20	Mon 3/9/20	Fri 8/9/19	Fri 8/9/19	Mon 3/9/20	Mon 3/9/20	3/9																																																			
316	<b>Conveyance Facilities Project</b>	<b>Wed 11/15/17</b>	<b>NA</b>	<b>Wed 11/15/17</b>	<b>Fri 2/11/22</b>	<b>Wed 11/15/17</b>	<b>Mon 7/4/22</b>	69%																																																			
317	<b>Lift Station and Offsite Pipelines - Design</b>	<b>Wed 11/15/17</b>	<b>NA</b>	<b>Wed 11/15/17</b>	<b>Fri 2/7/20</b>	<b>Wed 11/15/17</b>	<b>Fri 5/1/20</b>	83%																																																			
332	<b>WWE Workshop: Task 2 Results Summary</b>	<b>Thu 9/27/18</b>	<b>Thu 9/27/18</b>	<b>Thu 9/27/18</b>	<b>Thu 9/27/18</b>	<b>Thu 9/27/18</b>	<b>Thu 9/27/18</b>	9/27																																																			
333	Lift Station Site Alternatives and Selection & Design Criteria	Thu 9/27/18	Thu 9/27/18	Thu 9/27/18	Thu 9/27/18	Thu 9/27/18	Thu 9/27/18	9/27																																																			
334	Pipeline Route Study and Preferred Alignment & Design Criteria	Thu 9/27/18	Thu 9/27/18	Thu 9/27/18	Thu 9/27/18	Thu 9/27/18	Thu 9/27/18	9/27																																																			
354	<b>WWE Task 5: Concept Design Report</b>	<b>Wed 4/18/18</b>	<b>Fri 8/30/19</b>	<b>Wed 4/18/18</b>	<b>Tue 7/9/19</b>	<b>Wed 4/18/18</b>	<b>Fri 8/30/19</b>	100%																																																			
357	Submit to City	Tue 11/20/18	Tue 11/20/18	Tue 11/20/18	Tue 11/20/18	Tue 11/20/18	Tue 11/20/18	11/20																																																			
363	Final CDR Submittal	Fri 8/30/19	Fri 8/30/19	Tue 7/9/19	Tue 7/9/19	Fri 8/30/19	Fri 8/30/19	8/30																																																			
364	<b>WWE Task 6: Construction Documents and Specifications</b>	<b>Mon 12/17/18</b>	<b>NA</b>	<b>Mon 12/17/18</b>	<b>Fri 2/7/20</b>	<b>Mon 12/17/18</b>	<b>Mon 4/20/20</b>	88%																																																			
365	<b>60% Design Submittal</b>	<b>Thu 10/31/19</b>	<b>Mon 12/31/19</b>	<b>Mon 12/17/18</b>	<b>Tue 7/23/19</b>	<b>Mon 12/17/18</b>	<b>Thu 10/31/19</b>	100%																																																			
369	Submit 60% Design to City	Tue 9/10/19	Tue 9/10/19	Tue 7/9/19	Tue 7/9/19	Tue 9/10/19	Tue 9/10/19	9/10																																																			
371	<b>90% Design Submittal</b>	<b>Wed 9/11/19</b>	<b>NA</b>	<b>Wed 7/10/19</b>	<b>Tue 10/29/19</b>	<b>Wed 9/11/19</b>	<b>Mon 2/24/20</b>	99%																																																			

Project: Morro Bay WRF Project  
 Milestone Summary Manual Milestone Summary Progress

Printed Date: Fri 3/13/20  
 Status Date: 3/12/20





United States Department of the Interior  
BUREAU OF RECLAMATION  
2800 Cottage Way  
Sacramento, CA 95825-1898



IN REPLY REFER TO:

CGB-720  
2.2.4.21

VIA ELECTRONIC MAIL ONLY

Mr. Robert Livick  
Public Works Director/City Engineer  
City of Morro Bay  
595 Harbor Street  
Morro Bay, CA 93442

Subject: Title XVI – City of Morro Bay Water Reclamation Facility Project Feasibility Study

Dear Mr. Livick:

The Bureau of Reclamation is pleased to inform you that the feasibility study for the City of Morro Bay Water Reclamation Facility Project has been found to be in accordance with our Directives and Standards; therefore, it meets the requirements of a feasibility study as defined under Section 1604 of Public Law 102-575, as amended. Enclosed for your information is a copy of the formal memorandum approved on July 22, 2020.

If you have any questions, please contact Mr. Ankur Bhattacharya, Title XVI Program Manager, at [ankurbhattacharya@usbr.gov](mailto:ankurbhattacharya@usbr.gov) or (916) 978-5348.

Sincerely,

MICHAEL  
MOSLEY

Digitally signed by MICHAEL  
MOSLEY  
Date: 2020.08.25 13:34:02 -07'00'

For

David van Rijn  
Regional Planning Officer

Enclosure:  
Title XVI Morro Bay Feasibility Study Approval Memo

INTERIOR REGION 10 • CALIFORNIA–GREAT BASIN

CALIFORNIA\*, NEVADA\*, OREGON\*

\* PARTIAL



## COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS

*John Peschong District One Supervisor*  
*Bruce Gibson Vice-Chairperson, District Two Supervisor*  
*Dawn Ortiz-Legg District Three Supervisor*  
*Lynn Compton Chairperson, District Four Supervisor*  
*Debbie Arnold, District Five Supervisor*

RECEIVED  
City of Morro Bay

APR 19 2021

Administration

April 10, 2021

Camille Calimlim Touton  
Deputy Commissioner  
U.S. Bureau of Reclamation  
1849 C Street NW  
Washington DC 20240-0001

Re: Title XVI: City of Morro Bay Water Reclamation Facility Project

Dear Deputy Commissioner Touton:

On behalf of the County of San Luis Obispo, I am writing in support of the City of Morro Bay's application for funding under the Bureau of Reclamation's Title XVI Program to help fund the Morro Bay Water Reclamation Facility (WRF) project. The County understands the project is eligible for program funding under the Water Infrastructure Improvements for the Nation (WIIN) Act, and we take this opportunity to express our support for the City's Title XVI application.

Morro Bay's WRF project will provide purified recycled water using advanced treatment, providing the City with a local, reliable water supply. The WRF will treat an annual average flow of 0.97 million gallons of wastewater per day through preliminary, secondary, tertiary, and advanced treatment. While the old facility was close to the shoreline, the WRF is situated inland, outside the flood zone in accordance with Coastal Commission requirements and best resiliency practices. The WRF includes a sewage pump station, 3-mile sanitary sewer force main, a treatment brine disposal line and a purified recycled water line supplying injection wells. The WRF will produce purified water that meets indirect potable reuse standards for a groundwater replenishment reuse application. At an annual volume of 825 acre-feet per year, the purified water produced will have the ability to offset approximately 80 percent of the community's water supply and is projected to improve groundwater quality and help address drought in the short and long term.

Construction for the WRF started in March 2020 and all elements are expected to be completed by the fall of 2023. The total project cost is approximately \$138 million with a significant amount financed by way of the California State Revolving Fund (SRF) and USEPA's

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**County of San Luis Obispo Government Center**

1055 Monterey Street | San Luis Obispo, CA 93408 | (P) 805-781-5450 | (F) 805-781-1350

info@slocounty.ca.gov | slocounty.ca.gov

CC\_2021-04-27 Page 189 of 408

Water Infrastructure Finance and Innovation Act (WIFIA). Morro Bay is a small community and the means of developing new water supplies is both challenging and expensive. The City of Morro Bay seeks Title XVI grant funding in the amount of \$20,000,000 - the program funding limit for this project. Title XVI funding would significantly reduce the financial pressure on the City's rate payers and present an opportunity for the Bureau to partner with the City on this important project.

Thank you for your consideration, and we urge you to give the City's application all due consideration.

Sincerely,



LYNN COMPTON  
Chair, Board of Supervisors

c - Board of Supervisors  
Wade Horton, County Administrator  
Mike Miller, The Ferguson Group



April 19, 2021

Camille Calimlim Touton  
Deputy Commissioner  
U.S. Bureau of Reclamation  
1849 C Street NW  
Washington, DC

Subject: Re: Title XVI: City of Morro Bay Water Reclamation Facility Project

Dear Deputy Commissioner Touton,

I am writing in support of the City of Morro Bay's application for funding under the Bureau of Reclamation's Title XVI Program to help fund the Morro Bay Water Reclamation Facility (WRF) project. I understand this project is eligible for program funding under the Water Infrastructure Improvements for the Nation (WIIN) Act, and I want to share my enthusiastic support for the City's Title XVI application.

I serve as the City's local State Senator, currently serving on the California State Senate Natural Resources and Water Committee, recently served eight years as the California Secretary of Natural Resources under then California Governor Jerry Brown, and had served on a City Council, including as Mayor. From my collective experience, I understand the importance of the City's WRF in preserving their resident's health with clean water while also strengthening their overall water supply.

Morro Bay's WRF project will not only provide purified recycled water using advanced treatment, -but will allow the City to have a local, reliable water supply. The WRF will treat an annual average flow of 0.97 million gallons of wastewater per day through preliminary, secondary, tertiary, and advanced treatment. While the old facility was close to the shoreline, the WRF is situated inland, outside the flood zone in accordance with Coastal Commission requirements and best resiliency practices. The WRF includes a sewage pump station; a 3-mile sanitary sewer force main; a treatment brine disposal line and a purified recycled water line supplying injection wells. The WRF will produce purified water that meets indirect potable reuse standards for a groundwater replenishment reuse application. At an annual volume of 825 acre-feet per year, the purified water produced will have the ability to offset approximately 80 percent of the community's water supply and is projected to improve groundwater quality.

Construction for the WRF started in March 2020 and all elements are expected to be completed by the fall of 2023. The total project cost is approximately \$138 million with a significant amount financed by way of the California State Revolving Fund (SRF) and US EPA's Water Infrastructure Finance and Innovation Act (WIFIA). The City of Morro Bay seeks Title XVI grant funding in the amount of \$20,000,000 - the program funding limit for this project. Title XVI funding would significantly reduce the financial pressure on the City's rate payers and present an opportunity for the Bureau of Reclamation to partner with the City on this important project.

Thank you for your consideration, and I urge you to give the City's application all due consideration.

Sincerely,

A handwritten signature in black ink that reads "John Laird". The signature is written in a cursive, flowing style.

John Laird, California State Senator, District 17

**CALIFORNIA COASTAL COMMISSION**

CENTRAL COAST DISTRICT OFFICE  
725 FRONT STREET, SUITE 300  
SANTA CRUZ, CA 95060-4508  
VOICE (831) 427-4863  
FAX (831) 427-4877

**April 14, 2021**

Camille Calimlim Touton  
Commissioner  
Bureau of Reclamation  
U.S. Department of Interior  
1849 C Street, NW  
Washington, D.C. 20240

Dear Commissioner Touton:

I write in strong support of the City of Morro Bay's Water Reclamation Facility (WRF) Project, which allows Morro Bay to build water resiliency in response to climate change impacts as well as alleviate drought impacts in a water short region. The project will also allow the City to retire its aging shoreline wastewater treatment plant and ensure that critical public infrastructure is located out of harm's way, including in light of sea level rise. In short, the project is a critically needed one to address a series of climate change impacts and provide the City will resiliency into the future. That is why the California Coastal Commission unanimously approved a coastal development permit for the project in July of 2019, finding that it is consistent with the California Coastal Act and a model for the rest of state in addressing these important coastal resource issues.

I write to you in support of the City of Morro Bay's request for additional funding from the Bureau of Reclamation through its Water Infrastructure Improvements for the Nation (WIIN) Title XVI Program. Construction for the WRF started in March 2020, and all elements are expected to be completed by the fall of 2023. Morro Bay is a small community, and the means of developing new water supplies is both challenging and expensive. Receipt of grant support will greatly reduce the financial pressure on the City's rate payers and ensure the community has a reliable, local water supply.

Thank you for your consideration, and I urge you to give the City's request all due consideration.

Sincerely,

A handwritten signature in black ink that reads "Kevin Kahn".

Kevin Kahn  
Central Coast District Supervisor  
California Coastal Commission

COMMITTEE ON TRANSPORTATION  
AND INFRASTRUCTURE  
VICE-CHAIR

SUBCOMMITTEE ON AVIATION

SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

SUBCOMMITTEE ON WATER RESOURCES  
AND ENVIRONMENT

COMMITTEE ON ARMED SERVICES  
SUBCOMMITTEE ON STRATEGIC FORCES

SUBCOMMITTEE ON TACTICAL AIR  
AND LAND FORCES

COMMITTEE ON AGRICULTURE  
SUBCOMMITTEE ON BIOTECHNOLOGY,  
HORTICULTURE, AND RESEARCH

SUBCOMMITTEE ON LIVESTOCK  
AND FOREIGN AGRICULTURE

SUBCOMMITTEE ON GENERAL FARM  
COMMODITIES AND RISK MANAGEMENT

**Congress of the United States**  
**House of Representatives**  
Washington, DC 20515

SALUD O. CARBAJAL  
24TH DISTRICT, CALIFORNIA  
WEBSITE: CARBAJAL.HOUSE.GOV

1431 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
(202) 225-3601

360 SOUTH HOPE AVENUE, C-301  
SANTA BARBARA, CA 93105  
(805) 730-1710

1411 MARSH STREET, SUITE 205  
SAN LUIS OBISPO, CA 93401  
(805) 546-8348

1619 S. THORNBURG STREET  
SANTA MARIA, CA 93458  
(805) 730-1710

April 12, 2021

Camille Calimlim Touton  
Deputy Commissioner  
U.S. Bureau of Reclamation  
1849 C Street NW  
Washington DC 20240-0001

Dear Deputy Commissioner Touton:

I am writing in support of the City of Morro Bay's application for funding under the Bureau of Reclamation's Title XVI Program to help fund the Morro Bay Water Reclamation Facility (WRF) project through the Water Infrastructure Improvements for the Nation (WIIN) Act.

Morro Bay's WRF project will provide purified recycled water using advanced treatment, providing the City with a local, reliable water supply. The WRF will treat an annual average flow of 0.97 million gallons of wastewater per day through preliminary, secondary, tertiary, and advanced treatment. While the old facility was close to the shoreline, the WRF is situated inland, outside the flood zone in accordance with California Coastal Commission requirements and best resiliency practices. The WRF includes a sewage pump station, 3-mile sanitary sewer force main, a treatment brine disposal line and a purified recycled water line supplying injection wells. The WRF will produce purified water that meets indirect potable reuse standards for a groundwater replenishment reuse application. At an annual volume of 825 acre-feet per year, the purified water produced will have the ability to offset approximately 80 percent of the community's water supply and is projected to improve groundwater quality and help address drought in the short and long term.

Construction for the WRF started in March 2020 and all elements are expected to be completed by the fall of 2023. The total project cost is approximately \$138 million with a significant amount financed by way of the California State Revolving Fund (SRF) and USEPA's Water Infrastructure Finance and Innovation Act (WIFIA). Morro Bay is a small community and the means of developing new water supplies is both challenging and expensive. The City of Morro Bay seeks Title XVI grant funding in the amount of \$20,000,000 - the program funding limit for this project. Title XVI funding would significantly reduce the financial pressure on the City's

rate payers and present an opportunity for the Bureau to partner with the City on this important project.

Again, I support the City of Morro Bay's WRF project application for funding through the Water Infrastructure Improvements for the Nation (WIIN) Act, consistent with all relevant rules and regulations.

Sincerely,

A handwritten signature in blue ink, appearing to read "S. Carbajal", is written over a light blue horizontal line.

**SALUD CARBAJAL**  
**Member of Congress**



United States Senate  
WASHINGTON, DC 20510-0504

April 22, 2021

Camille Calimlim Touton  
Deputy Commissioner, External and Intergovernmental Affairs  
U.S. Bureau of Reclamation  
1849 C Street NW  
Washington DC 20240-0001

Dear Deputy Commissioner Touton:

I write in support of the City of Morro Bay's application for funding from the Title XVI Program, administered through the U.S. Bureau of Reclamation.

The City is requesting \$20 million to help fund the Morro Bay Water Reclamation Facility (WRF) project. Construction of the project started in March 2020 and is expected to be completed by the fall of 2023. The total project cost is approximately \$138 million with financing provided by the California State Revolving Fund and the United States Environmental Protection Agency's Water Infrastructure Finance and Innovation Act.

The WRF project will produce purified recycled water using advanced treatment, providing Morro Bay residents, businesses, and visitors with a local, reliable water supply. The WRF will treat an annual average flow of 0.97 million gallons of wastewater per day through preliminary, secondary, tertiary, and advanced treatment. At an annual volume of 825 acre-feet per year, the purified water will have the ability to offset approximately 80 percent of the community's water supply and is projected to improve groundwater quality and help address drought in the short- and long-term.

For a small community, like Morro Bay, developing new water supplies is both challenging and expensive. The Title XVI funding would significantly reduce the financial pressure on the City's rate payers and also presents an opportunity for the Bureau to partner with the City on this important project.

I urge you to give the City of Morro Bay's application your full consideration. If you have any questions, please do not hesitate to contact my Fresno office at (559) 485-7430.

Sincerely,

A handwritten signature in blue ink that reads "Dianne Feinstein".

Dianne Feinstein  
United States Senator

DF/ks

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AGENDA NO: A-4

MEETING DATE: April 27, 2021

## Staff Report Addendum

**TO:** Honorable Mayor and City Council

**DATE:** April 27, 2021

**FROM:** Scott Collins, City Manager

**SUBJECT:** Approval of Second Agreement between the San Luis Obispo County Integrated Waste Management Authority ("IWMA"), the Cayucos Sanitary District ("CSD") and the City of Morro Bay ("City") for the operation of a household hazardous waste collection facility at 170 Atascadero Road

### **RECOMMENDATION**

Staff recommends the Council approve and authorize the City Manager to execute the Second Agreement between the San Luis Obispo County Integrated Waste Management Authority ("IWMA"), the Cayucos Sanitary District ("CSD") and the City of Morro Bay for the continued operation of a household hazardous waste collection facility at 170 Atascadero Road through August 5, 2022.

### **ADDENDUM**

The attached revised Agreement includes (2) two redline corrections: 1) the last Whereas statement has been corrected to reflect the term end date of August 5, 2022, which is consistent with item C.1. of the agreement, and 2) the signature line for the IWMA President has been updated.

Prepared By: \_\_\_\_\_

Dept Review: \_\_\_\_

## HOUSEHOLD HAZARDOUS WASTE SECOND AGREEMENT

This Agreement ("Second Agreement") is made and entered into between the **SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY ("IWMA")**, a California joint powers authority agency, on the one hand, and **CAYUCOS SANITARY DISTRICT ("CSD")**, a California special district, and the **CITY OF MORRO BAY ("City")**, a California municipal corporation (together known as "Owner"), on the other hand (all three entities collectively referred to as the "Parties," and individual as warranted as "Party").

### RECITALS

**WHEREAS**, the Parties executed an agreement on April 5, 2000 ("Original Agreement"), whereby Owner leased to IWMA a portion of land at the Owner's facility located at 170 Atascadero Road, Morro Bay, California 93442 and described on "Exhibit 1", which is attached and made a part of this Second Agreement, for the purposes of constructing a permanent household hazardous waste (HHW) collection facility, for a term of ten (10) years; and

**WHEREAS**, the Parties subsequently extended the Original Agreement pursuant to its terms to an expiration date of April 5, 2020; and

**WHEREAS**, the IWMA desires to continue to lease from Owner and Owner desires to continue to lease to IWMA, a portion of land at the Owner's facility located at 170 Atascadero Road, Morro Bay, California 93442, for the purpose of maintaining a HHW collection facility to provide for the convenient and proper management of household hazardous waste; and

**WHEREAS**, the Owner will make its premises available for such use by the IWMA, subject to the terms and conditions of this Second Agreement; and

**WHEREAS**, since the commencement of the Original Agreement on April 5, 2000, the Parties have continued to operate under the terms of that Original Agreement, through the date of the execution of this Second Agreement, and thereafter consistent with the terms of this Second Agreement; and

**WHEREAS**, the Parties expressly affirm a desire to ratify this Second Agreement so as to provide for a continuous operation of the terms of the Original Agreement from April 5, 2020 through August ~~511~~, 2022, except for as provided herein; and

**NOW, THEREFORE**, the Parties do mutually agree as follows:

#### A. TERM

The term of this Agreement shall be from April 5, 2020 to August 5, 2022.

#### B. RESPONSIBILITIES OF THE IWMA

1. A modular storage unit has been placed by the IWMA at the designated HHW collection facility location to be used by IWMA for the acceptance and storage of HHW, pursuant to the

Original Agreement. IWMA affirms the storage unit meets or exceeds applicable fire and hazardous materials storage requirements. The Owner has provided a concrete pad (pursuant to design by IWMA under the Original Agreement) for placement at the HHW collection facility. IWMA shall provide a roll-off box (or equivalent equipment to meet IWMA responsibility for providing waste collection and disposal services for HHW operations) for trash from the facility.

2. The IWMA shall comply, and ensure the HHW collection facility complies, with all federal, state and local statutes, regulations, ordinances, and other laws relating to the operation of a HHW collection facility. IWMA also shall ensure that the transportation and disposal of the HHW collected at the site complies with applicable federal, state, and local statutes, regulations, ordinances, and other laws.
3. The IWMA shall provide all storage and handling equipment necessary for the storage of HHW collected by the IWMA and adequate materials for packing the same. The IWMA, or its contracted, licensed hazardous waste service provider, shall be responsible for collecting HHW from the public and packing the drums for shipment. The IWMA will also label and manifest the drums.
4. The IWMA shall contract with a licensed hazardous waste hauler to remove and dispose of all HHW collected at the site on a regular basis, at least annually, and shall maintain and provide proof of general liability insurance of at least \$1 million to Owner.
5. The IWMA shall be responsible for obtaining all necessary permits for the operation of the HHW collection facility.
6. The IWMA, or its contracted, licensed hazardous waste service provider, shall train personnel as necessary due to changes in law or circumstances, but as least annually.
7. The IWMA shall provide the closure assurance required by State law.
8. IWMA shall keep and maintain the HHW collection facility and surrounding area in good, safe, and sanitary condition, including site cleanup if necessary.

### **C. RESPONSIBILITY OF OWNER**

1. The Owner agrees to lease the designated HHW collection location to the IWMA. The parties agree that the term of the lease shall be for a period commencing on April 5, 2020 through August 5, 2022. The IWMA agrees to pay to Owner annual rent of one dollar (\$1.00) for each year during the term of the Original Agreement and the Second Agreement.
2. The Owner will allow members of the public to have reasonable access to the HHW collections facility for the purpose of disposal of HHW at the collections facility.
3. The Owner will allow the IWMA to have reasonable access to the HHW facility for the purpose of removing the HHW.
4. The Owner shall be responsible for ensuring the structure provided by the IWMA, and the surrounding property, is maintained in a secure, safe and appropriate manner.

#### **D. INDEMNIFICATION**

It is agreed that IWMA shall defend, save harmless, and indemnify the Owner, their officers and employees from any and all liabilities, penalties, and claims for injuries and damages to persons and/or property, which arise out of the terms and conditions of this Agreement and which result from the negligent acts or omissions of the IWMA, its officers, employees, and/or contractors.

It is further agreed that Owner shall defend, save harmless, and indemnify the IWMA, its officers, employees, and contractors from any and all claims for injuries and damages to persons and/or property which arise out of the terms and conditions of this Agreement and which result from the negligent acts or omissions of the Owner, their officers, and/or employees.

IWMA bears and assumes all risk of loss or damage to or destruction of the HHW collection facility, and any other associated fixtures, material, equipment and improvements on the property, from fire, theft or any other casualty as a result of HHW collection activities, whether or not insured; and IWMA shall hold Owner harmless with respect to any such loss, damage or destruction during the term of the Original Agreement and the Second Agreement, as well as name the Owner as an additional insured on the required general liability insurance in an amount of no less than \$1 million.

#### **E. CLEANUP OF SITE**

At the end of this Second Agreement, the IWMA shall remove any and all IWMA equipment, including the storage unit remaining at the facility. Upon expiration or earlier termination of this Second Agreement, IWMA shall promptly remove the HHW collection facility (including, but not limited to, collection structure, office trailer, storage tanks and drums, and any hazardous waste remaining at the facility) and surrender and deliver the property to Owner in as good condition as it was in at the commencement of the Original Agreement. The only item remaining on-site will be the concrete pad, which will become the property of the Owner. If the property and/or the HHW collection facility are damaged in any way or destroyed, IWMA shall at IWMA's sole cost and expense repair, replace, rebuild or restore the property and improvements to substantially the same condition as they were in immediately prior to such destruction or damage.

#### **F. TERMINATION**

This Agreement is subject to the annual appropriation of funds to provide HHW services. If the IWMA fails to appropriate the funds necessary to conduct the program, the Agreement can be terminated with 30 days' notice. The Owner may terminate this Agreement before expiration of its term by giving 30 days' advance written notice of termination to IWMA.

#### **G. COMPLETE AGREEMENT**

This Second Agreement contains the complete agreement between the parties and can only be modified by written amendment.

#### **H. COUNTERPARTS**

This Second Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

## **I. RATIFICATION**

1. Each Party represents and warrants to the other Parties that the Original Agreement is currently effective, valid and binding in each and every one of the respective rights and obligations arising under the Original Agreement, except for as modified by this Second Agreement, whereupon the terms of this Second Agreement shall govern in the event of conflict with the Original Agreement.
2. Each Party represents and warrants to the other Parties an express intent of this Second Agreement is to provide for a continuous and unbroken continuation of the term of the Original Agreement that began on April 5, 2000, through the termination date of this Second Agreement, and that this Second Agreement shall govern in the event of conflict with the Original Agreement.
3. IWMA represents and warrants to Owner that, as of the below date of execution by IWMA of this Second Agreement, Owner is not in default of any material term of the Original Agreement and that there have been no events that, with the passing of time or the giving of notice, or both, would constitute a material default under the Original Agreement by Owner.

**[SIGNATURES ON FOLLOWING PAGE]**

**IN WITNESS WHEREOF**, the Parties have executed this Household Hazardous Waste Second Agreement this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY, a California joint powers authority agency**

\_\_\_\_\_ Date: \_\_\_\_\_  
~~Robert Enns~~Aaron Gomez, President

Approved as to form:

By: \_\_\_\_\_ Date: \_\_\_\_\_  
\_\_\_\_\_

**CITY OF MORRO BAY, a California municipal corporation**

By: \_\_\_\_\_ Date: \_\_\_\_\_  
\_\_\_\_\_

Approved as to form:

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Chris F. Neumeyer, Morro Bay City Attorney

**CAYUCOS SANITARY DISTRICT, a California special district**

By: \_\_\_\_\_ Date: \_\_\_\_\_  
\_\_\_\_\_

Approved as to form:

By: \_\_\_\_\_ Date: \_\_\_\_\_  
\_\_\_\_\_



AGENDA NO: A-4

MEETING DATE: April 27, 2021

# Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** April 20, 2021

**FROM:** Scott Collins, City Manager

**SUBJECT:** Approval of Second Agreement between the San Luis Obispo County Integrated Waste Management Authority (“IWMA”), the Cayucos Sanitary District (“CSD”) and the City of Morro Bay (“City”) for the operation of a household hazardous waste collection facility at 170 Atascadero Road

## RECOMMENDATION

Staff recommends the Council approve and authorize the City Manager to execute the Second Agreement between the San Luis Obispo County Integrated Waste Management Authority (“IWMA”), the Cayucos Sanitary District (“CSD”) and the City of Morro Bay for the continued operation of a household hazardous waste collection facility at 170 Atascadero Road through August 5, 2022.

## ALTERNATIVE

The Council may choose not to approve the agreement and direct staff accordingly.

## FISCAL IMPACT

There are currently minimal staff and operational costs to support the hazardous waste collection work at the 170 Atascadero Road.

## BACKGROUND/DISCUSSION

On April 5, 2000, the IWMA, CSD and City entered into a 10-year agreement to construct and operate a household hazardous waste (HHW) collection facility located at 170 Atascadero Road (site of the current Wastewater Treatment Plant and City Corp yard). 170 Atascadero Road is co-owned by the City and CSD, and the spot on that property for the HHW is leased to IWMA. That agreement was subsequently extended to April 5, 2020. The parties have continued to operate under the terms of the original agreement, and the parties now seek to affirm that operation, as well as extend the term of the agreement through August 5, 2022, through the execution of this Second Agreement before the Council for approval.

At the HHW collection facility the IWMA provides to the public a modular storage unit and a roll-off box used for providing waste collection and proper disposal of household hazardous waste that cannot be safely and properly disposed of in the trash or in the gutter. The Morro Bay HHW collection facility is open to the general public each Saturday from 11:00 a.m. – 3:00 p.m. and accepts household hazardous waste up to 15 gallons or 125 pounds or waste materials free of

Prepared By: DS

Dept Review:    

City Manager Review: SC

City Attorney Review: CFN

charge. The IWMA is responsible for obtaining all necessary permits; compliance with all federal, state and local statutes; and ensures the storage, handling, transportation and disposal of the HHW collected at the site complies with applicable federal, state, and local statutes.

The agreement, if approved, will be extended for one year. That should be sufficient time for the City, CSD and IWMA sufficient time to discuss HHW options moving forward, as the City will be transitioning Utility staff to the new Water Reclamation Facility in late 2022 and the City and CSD discuss the future of 170 Atascadero.

### **CONCLUSION**

Staff recommends the Council approve and authorize the City Manager to execute the Second Agreement between the San Luis Obispo County Integrated Waste Management Authority (“IWMA”), the Cayucos Sanitary District (“CSD”) and the City of Morro Bay for the continued operation of a household hazardous waste collection facility at 170 Atascadero Road through August 5, 2022.

### **ATTACHMENTS**

1. Proposed Second Agreement
2. Amendment to First Agreement
3. First Agreement

## HOUSEHOLD HAZARDOUS WASTE SECOND AGREEMENT

This Agreement ("Second Agreement") is made and entered into between the **SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY ("IWMA")**, a California joint powers authority agency, on the one hand, and **CAYUCOS SANITARY DISTRICT ("CSD")**, a California special district, and the **CITY OF MORRO BAY ("City")**, a California municipal corporation (collectively "Owner"), on the other hand (all three entities collectively referred to as the "Parties," and individual as a "Party").

### RECITALS

**WHEREAS**, the Parties entered into an agreement effective April 5, 2000 ("Original Agreement"), whereby Owner leased to IWMA a portion of land at the Owner's facility located at 170 Atascadero Road, Morro Bay, California 93442 and described on "Exhibit 1", which is attached and made a part of this Second Agreement, for the purposes of constructing a household hazardous waste (HHW) collection facility, for a term of ten (10) years; and

**WHEREAS**, the Parties subsequently extended the Original Agreement pursuant to its terms to an expiration date of April 5, 2020; and

**WHEREAS**, the IWMA desires to continue to lease from Owner and Owner desires to continue to lease to IWMA, a portion of land at the Owner's facility located at 170 Atascadero Road, Morro Bay, California 93442, for the purpose of maintaining a HHW collection facility to provide for the convenient and proper management of household hazardous waste; and

**WHEREAS**, the Owner will make its premises available for such use by the IWMA, subject to the terms and conditions of this Second Agreement; and

**WHEREAS**, since the commencement of the Original Agreement on April 5, 2000, the Parties have continued to operate under the terms of that Original Agreement, through the date of the execution of this Second Agreement, and thereafter consistent with the terms of this Second Agreement; and

**WHEREAS**, the Parties expressly affirm a desire to approve this Second Agreement so as to provide for a continuous operation of the terms of the Original Agreement from April 5, 2020 through August 11, 2022, except as otherwise provided herein; and

**NOW, THEREFORE**, the Parties do mutually agree as follows:

A. The above findings are true and correct and incorporated herein by this reference.

#### B. TERM

The term of this Agreement shall be from April 5, 2020 to August 5, 2022.

#### C. RESPONSIBILITIES OF THE IWMA

1. A modular storage unit has been placed by the IWMA at the designated HHW collection facility location to be used by IWMA for the acceptance and storage of HHW, pursuant to the Original Agreement. IWMA affirms the storage unit meets or exceeds applicable fire and hazardous materials storage requirements. The Owner has provided a concrete pad (pursuant to design by IWMA under the Original Agreement) for placement at the HHW collection facility. IWMA shall provide a roll-off box (or equivalent equipment to meet IWMA responsibility for providing waste collection and disposal services for HHW operations) for trash from the facility.
2. The IWMA shall comply, and ensure the HHW collection facility complies, with all federal, state and local statutes, regulations, ordinances, and other laws relating to the operation of a HHW collection facility. IWMA also shall ensure that the transportation and disposal of the HHW collected at the site complies with applicable federal, state, and local statutes, regulations, ordinances, and other laws.
3. The IWMA shall provide all storage and handling equipment necessary for the storage of HHW collected by the IWMA and adequate materials for packing the same. The IWMA, or its contracted, licensed hazardous waste service provider, shall be responsible for collecting HHW from the public and packing the drums for shipment. The IWMA will also label and manifest the drums.
4. The IWMA shall contract with a licensed hazardous waste hauler to remove and dispose of all HHW collected at the site on a regular basis, at least annually, and shall maintain and provide proof of general liability insurance of at least \$2 million per occurrence to Owner.
5. The IWMA shall be responsible for obtaining all necessary permits for the operation of the HHW collection facility.
6. The IWMA, or its contracted, licensed hazardous waste service provider, shall train personnel as necessary due to changes in law or circumstances, but as least annually.
7. The IWMA shall provide the closure assurance required by State law.
8. IWMA shall keep and maintain the HHW collection facility and surrounding area in good, safe, and sanitary condition, including site cleanup if necessary.

#### **D. RESPONSIBILITY OF OWNER**

1. The Owner agrees to lease the designated HHW collection location to the IWMA. The parties agree that the term of the lease shall be for a period commencing on April 5, 2020 through August 5, 2022. The IWMA agrees to pay to Owner annual rent of one dollar (\$1.00) for each year during the term of the Original Agreement and the Second Agreement.
2. The Owner will allow members of the public to have reasonable access to the HHW collections facility for the purpose of disposal of HHW at the collections facility.
3. The Owner will allow the IWMA to have reasonable access to the HHW facility for the purpose of removing the HHW.

4. The Owner shall be responsible for ensuring the structure provided by the IWMA, and the surrounding property, is maintained in a secure, safe and appropriate manner.

#### **E. INDEMNIFICATION**

It is agreed that IWMA shall defend, save harmless, and indemnify the Owner, their officers and employees from any and all liabilities, penalties, and claims for injuries and damages to persons and/or property, which arise out of the terms and conditions of this Agreement and which result from the negligent acts or omissions of the IWMA, its officers, employees, and/or contractors.

It is further agreed that Owner shall defend, save harmless, and indemnify the IWMA, its officers, employees, and contractors from any and all claims for injuries and damages to persons and/or property which arise out of the terms and conditions of this Agreement and which result from the negligent acts or omissions of the Owner, their officers, and/or employees.

IWMA bears and assumes all risk of loss or damage to or destruction of the HHW collection facility, and any other associated fixtures, material, equipment and improvements on the property, from fire, theft or any other casualty as a result of HHW collection activities, whether or not insured; and IWMA shall hold Owner harmless with respect to any such loss, damage or destruction during the term of the Original Agreement and the Second Agreement, as well as name the Owner as an additional insured on the required general liability insurance in an amount of no less than \$2 million per occurrence.

#### **F. CLEANUP OF SITE**

Upon expiration or earlier termination of this Second Agreement, IWMA shall promptly remove the HHW collection facility and all IWMA equipment (including, but not limited to, collection structure, office trailer, storage tanks and drums, and any hazardous waste remaining at the facility) and surrender and deliver the property to Owner in as good condition as it was in at the commencement of the Original Agreement. The only item remaining on-site will be the concrete pad, which will become the property of the Owner. If the property and/or the HHW collection facility are damaged in any way or destroyed, IWMA shall at IWMA's sole cost and expense repair, replace, rebuild or restore the property and improvements to substantially the same condition as they were in immediately prior to such destruction or damage.

#### **G. TERMINATION**

This Agreement is subject to the annual appropriation of funds to provide HHW services. If the IWMA fails to appropriate the funds necessary to conduct the program, the Agreement can be terminated with 30 days' notice. The Owner may terminate this Agreement before expiration of its term by giving 30 days' advance written notice of termination to IWMA.

#### **H. COMPLETE AGREEMENT**

This Second Agreement contains the complete agreement between the parties and can only be modified by written amendment signed by all parties.

#### **I. COUNTERPARTS**

01181.0001/689415.1

**HOUSEHOLD HAZARDOUS WASTE SECOND AGREEMENT BETWEEN IWMA, CSD AND MORRO BAY**

Page 3 of 5

This Second Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

**J. RATIFICATION**

1. Each Party represents and warrants to the other Parties that the Original Agreement is currently effective, valid and binding in each and every one of the respective rights and obligations arising under the Original Agreement, except as modified by this Second Agreement, whereupon the terms of this Second Agreement shall govern in the event of conflict with the Original Agreement.
2. Each Party represents and warrants to the other Parties an express intent of this Second Agreement is to provide for a continuous and unbroken continuation of the term of the Original Agreement that began on April 5, 2000, through the termination date of this Second Agreement, and that this Second Agreement shall govern in the event of conflict with the Original Agreement.
3. IWMA represents and warrants to Owner that, as of the below date of execution by IWMA of this Second Agreement, Owner is not in default of any material term of the Original Agreement and that there have been no events that, with the passing of time or the giving of notice, or both, would constitute a material default under the Original Agreement by Owner.

**[SIGNATURES ON FOLLOWING PAGE]**

IN WITNESS WHEREOF, the Parties have executed this Household Hazardous Waste Second Agreement this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY, a California joint powers authority agency**

\_\_\_\_\_ Date: \_\_\_\_\_  
Aaron Gomez, President

Approved as to form:

By: \_\_\_\_\_ Date: \_\_\_\_\_  
\_\_\_\_\_

**CITY OF MORRO BAY, a California municipal corporation**

By: \_\_\_\_\_ Date: \_\_\_\_\_  
\_\_\_\_\_

Approved as to form:

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Chris F. Neumeyer, Morro Bay City Attorney

**CAYUCOS SANITARY DISTRICT, a California special district**

By: Rick Koon Date: 03-30-21  
District Manager

Approved as to form:

By: Tim J. Carmel Date: 4.2.2021  
Timothy J. Carmel, District Counsel

**AMENDMENT TO THE  
HOUSEHOLD HAZARDOUS WASTE AGREEMENT**

**THIS AMENDMENT** shall amend the HOUSEHOLD HAZARDOUS WASTE AGREEMENT dated April 5, 2000 by and between the **SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY (“IWMA”)**, on the one hand, and **CAYUCOS SANITARY DISTRICT, a California special district, and the CITY OF MORRO BAY, a California municipal corporation (together known as “Owner”)**, on the other hand (all three entities collectively referred to as the “Parties”), and is effective as of April 5, 2010.

**RECITALS**

**WHEREAS**, the Parties executed the original agreement on April 5, 2000 (“Agreement”), whereby Owner leased to IWMA a portion of land at the Owner’s facility located at 170 Atascadero Road, Morro Bay, California, 93442, for the purposes of constructing a permanent household hazardous waste (HHW) collection facility, for a term of ten (10) years; and

**WHEREAS**, Section B.1. of the Agreement provides the option to extend the Agreement for an additional period of ten (10) years from the original expiration date of the Agreement; and

**WHEREAS**, the original expiration date of the Agreement was April 5, 2010; and

**WHEREAS**, it cannot be definitively confirmed by the Parties whether or not an amendment to extend the term of the Agreement was executed prior to the original expiration date; and

**WHEREAS**, the Parties, by their actions subsequent to April 5, 2010, have affirmed a clear and unambiguous desire to exercise the option to extend the term of the Agreement prior to its expiration date; and

**WHEREAS**, the Parties expressly affirm that the desire of the Parties is to ratify an extension of the term of Agreement by ten years starting on April 5, 2010, to continue through April 4, 2020, as well as to expressly affirm thereby a continuous unbroken term for the Agreement from April 5, 2000 through April 4, 2020 (subject to conditions of the Agreement);

**WHEREAS**, the Parties now desire to amend the Agreement by this Amendment to provide for a total term of twenty years for the Agreement for period of time from April 5, 2000 through and including April 4, 2020.

**NOW, THEREFORE**, the Parties do mutually agree as follows:

1. The above going recitals are true, correct and are hereby incorporated in their entirety into this Agreement.

2. The Parties agree to extend the term of the Agreement for an additional ten (10) years, as if executed prior to the original expiration date of the Agreement, making the new expiration date April 5, 2020.
3. In all other aspects, the HOUSEHOLD HAZARDOUS WASTE AGREEMENT dated April 5, 2000 shall remain unchanged and in full force and effect.
4. The Parties ratify and reaffirm each and every one of the respective rights and obligations arising under the Agreement. Each party represents and warrants to the other that there have been no written or oral modifications to the Agreement other than as provided herein. Each party represents and warrants to the other that the Agreement is currently an effective, valid, and binding obligation.
5. IWMA represents and warrants to Owner that, as of the below date of execution by IWMA of this Amendment, Owner is not in default of any material term of the Agreement and that there have been no events that, with the passing of time or the giving of notice, or both, would constitute a material default under the Agreement by Owner.

IN WITNESS WHEREOF, the Parties have executed this Amendment this 8<sup>th</sup> day of February, 2019.

San Luis Obispo County  
Integrated Waste Management Authority

By:  \_\_\_\_\_ Date: 2/8/2019

Jeff Lee, President

City of Morro Bay

By:  \_\_\_\_\_ Date: 2/22/19

Cayucos Sanitary District

By:  \_\_\_\_\_ Date: 02-21-19

DISTRICT MANAGER

# HOUSEHOLD HAZARDOUS WASTE AGREEMENT

THIS AGREEMENT is made and entered into between the San Luis Obispo County Integrated Waste Management Authority, hereinafter called "IWMA," and City of Morro Bay and Cayucos Sanitary District, hereinafter referred to as "Owner."

## RECITALS

WHEREAS, the IWMA desires to lease from Owner, a portion of land at the Owner's facility located at 170 Atascadero Road, Morro Bay, California 93442 and described on "Exhibit 1", which is attached and made a part of this Agreement, for the purposes of constructing a permanent household hazardous waste (HHW) collection facility; and

WHEREAS, The Owner will make its premises available for such use by the IWMA, subject to the terms and conditions of the Agreement; and

WHEREAS, the IWMA and the Owner desire to provide a HHW collection facility to provide for the convenient and proper management of household hazardous waste.

NOW, THEREFORE, the parties do mutually agree as follows:

### A. RESPONSIBILITIES OF THE IWMA

1. The IWMA shall design a concrete pad for placement of a HHW collection facility.
2. The IWMA shall provide and place at the designated HHW collection facility location modular structures to be used by IWMA for the acceptance and storage of HHW pursuant to the Agreement. The structures shall meet or exceed applicable fire and hazardous materials storage requirements. IWMA will also provide a roll-off box for trash from the facility.
3. The IWMA shall provide all storage and handling equipment necessary for the storage of HHW collected by the IWMA and adequate materials for packing the same.
4. The IWMA shall be responsible for collecting HHW from the public and packing the drums for shipment. The IWMA will also label and manifest the drums.
5. The IWMA shall contract with a licensed hazardous waste hauler to remove and dispose of all HHW collected by IWMA on a regular basis, at least annually.
6. The IWMA shall be responsible for obtaining all necessary permits for the construction and operation of the HHW collection facility.
7. The IWMA shall train personnel prior to initiation of collection services, and as necessary thereafter due to changes in law or circumstances, but at least annually.

8. The IWMA shall provide the closure assurance required by State Law.
9. The IWMA shall provide general liability insurance of at least \$1 million.

**B. RESPONSIBILITY OF THE OWNER**

1. The Owner agrees to lease the designated HHW collection location to the IWMA. The parties agree that the term of the lease shall be for a period of 10 years commencing on the date of this signed agreement. The IWMA agrees to pay to Owner annual rent on one dollar (\$1.00) for each year during the term of this lease. The parties agree that the IWMA shall, if not then in default of this Agreement, have an option to extend the term of this Agreement for an additional period of ten (10) years from the original expiration date of this Agreement.
2. The Owner shall be responsible for ensuring the structure provided by the IWMA, and the surrounding property, is maintained in a secure, safe and appropriate manner.
3. The Owner will allow the public and IWMA to have access to the HHW facility on the schedule established by the IWMA.

**C. INDEMNIFICATION**

It is agreed that IWMA shall defend, save harmless, and indemnify the Owner, their officers, and employees from any and all claims for injuries and damages to persons and/or property which arise out of the terms and conditions of this Agreement and which result from the negligent acts or omissions of the IWMA, its officers and/or employees.

It is further agreed that the Owner shall defend, save harmless, and indemnify the IWMA, its officers, and employees from any and all claims for injuries and damages to persons and/or property which arise out of the terms and conditions of this Agreement and which result from the negligent acts or omissions of the Owner, their officers and/or employees.

**D. CLEAN UP OF SITE**

At the end of this Agreement, the IWMA shall remove any and all of IWMA's equipment, including collection structure, office trailer, storage tanks and drums, and any household hazardous waste remaining at the facility. The only item remaining on-site will be the concrete pad which will become the property of the Owner.

**E. TERMINATION**

This Agreement is subject to the annual appropriation of funds to provide HHW services. If the IWMA fails to appropriate the funds necessary to conduct the program, then the Agreement can be terminated with 30 days notice.

**F. COMPLETE AGREEMENT**

This Agreement contains the complete agreement between the parties and can only be modified by written amendment.

IN WITNESS WHEREOF, the parties have executed this Agreement this \_\_\_\_ day of March 2000.

San Luis Obispo County  
Integrated Waste Management Authority

By: Michael P. Ryan Date: March 8, 2000  
Michael P. Ryan, President

City of Morro Bay

By: Robert J. Miller Date: 4-5-00

Cayucos Sanitary District

By: Robert B. Evans Date: 5 April 00

Approved as to form and legal effect:

By: R. Biering Date: 3/8/00  
Raymond A. Biering, IWMA Counsel

C:\VWMA\CONTRACT\Morro Bay & Cayucos HHW Agreement 3-8-00.wpd

EXHIBIT 1

Cardboard & Trash Bins  
Empty Drum Storage  
Waste Oil Tank  
Auxiliary Storage Shed

Scale  
1 inch = 20 feet

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AGENDA NO: B-1

MEETING DATE: April 27, 2021

# Staff Report

**TO:** Honorable Mayor and City Council      **DATE:** April 22, 2021

**FROM:** Scot Graham, Community Development Director  
Cindy Jacinth, Senior Planner

**SUBJECT:** Public Hearing for Consideration of Plan Morro Bay: General Plan / Local Coastal Program Update and the Final Environmental Impact Report and Related Documents and to Provide Direction, as deemed appropriate

## **RECOMMENDATION**

Staff recommends the Council hold a public hearing to review and consider the favorable recommendation by Planning Commission for approval of Plan Morro Bay: General Plan/ Local Coastal Program Update, and certification of the Final Environmental Impact Report with Findings of Fact, a Statement of Overriding Considerations and Mitigation Monitoring and Reporting Program.

## **ALTERNATIVES**

1. The City Council may move to direct staff to make additional edits to the Plan Morro Bay document.
2. The City Council may direct the Planning Commission to re-review and provide additional review in response to public comments received or Council desired changes.

## **FISCAL IMPACT**

Direct costs = approximately \$1,170,000 were spent over the entirety of the update process, which began in 2015 (\$662,000 is grant funded by Coastal Commission and Ocean Protection Council)  
Indirect (staff time) = approximately \$300,000

## **DISCUSSION / BACKGROUND:**

Plan Morro Bay is the City's update of its General Plan and Local Coastal Program (LCP) Land Use Plan (LUP). Plan Morro Bay combines the City's existing 1988 General Plan and 1984 LCP into one updated comprehensive document. Currently the City's General Plan comprises seven separate Elements (Housing Element adopted separately in 2020) and the City's Coastal Land Use Plan comprises twelve separate chapters, which combined, total over 1100 pages. The goal of the combined GP/LCP is to improve the ease of use, update policies to reflect current practices, be consistent with current state and federal legislation, and most importantly reflect the goals and vision of the community moving into the future. To see how each GP Element and LCP Chapters were updated or changed, a [comparison chart was created](#). In some cases, Element/Chapter names remained the same, and in other cases, names were revised to reflect modern standards and community input.

Plan Morro Bay was developed through extensive public outreach and involvement since the project kick-off in 2015. This was reflected in multiple public workshops, focus group meetings, development of a visioning and values statement, dozens of General Plan Advisory Committee (GPAC) meetings, many Planning Commission (PC) meetings and prior joint PC/City council meetings, as well as stakeholder interviews, both online and mailed surveys, water billing insert announcements, and multiple in-person meetings and phone conferences with Coastal Commission staff to coordinate

priority Coastal Act issues.

The [Public Draft](#) of Plan Morro Bay was released in 2018 and the PC held five public hearings to review and provide comment. Edits and comments from the PC along with comments, and feedback from Coastal Commission staff's early review were incorporated into an Adoption Hearing Draft in October 2020. On March 16, 2021 after six public hearings on the Adoption Hearing draft, the PC unanimously forwarded a favorable recommendation to City Council for adoption of Plan Morro Bay and recommendation for certification of the Environmental Impact Report (EIR). The Adoption Hearing Draft document reflects input received through public comment, GPAC, PC, and Coastal Commission staff.

### **COMMUNITY INPUT**

Since the project's inception, Plan Morro Bay has been informed by community input both from local residents, public comments given during public meetings, written correspondence, property owners, business input from the Chamber of Commerce as well as from the Embarcadero leaseholders. The public input, GPAC, PC, and Coastal Commission input received was all compiled into comment summaries (Online Links #2 and #4) which includes the comment/correction with staff response, and where the corresponding edit was made or explanation if not edited due to conflicts.

Since the March 16, 2021 PC meeting, additional public correspondence has been received and is included as Attachment 3a. This includes a support letter from Coastal Commission staff dated April 16, 2021. City staff collaborated with Coastal Commission staff with the goal to streamline the process in order to assist with the Coastal Commission certification of the LCP. Coastal Commission staff support the document noting the updated Plan "...is a really strong one that should ably serve the City..." and protect our "...immense coastal resources into the future."

The Morro Bay Chamber of Commerce's Government Affairs Committee (GAC) also provided additional comments on the Adoption Draft of Plan Morro Bay after the PC formally completed their review of the document on March 16, 2021. Their letter is included as Attachment 3c. Staff prepared a spreadsheet summary of their letter (Attachment 4) along with a staff response. The GAC comments cover multiple categories including Housing, Land Use, the Embarcadero, Circulation, and the Power Plant site. The GAC provided comment earlier in the process and those comments were reviewed by the PC and are reflected in the spreadsheets. In some instances where requested edits conflicted with prior community input, or GPAC & PC input, those requested edits were not made and that is noted on the spreadsheet Attachment 4. Where GAC recommendations are feasible to include such as by editing the Implementation Actions, these comments are provided below followed by staff response.

Overall, the City Council will need to decide what revisions to Plan Morro Bay, if any, are desired.

#### ***Chamber of Commerce GAC comment letter dated March 22, 2021:***

1. **GAC:** *Develop prototypical plans for infill/transition areas in downtown area and delete mixed-use residential overlay at Power Plant site because proposed land uses are not permitted by existing and proposed government and private land use deed restrictions*

**Staff Response:** Development of prototypical plans could be accomplished as an Implementation Action. Land uses proposed at the Power Plant site are the outcome of direct public engagement, GPAC, PC, and prior Council direction. Residential uses can be allowed through remediating the site to a level that allows residential uses and changes the classification with the Department of Toxic

Substance Control (DTSC). The agreements with PG&E can also be altered if the site is cleaned, to allow for residential uses. Vistra has indicated they have been having these discussions with both DTSC and PG&E.

- 2. GAC:** *Circulation Element Figures CIR-1A, CIR-1B, and CIR-4 should be amended to provide for adequate vehicular, pedestrian, and bicycle access, and emergency access.*

**Staff Response:** The revised figures proposed by the GAC are referencing the Power Plant site and the Waste Water Treatment Plant (WWTP) area. The master planning processes for both the Power Plant site and existing WWTP site could include this need for additional access as this would be a requirement of any future master plan or development. Implementation Actions could be added for both master plans or to just policies LU-5.4 and 5.5.

- 3. GAC:** *Make revisions to Circulation Element narrative and Implementation Action CIR-4 to state that the City shall pursue development of other local financing methods such as an Enhanced infrastructure Financing District (EIFD).*

**Staff Response:** Implementation Action CIR-4 could be revised to add an EIFD.

- 4. GAC:** *Goal CIR-1, Implementation Action CIR-9 should include the Harborwalk.*

**Staff Response:** The Harborwalk could be added to Implementation Action CIR-9. This is consistent with this goal of improving circulation in a variety of ways.

- 5. GAC:** *The City should establish Level of Service (LOS) for vehicle, transit, pedestrian, and bicycle modes of transportation.*

**Staff Response:** These edits were not discussed by GPAC or PC. Implementation Action CIR-15 requires City to adopt LOS and VMT as the standard for monitoring transportation impacts. The City has an existing Bike and Pedestrian Master Plan. Upon Council direction, this could be added to Policy CIR-3.1, Implementation Action CIR-15, or could be added to the City's existing Bike and Pedestrian Master Plan.

- 6. GAC:** *The City should establish a Level of Service (LOS) for determining adequacy of pedestrian facilities, including the Harborwalk. The City should remedy this by including LOS standards in the General Plan for vehicle, pedestrian, transit, and bicycle modes of transportation.*

**Staff Response:** Policy CIR-3.1 and IA CIR-15 requires the City to adopt an LOS standard but does not reference the Harborwalk. This could be added to Circulation Element or included in Complete Street Plan CIR-10 or include in an update of the existing Bike & Pedestrian Master Plan.

- 7. GAC:** *Small portions of the Power Plant property or adjacent properties should be designated as Visitor-Serving Commercial only to a scale that is needed to sustain the community to 2040 with the balance of the property to be held in 'reserve' or allowed to develop to other uses, including energy production, storage, and transmission.*

**Staff Response:** The land uses proposed at the Power Plant site are the result of community engagement, public workshops, GPAC input, and PC and prior City Council direction. This change would require a revision to the Circulation Element, traffic model, and EIR, which would create several months of delay at minimum and could jeopardize grant funding deadlines. Alternatively, issues could

also be addressed/discussed through the required Master Plan process for this site which will also require community engagement and public workshops thereby ensuring broad consensus on the future direction of the site. Language could be added to the Implementation section requiring the Master Plan for the Power Plant to take this into consideration.

8. **GAC:** *The City's Triangle Lot (south of the Power Plant site) should be designated as visitor-serving commercial.*

**Staff Response:** The Triangle Lot has many competing interests. This change would require significant public outreach and is not something that was discussed through the Land Use decision-making process by GPAC, PC, and public comment received. Alternatively, Council could direct to include this discussion in the Power Plant Master Plan (Policy LU-5.4).

9. **GAC:** *The portions of the property north of the main entrance of the Power Plant building/switchyard and south of Morro Creek should be changed to a designation that permits energy storage, energy transmission, energy production and general industrial uses.*

**Staff Response:** The land uses proposed at the Power Plant site are the result of community engagement, public workshops, GPAC input, and PC and prior City Council direction. Council could direct that change be made to recognize battery storage projects as an allowed use in this area. Consultation with Coastal Commission staff on this topic is pending.

10. **GAC:** *We further recommend and request that the City prepare a comprehensive Specific Plan for the Waterfront that distills all of the relevant design regulations into one document, rather than having those requirements (some of which are conflicting), in the Waterfront Master Plan, the Zoning Ordinance, General Plan design regulations and standards, the Downtown Waterfront Strategic Plan, the Economic Development Strategic Plan, and other documents.*

**Staff Response:** This is included with Implementation Action (IA) LU-21 and will be accomplished with the updating of the Waterfront Master Plan. The IA could be updated to consider language change related to consolidation of design guidelines from the referenced plans into the updated Waterfront Master Plan.

## **ANALYSIS**

The ten items above reflect staff's review of the Chamber GAC letter and recommendations where modifications to Implementation Actions could be made. Attachment 4 includes a more detailed response to each of the areas of the GAC's March 22, 2021 letter. Staff has also met with GAC members on multiple occasions to review and discuss the Plan and provide additional information. In addition, PC also reviewed prior Chamber comments and testimony at prior PC public hearings. The policies of the Plan have been developed based on community outreach, stakeholder engagement, GPAC input, PC direction, and coordination with Coastal Commission staff so as not to create Coastal Act conflicts.

## **ENVIRONMENTAL IMPACT REPORT**

An Environmental Impact Report (EIR) has been prepared pursuant to the requirements of the California Environmental Quality Act (CEQA) (Public Resource Code Section 21080[d]) and the *State CEQA Guidelines* (14 California Code of Regulations Section 15063), evaluating potential environmental effects that may result from the proposed Plan Morro Bay General Plan and Local Coastal Program (LCP) Update Project.

The Final EIR (FEIR) is available online at the following link:

<https://www.morrobayca.gov/DocumentCenter/View/15199/Morro-Bay-GPU-FEIR-February-2021>.

Before the City Council can adopt the GP/LCP, it must first certify the FEIR:

- Has been completed in compliance with CEQA;
- Was presented to the City Council who received and considered it prior to approving the project; and
- Reflects the City's independent judgement and analysis.

Section 15004 of the CEQA guidelines states before the approval of any project subject to CEQA, the Lead Agency must consider the FEIR document. The FEIR incorporates Chapter 8: Responses to Comments as a continuation of the Draft EIR.

#### **CEQA Process:**

A Notice of Preparation (NOP) for the Draft EIR was prepared and circulated for public review for a 30-day period from November 7, 2017 to December 7, 2017. The City also held a public scoping meeting on November 21, 2017 at the Veterans Memorial Building to provide members of the public and public agencies an opportunity to review and provide comment on the scope and content of the environmental review. The Notice of Availability (NOA) for the Draft EIR was posted on October 16, 2020 with the State Clearinghouse and a public copy of the Draft EIR was made available online at <http://morrobayca.gov/DocumentCenter/View/14904/Draft-EIR-Plan-Morro-Bay> and also available at City offices at the Community Development Department for public review. A paper copy of the EIR was unable to be made available at the Morro Bay Library as is customary due to pandemic-related closure.

The Draft EIR was prepared and circulated for a 45-day public review period from October 19, 2020 to December 4, 2020. The FEIR is comprised of the revised Draft EIR, in combination with responses to all written and verbal comments received on the Draft EIR. Both the Draft and the FEIR, Responses to Comments, and Appendices are available online at [www.morrobayca.gov/planmb](http://www.morrobayca.gov/planmb).

CEQA Guidelines Section 15088 requires the City, as Lead Agency, to evaluate comments on significant environmental issues received on the Draft EIR and to provide written responses. The City has incorporated written responses into Chapter 8 of the FEIR.

The City has prepared the FEIR and made it available to commenters and the public in general at the following locations:

- City of Morro Bay Plan Morro Bay website: [www.morrobayca.gov/planmb](http://www.morrobayca.gov/planmb)
- Morro Bay Community Development Department

Prior to considering approval of the Plan Morro Bay: General Plan/LCP Update project, the City, as Lead Agency, and more specifically the City Council, must review and certify the FEIR. Once the Final EIR is certified, the City Council may consider adoption of the Plan.

#### **Program EIR (CEQA Guidelines Section 15168)**

As a programmatic EIR, the FEIR for the proposed General Plan and LCP Update provides an analysis of potential impacts of all construction, operational and routine maintenance actions and activities reasonably foreseeable with implementation of the General Plan and LCP Update. The FEIR

is as an informational document for use in the City's review and consideration of the proposed General Plan and LCP Update. As a programmatic document, the FEIR presents and discloses a region-wide assessment of the environmental impacts of the General Plan and LCP Update.

An overall summary of the FEIR Project Description, Summary of Impacts and Mitigation Measures, and Alternatives is attached as Exhibit B. The FEIR identifies environmental impacts for each environmental topic described in the State CEQA Guidelines, any required mitigation measures, and the level of significance after mitigation. This includes Class 1 – Significant and Unavoidable Impacts, Class II – Significant but Mitigable Impacts and Required Mitigation, and Class III – Less than Significant Impacts. An Alternatives Analysis was also prepared and evaluated in the FEIR.

**Findings and Statement of Overriding Considerations:**

Included as Attachment 1 to proposed Resolution No. 20 (21) are the Findings of Fact and Statement of Overriding Considerations prepared for the project, pursuant to CEQA Guidelines sections 15091 and 15093, respectively. Attached 2 to that Resolution is the Mitigation Monitoring and Reporting Program prepared for the project, pursuant to CEQA Guidelines section 15097.

The Statement of Overriding Considerations is required due to the Significant and Unavoidable impacts of the project, which are Air Quality and Transportation impacts, and which are discussed in the FEIR. The Mitigation Monitoring and Reporting Program, is also included as Appendix G of the FEIR Appendices available as Online Attachment 3 below. The FEIR found significant but mitigable impacts related to Air Quality, Biological Resources, Cultural Resources, Noise, Transportation, and Tribal Cultural Resources.

**PUBLIC NOTICE:**

Notice of a public hearing on this item was published in the Tribune newspaper on April 16, 2021 as a 1/8<sup>th</sup> page legal display ad. The notice invited the public to attend the hearing and express any comments or concerns they may have regarding the proposed project.

**COUNCIL REVIEW PROCESS AND CONCLUSION**

In order to provide adequate review time for the Council, staff is anticipating review of Plan Morro Bay and the FEIR will be heard over three public hearings (4/27, 5/11, and 5/25), with two hours for each meeting allocated to review of the Plan. Staff recommends Council hear the staff presentation, review the Plan and FEIR and provide direction to staff for edits, or final adoption of Plan Morro Bay and certify the FEIR and Statement of Overriding Considerations. The culmination of the process would be certification of the FEIR with Findings of Fact, approval of the General Plan/ Local Coastal Program Update and adoption of a Statement of Overriding Considerations and Mitigation Monitoring Program. If approved by Council, then the next step in the process would be to submit Plan Morro Bay for certification by Coastal Commission at a future Commission public hearing.

The comment summaries noted below in the Attachments and Links sections should be used to assist in review of Plan Morro Bay as they show the issues that were raised throughout the review process and they document the evolution of the Plan. Staff suggests the Council review the Blueprint portion of the plan on April 27<sup>th</sup>, the FEIR on May 11<sup>th</sup> and possibly commence review of the Greenprint and finalize review of the Plan on May 25<sup>th</sup>.

## **ATTACHMENTS**

1. City Council Resolution No. 20-21
2. PC Resolution 06-21 adopted March 16, 2021
3. Correspondence Received
  - a. Coastal Commission letter dated April 16, 2021
  - b. PC Vice-Chairperson Susan Stewart email dated March 18, 2021
  - c. Morro Bay Chamber of Commerce Government Affairs Committee (GAC) letter received March 22, 2021
4. Comment Spreadsheet Summary response to GAC
5. PowerPoint Presentation

## **ONLINE LINKS:**

1. [Adoption Hearing Draft Plan Morro Bay, City Council version April 2021](#)
2. [Comment summaries /matrices of document edits of Hearing Draft](#)
3. [Planning Commission staff report and attachments, March 16, 2021 hearing](#)
4. Comment summaries for Public Draft Public Hearings
  - a. [GPAC Comments on Public Draft](#)
  - b. [Planning Commission and Public Comments on Public Draft](#)
  - c. [Coastal Commission comments on Public Draft](#)
5. [Final Environmental Impact Report, February 2021](#)
6. [EIR Appendices](#)

**RESOLUTION NO. 20-21**

**A RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA  
CERTIFYING THE FINAL ENVIRONMENTAL IMPACT  
REPORT AND ADOPTING (i) FINDINGS OF FACT, (ii) A  
STATEMENT OF OVERRIDING CONSIDERATIONS, (ii) A  
MITIGATION MONITORING & REPORTING PROGRAM  
AND (iv) PLAN MORRO BAY: GENERAL PLAN/LOCAL  
COASTAL PROGRAM UPDATE PROJECT**

**THE CITY COUNCIL  
City of Morro Bay, California**

**WHEREAS**, on November 7, 2017 the City issued a Notice of Preparation of an Environmental Impact Report (EIR) for the General Plan/ Local Coastal Program Update project, also known as Plan Morro Bay (Project) for a 30 day period from November 7, 2017 to December 7, 2017; and

**WHEREAS**, a public scoping meeting was held on November 21, 2017 at the Veteran's Memorial Building at 209 Surf Street in Morro Bay;

**WHEREAS**, on October 16, 2020, a Notice of Availability of the Draft EIR (SCH#2017111026) for the Project was posted with the State Clearinghouse. It was also circulated to federal, state, and local agencies and interested parties requesting a copy. Copies of the Draft EIR were also made available to the public at the following location:

- City of Morro Bay Plan Morro Bay website: [www.morrobayca.gov/planmb](http://www.morrobayca.gov/planmb)
- City Community Development Department: 955 Shasta Avenue, Morro Bay

**WHEREAS**, the Draft EIR was prepared and circulation for a 45 day public review period from October 19, 2020 to December 4, 2020; and

**WHEREAS**, on February 8, 2021, (i) Responses to Comments were prepared for all comments received on the Draft EIR and posted to the City website and (ii) a Final EIR for the Plan Morro Bay General Plan/ Local Coastal Program Update project (SCH#2017111026) which incorporates the DEIR and responses to written comments on the DEIR, was completed and released for public review;

**WHEREAS**, duly noticed public hearings for the Public Draft of Plan Morro Bay were held by Planning Commission on August 7, 2018, August 23, 2018, September 4, 2018, December 4, 2018, and December 18, 2018; and

**WHEREAS**, duly noticed public hearings for the Adoption Hearing Draft were held by Planning Commission on October 20, 2020, November 4, 2020, November 17, 2020, December 1, 2020, and December 15, 2020; and

**WHEREAS**, the Planning Commission of the City of Morro Bay conducted a public hearing via video conference on March 16, 2021 for the purpose of considering a favorable recommendation to the Morro Bay City Council for adoption of Plan Morro Bay: General Plan/Local Coastal Program Update project and recommendation to certify the Final Environmental Impact Report (FEIR) (“Project”); and

**WHEREAS**, the City Council of the City of Morro Bay (the “City”) conducted a public hearings via video conference on April 27, 2021, May 11, 2021, and May 25, 2021, for the purpose of considering the favorable recommendation by the Planning Commission and for purposes of adoption of Plan Morro Bay: General Plan/Local Coastal Program Update project and certification of the Final Environmental Impact Report (FEIR) (“Project”); and

**WHEREAS**, pursuant to the Governor's Executive Order N-29-20 issued on March 17, 2020 in response to the present State of Emergency in existence due to the threat of COVID-19, the City of Morro Bay Planning Commission is authorized to hold public meetings via teleconferencing and all requirements in the Brown Act expressly or impliedly requiring the physical presence of members, the clerk or other personnel of the body, or of the public as a condition of participation in or quorum for a public meeting are hereby waived; and

**WHEREAS**, notice of the public hearing was provided at the time and in the manner required by law; and

**WHEREAS**, the City Council has duly considered all evidence, including the written and oral staff report, presentation, public testimony on the FEIR and the Project, and whether the FEIR should be certified and whether the Project should be approved; and

**WHEREAS**, the written staff report regarding the FEIR and the Project are found to be true and accurate in all respects and is incorporated herein by this reference;

**WHEREAS**, prior to the final consideration and any possible approval of any and all physical aspects of the Project, as analyzed by the FEIR, the City Council and all City legislative bodies involved with the Project will consider the FEIR and the City Council recommends all other governmental agencies and legislative bodies that must review or approve, if at all, the Project do the same; and

**WHEREAS**, the City Council has completed review of the FEIR and related materials.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Morro Bay as follows:

**Section 1:** The foregoing recitals are true and correct and incorporated herein.

**Section 2:** Based on substantial evidence, both written and oral, from the public meeting and in the record of proceedings, and the City Council's independent judgment, the City Council makes the following findings and takes the following actions with respect to the FEIR:

- A. The City Council has independently reviewed and considered the FEIR, including the comments received on the FEIR during the public review, and the responses to those comments.
- B. The FEIR reflects the City's and the City Council's independent judgment and is found and determined to have been completed in compliance with CEQA, and is adequate for the Project.
- C. The FEIR is found and determined to have demonstrated, with implementation of the mitigation measures described in the FEIR, the Project, if approved by the City Council and all other required governmental agencies and legislative bodies, will have no significant effect on the environment, except as discussed in Section 2. F., below.
- D. The FEIR is found and determined to have satisfied the requirements of CEQA and a Mitigation Monitoring and Reporting Program (MMRP) has been prepared to ensure effective implementation and enforcement of all adopted mitigation measures for the Project.
- E. The MMRP for the Project is hereby adopted, in order to mitigate or avoid significant effects on the environment, and further, the City Council:
  - 1. commits the MMRP will be included, as conditions of approval, expressly or by reference, for all approvals, if any, of the Project by the Morro Bay City Council, Planning Commission and other City legislative bodies and staff and
  - 2. recommends all other governmental agencies and legislative bodies that must review, approve, or issue permits for, the Project do so as well.
- F. As analyzed and determined in the FEIR, the project would result in significant and unavoidable impacts to air quality and transportation that would not be reduced to less than significant levels even with mitigation. Based on that analysis, as required by CEQA section 15093, a statement of overriding considerations (SOC) has been prepared.

**Section 3:** The documents and other materials that constitute the record of proceedings upon which adoption of this Resolution is based, are in the custody of the City of Morro Bay, Community Development Department, Planning Division, 955 Shasta Avenue, Morro Bay, CA 93442. The custodian of those documents is Scot Graham, Community Development Director.

**Section 4:** Based upon all the foregoing, pursuant to CEQA, the City Council adopts

- A. the CEQA Findings of Fact, attached hereto as part of Attachment 1, and incorporated herein by this reference,
- B. the SOC, attached hereto as part of Attachment 1, and incorporated herein by this reference

C. the MMRP, attached hereto as Attachment 2 and incorporated herein by this reference.

**SECTION 5:** Based upon all the foregoing, the City Council hereby certifies the FEIR.

**SECTION 6:** Based upon all the foregoing, the City Council hereby approves the Project and directs staff to pursue obtaining all necessary governmental permits, real property interests, financing, design, construction activities, and other related actions for the Project.

**SECTION 7:** This resolution will become effective immediately upon adoption.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay at a regular meeting thereof held on this \_\_\_ day of \_\_\_\_\_, 2021 on the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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John Headding, Mayor

ATTEST

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Dana Swanson, City Clerk

## **FINDINGS OF FACT**

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# **Morro Bay General Plan and Local Coastal Program (LCP) Update Project**

The City of Morro Bay (City) has prepared a Final Environmental Impact Report (FEIR) pursuant to the requirements of the California Environmental Quality Act (CEQA) (Public Resource Code Section 21080[d]) and the *State CEQA Guidelines* (14 California Code of Regulations Section 15063) evaluating potential environmental effects that may result from the proposed Morro Bay General Plan and Local Coastal Program (LCP) Update Project, also known as Plan Morro Bay (project). These Findings of Fact have been prepared for the project pursuant to *State CEQA Guidelines* Sections 15091 and 15093.

## **Certification of Final EIR**

In accordance with *State CEQA Guidelines* Section 15090, the City, as lead agency for the project, certifies:

- (a) The FEIR for the project has been completed and processed in compliance with the requirements of CEQA;
- (b) The FEIR was presented to the Morro Bay City Council, and as the decision-making body for City, the Morro Bay City Council reviewed and considered the information contained in the FEIR prior to approving the project;
- (c) The FEIR reflects the City's independent judgment and analysis.

With the adoption of these findings, the City has exercised independent judgment in accordance with Public Resource Code (PRC) subdivision 21082.1(c) while retaining its own environmental consultant, i.e., directing the consultant in preparation of the entire FEIR as well as reviewing, analyzing, and revising material prepared by the consultant.

These Findings of Fact have been prepared in accordance with CEQA and *State CEQA Guidelines*. The purpose of these Findings of Fact is to satisfy the requirements of PRC section 21081 and Sections 15090, 15091, 15092, 15093, 15094, and 15097 of the *State CEQA Guidelines*, in connection with the approval of the Morro Bay General Plan and Local Coastal Program (LCP) Update Project.

Before project approval, the FEIR must be certified pursuant to Section 15090 of the *State CEQA Guidelines*. Additionally, the City must make one or more of the following findings in its Findings of Fact, accompanied by a brief explanation of the rationale, pursuant to Section 21081 and Section 15091 of the *State CEQA Guidelines*, for each identified potentially significant adverse impact:

- (1) Changes or alterations have been required in, or incorporated into, the project that avoid or substantially lessen the significant environmental effects as identified in the FEIR.
- (2) Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.
- (3) Specific economic, legal, social, technological, or other considerations, including provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or project alternatives identified in the FEIR.

The City has made one or more of the specific written findings above regarding each potentially significant impact associated with the project. Those findings are presented here, along with a presentation of facts in support of the findings. The proposed mitigation measures identified as feasible and within the City's authority to implement for the approved project become express conditions of approval that the City commits and binds itself to upon project approval. These requirements are referenced in the Mitigation Monitoring and Reporting Plan (MMRP) adopted concurrently with these Findings of Fact and will become effective and implemented, as applicable, through project implementation (i.e., pre-construction, construction, post-construction, operation and routine maintenance).

Section 15092 of the *State CEQA Guidelines* states after consideration of an EIR, and in conjunction with the Section 15091 findings identified above, the lead agency may decide whether or how to approve or carry out the project. The lead agency may approve a project with unavoidable significant adverse environmental effects only when it finds that specific economic, legal, social, technological, or other benefits of the project outweigh those effects. Section 15093 of the *State CEQA Guidelines* requires the lead agency to document and substantiate any such determination in a "Statement of Overriding Considerations" as a part of the record.

As required by CEQA, the City Council expressly finds the FEIR for the Morro Bay General Plan and Local Coastal Program (LCP) Update reflects the City's independent review and judgment. In accordance with the provisions of CEQA and the *State CEQA Guidelines*, the City adopts these Findings of Fact as part of its certification of the FEIR. A brief explanation of the rationale for each finding is provided in Chapters 4, 5, 6 and 7.

## Organization of CEQA Findings of Fact

The content and format of these CEQA Findings of Fact are designed to meet the latest CEQA Statutes and Guidelines. This document is organized into the following sections:

**Chapter 1, Project Description** describes the location, project overview, project objectives, and the required permits and approvals for the project.

**Chapter 2, CEQA Review and Public Outreach** describes the steps the City has undertaken to comply with the *State CEQA Guidelines* as they relate to public input, review, and participation during the preparation of the Draft and Final EIR.

**Chapter 3, Impacts Determined to be Less than Significant** provides a summary of those environmental issue areas where no reasonably foreseeable impacts would occur and those impacts determined to be below the threshold of significance without the incorporation of mitigation measures.

**Chapter 4, Less-than-Significant Environmental Impacts with Mitigation** provides a summary of potentially significant environmental impacts for which implementation of proposed feasible mitigation measures would avoid or substantially reduce the environmental impacts to less-than-significant levels.

**Chapter 5, Significant and Unavoidable Environmental Impacts** provides a summary of potentially significant and significant environmental impacts for which no feasible mitigation measures are identified, or for which implementation of proposed feasible mitigation measures would not avoid or substantially reduce the environmental effects to less-than-significant levels. This section also provides specific written findings regarding each significant impact associated with the project.

**Chapter 6, Project Alternatives** provides a summary of the alternatives considered for the project and provides specific written findings regarding each alternative associated with the project.

**Chapter 7, Statement of Overriding Considerations** discusses economic, legal, social, technological, and/or other benefits, including City-, region- or state-wide environmental benefits, of the project against the significant and unavoidable environmental impacts of the project.

## Record of Proceedings

The documents and other materials that constitute the record of proceedings upon which the City's project approval is based are located at the City offices: 955 Shasta Avenue, Morro Bay, CA 93442. The City is the custodian of such documents and other material that constitute the record of proceedings. The record of proceedings is provided in compliance with PRC subdivision 21081.6(a)(2) and Subdivision 15091(e) of the *State CEQA Guidelines*.

## Program Level Analysis

A program EIR (*State CEQA Guidelines* section 15168) is an EIR which may be prepared on a series of actions that can be characterized as one large project and are related either:

- 1) Geographically,
- 2) A logical parts in the chain of contemplated actions,
- 3) In connection with issuance of rules, regulations, plans, or other general criteria to govern the conduct of a continuing program, or
- 4) As individual activities carried out under the same authorizing statutory or regulatory authority and having generally similar environmental effects which can be mitigated in similar ways.

The FEIR for the project provides an analysis of potential impacts of all construction, operational and routine maintenance actions and activities reasonably foreseeable with implementation of the project. The FEIR is as an informational document for use in the City's review and consideration of the project. As a programmatic document, the FEIR presents and discloses a region-wide assessment of the environmental impacts of the project.

# CHAPTER 1

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## Project Description

The City, as the lead agency, is adopting the project as described in the Draft EIR and amended in the Final EIR. The following is a brief overview of the project description.

### 1.1 Project Location

The City's General Plan addresses all land within the city limits and surrounding areas, including the sphere of influence (SOI). The City has a total planning area of over 14 square miles. The area inside the city limits is approximately 5 square miles. The remaining nine square miles in the planning area are not currently part of the city. While properties outside the city limits are currently under the jurisdiction of the County of San Luis Obispo, they relate to Morro Bay's identity and character, and are therefore included in the General Plan and LCP Update planning area.

### 1.2 Project Overview

The project analyzed in the FEIR is the City's General Plan and Local Coastal Program (LCP) Update, also known as Plan Morro Bay. The project is a comprehensive update of the City's 1988 General Plan and 1984 LCP. Each element of the plan addresses different aspects of the community and identifies measurable actions to guide residents, decision-makers, businesses, and City staff toward achieving the vision. Goals established within the General Plan and LCP Update are intended to help the community enhance and maintain its identity as a seaside community that values its charming, artistic town character, working waterfront, and healthy environment and lifestyle, while guiding the city toward a more sustainable future. The General Plan and LCP Update establishes overarching City policies and priorities that describe how the community intends to use and manage its physical, social, and economic resources.

The LCP consists of the City's Land Use Plan, Local Implementation Plan, portions of the Zoning Code, land use and zoning maps, and implementing actions. As a package, these components implement the Coastal Act at the local level in Morro Bay. The adopted and certified LCP forms the legal standard of review for issuance of Coastal Development Permits within the city's coastal zone and is legally binding on the City. The LCP may be amended to stay up to date with State laws and to continue to reflect the vision of the community.

The California Governor's Office of Planning and Research recognizes the relationship between General Plans and LCPs for coastal cities and recommends that both requirements be addressed

by integrating the General Plan and the LCP. An integrated plan allows the community to apply the vision and requirements for both documents in a comprehensive manner, facilitating a unified and efficient approach to complying with both California general plan law and the California Coastal Act. Because parts of the city are located outside of the coastal zone, with the remainder and majority of the city located in the coastal zone, the City has found it appropriate to follow OPR's recommendation and integrate the updated General Plan and LCP.

The land use classifications included in the General Plan and LCP define the basic categories of land use allowed in the city and are the basis for the zoning districts established in the Morro Bay Municipal Code, which contain more specific regulations and standards governing development on individual properties. Implementation of land use policies established by the General Plan and LCP Update would alter the development capacity associated with the planned distribution of land uses described in the Land Use Element, resulting in anticipated increases in residential and non-residential levels of development.

The City's population is estimated to be approximately 12,062 people in the year 2040. The General Plan and LCP Update does not specify a maximum population for the City. However, any growth in the City must be consistent with Measure F, a voter-approved growth management ordinance that limits the city to 12,200 residents. Full buildout of the General Plan and LCP Update would result in an estimated 881 new dwelling units in the City. The maximum possible number of residential units is determined by the maximum densities allowed for each land use designation and the amount of land area within that designation. However, this maximum number of units is unlikely to be reached because every residential parcel in the City would need to be developed to its maximum potential density, which is not anticipated for all parcels under actual buildout conditions due to site constraints and other factors.

To maintain consistency with the General Plan and LCP Update, the project also includes a comprehensive Zoning Code Update, which includes the Coastal Implementation Plan. Amendments included as part of the project include:

- Updating the allowed uses in all zones as necessary for consistency with the General Plan Land Use Designations.
- Establishing new zoning district(s) as necessary to implement the General Plan and LCP Update.
- Updating other development standards as necessary to implement the General Plan and LCP Update. This will include maximum height, setbacks, design standards and other standards.
- Updating administration and permitting to integrate coastal permit processes.

## 1.3 Project Need and Objectives

State law (Government Code sections 65300 through 65303.4) sets forth the requirement for each municipality to adopt and periodically update its General Plan, and sets the requirement that a General Plan contain the following mandatory subject areas, or "elements", including Land Use,

Circulation, Housing, Open Space, Conservation, Noise, Safety, and Environmental Justice. California adopted Senate Bill 1000 on September 24, 2016 requiring cities to develop an Environmental Justice element, or related environmental justice goals and policies to reduce the unique or compounded health risks in “disadvantaged communities.” Cities are required to incorporate environmental justice goals and policies into their general plan when they update two or more general plan elements on or after January 1, 2018. State law also allows for optional elements that can be organized or combined at the City’s discretion. The General Plan and LCP Update includes the required subjects/elements as well as two additional elements, Community Design and Economic Development. The environmental justice content required by SB 1000 is included in the Environmental Justice Element of the General Plan and LCP Update.

The General Plan and LCP Update is intended to function as a policy document to guide land use decisions within the city planning area through the year 2040. The vision for the city over the next 20 to 30 years was developed with community input, and in order to realize the community’s vision for the Morro Bay community, the City focuses on the following objectives identified in the General Plan and LCP Update:

- **Natural Environment.** Sustainably preserve our estuary, shoreline, and open green spaces, and ensure our parks and recreation spaces are healthy, resilient, and accessible to all.
- **Heritage & Identity.** Welcome visitors while maintaining our small-town character and honoring our maritime heritage.
- **Jobs & Housing.** Provide for a range of affordable housing options and living wage jobs resulting in a higher quality of life.
- **Economic Vitality.** Support our diverse and sustainable economy for both new and existing locally owned businesses, including community-supporting tourism.
- **Infrastructure & Amenities.** Maintain and provide modern, resilient infrastructure and public amenities.
- **Mobility & Access.** Provide safe and accessible streets, trails, and multimodal transportation options which conveniently connect people and places throughout town and to surrounding destinations.
- **Good Governance.** Maintain our government which is supportive, collaborative, equitable, and responsive to the needs of all segments of the population.
- **Resident Services.** Provide a range of public services that support a diverse and multigenerational community.

## 1.4 Discretionary Actions

An EIR is a public document used by a public agency to analyze the potentially significant environmental effects of a proposed project, to identify feasible alternatives, and to disclose possible ways to substantially reduce or avoid such impacts to the physical environment (CCR, Title 14, section 15121). As an informational document, an EIR does not recommend for or

against approval of a project. The main purpose of an EIR is to inform governmental decision makers and the public about the potential environmental impacts of a proposed project.

The information and analysis in the FEIR will be used by the Morro Bay Planning Commission, City Council, and the general public. The California Coastal Commission would be a responsible agency for certification of the General Plan and LCP Update, Zoning Code Update, and Coastal Implementation Plan included in the project. Although not responsible agencies under CEQA, several other agencies have review authority over aspects of the project or approval authority over other projects that could potentially be implemented in accordance with various objectives and policies included in the General Plan and LCP Update. These agencies and their roles are listed below.

- The State Geologist is responsible for the review of the City’s program for minimizing exposure to geologic hazards and for regulating surface mining activities.
- The California Department of Transportation (Caltrans) has responsibility for approving future improvements to the state highway system, including State Route 1 (SR 1) and State Route 41 (SR 41) West.
- The California Department of Fish and Wildlife (CDFW) has responsibility for issuing take permits and streambed alteration agreements for any projects with the potential to affect plant or animal species listed by the State of California as rare, threatened, or endangered or that would disturb waters of the State.

## CHAPTER 2

# CEQA Review and Public Outreach

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The City has complied with CEQA and the *State CEQA Guidelines* during the preparation of the FEIR for the General Plan and LCP Update. In accordance with Section 15082 of the *State CEQA Guidelines*, an initial Notice of Preparation (NOP) was circulated to local, state, and federal agencies and to other interested parties in November 2017. Copies of the NOP and project documents were made available on the City website ([www.morrobay.gov](http://www.morrobay.gov)); at the Morro Bay Public Library (625 Harbor Street, Morro Bay); at City Hall (595 Harbor Street, Morro Bay); and in the Community Development Department (955 Shasta Avenue, Morro Bay). In response to the NOP, comments were received from various organizations and interested parties. The NOP, scoping meeting material and reports, and comments received on the NOP are included in Appendix A of the FEIR.

The Draft EIR was circulated for public review and comments from October 2020 through December 2020, initiating a 45-day public review period pursuant to CEQA and its implementing guidelines. The document and Notice of Completion (NOC) was distributed to the California Office of Planning and Research, State Clearinghouse. Relevant agencies also received copies of the document. A Notice of Availability (NOA) was distributed to interested parties, which informed them of where they could view the document and how to comment. The purpose of the 45-day review period was to provide interested public agencies, groups and individuals the opportunity to comment on the contents and accuracy of the document.

During the public comment period, copies of the Draft EIR were made available for review at the following locations:

- City of Morro Bay website ([www.morrobay.gov](http://www.morrobay.gov)); and
- Morro Bay Community Development Department (955 Shasta Avenue, Morro Bay).

The FEIR has been completed and includes written and verbal comments received on the Draft EIR, responses to the comments, and changes made to the Draft EIR.

## CHAPTER 3

# Impacts Determined to be Less than Significant

The following potential environmental impacts of the General Plan and LCP Update are less than significant and do not require mitigation measures.

### 3.1 Agricultural Resources

The General Plan and LCP Update would not result in impacts to or conflict with zoning of agricultural or forestry resources. All of the agricultural land in Morro Bay is located in the coastal zone and is protected under the Coastal Act. The General Plan and LCP Update would not convert or conflict with existing zoning for agricultural resources in the planning area. Policies in the Land Use, Open Space, and Public Safety Elements of the General Plan and LCP Update would protect the existing agricultural resources in the planning area and ensure that adverse impacts to such resources are avoided or minimized to a less than significant level. The General Plan and LCP Update planning area does not contain any lands zoned for forest land or timberland production and the General Plan and LCP Update would not conflict with existing zoning for, or cause rezoning of, forest land, timber land or conversion of forest land to non-forest use. Impacts to agricultural and forestry resources would be less than significant. (FEIR p.6-1.)

### 3.2 Aesthetics

The General Plan and LCP Update would not result in adverse effects on scenic vistas or scenic resources. Policies identified in the General Plan and LCP Update would help preserve existing scenic vistas by requiring identification, designation, and protection of viewsheds and scenic vistas and by requiring new development to incorporate design features that protect or enhance existing scenic views and vistas. New development or redevelopment facilitated by the General Plan and LCP Update would also be subject to the updated standards in the City Zoning Code that regulate signage, design, and protection of visual resources in the city. Compliance with the City's updated Zoning Code requirements and the goals and policies proposed in the General Plan and LCP Update would protect scenic resources, including historic buildings, upon development and redevelopment facilitated by a project. As a result, impacts to scenic vistas and scenic resources would be less than significant. (FEIR p. 4.1-11 – 4.1-13.)

The General Plan and LCP Update would not substantially degrade the existing visual character or quality of the city and its surroundings. Development facilitated by the General Plan and LCP Update would result in visual changes to the community and would be governed by the goals and

policies as well as the associated updates to the standards contained in the City's Zoning Code. These plans and community standards have been developed with the goal of retaining Morro Bay's visual character, while providing visual enhancements in the city. Compliance with existing standards and General Plan and LCP Update goals and policies would ensure redevelopment or new development complements the existing visual character and quality of Morro Bay. Impacts to the visual character of the city would be less than significant. (FEIR p 4.1-13 – 4.1-17.)

The General Plan and LCP Update would not create new sources of substantial light or glare that would adversely affect day or nighttime views in the area. Implementation of General Plan and LCP Update Conservation Element policies would ensure the updated Zoning Code establishes standards to prevent glare and protect the character of the city from inappropriate levels of lighting. Future development facilitated by the General Plan and LCP Update would be required to submit a lighting plan that complies with updated Zoning Code standards. Future discretionary development in the City would require independent environmental review that would evaluate project-specific light and glare effects and subsequent mitigation, if required, to comply with standards for lighting and building materials to prevent glare. Impacts associated with new sources of light and glare would be less than significant. (FEIR p. 4.1-18.)

### 3.3 Air Quality

The General Plan and LCP Update would not expose sensitive receptors to substantial pollutant concentrations. The General Plan and LCP Update would allow for development of new residences and other sensitive receptors in proximity to industrial uses, which could result in exposure of sensitive receptors to elevated concentrations of TACs. Compliance with existing applicable regulations, San Luis Obispo Air Pollution Control District (SLOAPCD) permitting requirements, and General Plan and LCP Update policies would minimize risks associated with criteria pollutant and TAC emissions. The General Plan and LCP Update would not generate levels of traffic that would expose sensitive receptors to substantial pollutant concentrations, or result in new development that would expose sensitive receptors to hazards associated with naturally occurring asbestos. Impacts associated with exposure of sensitive receptors to substantial pollutant concentrations would be less than significant. (FEIR p. 4.2-21 – 4.2-24.)

The General Plan and LCP Update would not result in other emissions (such as those leading to odors) adversely affecting a substantial number of people. Implementation of the General Plan and LCP Update, and future projects, would be required to comply with SLOAPCD regulations prohibiting nuisance emissions (including odors). Impacts associated with other nuisance emissions, including odors, would be less than significant. (FEIR p. 4.2-25.)

### 3.4 Biological Resources

The General Plan and LCP Update would not have a substantial adverse effect on any riparian habitat or other sensitive natural community and would not have a substantial adverse effect on state or federally protected wetlands. Wetlands and waterways may be subject to USACE,

RWQCB and/or CDFW jurisdiction(s), as well as subject to the CCA. Compliance with the requirements of the CWA, Porter-Cologne, California Fish and Game Code, and CCA would be required for any project proposed under the General Plan and LCP Update. New development or redevelopment facilitated by the General Plan and LCP Update would also be subject to the standards in the Municipal Code relating to sensitive natural communities, ESHA, wetlands, and riparian areas in the city. Compliance with City's updated Municipal Code requirements and the goals and policies proposed in the General Plan and LCP Update would protect wetlands, riparian areas, streams and other sensitive natural communities from potential impacts associated with development and redevelopment facilitated by the project. Impacts associated with riparian habitats and wetlands would be less than significant. (FEIR p. 4.3-38 - 4.3-40.)

The General Plan and LCP Update would not conflict with any local policies or ordinances protecting biological resources and would not conflict with the provisions of an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, regional, or state habitat conservation plan. The planning area is not within the boundaries of any of aforementioned plans, nor is it immediately adjacent to such a plan. Future development under the General Plan and LCP Update would be subject to all applicable local policies and regulations, including applicable requirements of the Morro Bay Municipal Code, related to the protection of important biological resources. Impacts associated with conflicts to local policies, plans or ordinances protecting biological resources would be less than significant. (FEIR p. 4.3-42.)

### **3.5 Cultural Resources**

The General Plan and LCP Update would not disturb any human remains, including those interred outside of dedicated cemeteries. Adherence to existing regulations, such as PRC section 5097, California Health and Safety Code (sections 7050.5, 7051, and 7054), and PRC section 5097.98, would ensure regulations are established prohibiting interfering with human burial remains; protect human remains from disturbance, vandalism, or destruction; and establish procedures to be implemented if Native American skeletal remains are discovered. Impacts associated with the disturbance of human remains would be less than significant. (FEIR p. 4.4-12.)

### **3.6 Energy**

The General Plan and LCP Update would not result in a potentially significant environmental impact due to wasteful, inefficient, or unnecessary consumption of energy resources, during construction or operation. The General Plan and LCP Update is based on a land-use strategy that would promote greater energy efficiency in community and municipal operations. General Plan and LCP Update policies and implementation programs would ensure that development under the General Plan and LCP Update would comply with existing energy efficiency regulations. Impacts associated with the wasteful, inefficient, or unnecessary consumption of energy resources would be less than significant. (FEIR p. 4.16-12 - 4.16-16.)

The General Plan and LCP Update would not conflict with energy efficiency goals contained in the City's Climate Action Plan. Construction and operation of projects facilitated by the General Plan and LCP Update would comply with relevant provisions of the State's CALGreen Program and Title 24 of the California Energy Code. Impacts associated with conflicts with energy efficiency policies, plans, and ordinances would be less than significant. (FEIR p. 4.16-17.)

### 3.7 Geology and Soils

The General Plan and LCP Update would not directly or indirectly cause potential substantial adverse effects, including the risk of loss, injury, or death involving: rupture of a known earthquake fault, strong seismic ground shaking, seismic-related ground failure/collapse, liquefaction, landslides, unstable soil, lateral spreading, or subsidence. Construction and occupancy of new buildings under the General Plan and LCP update could result in exacerbated hazards associated with geologic hazards. Adherence to requirements of the California Building Code and implementation of the goals and policies of the General Plan and LCP update would minimize the potential for loss, injury, or death following a seismic event, landslide, liquefaction, or other geologic hazards. Impacts associated with adverse geologic hazards would be less than significant. (FEIR p. 4.5-12 – 4.5-14.)

The General Plan and LCP Update would not result in substantial soil erosion or the loss of topsoil. New development under the General Plan and LCP Update would involve construction activities such as stockpiling, grading, excavation, paving and other earth disturbing activities. These construction activities may result in loose and disturbed soils, which can increase the potential for erosion and loss of topsoil, however, compliance with applicable regulations, including the Clean Water Act, and implementation of the goals and policies of the General Plan and LCP Update, would support erosion minimization and control loss of topsoil. Impacts associated with soil erosion and loss of topsoil would be less than significant. (FEIR p. 4.5-14 – 4.5-17.)

The General Plan and LCP Update would not be located on expansive soils, creating substantial risks to life or property. The CBC includes requirements to address soil-related hazards. Typical measures to treat hazardous soil conditions involve removal, proper fill selection, and compaction. Compliance with the soil-related hazard requirements of the CBC as well as Section 14.18.010 of the Morro Bay Municipal Code, requiring structural analysis of buildings to be conducted by a civil or structural engineer or architect licensed by the state, would ensure that impacts related to expansive soils would be addressed prior to and during construction. Implementation of goals and policies of the General Plan and LCP Update, in addition to compliance with applicable laws and regulations for structural development to address soil-related hazards, would minimize the potential for risks to life or property associated with soil expansion. Impacts associated with expansive soils would be less than significant. (FEIR p. 4.5-17 – 4.5-18.)

The General Plan and LCP Update would not facilitate development on soils incapable of adequately supporting the use of septic tanks or alternative wastewater disposal systems. In

general, new development under the General Plan and LCP Update would occur where existing roads, water, and sewer systems are in place, minimizing the need to develop new wastewater disposal systems. Section 13.12.230 of the Morro Bay Municipal Code prohibits dumping or discharging from septic tanks, avoiding impacts to soils from such systems. Therefore, the General Plan and LCP Update would not result in a significant impact associated with soils that are incapable of supporting septic tanks or alternative wastewater disposal systems. Impacts associated with alternative wastewater systems would be less than significant. (FEIR p. 4.5-18.)

The General Plan and LCP Update would not directly or indirectly destroy a unique paleontological resource, site, or unique geologic feature. The Pismo Formation and Pleistocene-aged alluvial deposit geologic units in the vicinity of Morro Bay are known to contain substantial paleontological resources. However, there is no mapped Pismo Formation within city limits, and fossil-bearing sediments in the Morro Bay area are predominantly located on State parks land and offshore. Implementation of the General Plan and LCP Update goals and policies would reduce potential adverse impacts to paleontological resources in the planning area. Impacts associated with paleontological resources would be less than significant. (FEIR p. 4.5-18 – 4.5-19.)

### **3.8 Greenhouse Gas Emissions**

The General Plan and LCP Update would not generate greenhouse gas emissions, either directly or indirectly, that may have a significant impact on the environment or would conflict with an applicable plan, policy or regulation adopted for the purpose of reducing the emissions of greenhouse gases. Implementation of General Plan and LCP Update Conservation Element Policy C-4.1 would establish GHG reduction goals consistent with the State’s 2030 and 2050 greenhouse gas emissions reduction goals. Conservation Element Policies C-4.2, C-4.3, and C-4.4 require the City to update the CAP to comply with evolving state goals and requirements and would ensure that the CAP continues to provide measures for future development projects in the planning area to assess their consistency with City GHG reduction goals. The General Plan and LCP Update would be consistent with regional and State plans, policies, and regulations adopted for the purpose of reducing GHG emissions. Impacts associated with the emission of greenhouse gas emissions would be less than significant. (FEIR p. 4.6-12 – 4.6-17.)

### **3.9 Hazards and Hazardous Materials/Wildfire**

Implementation of the General Plan and LCP Update could result in an incremental increase in the overall routine transport, use, storage, and disposal of hazardous materials in the planning area, and increase the risk of release of hazardous materials. Oversight by the appropriate federal, State, and local agencies and compliance by new development with applicable regulations related to the handling and storage of hazardous materials would minimize the risk of the public’s potential exposure to these substances. Compliance with applicable regulations related to the handling, transport, disposal, and storage of hazardous materials and adherence to proposed General Plan and LCP Update policies would minimize the risk of spills and the public’s potential exposure to these substances and reduce the risk of adverse impacts of hazardous

materials. Impacts associated with the routine transport, use, storage, and disposal of hazardous materials would be less than significant. (FEIR p. 4.7-14 – 4.7-16.)

New development of residential, industrial, and commercial uses facilitated by the General Plan and LCP Update could result in increased use and storage of hazardous materials within one quarter mile of existing or proposed schools. Compliance with regulatory requirements of the San Luis Obispo County EHS and existing applicable State and federal regulations would minimize the risks associated with exposure of sensitive receptors to hazardous materials. Impacts associated with increased exposure of existing or proposed schools to hazardous materials would be less than significant. (FEIR p. 4.7-16 – 4.7-17.)

The General Plan and LCP Update would not create a significant hazard to the public or the environment result in by locating projects on a site which is included on a list of hazardous materials sites compiled pursuant to Government Code section 65962.5. Compliance with Policy PS-4.4 of the Public Safety Element directs the City to work with appropriate regulatory agencies in managing contaminated sites and is intended to facilitate compliance with regulatory requirements related to hazardous waste contamination. In addition, existing federal and State regulatory requirements associated with hazardous waste contamination would minimize this impact. New development on documented hazardous materials sites in the planning area would be preceded by remediation under the supervision of applicable regulatory agencies. Impacts associated with development on potential hazardous material sites would be less than significant. (FEIR p. 4.7-17 – 4.7-18.)

The General Plan and LCP Update would not result in a safety hazard or excessive noise for people residing or working in the project area. The planning area is not located in an airport land use plan area or associated safety zones associated with runway activities. Impacts associated with exposure to aviation hazards or excessive aviation related noise would be less than significant. (FEIR p. 4.7-18.)

The General Plan and LCP Update would not impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan. Fire Department review of new development applications for adequate emergency access and evacuation routes, in addition to implementation of the General Plan and LCP Update Public Safety Element policies, would ensure adequate emergency response. Proposed policies and mapped evacuation routes in the General Plan and LCP Update would ensure effective emergency response following a natural or human-caused disaster. Impacts associated with conflicts with emergency response/evacuation plans would be less than significant. (FEIR p. 4.7-19.)

The General Plan and LCP Update planning area includes a designated very high fire hazard area. However, land use designations would limit new development within designated very high fire hazard areas to recreational uses. State requirements for very high fire hazard areas include California Fire Code standards for new structures and fire hazard policies in the General Plan and LCP Update apply to fire hazard areas. Fire Department review of new development applications for adequate emergency access and evacuation routes, in addition to implementation of the General Plan and LCP Update Public Safety Element policies, would ensure adequate emergency

response. Additionally, goals and policies included in the General Plan and LCP Update would minimize exposure of people or structures to risk of loss, injury, or death involving wildland fires. Impacts associated with exposure to fire hazards would be less than significant. (FEIR p. 4.7-20 – 4.7-22.)

### 3.10 Hydrology and Water Quality

The General Plan and LCP Update would not conflict with or obstruct implementation of a water quality control plan or degrade surface water quality by violating any water quality standards or waste discharge requirements. Compliance with NPDES permits requirements, Morro Bay Municipal Code requirements, and General Plan and LCP Update goals and policies would minimize erosion and siltation, reduce the risk of discharge of pollutants to avoid violations of water quality standards or waste discharge requirements, and minimize potential impacts of sea level rise. Implementation of these General Plan and LCP Update goals and policies would also ensure that the runoff from development envisioned in the General Plan and LCP update would not exceed the capacity of the City's existing and future storm drain system and minimize potential flooding impacts. Impacts associated with the degradation of water quality and conflicts with water quality plans would be less than significant. (FEIR p. 4.8-15 – 4.8-21.)

The General Plan and LCP Update would not impede sustainable groundwater management of the basin by conflicting with or obstruct implementation of a sustainable groundwater management plan, substantially decreasing groundwater supplies, or interfering substantially with groundwater recharge. Compliance with the Morro Bay Municipal Code and the Central Coast RWQCB's post-construction requirements for stormwater management would ensure that new impervious surfaces would not substantially interfere with groundwater recharge. The City evaluates water supply in the OneWater Plan and has determined that there is adequate water supply to serve buildout of the General Plan and LCP Update. Impacts associated with groundwater recharge and conflicts with groundwater management plans would be less than significant. (FEIR p. 4.8-21 – 4.8-21.)

The General Plan and LCP Update would not substantially alter existing drainage patterns or contribute to flooding in the City, including through the alteration of the course of a stream or river, dam inundation, or through the addition of impervious pavements. Implementation of goals and policies and compliance with applicable laws and regulations, including flood hazard mitigation construction guidelines outlined in the Morro Bay Municipal Code, would ensure that risk of loss, injury or death involving flooding in the planning area is not exacerbated by the General Plan and LCP Update. Required compliance with applicable sections of the Morro Bay Municipal Code would ensure new structures would not impede or redirect flood flows within a 100-year flood hazard area, such that a flood hazard would be increased elsewhere. Impacts associated with altered drainage patterns and flooding would be less than significant. (FEIR p. 4.8-22 – 4.8-24.)

The General Plan and LCP Update would not risk release of pollutants due to project inundation in a tsunami or seiche zone. Development facilitated by the General Plan and LCP Update may

occur in areas exposed with potential for inundation by seiche, tsunami, and/or mudflow. Compliance with applicable Municipal Code requirements would ensure development within areas subject to tsunami, seiche, and mudflow would be sited, designed and constructed so as to not exacerbate risks to life and property. The General Plan and LCP Update would not increase exposure of people or structures to significant risk or loss, injury, or death involving inundation by seiche, tsunami, or mudflow. Impacts associated with exacerbating risk of releasing pollutants due to inundation would be less than significant. (FEIR p. 4.8-24 – 4.8-26.)

### 3.11 Land Use and Planning

The General Plan and LCP Update would not physically divide an established community. New growth in the planning area would primarily involve increased development density in developed areas, redevelopment of existing developed parcels, or annexation of new land into the city. General Plan and LCP Update goals and policies would facilitate connectivity and mobility by providing for a balanced land use pattern and access throughout the planning area. This connectivity would be provided through equitable access for residents and employees to daily needs, strategic land use planning for new development and redevelopment, reduction in conflict between land uses, and preservation and provision of lateral and vertical access points and multimodal access. The General Plan and LCP Update includes strategies, goals, and policies intended to provide for orderly development. Impacts associated with dividing an established community would be less than significant. (FEIR p. 4.9-8 – 4.9-14.)

The General Plan and LCP Update would not cause a significant environmental impact due to a conflict with any applicable land use plan, policy, or regulation adopted for the purpose of avoiding or mitigating an environmental effect. Required updates to the Zoning Ordinance and Zoning Map in the Morro Bay Municipal Code to ensure consistency with the General Plan and LCP Update, which are currently being prepared by the City, will ensure compatibility between the land use designations and zoning districts and standards within the planning area. In addition, San Luis Obispo LAFCo has a goal to update SOIs every five years, or as necessary. Future amendments to the Morro Bay SOI being contemplated as part of the General Plan and LCP Update would be implemented in coordination with LAFCo and the County of San Luis Obispo and would be required to be consistent with applicable LAFCo policy. With a comprehensive update to the city's zoning ordinance and zoning map in conjunction with the General Plan and LCP Update, implementation of the General Plan and LCP Update would be consistent with applicable regional land use plans, policies, and regulations, such as the SLOCOG 2019 RTP and city zoning districts and standards. Impacts associated with conflicts with land use plans, policies, and regulations would be less than significant. (FEIR p. 4.9-14 – 4.9-19.)

### 3.12 Mineral Resources

As described in the Community Baseline Assessment for the General Plan and LCP Update, there are no existing mineral extraction operations in Morro Bay. The state geologist has not designated a mineral resource area of statewide or regional significance pursuant to Sections 2710 et seq. of the Public Resources Code (the Surface Mining and Reclamation Act) in the city. Similarly, the

County of San Luis Obispo has not designated any Extractive Resource Areas in or adjacent to the City. According to the Division of Oil, Gas & Geothermal Resources well data, there are no existing or historic petroleum wells in the city. Therefore, the General Plan and LCP Update would have no impact from the loss of availability of mineral resources (FEIR p. 6-2).

### 3.13 Noise

Construction of individual projects facilitated by the General Plan and LCP Update would temporarily produce high noise levels, potentially affecting nearby noise-sensitive land uses. The temporary nature of construction noise and the City's restrictions on the timing and manner of construction activities described in the Morro Bay Municipal Code would reduce noise impacts at nearby noise-sensitive receptors. General Plan and LCP Update Noise Element goals and policies further reduce potential impacts to noise-sensitive receptors from temporary construction noise. Compliance with existing standards and General Plan and LCP Update goals and policies would ensure construction activity associated with redevelopment or new development would limit noise disturbance at noise-sensitive receptors in the city. Impacts associated with the generation of high noise levels during construction would be less than significant. (FEIR p. 4.10-14 – 4.10-16.)

Development facilitated by the General Plan and LCP Update could incrementally increase traffic and associated noise levels along roadways in Morro Bay, exposing noise-sensitive land uses located near roadways to incrementally greater noise levels. However, implementation of General Plan and LCP Update policies promote the use of design features and techniques intended to minimize roadway noise affecting sensitive receptors and in order to maintain compliance with the City's interior and exterior noise standards. Policies also encourage the use of alternative transportation in order to minimize increases in traffic that would result in increased noise in the planning area. Policies for transportation-related noise would reduce noise and avoid generation of excessive noise from the local highways and city streets, which would minimize the exposure of sensitive receptors to traffic noise. Impacts associated with increased roadway noise would be less than significant. (FEIR p. 4.10-17 – 4.10-23.)

New development facilitated by the General Plan and LCP Update would introduce new operational noise sources associated with residential, commercial, industrial, and mixed-use land uses. Implementation of General Plan and LCP Update policies and goals in the General Plan and LCP Update would provide for compliance with noise standards in the planning area, enforcement of the City's stationary noise standards, and limits on special events or beach events next to noise-sensitive land uses. The continued regulation of potential land use-based noise conflicts, consistent with the Municipal Code, would minimize disturbance to adjoining noise-sensitive land uses. Impacts associated with the generation of noise and land use compatibility would be less than significant. (FiEIR p. 4.10-23 – 4.10-24.)

The General Plan and LCP Update would not expose people residing or working in the project area to excessive aviation related noise levels. The planning area is located outside of the existing and projected future noise contours associated with the San Luis Obispo County Regional

Airport. Therefore, new development facilitated by the General Plan and LCP Update, particularly noise-sensitive uses, would not be exposed to aircraft noise. There would be no impact. (FEIR p. 4.10-23 – 4.10-24)

### 3.14 Population and Housing

The General Plan and LCP Update would not result in growth in the planning area that is substantially greater than projected in the SLOCOG regional growth forecast. The land use plan and policies in the General Plan and LCP Update focus on working within the existing framework of the city, with limited vacant land, to creating a balance of uses that improves housing options and affordability in the city, while providing for sufficient services that support anticipated population growth. Impacts associated with inducing planned or unplanned growth would be less than significant. (FEIR p. 4.11-7 – 4.11-9.)

Implementation of the General Plan and LCP Update would not displace substantial numbers of existing housing or people, necessitating the construction of replacement housing elsewhere. Most of the planning area in Morro Bay is built out and existing buildings are generally in good condition. Consistent with the General Plan and LCP Update Land Use Element, development is focused in areas which would maximize the use of underutilized parcels and minimize displacement of existing housing and people that could otherwise result in development pressure on the periphery of the city. Additionally, new growth is directed in areas which would utilize existing transportation and utility infrastructure. The General Plan and LCP Update and General Plan Housing Element include goals and policies to increase overall housing in the city, and there are no current plans for displacement of housing, impacts related to displacement of existing residences. Impacts associated with displacement of people or housing would be less than significant. (FEIR p. 4.11-9 – 4.11-11.)

### 3.15 Public Services/Recreation

Development facilitated by the General Plan and LCP Update would result in a long-term increase in the city's population. Increased population would increase demand for fire, police, school, and emergency medical services and potentially create the need for new police, fire, school, or other service facilities; however, compliance with policies in the General Plan and LCP Update, payment of City-required public facilities impact fees, and management of future growth would avoid adverse environmental effects associated with the provision of new or physically altered fire, police, school and other public facilities. Impacts associated with the provision of new fire, police, school, and emergency medical services, and the environmental impacts of new or altered facilities, would be less than significant. (FEIR p. 4.12-9 – 4.12-12.)

The General Plan and LCP Update would not result in substantial physical deterioration of recreational facilities. Development facilitated by the General Plan and LCP Update would increase the City's population with commensurate increases in demand for neighborhood and regional parks and other recreational facilities. Additional parkland has been planned such that the park service ratio would satisfy the City's requirement to provide a minimum of three acres or

parkland per 1,000 residents, consistent with Quimby Act requirements. The General Plan and LCP Update would contribute to the need for new or expanded park or recreational facilities but also provides the policy framework and physical opportunities to provide expanded park or recreational facilities. Impacts associated with the construction of and increased deterioration of recreational facilities would be less than significant. (FEIR p. 4.12-12 – 4.12-15.)

### 3.16 Transportation

The General Plan and LCP Update would not substantially increase hazards due to design features or incompatible uses (e.g. farm equipment). The General Plan and LCP Update is a programmatic guide to transportation in Morro Bay and does not include project-level design features. Future roadway improvements, site access, and other roadway design features would be designed and reviewed in accordance with all applicable federal, State, and City standards. Impacts associated with hazardous transportation design features would be less than significant. (Final EIR p. 4.13-23 – 4.13-24.)

Due to the programmatic nature of the General Plan and LCP Update and the policies to create an integrated, multi-modal transportation system the General Plan and LCP Update would not result in inadequate emergency access. In addition, Fire Department review of new development applications for adequate emergency access and evacuation routes is required as part of the City's development review process. Adherence to the State and City requirements combined with implementation of applicable General Plan and LCP Update policies, would ensure adequate emergency response is maintained in the city. Impacts associated with inadequate emergency access would be less than significant. (FEIR p. 4.13-24 – 4.13-25.)

### 3.17 Utilities and Service Systems

The General Plan and LCP Update would not require or result in the relocation of construction of new or expanded water facilities, the construction of which could cause significant environmental effects. Based on the water supply projections presented in the OneWater Morro Bay Plan, the city's water supply would be sufficient to meet the projected demand of the development envisioned in the General Plan and LCP Update. In addition, project-specific water supply assessments would be required to be prepared by proponents of future development projects in the city in accordance with SB 610. Compliance with applicable General Plan and LCP Update Land Use Element goals and policies to encourage the sustainable use and management of water supplies in the planning area. Impacts associated with water supplies and facilities would be less than significant. (FEIR p. 4.14-11 – 4.14-15.)

The City is constructing a new WRF, which is designed to meet existing needs and future demand associated with General Plan buildout, including development facilitated by the General Plan and LCP Update. Completion of the new WRF, as well as implementation of the OneWater Morro Bay Plan and the policies in the General Plan and LCP Update Conservation Element would ensure adequate wastewater systems and infrastructure to meet future demands. Impacts

associated with adequate wastewater treatment capacities would be less than significant. (FEIR p. 4.14-15 – 4.14-16,)

The General Plan and LCP Update would comply with federal, state, and local statutes and regulations related to solid waste and not generate solid waste in excess of State or local standards, or capacity of local infrastructure, or otherwise impair the attainment of solid waste reduction goals. Development facilitated by the General Plan and LCP Update would increase solid waste sent to area landfills; however, Cold Canyon Landfill would have capacity to serve the development envisioned in the General Plan and LCP Update. Goals and policies in General Plan and LCP Update would increase the amount of waste that is diverted from the landfill and encourage reuse and recycling. Impacts associated with adequate solid waste storage capacities and compliance with federal, state, and local statutes would be less than significant. (FEIR p. 4.14-17 – 4.14-18.)

## CHAPTER 4

# Less-than-Significant Environmental Impacts with Mitigation

Pursuant to *State CEQA Guidelines* section 15091, the following are the impacts of the General Plan and LCP Update for which mitigation measures have been proposed in the FEIR. These measures will avoid or substantially lessen the following potentially significant environmental impacts to a less-than-significant level:

### 4.1 Air Quality

**Impact AQ-2:** The FEIR concludes, in Impact AQ-2, buildout of the General Plan and LCP Update would result in short-term emissions of criteria pollutants. This impact would be less than significant with mitigation. (FEIR p. 4.2-19.)

**Finding:** The City Council finds changes or alterations have been required in, or incorporated into, the project that avoid or substantially lessen the significant environmental effect as identified in the FEIR. Mitigation Measure AQ-2 would reduce the significant impact to a less than significant level.

**Mitigation Measure AQ-2:** Proponents of individual land use projects, or other projects requiring grading or building permits, shall require construction contractors to incorporate the following standard mitigation measures, as applicable, to reduce ROG, NOX, and DPM emissions from construction equipment. Mitigation measures shall be listed on project construction plans and the project proponent shall perform periodic site inspections during construction to ensure that mitigation measures are being implemented.

- Maintain all construction equipment in proper condition according to manufacturer's specifications
- Fuel all off-road and portable diesel powered equipment with ARB-certified motor vehicle diesel fuel (non-taxed version suitable for use off-road)
- Use diesel construction equipment meeting ARB's Tier 2 certified engines or cleaner off-road heavy-duty diesel engines, and comply with the State Off-Road Regulation
- Use on-road heavy-duty trucks that meet ARB's 2007 or cleaner certification standard for on-road heavy-duty diesel engines, and comply with the State On-Road Regulation

- Construction or trucking companies with fleets that do not have engines in their fleet that meet the engine standards identified in the above two measures (e.g. captive or NO<sub>x</sub> exempt area fleets) may be eligible by proving alternative compliance
- All on and off-road diesel equipment shall not idle for more than 5 minutes. Signs shall be posted in the designated queuing areas and or job sites to remind drivers and operators of the 5 minute idling limit
- Diesel idling within 1,000 feet of sensitive receptors is not permitted
- Staging and queuing areas shall not be located within 1,000 feet of sensitive receptors
- Electrify equipment when feasible
- Substitute gasoline-powered in place of diesel-powered equipment, where feasible
- Use alternatively fueled construction equipment on-site where feasible, such as compressed natural gas (CNG), liquefied natural gas (LNG), propane or biodiesel.

**Rationale/Supporting Explanation:** The SLOAPCD provides standard mitigation measures for construction in the *CEQA Air Quality Handbook*, which are included as Mitigation Measure AQ-2. Future development projects in the Morro Bay planning area would also be evaluated for air quality impacts once project-level details are known and would be required to incorporate additional mitigation if project construction emissions exceed the thresholds established by the SLOAPCD. Because individual projects would be required to evaluate and mitigate potential air quality impacts resulting from construction emissions and mitigate emissions as required by SLOAPCD guidance, air quality impacts from construction of the General Plan and LCP Update would be mitigated to a less than significant level. (FEIR p. 4.2-19 – 4.2-20.)

## 4.2 Biological Resources

**Impact BIO-1:** The FEIR concludes, in Impact BIO-1, new development facilitated by the General Plan and LCP Update could impact listed and other individual special status species and foraging and breeding habitat for special status wildlife and habitat for special status plants. This impact would be less than significant with mitigation. (FEIR p. 4.3-29.)

**Finding:** The City Council finds changes or alterations have been required in, or incorporated into, the project that avoid or substantially lessen the significant environmental effect as identified in the FEIR. Mitigation Measures BIO-1(a) and BIO-1(b) would reduce the significant impact to a less than significant level.

**Mitigation Measure BIO-1(a):** Policy C-1.3 shall be updated to read:

**Policy C-1.3 Biological Site Assessments.** A biological assessment shall be required for any development proposed on sites that include or are within 100 feet of mapped ESHA in Figure C-2, and all other sites with natural vegetation regardless of whether ESHA has been mapped in Figure C-2, and for all other projects for which evidence indicates that ESHA may be present either on or

adjacent to the site. The best available information about the location of ESHA in the City shall be used. Such assessment shall be prepared at the owner's expense by a qualified biologist approved by the City and shall, at minimum:

- a. Identify and confirm the extent of the ESHA,
- b. Document any site constraints and the presence of sensitive plant or animal species,
- c. Recommend buffers and development setbacks and standards to protect the ESHA,
- d. ~~Recommend mitigation measures to address any allowable impacts~~ If listed species, or other special status species, or nesting birds are present or have the potential to occur, specify avoidance and minimization measures, including compensatory mitigation, to be implemented to avoid or minimize take of individuals and loss of occupied habitat, and specify the necessary consultation pathway(s) with USFWS, NMFS, and/or CDFW to obtain incidental take coverage, where necessary, and
- e. Include any other information and analyses necessary to understand potential ESHA impacts as well as measures necessary to protect the resource as required by the Local Coastal Program.

If the site contains the potential for monarch overwintering or rookeries due to the presence of appropriately sized trees and groves, a seasonally timed survey appropriate for detecting the target species must also be included in the study.

**Mitigation Measure BIO-1(b):** Policy OS-7.1 shall be updated to read:

**Policy OS-7.1 Account for External Impacts.** If any portion of the area outside the city limits is included in the City's sphere of influence in the future, prepare and adopt a plan for the affected parcels that includes infrastructure and services provided by the City of Morro Bay. The plan shall also identify policies for the protection of natural resources in the affected areas.

**Rationale/Supporting Explanation:** Impacts to special status species would be less than significant with implementation of Measures BIO-1(a) and BIO-1(b), which would update policies in the General Plan and LCP Update to protect listed species and provide direction on resource protection in any future SOI. (FEIR p. 4.3-29 - 4.3-37.)

**Impact BIO-3:** The FEIR concludes, in Impact BIO-3, new development facilitated by the General Plan and LCP Update may remove trees, encroach on rookeries and breeding sites, impede movement of terrestrial and aquatic wildlife, and otherwise interfere with the movement of wildlife. Impacts would be less than significant with mitigation. (FEIR p. 4.3-40.)

**Finding:** The City Council finds changes or alterations have been required in, or incorporated into, the project that avoid or substantially lessen the significant environmental effect as identified

in the FEIR. Mitigation Measure BIO-3 would reduce the significant impact to a less than significant level.

**Mitigation Measure BIO-3:** The following policy shall be added to the Conservation Element:

**Policy C-1.17 Project Design for Wildlife Connectivity.** Design new stream crossing structures and extensions or modifications of existing structures to accommodate wildlife movement. At a minimum, structures within steelhead streams must be designed in consultation with a fisheries biologist and shall not impede movement. New projects with long segments of fencing and lighting shall be designed to minimize impacts to wildlife. Fencing or other project components shall not block wildlife movement through riparian or other natural habitat. Where fencing or other project components that may disrupt wildlife movement is required for public safety concerns, they shall be designed to permit wildlife movement.

**Rationale/Supporting Explanation:** Impacts to wildlife movement corridors would be less than significant with implementation of Measure BIO-3 to add a General Plan and LCP Update policy to preserve wildlife movement corridors. (FEIR p. 4.3-40 – 4.3-41.)

**Cumulative Impact – Biological Resources:** The FEIR concludes implementation of the land use development patterns under the General Plan and LCP Update could result in impacts on special-status species, riparian, wetland, or other sensitive natural communities, as well as wildlife movement in the planning area, and contribute to cumulative impacts to these resources within the greater cumulative impact area (adjacent communities, including San Luis Obispo County). (FEIR p. 4.3-42 – 4.3-43.)

**Finding:** The City Council finds changes or alterations have been required in, or incorporated into, the project that avoid or substantially lessen the significant environmental effect as identified in the FEIR. Mitigation Measures BIO-1(a), BIO-1(b) and BIO-3 would reduce the significant impact to a less than significant level.

Implement Mitigation Measures BIO-1(a), BIO-1(b) and BIO-3

**Rationale/Supporting Explanation:** These mitigation measures would require additional policy language in the General Plan and LCP Update to protect biological resources that have potential to be impacted by development facilitated by the General Plan and LCP Update. These measures reduce the General Plan and LCP Update’s potential contribution to cumulative impacts to special status species and wildlife movement corridors and contribution of the proposed General Plan and LCP Update’s cumulative impacts would not be cumulatively considerable. (FEIR p. 4.3-42 – 4.3-43.)

## 4.3 Cultural Resources

**Impact CR-1:** The FEIR concludes, in Impact CR-1, development facilitated by the General Plan and LCP Update has the potential to impact historical and unique archaeological resources. This impact would be less than significant with mitigation. (Final EIR p. 4.4-9.)

**Finding:** The City Council finds changes or alterations have been required in, or incorporated into, the project that avoid or substantially lessen the significant environmental effect as identified in the Final EIR. Mitigation Measures CR-1(a) and CR-1(b) would reduce the significant impact to a less than significant level.

**Mitigation Measure CR-1(a):** Policy C-2.3 of the General Plan and LCP Update shall be revised to read:

**Policy C-2.3 Protection of Cultural Resources.** Ensure the protection of historic, cultural, and archeological resources during development, construction, and other similar activities. Development shall avoid, to the maximum extent feasible, adversely impacting historic, cultural, and/or archaeological resources, and shall include adequate BMPs to address any such resources that may be identified during construction, including avoidance, minimization, and mitigation measures sufficient to allow documentation, preservation, and other forms of mitigation. If the resource(s) in question are of Native American origin, develop avoidance or minimization measures in consultation with appropriate Native American tribe(s).

**Mitigation Measure CR-1(b):** The following implementation action for Goal C-2 shall be added to the General Plan and LCP Update:

Require all discretionary proposals within the cultural resources overlay to consider the potential to disturb cultural resources. If preliminary reconnaissance suggests that cultural resources may exist, a Phase I cultural resources study shall be performed by a qualified professional meeting the Secretary of the Interior's (SOI) Professional Qualification Standard (PQS) for archaeology and/or architectural history, as appropriate (NPS 1983).

A Phase I cultural resources study shall include a pedestrian survey of the project site and sufficient background research and field sampling to determine whether subsurface prehistoric or historic remains may be present. Archival research should include a records search at the Central Coast Information Center (CCIC) and a Sacred Lands File (SLF) search with the Native American Heritage Commission (NAHC). Where identified or potential resources are of Native American origin, the appropriate Native American tribe(s) will participate with the qualified professional. The technical report documenting the study shall include recommendations to avoid or, if avoidance is not feasible, reduce impacts to cultural resources.

**Rationale/Supporting Explanation:** Implementation of Measures CR-1(a) and CR-1(b) would update the General Plan and LCP Update to include a policy and implementation action to address potential impacts to historical and unique archaeological resources on a project-by-project basis by requiring cultural resource studies for projects within the city and the implementation of further requirements to avoid or reduce impacts to those resources. Residual impacts would be less than significant. (FEIR p. 4.4-9 – 4.4-12.)

**Cumulative Impact – Cultural Resources:** The Final EIR concludes the increase in growth in previously undisturbed areas would contribute to regional impacts on existing and previously undisturbed and undiscovered historical and archaeological resources. Compliance with applicable regulations and implementation of General Plan and LCP Update goals and policies would minimize cumulative impacts to cultural resources. (FEIR p. 4.4-12 – 4.4-13.)

**Finding:** The City Council finds changes or alterations have been required in, or incorporated into, the project that avoid or substantially lessen the significant environmental effect as identified in the Final EIR. Mitigation Measures CR-1(a) and CR-1(b) would reduce the significant impact to a less than significant level.

Implement Mitigation Measures CR-1(a) and CR-1(b)

**Rationale/Supporting Explanation:** Implementation of Measures CR-1(a) and CR-1(b) would update the General Plan and LCP Update to include implementation actions to address potential impacts to cultural resources on a project-by-project basis by requiring cultural resource studies for projects within the city and the implementation of further requirements to avoid or reduce impacts to cultural resources. Implementation of Mitigation Measures CR-1(a) and CR-1(b) would ensure that potential impacts to cultural resources would not be cumulatively considerable, and cumulative impacts to such resources would not be cumulatively considerable. (FEIR p. 4.4-12 – 4.4-13.)

## 4.4 Noise

**Impact N-2:** The FEIR concludes, in Impact N-2, construction of individual projects facilitated by the General Plan and LCP Update could temporarily generate groundborne vibration, potentially affecting adjacent sensitive land uses. Although the Morro Bay Municipal Code's timing restrictions on construction activity would limit vibration disturbance, high vibration levels during working construction hours could potentially disturb people or damage fragile buildings. (FEIR p. 4.10-16.)

**Finding:** The City Council finds changes or alterations have been required in, or incorporated into, the project that avoid or substantially lessen the significant environmental effect as identified in the FEIR. Mitigation Measure N-2 would reduce the significant impact to a less than significant level.

**Mitigation Measure N-2:** The following new policies shall be added to the Noise Element under Goal NOI-3:

**Policy NOI-3.5 Vibration Control.** Control construction vibration by avoiding the use of vibratory rollers near vibration-sensitive receptors and scheduling construction activities with the highest potential to produce vibration to hours with the least potential to affect sensitive land uses.

**Policy NOI-3.6 Construction Vibration Notification.** Developers shall notify neighbors of scheduled construction activities that would generate vibration.

**Rationale/Supporting Explanation:** The avoidance of vibratory rollers in close proximity to vibration-sensitive receptors would prevent potential structural damage from vibration. In addition, the appropriate scheduling of construction activities and notification of neighbors would minimize disturbance of people from vibration-generating equipment. Compliance with the vibration control and notification measures in Mitigation Measure N-2 would reduce temporary vibration impacts to a less than significant level. (FEIR 4.10-16 – 4.10-17.)

**Cumulative Impact – Noise:** The FEIR concludes site-specific cumulative impacts related to exposure of existing and planned future receptors to construction vibrational noise sources would be less than significant with mitigation incorporated. (FEIR p. 4.10-25.)

**Finding:** The City Council finds changes or alterations have been required in, or incorporated into, the project that avoid or substantially lessen the significant environmental effect as identified in the FEIR. Mitigation Measure N-2 would reduce the significant impact to a less than significant level.

Implement Mitigation Measure N-2

**Rationale/Supporting Explanation:** Compliance with the vibration control and notification measures in Mitigation Measure N-2 would reduce the project's contribution to cumulative temporary vibration impacts to a less than significant level, as vibratory rollers would not operate in close proximity to vibration-sensitive receptors and prevent potential structural damage from vibration. Cumulative impacts would not be cumulatively considerable. (Final EIR p. 4.10-17 and 4.10-25.)

## 4.5 Transportation and Traffic

**Impact T-1:** The FEIR concludes, in Impact T-1, implementation of the General Plan and LCP Update would increase vehicle traffic volumes, which have the potential to interfere with pedestrian and bicycle travel on or along roadways. The General Plan and LCP Update includes goals and policies to improve safety, access, and performance of public transit, bicycle, and pedestrian transportation modes. Implementing specific pedestrian circulation improvement measures at affected facilities would further improve the performance of pedestrian transportation modes. (Final EIR p. 4.13-16.)

**Finding:** The City Council finds changes or alterations have been required in, or incorporated into, the project that avoid or substantially lessen the significant environmental effect as identified in the FEIR. Mitigation Measure T-1 would reduce the significant impact to a less than significant level.

**Mitigation Measure T-1:** The following pedestrian facility improvements shall be added to the list of “Planned Circulation Improvements” in the General Plan and LCP Update Circulation Element.

- Embarcadero North of Beach Street: Provide sidewalks and a vehicular connection shifting traffic away from Beach Street for the redeveloped Morro Bay Power Plant site.
- Morro Bay Boulevard: Provide a landscaped buffer at least two feet wide between the sidewalk and travel lanes.
- Main Street south of Radcliffe Drive: Provide continuous sidewalks to provide acceptable pedestrian operations.
- SR 41 east of Main Street: Provide sidewalks with a landscaped buffer when adjacent properties are redeveloped.

In addition, Policy CIR-1.8 shall be revised as follows:

**Policy CIR-1.8** Capital Improvement Program. Use the City's Capital Improvement Program (CIP) process to prioritize, fund, and build roadway, ~~and~~ bikeway, and pedestrian improvements, and to address phasing and construction of traffic infrastructure throughout the city.

As individual development projects are proposed, focused, project-level environmental review may be required, which could result in the implementation of project-specific mitigation measures to improve operations for pedestrians. Implementation of identified goals and policies to improve performance and safety of the transportation system for pedestrian, bicycle, and transit users would ensure that potential impacts associated with the performance of alternative transportation facilities would maintain acceptable operation of pedestrian modes.

**Rationale/Supporting Explanation:** Mitigation Measure T-1 describes pedestrian circulation improvement measures at affected facilities which would improve operations for pedestrian modes. Residual impacts would be less than significant (FEIR p. 4.11-16 – 4.11-20).

## 4.6 Tribal Cultural Resources

**Impact TC-1:** The Final EIR concludes, in Impact TC-1, development facilitated by the General Plan and LCP Update has the potential to impact tribal cultural resources. Implementation of the goals and policies of the General Plan and LCP Update would minimize the potential for impacts to previously unidentified tribal cultural resources. (Final EIR p. 4.15-3)

**Finding:** The City Council finds changes or alterations have been required in, or incorporated into, the project that avoid or substantially lessen the significant environmental effect as identified in the FEIR. Mitigation Measures CR-1(a) and CR-1(b) would reduce the significant impact to a less than significant level.

Implement Mitigation Measures CR-1(a) and CR-1(b) (refer to Section 4.3, *Cultural Resources*).

**Rationale/Supporting Explanation:** Impacts to tribal cultural resources would be less than significant with implementation of Mitigation Measures CR-1(a) and CR-1(b), which would update the General Plan and LCP Update to include a policy and implementation action to address potential impacts to unique tribal cultural resources on a project-by-project basis by requiring cultural resource studies for projects within the city and the implementation of further requirements to avoid or reduce impacts to those resources. (FEIR p. 4.15-3 – 4.15-4.)

**Cumulative Impact – Tribal Cultural Resources:** The Final EIR concludes development in the city would increase under buildout of the General Plan and LCP Update and the increase in growth in previously undisturbed areas would contribute to regional impacts on tribal cultural resources. (F EIR p. 4.15-4.)

**Finding:** The City Council finds changes or alterations have been required in, or incorporated into, the project that avoid or substantially lessen the significant environmental effect as identified in the FEIR. Mitigation Measures CR-1(a) and CR-1(b) would reduce the significant impact to a less than significant level.

Implement Mitigation Measures CR-1(a) and CR-1(b)

**Rationale/Supporting Explanation:** Implementation of the goals and policies in the General Plan and LCP update, as well as implementation of Mitigation Measures CR-1(a) and CR-1(b) would minimize potential impacts to tribal cultural resources as a result of development facilitated by the General Plan and LCP Update, as impacts would be addressed on a project-by-project basis by requiring cultural resource studies for projects within the city and the implementation of further requirements to avoid or reduce impacts to those resources. (Final EIR p. 4.4-9 – 4.4-12.)

## CHAPTER 5

# Significant Environmental Impacts

Pursuant to *State CEQA Guidelines* section 15091, the following are the impacts of the General Plan and LCP Update for which impacts cannot be reduced to less than significant. These impacts remain significant and unavoidable, as identified in the FEIR.

### 5.1 Air Quality

**Impact AQ-1:** The FEIR concludes, in Impact AQ-1, the General Plan and LCP Update would result in an increase in VMT that would exceed the projected rate of population growth in Morro Bay, which would be inconsistent with the SLOAPCD Clean Air Plan. This would be a significant and unavoidable impact (Final EIR p. 4.2-10).

**Finding:** The City Council finds specific economic, legal, social, technological, or other considerations make infeasible the mitigation measures or project alternatives identified in the Final EIR. No mitigation is available that would reduce the project rate of VMT growth below the projected rate of population growth in Morro Bay. Therefore, the General Plan and LCP Update would be inconsistent with the SLOAPCD Clean Air Plan, and impacts related to consistency with the 2001 CAP would remain significant and unavoidable. A statement of overriding considerations for this impact is made in Chapter 7.

**Rationale/Supporting Explanation:** The General Plan and LCP Update would comply with applicable General Plan and LCP Update goals and policies that would reduce VMT to the extent feasible. In addition, individual development projects in the planning area would require project-level environmental review, including evaluation of future projects for consistency with the applicable air quality plan in accordance with the SLOAPCD CEQA *Air Quality Handbook*, which could result in the implementation of project-specific mitigation measures to reduce VMT. However, no additional policy-oriented mitigation is available that would reduce projected VMT, therefore this impact remains significant and unavoidable. (FEIR p. 4.2-10 – 4.2-19.)

**Cumulative Impact - Air Quality:** The FEIR concludes the General Plan and LCP Update's contribution to cumulative regional air quality impacts would be significant and unavoidable. (Final EIR p. 4.2-10.)

**Finding:** The City Council finds specific economic, legal, social, technological, or other considerations make infeasible the mitigation measures or project alternatives identified in the Final EIR. No mitigation is available that would reduce the project rate of VMT growth below the

projected rate of population growth in Morro Bay. Therefore, the General Plan and LCP Update would be inconsistent with the SLOAPCD Clean Air Plan, and impacts related to consistency with the 2001 CAP would remain significant and unavoidable. A statement of overriding considerations for this impact is made in Chapter 7.

**Rationale/Supporting Explanation:** San Luis Obispo County is in non-attainment for the 1-hour and 8-hour state standards for ozone and the 24-hour state standard for PM<sub>10</sub>. Future development throughout San Luis Obispo County would create ozone and PM<sub>10</sub> emissions, which would contribute to continued or exacerbated violation of state emissions standards. Buildout of the General Plan and LCP Update would result in an increase of VMT exceeding the rate of population increase, which would be inconsistent with SLOAPCD's 2001 CAP, which is intended to bring the County into attainment of the State ozone standard. Because the General Plan and LCP Update would be inconsistent with the CAP, the General Plan and LCP Update's contribution to cumulative regional air quality impacts would be significant and unavoidable. (FEIR p. 4.2-25.)

## 5.2 Transportation

**Impact T-2:** The FEIR concludes, in Impact T-2, the General Plan and LCP Update anticipates land use growth that would result in a long-term increase in VMT within the City's SOI. The General Plan and LCP Update Circulation Element includes goals and policies that reduce reliance on passenger vehicles, facilitate pedestrian and bicycle transportation, and establish local targets for VMT reduction. However, future development in Morro Bay would result in increased per service population VMT, and no feasible mitigation is available that would fully address the anticipated increase in VMT. (Final EIR p. 4.13-21.)

**Finding:** The City Council finds specific economic, legal, social, technological, or other considerations make infeasible the mitigation measures or project alternatives identified in the FEIR. Mitigation is not available that would fully address the anticipated increase in VMT resulting from the General Plan and LCP Update. A statement of overriding considerations for this impact is made in Chapter 7.

**Rationale/Supporting Explanation:** Implementation of the goals and policies in the General Plan and LCP Update would contribute to reducing VMT in Morro Bay. However, no additional feasible mitigation is available that would fully address the anticipated increase in VMT. Therefore, impacts associated with increased VMT in the Morro Bay SOI and in San Luis Obispo County would remain significant and unavoidable after implementation of all applicable policies in the General Plan and LCP Update. (FEIR p. 4.13-21 – 4.13-23.)

**Cumulative Impact - Transportation:** The FEIR concludes the General Plan and LCP Update's contribution to cumulative VMT impacts would be significant and unavoidable. (Final EIR p. 4.13-25.)

**Finding:** The City Council finds specific economic, legal, social, technological, or her considerations make infeasible the mitigation measures or project alternatives identified in the FEIR. Mitigation is not available that would fully address the anticipated increase in VMT resulting from the General Plan and LCP Update. A statement of overriding considerations for this impact is made in Section 7.

**Rationale/Supporting Explanation:** The cumulative traffic impacts of the General Plan and LCP Update were determined by a comparison of the Existing Conditions scenario and the Buildout Plus Project Conditions scenario. The cumulative land use growth evaluated under Buildout Plus Project conditions would result in an increase in daily VMT and daily per service population VMT. The individual potential impacts of future development in Morro Bay are speculative; however, the cumulative impact of the increase in VMT in the Morro Bay SOI and in San Luis Obispo County identified for the General Plan and LCP Update would be potentially significant. Future development in Morro Bay would result in increased long-term VMT, even with implementation of identified goals and policies that would reduce VMT to an extent. Individual development projects in Morro Bay would require focused, project-level environmental review, and would require mitigation to reduce VMT where potential environmental impacts are identified. Implementation of the goals and policies in the General Plan and LCP Update would contribute to reducing VMT in Morro Bay, but no additional feasible mitigation is available that would fully address the anticipated increase in VMT resulting from the General Plan and LCP Update. Therefore, cumulative transportation impacts would remain significant and unavoidable (Final EIR p. 4.13-25 – 4.13-26).

## CHAPTER 6

# Findings Regarding Project Alternatives

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The City Council hereby declares it has considered and rejected as infeasible the alternatives identified in the Final EIR and described below. CEQA requires an EIR evaluate a range of reasonable alternatives to a project, or to the location of the project, which would feasibly obtain most of the basic project objectives but would avoid or substantially lessen any of the significant effects of the project (*CEQA Guidelines* §15126.6). The No Project alternative must be evaluated, and if it is the environmentally superior alternative, another environmentally superior alternative must be identified among the other alternatives (*CEQA Guidelines* subdivision 15126.6(e)).

The objective of the General Plan and LCP Update is to function as a policy document to guide land use decisions within the city planning area through the year 2040. The Community Vision of the General Plan is as follows:

In 2040, Morro Bay remains a small oceanfront town and thriving year-round destination, known for its natural beauty, creative people, outdoor recreation, working waterfront, and welcoming community spirit. It is a friendly, safe, resilient, and healthy place where people of all ages and economic levels live, work, play, and visit.

The natural environment and wildlife are cherished and conserved and are essential elements that integrate with and define our urban landscape. Our healthy wetlands, iconic Morro Rock, and bustling harbor are complemented by expansive parks, connected bicycle lanes, safe streets, and pathways that are accessible to people of all ages and abilities.

We have a deep appreciation for nature and honor our native, cultural, and maritime heritage. We maintain and support our working waterfront and carefully preserve our estuary, watershed, natural shoreline, and surrounding open space. We adapt to changes in the climate, economy, and culture without compromising our small-town character.

Our vibrant economy is strengthened by sustainable resource practices, a responsive city government, and leading-edge technology that empowers local business owners and attracts new businesses and investors. We are a diverse, multigenerational community where head-of-household jobs, sustainable living wages, and affordable housing options serve as a foundation that allows people of all ages and income levels to thrive.

Modern, well-maintained public amenities and supportive community services nurture our residents, community organizations, and neighborhood groups. We actively

participate in government decisions and take pride in volunteerism. We welcome personal expression and creativity, as reflected in our varied visitor attractions, bustling dining scene, vibrant arts culture, community events, public art, and outdoor activities. Our diverse housing, safe and eclectic neighborhoods, and reliable transit system are enhanced through suitable urban infill and mixed-use development that accommodates modest residential and commercial growth.

Mindful of our rich heritage, we take great pride in our community and work together toward a bright future.

The FEIR evaluated three project alternatives in addition to the proposed General Plan and LCP Update. The alternatives analyzed in the FEIR are as follows:

- Alternative 1: No Project/Continue using 1988 General Plan and 1984 LCP
- Alternative 2: Proposed General Plan and LCP Update without Morro Bay Power Plant/WWTP Redevelopment
- Alternative 3: Reduced Commercial Floor Area Ratio

The FEIR concludes that the No Project Alternative (Alternative 1) would be environmentally superior in comparison to the General Plan and LCP Update because it would continue implementation of the existing 1988 General Plan, which would accommodate less development and growth than the General Plan and LCP Update, Alternatives 2, or Alternative 3. Although Alternative 1 would entail continued growth as dictated by the existing 1988 General Plan, Alternative 1 would not implement new policy language included in the General Plan and LCP Update, such as policies intended to provide guidance for future development and reduce long-term community impacts associated with growth. Alternative 2 would perform similar or better to the General Plan and LCP Update for all environmental resource areas. This alternative would result in no new development on the former Morro Bay Power Plant and City WWTP redevelopment sites, instead designating these sites as Open Space/Recreation. Alternative 3 would perform similar or better to the General Plan and LCP Update for all environmental resource areas. This alternative would result in less new commercial growth and development overall due to the reduction in commercial FAR.

Based on the information presented herein, Alternative 2 would be the environmentally superior alternative when considering overall environmental impacts relative to the performance metrics. However, designating the former Morro Bay Power Plant and City WWTP redevelopment sites as Open Space/Recreation would be inconsistent with the vision and objectives of the General Plan and LCP Update because it would eliminate urban development from areas the City has determined would contribute substantially to a pattern of compact future development, reducing long-term development pressure on agricultural lands outside the planning area. Additionally, reduced growth in these targeted redevelopment locations would be inconsistent with the goals of the General Plan and LCP Update to attract new businesses and investors and provide head-of-household jobs and affordable housing options.

After Alternative 2, Alternative 1 is the next most environmentally superior alternative when considering overall environmental impacts relative to the performance metrics. However, Alternative 1 would not meet the basic project objective to provide an updated community vision for Morro Bay by updating the 1988 General Plan, and would not avoid the significant and unavoidable project-level or cumulative impacts associated with increased VMT, and may result in additional long-term impacts associated with the need for expanded utility infrastructure.

## 6.1 Alternative 1: No Project

**Description:** Subdivision 15126.6(e) of the *CEQA Guidelines* requires a “no project” alternative be evaluated in an EIR to allow decision makers to compare the impacts of approving a proposed project with the impacts of not approving that project. *CEQA Guidelines* subdivision 15126.6(e)(3) describes the two general types of no project alternative: (1) when the project is the revision of an existing land use or regulatory plan, policy, or ongoing operation, the no project alternative would be the continuation of that plan; and (2) when the project is not a land use/regulatory plan, such as a specific development on an identifiable property, the no project alternative is the circumstance under which that project is not processed (i.e., no development occurs). Alternative 1 represents the former type of no project alternative and assumes the continued implementation of the 1988 General Plan and 1984 LCP.

This alternative is comprised of a land use pattern that reflects the land use identified in the existing 1988 General Plan. Under this alternative, the proposed General Plan and LCP Update would not be adopted and the existing General Plan and LCP, including the land use map and all of the General Plan and LCP goals and policies, would remain in place through the horizon year of 2040. Thus, any new development in Morro Bay would occur consistent with the existing land use designations and the allowed uses within each designation. Similarly, any new infrastructure would occur as envisioned in the existing 1988 General Plan. Development under this alternative is anticipated to be generally similar in much of the planning area but would not include mixed-use development in the downtown area, or the identified redevelopment of the former Morro Bay Power Plant and City wastewater treatment plant (WWTP) sites, resulting in more non-residential development than under the General Plan and LCP Update. As a result, overall development and anticipated growth would be reduced under the No Project Alternative compared to the General Plan and LCP Update. This alternative assumes that the City’s Sphere of Influence (SOI) would not be extended to include 1,077 acres of the planning area beyond the city limits that is identified as a future extension of Morro Bay’s SOI. Therefore, the planning area for this alternative encompasses the existing city limits and SOI. (FEIR p. 7-2 – 7-10.)

**Finding:** The City Council finds the No Project Alternative is infeasible because it fails to meet any of the project objectives, including the Project’s objective to guide land use decisions within the City planning area through the year 2040.

**Rationale/Supporting Explanation:** The No Project Alternative (Alternative 1) would not implement new policy language included in the General Plan and LCP Update, such as policies intended to provide guidance for future development and reduce long-term community impacts

associated with growth. Alternative 1 would not eliminate the significant and unavoidable project-level or cumulative impacts associated with increased VMT. (FEIR p. 7-25.)

## 6.2 Alternative 2: Proposed General Plan and LCP Update without Morro Bay Power Plant/WWTP Redevelopment

**Description:** One of the primary long-term strategies of the proposed General Plan and LCP Update land use plan is redevelopment of the former Morro Bay Power Plant and City WWTP sites with uses that respond to their unique site attributes to provide future growth areas for the city within the existing city limit. Under the General Plan and LCP Update land use plan, the former Morro Bay Power Plant and City WWTP sites are planned to accommodate Mixed Use, Public/Institutional, Visitor Serving Commercial, and Open Space/Recreation uses with much of the development being new. Approximately 50 percent of the planned non-residential land use growth (from existing to buildout) and approximately 80 percent of the visitor-serving commercial growth would occur at the former Morro Bay Power Plant and City WWTP sites. The General Plan and LCP Update Land Use Element includes Policy LU-5.4 and Policy LU-5.5, which require the city to develop master plans for these sites and the surrounding areas.

Alternative 2 would remove Policy LU-5.4 and Policy LU-5.5 from the General Plan and LCP Update, and would revise the land use plan to include the former Morro Bay Power Plant and City WWTP sites in Open Space/Recreation, preserving natural areas and resources, and providing future recreational opportunities, consistent with other goals of the General Plan and LCP Update. This alternative would build on the preservation of natural areas within the planning area by reducing the amount of new development compared to the proposed General Plan and LCP Update.

Under Alternative 2, approximately 3.1 million square feet of new commercial development could be constructed in the planning area. This would be 5.7 million fewer square feet of new commercial square footage than could be constructed compared to the General Plan and LCP Update. Additionally, approximately 300 fewer residential units could be constructed within the planning area, as a result of the elimination of the mixed-use overlay in the Morro Bay Power Plant redevelopment area.

Because 300 fewer dwelling units would be constructed under Alternative 2, population density of the City would be reduced compared to the General Plan and LCP Update. Overall, Alternative 2 would reduce the growth in population in Morro Bay through the year 2040 by approximately 4 percent and would reduce the net growth in non-residential development through the year 2040 by approximately 52 percent compared to the General Plan and LCP Update. (FEIR p. 7-10 – 7.16.)

**Finding:** While Alternative 2 is environmentally similar to the project and would partially meet the project objective to guide land use decisions within the city planning area through the year 2040, the City Council finds Alternative 2 is infeasible because it fails to meet some of the project

objectives identified in the General Plan and LCP Update vision and values, including attracting new businesses and investors, providing head-of-household jobs and affordable housing options, and providing suitable urban infill and mixed-use development that accommodates modest residential and commercial growth.

**Rationale/Supporting Explanation:** Designating the former Morro Bay Power Plant and City WWTP redevelopment sites as Open Space/Recreation would be inconsistent with the vision and values of the General Plan and LCP Update because it would eliminate urban development from areas which would contribute substantially to a pattern of compact future development, reducing long-term development pressure on agricultural lands outside the planning area. Additionally, reduced growth in these targeted redevelopment locations would be inconsistent with the goals of the General Plan and LCP Update to attract new businesses and investors and provide head-of-household jobs and affordable housing options. (FEIR p. 7-25.)

## 6.3 Alternative 3: Reduced Commercial Floor Area Ratio

**Description:** Under the Reduced Commercial Floor Area Ratio (FAR) Alternative, the maximum allowable FAR for the Community Commercial and Visitor-Serving Commercial land use designations would be reduced from 1.25 to 1.0 to reduce commercial density and overall vehicle miles traveled associated with new non-residential development. Approximately 75 percent of the potential new commercial development identified in Table 2-5 of the Final EIR is comprised of Community Commercial and Visitor-Serving Commercial land use (approximately 1.1 million square feet of Community Commercial and approximately 5.5 million square feet of Visitor Serving Commercial). Due to the reduction in overall growth, this alternative would incrementally reduce new vehicle traffic. Development under Alternative 3 assumes that all goals and policies put in place by the General Plan and LCP Update will be in force.

Under Alternative 3, approximately 7.5 million square feet of new commercial development could be constructed in the planning area. This would be 1.3 million fewer square feet of new commercial square footage than could be constructed under the General Plan and LCP Update. Additionally, approximately 103 fewer residential units could be constructed within the planning area, as a result of the FAR reduction within the planned mixed-use overlay areas.

Because 103 fewer dwelling units would be constructed under Alternative 3, population density of the city would be reduced compared to the General Plan and LCP Update. Overall, Alternative 3 would reduce the growth in population in Morro Bay through the year 2040 by approximately 2 percent and would reduce the net growth in non-residential development through the year 2040 by approximately 12 percent compared to the General Plan and LCP Update. (FEIR p. 7.17-23.)

**Finding:** While Alternative 3 is environmentally similar to the project and would partially meet the project objective to guide land use decisions within the city planning area through the year 2040, the City Council finds Alternative 3 is infeasible because it fails to meet some of the of the project objectives identified in the General Plan and LCP Update vision and values, including

attracting new businesses and investors, providing head-of-household jobs and affordable housing options, and providing suitable urban infill and mixed-use development that accommodates modest residential and commercial growth.

**Rationale/Supporting Explanation:** Reducing the allowable FAR for the Community Commercial and Visitor-Serving Commercial land use designations would be inconsistent with the vision and values of the General Plan and LCP Update because it would reduce commercial growth that would attract new businesses and investors and provide head-of-household jobs and affordable housing options. In addition, Alternative 3 would not eliminate any of the significant and unavoidable impacts associated with the General Plan and LCP Update, as this alternative would still result in substantial new growth and the associated increase in new vehicle traffic. (FEIR p. 7-25.)

## CHAPTER 7

# Statement of Overriding Considerations

### 7.1 Introduction

Section 15093 of the CEQA Guidelines requires lead agencies to adopt a Statement of Overriding Considerations if they elect to approve a project that has significant and unavoidable environmental impacts. The FEIR for the General Plan and LCP Update identifies the following significant and unavoidable impacts:

- **Impact AQ-1:** The FEIR concludes the General Plan and LCP Update would result in an increase in VMT that would exceed the projected rate of population growth in Morro Bay, which would be inconsistent with the SLOAPCD Clean Air Plan. This would be a significant and unavoidable impact (Final EIR p. 4.2-10).
- **Cumulative Impact - Air Quality:** The FEIR concludes the General Plan and LCP Update's contribution to cumulative regional air quality impacts would be significant and unavoidable. (Final EIR p. 4.2-10.)
- **Impact T-2:** The FEIR concludes the General Plan and LCP Update anticipates land use growth that would result in a long-term increase in VMT within the City's SOI. The General Plan and LCP Update Circulation Element includes goals and policies that reduce reliance on passenger vehicles, facilitate pedestrian and bicycle transportation, and establish local targets for VMT reduction. However, future development in Morro Bay would result in increased per service population VMT, and no feasible mitigation is available that would fully address the anticipated increase in VMT. (Final EIR p. 4.13-21.)
- **Cumulative Impact - Transportation:** The Final EIR concludes the General Plan and LCP Update's contribution to cumulative VMT impacts would be significant and unavoidable. (Final EIR p. 4.13-25.)

For projects that would result in significant environmental impacts that cannot be avoided, CEQA requires that the lead agency balance the benefits of these projects against the unavoidable environmental risks in determining whether to approve the projects. If the benefits of these projects outweigh the unavoidable impacts, then those impacts may be considered acceptable (CEQA Guidelines §15093[a]). CEQA requires, before adopting such projects, the public agency adopt a Statement of Overriding Considerations setting forth the reasons why the agency finds the

benefits of the project outweigh the significant environmental effects caused by the project. This statement is provided below.

## 7.2 Required Findings

The City has identified significant and unavoidable environmental impacts that cannot be lessened through application of feasible mitigation measures that can be incorporated into the project. The City has also examined a reasonable range of alternatives to the project and has determined that none of these alternatives would satisfy the project objectives identified in the General Plan and LCP Update vision and values to the same extent or greater as the project. The City Council finds the project has eliminated or substantially lessened all significant effects on the environment where feasible, and finds, on balance, the remaining significant and unavoidable impacts of the project are acceptable because the benefits of the project outweigh them.

In preparing this Statement of Overriding Considerations, the City Council has balanced the benefits of the project against its unavoidable environmental risks.

The City Council hereby finds it is imperative to balance competing goals in approving the General Plan and LCP Update and the environmental documentation of the General Plan and LCP Update. Not every environmental concern has been fully satisfied because of the need to satisfy competing concerns to a certain extent. The City Council has chosen to accept certain environmental impacts because of the many benefits inherent in the attainment of City, regional, and State goals, as well as the implementation of required mitigation measures, would balance the potential for environmental impacts to occur.

The City Council hereby finds the FEIR has identified and discussed significant effects that may occur as a result of the General Plan and LCP Update. With the incorporation of the goals and policies as identified in the findings, potential impacts are reduced to a level of less than significant except for the unavoidable and significant impacts discussed in Subsection 7.1, above.

The City Council hereby finds it has made a reasonable and good faith effort to eliminate or substantially mitigate the potential impacts resulting from the General Plan and LCP Update.

The City Council further determines except for the General Plan and LCP Update, all other alternatives set forth in the FEIR are infeasible because they may not substantially reduce environmental impacts associated with the General Plan and LCP Update, and would prohibit the realization of the General Plan and LCP Update vision and values and/or specific economic, social, or other benefits the City Council finds outweigh any environmental benefits of the alternatives.

The City Council hereby finds and determines, having reduced the adverse significant environmental effects of the General Plan and LCP Update to the extent feasible by including goals and policies in the General Plan and LCP Update, having considered the entire administrative record on the General Plan and LCP Update, and having weighted the benefits of

the General Plan and LCP Update against its unavoidable significant impacts after mitigation, the General Plan and LCP Update and the supporting environmental documentation provide for a positive balance of the competing goals and that the economic, social and other benefits to be obtained by the General Plan and LCP Update outweigh any remaining environmental impacts and related potential detriment of the project and render those potential significant impacts acceptable based on the considerations noted below.

The City Council finds the project objectives and community values that would be achieved from implementation of the General Plan and LCP Update, as outlined below, outweigh the project's unavoidable environmental risks. Each of the separate benefits of the General Plan and LCP Update, as stated below, is determined to be, unto itself and independent of the other benefits of the General Plan and LCP Update, a basis for overriding all unavoidable adverse environmental impacts identified in these Findings. The alternatives, which were identified in the FEIR would not meet, either in part or in whole to the same extent as the General Plan and LCP Update, the fundamental project objectives and goals of the General Plan and LCP Update, including those as set forth in the General Plan, and each and all of which are deemed and considered by the City to be benefits of the proposed modified General Plan and LCP Update.

Among others, the General Plan and LCP Update has been prepared to do the following:

- **Natural Environment.** Preserve the community's estuary, shoreline, and open green spaces, and ensure the parks and recreation spaces are healthy, resilient, and accessible to all.
- **Heritage & Identity.** Welcome visitors while maintaining our small-town character and honoring our maritime heritage.
- **Jobs & Housing.** Provide a range of affordable housing options and living wage jobs resulting in a higher quality of life.
- **Economic Vitality.** Support a diverse and sustainable economy for both new and existing locally owned businesses, including community-supporting tourism.
- **Infrastructure & Amenities.** Maintain and provide modern, resilient infrastructure and public amenities.
- **Mobility & Access.** Provide safe and accessible streets, trails, and multimodal transportation options that conveniently connect people and places throughout town and to surrounding destinations.
- **Good Governance.** Maintain a government that is supportive, collaborative, equitable, and responsive to the needs of all segments of the population.
- **Resident Services.** Provide a range of public services that support a diverse and multigenerational community.

The General Plan and LCP Update directs the way in which development in the City will occur to accommodate future growth and trends while maintaining the character of the Morro Bay community, consistent with these objectives.

In this regard, the project objectives of the General Plan and LCP Update are reflected in the following General Plan and LCP Update goals:

- LU-1: The community form of Morro Bay reflects its vision and values, promoting a strong economy and high quality of life.
- LU-5: Coastal priority uses are viable, protected, and contribute to the economy and character of Morro Bay.
- LU-8: Morro Bay's downtown and waterfront areas are active and welcoming locations for shopping, recreation, public access, visitor-serving needs, and coastal services.
- CD-1 The individual identity of each of Morro Bay's character areas is embraced and represented by new and renovated development.
- CD-2 The community is designed to be resilient to future climate conditions, weather events, and economic and social change.
- ED-3: Local businesses and employment options are high quality, diverse, and environmentally sustainable.
- ED-4: Employment provides a range of head-of-household jobs that pay living wages and support living in Morro Bay.
- CIR-1: Residents and visitors can easily move about the city in a variety of safe and active ways.
- CIR-3: Traffic monitoring considers all methods of travel, with emphasis on active and sustainable transportation methods.
- NOI-1: A healthy and safe noise environment for Morro Bay residents, businesses, and visitors.
- NOI-2: Minimize transportation-related noise.
- NOI-3: Noise from construction activities associated with maintenance vehicles, special events, and other nuisances is minimized in residential areas and near noise-sensitive land uses.
- C-1: Sensitive habitats are protected from potential negative impacts of land use and development.

- C-2: Cultural and historic resources are identified for protection and showcased as a vital part of Morro Bay history.
- C-3: Air quality in Morro Bay continues to improve through local actions and interagency cooperation.
- C-4: Greenhouse gas emissions in Morro Bay are reduced and consistent with state goals.
- C-5: Morro Bay is a leader in energy innovation and sustainable usage.
- C-6: Energy available to Morro Bay residences, businesses, and public buildings is renewable and sustainable.
- C-7: Morro Bay water is safe, available, and used in an environmentally responsible manner.
- C-8: Morro Bay is a zero waste community.
- C-9: The aesthetic and visual natural resources in and around Morro Bay are protected to preserve the community's identity.
- OS-1: The public has access to plentiful and well-maintained parks, beaches, and recreational activities throughout Morro Bay.
- OS-4: Coastal and marine habitat wildlife and resources are protected while maintaining the cultural identity of the habitat.
- OS-5: Natural resources are preserved to balance the use of open space for outdoor recreation opportunities.
- OS-6: Open spaces are preserved through adaptation strategies to mitigate the effects of sea level rise and promote community resiliency.
- OS-7: Portions of the planning area outside the city limits are planned in a way that preserves their rural nature while providing essential services and infrastructure.
- PS-2: Development is protected from natural disasters and hazards to the greatest extent possible.
- PS-3: Morro Bay is prepared for and responsive to the effects of sea level rise and other coastal hazards in both the short and longer term future.
- PS-4: Response to emergencies is quick, efficient, and effective.
- EJ-4: Morro Bay recognizes and is prepared for increased health risks due to current and anticipated future climate change effects.

The General Plan and LCP Update Land Use Element directs the way in which development in the City will occur to accommodate future growth and trends while maintaining the character of the Morro Bay community, consistent with these goals. The Community Design Element addresses the components of Morro Bay's unique style that will be preserved and enhanced through the General Plan and LCP Update as the City changes over time. The Economic Development Element directs actions that promote a sustainable economy that can withstand fluctuations in the economic environment of the City. The Circulation Element plans for a multimodal transportation network that serves all users and reduces GHGs and vehicle miles traveled. The Noise Element protects current and planned land uses, addresses sites and standards for new housing, supports the location and design of new transportation facilities, addresses traffic noise, and considers how noise adversely affects the enjoyment of recreational pursuits and wildlife. The Conservation Element considers plans for development and their effect on all natural resources located on public lands, including greenhouse gas emissions and water resources, supply, and quality. The Open Space Element establishes goals and policies to protect and conserve Morro Bay's open space resources and addresses opportunities to expand the open space system by assessing park and trail facilities, coastal facilities, and recreation programs. The Public Safety Element addresses public safety, with a specific focus on hazard identification and mitigation. The Environmental Justice Element addresses the social aspects of community design.

The mixed-use nature of the General Plan and LCP Update encourages diversification and development of the City's economic base. Within additional residential uses, there will be additional property tax revenues available that will provide additional benefits. Additionally, within the commercial uses there is a broad diversification of uses that range from the provisions of various types of sales taxes (restaurants, entertainment, etc.) to potential transient occupancy taxes (hotel uses). Further, the General Plan and LCP Update will provide significant benefits to the City and community in terms of creating both short and long-term employment opportunities for the residents of the City including construction work and long-term jobs in the commercial and industrial sector, which are reasonably expected to result in more personal income likely to be spent locally, resulting in additional tax revenues and economic development.

Tax revenues in the City are important given the current budget and fiscal constraints being experienced by the City; and the City's demographics and business realities are likely to continue to affect revenues detrimentally, which potentially threatens budget shortfalls. The City has more residents to serve, but the cost of doing so has increased. The City finds the opportunity to realize additional property, sales and transit occupancy tax revenues is an important consideration for the City.

Consequently, it is reasonably expected the City and its residents will enjoy the economic and social benefits from the diversity of the economic benefits provided by the General Plan and LCP Update. These economic opportunities are especially significant in light of budgetary and other constraints experienced by the City, and which can be further compounded by economic downturns in budgetary situations involving less diversification. This promotes the economic well-being of the City, including the funding of essential services provided by the City.

Each of these benefits provides a separate and independent basis for overriding the significant environmental effects of the General Plan and LCP Update.

As the CEQA lead agency for the proposed action, the City has reviewed the General Plan and LCP Update and the alternatives presented in the EIR. The City Council finds there are no feasible mitigation measures or alternatives that would further reduce or eliminate the significant unavoidable impacts of implementing the General Plan and LCP Update, which create and/or otherwise contribute to related cumulative impacts. For the reasons stated above and based on substantial evidence in the record before it, the City Council finds these unavoidable adverse environmental impacts are acceptable and, furthermore, finds the benefits of the General Plan and LCP Update outweigh its unavoidable adverse environmental effects. Further, the City Council finds all potential adverse environmental impacts and all feasible policy or mitigation measures to reduce the impacts from the Project have been identified in the Draft EIR, the FEIR and public testimony. The City also finds a reasonable range of alternatives was considered in the FEIR and this document, Chapter 6, above, and finds approval of the General Plan and LCP Update is appropriate.

The City Council has identified economic and social benefits and important policy objectives that will result from implementing the General Plan and LCP Update. The City Council has balanced these substantial social and economic benefits against the unavoidable significant adverse effects of the General Plan and LCP Update. Given the substantial social and economic benefits that will accrue from the General Plan and LCP Update, the City Council finds these specific overriding benefits of the Project outweigh the significant impact on the environment.

Public Resource Code section 21002 states, in part, “In the event specific economic, social and other conditions make infeasible such Project alternatives or such mitigation measures, individual projects can be approved in spite of one or more significant effects thereof.” Public Resources Code subdivision 21002.1 (c) provides, “In the event that economic, social, or other conditions make it infeasible to mitigate one or more significant effects of a project on the environment, the project may nonetheless be approved or carried out at the discretion of a public agency”.

Finally, California Administrative Code, Title 4, subdivision 15093(a) states, “If the benefits of a Project outweigh the unavoidable adverse environmental effects, the adverse environmental effects may be considered ‘acceptable.’”

The City Council hereby declares the foregoing benefits provided to the public through approval and implementation of the project outweigh the identified significant adverse environmental impacts of the project that cannot be mitigated. The City Council finds each of the project benefits outweighs the unavoidable adverse environmental impacts identified in the FEIR, and finds those impacts to be acceptable.

Based upon the objectives identified for the project, the City Council has determined the General Plan and LCP Update should be approved and the unmitigated environmental impacts attributable to the project are outweighed by the specific economic, social and other overriding considerations as described above.

The City Council has determined any environmental detriment caused by the General Plan and LCP Update has been minimized to the extent feasible through mitigation measures identified herein, and, where not feasible, has been outweighed and counterbalanced by the significant social benefits to be generated to the City, its residents, and the region.

# Mitigation Monitoring and Reporting Program

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This document is the Mitigation Monitoring and Reporting Program (MMRP) for the Morro Bay General Plan and Local Coastal Plan Update, SCH#2017111026, proposed in the City of Morro Bay, California. Public Resources Code subdivision 21081.6(a)(1) requires a Lead Agency adopt an MMRP before approving a project to mitigate or avoid significant impacts that have been identified in an Environmental Impact Report (EIR). The purpose of the MMRP is to ensure the required mitigation measures identified in the EIR are implemented as part of the overall project development process. In addition to ensuring implementation of mitigation measures, the MMRP provides guidance to agency staff and decision-makers during project implementation and identifies the need for enforcement action before irreversible environmental damage occurs. The MMRP must be adopted when the City Council makes a final decision on the project.

The following table summarizes the mitigation measures identified in the Final EIR for the proposed project. Specifically, the table identifies each mitigation measure; the action required for the measure to be implemented; the time at which the monitoring is to occur; the monitoring conditions; and the agency or party responsible for ensuring that the monitoring is performed. Once completed, all monitoring actions will be reported in writing to or by the City, which will maintain mitigation monitoring records for the proposed project.

Attachment B to Council Resolution 20-21

Mitigation Measure	Action Required	When Monitoring to Occur	Monitoring Frequency	Responsible Agency or Party	Compliance Verification		
					Initial	Date	Comments
<p><b>AQ-2. Standard Mitigation for Construction Equipment.</b>                      Proponents of individual land use projects, or other projects requiring grading or building permits, shall require construction contractors to incorporate the following standard mitigation measures, as applicable, to reduce ROG, NO<sub>x</sub>, and DPM emissions from construction equipment. Mitigation measures shall be listed on project construction plans and the project proponent shall perform periodic site inspections during construction to ensure that mitigation measures are being implemented.</p> <ul style="list-style-type: none"> <li>▪ Maintain all construction equipment in proper condition according to manufacturer’s specifications</li> <li>▪ Fuel all off-road and portable diesel-powered equipment with ARB-certified motor vehicle diesel fuel (non-taxed version suitable for use off-road)</li> <li>▪ Use diesel construction equipment meeting ARB’s Tier 2 certified engines or cleaner off-road heavy-duty diesel engines, and comply with the State Off-Road Regulation</li> <li>▪ Use on-road heavy-duty trucks that meet ARB’s 2007 or cleaner certification standard for on-road heavy-duty diesel engines, and comply with the State On-Road Regulation</li> <li>▪ Construction or trucking companies with fleets that do not have engines in their fleet that meet the engine standards identified in the above two measures (e.g., captive or NO<sub>x</sub> exempt area fleets) may be eligible by proving alternative compliance</li> <li>▪ All on and off-road diesel equipment shall not idle for more than 5 minutes. Signs shall be posted in the designated queuing areas and or job sites to remind drivers and operators of the 5-minute idling limit</li> <li>▪ Diesel idling within 1,000 feet of sensitive receptors is not permitted</li> <li>▪ Staging and queuing areas shall not be located within 1,000 feet of sensitive receptors</li> <li>▪ Electrify equipment when feasible</li> </ul>	<p>Verify all SLOAPCD Standard Mitigation for Construction Equipment or the equivalent are implemented for all projects as applicable.</p>	<p>During project construction</p>	<p>Continuously during project construction</p>	<p>City of Morro Bay Community Development Department</p>			

Mitigation Measure	Action Required	When Monitoring to Occur	Monitoring Frequency	Responsible Agency or Party	Compliance Verification		
					Initial	Date	Comments
<ul style="list-style-type: none"> <li>Substitute gasoline-powered in place of diesel-powered equipment, where feasible</li> </ul> <p>Use alternatively fueled construction equipment on-site where feasible, such as compressed natural gas (CNG), liquefied natural gas (LNG), propane or biodiesel.</p>							
<p><b>BIO-1(a) Avoidance and Minimization during Development.</b> Policy C-1.3 shall be updated to read:</p> <p><b>Policy C-1.3.</b> Biological Site Assessments. A biological assessment shall be required for any development proposed on sites that include or are within 100 feet of mapped ESHA in Figure C-2, and all other sites with natural vegetation regardless of whether ESHA has been mapped in Figure C-2, and for all other projects for which evidence indicates that ESHA may be present either on or adjacent to the site. The best available information about the location of ESHA in the City shall be used. Such assessment shall be prepared at the owner’s expense by a qualified biologist approved by the City and shall, at minimum:</p> <ol style="list-style-type: none"> <li>Identify and confirm the extent of the ESHA,</li> <li>Document any site constraints and the presence of sensitive plant or animal species,</li> <li>Recommend buffers and development setbacks and standards to protect the ESHA,</li> <li><del>Recommend mitigation measures to address any allowable impacts</del> <u>If listed species, other special status species, or nesting birds are present or have potential to occur, then specify avoidance and minimization measures, including compensatory mitigation, to be implemented to avoid or minimize take of individuals and loss of occupied habitat, and specify the necessary consultation pathway(s) with USFWS, NMFS, and/or CDFW to obtain incidental take coverage, where necessary, and</u></li> <li>Include any other information and analyses necessary to understand potential ESHA impacts as well as measures</li> </ol>	Verify vibration control policies are incorporated into Final General Plan and LCP Update	With adoption of Final General Plan and LCP Update	Once	City of Morro Bay Community Development Department			

Attachment B to Council Resolution 20-21

City of Morro Bay  
**Morro Bay General Plan and LCP Update**

Mitigation Measure	Action Required	When Monitoring to Occur	Monitoring Frequency	Responsible Agency or Party	Compliance Verification		
					Initial	Date	Comments
<p>necessary to protect the resource as required by the Local Coastal Program.</p> <p>If the site contains the potential for monarch overwintering or rookeries due to the presence of appropriately sized trees and groves, then a seasonally timed survey appropriate for detecting the target species must also be included in the study.</p>							
<p><b>BIO-1(b) External Impacts.</b> Policy OS-7 shall be updated to read:</p> <p><b>Policy OS-7.1.</b> Account for External Impacts. If any portion of the area outside the City limits is included in the City’s sphere of influence in the future, then prepare and adopt a plan for the affected parcels that includes infrastructure and services provided by the City of Morro Bay. <u>The plan shall also identify policies for the protection of natural resources in the affected areas.</u></p>	<p>Verify vibration control policies are incorporated into Final General Plan and LCP Update</p>	<p>With adoption of Final General Plan and LCP Update</p>	<p>Once</p>	<p>City of Morro Bay Community Development Department</p>			
<p><b>BIO-3. Wildlife Movement Corridors Protection.</b> The following policy shall be added to the Conservation Element.</p> <p><b>Policy C-1.17.</b> <u>Project Design for Wildlife Connectivity. Design new stream crossing structures and extensions or modifications of existing structures to accommodate wildlife movement. At a minimum, structures within steelhead streams must be designed in consultation with a fisheries biologist and shall not impede movement. New projects with long segments of fencing and lighting shall be designed to minimize impacts to wildlife. Fencing or other project components shall not block wildlife movement through riparian or other natural habitat. Where fencing or other project components that may disrupt wildlife movement is required for public safety concerns, they shall be designed to permit wildlife movement.</u></p> <p>This policy shall be supported by adding the following implementation action to Goal-1 of the Conservation Element:</p> <p><u>Wildlife movement features shall be included when designing new or modified stream crossing structures to allow wildlife movement including for aquatic and terrestrial</u></p>	<p>Verify vibration control policies are incorporated into Final General Plan and LCP Update</p>	<p>With adoption of Final General Plan and LCP Update</p>	<p>Once</p>	<p>City of Morro Bay Community Development Department</p>			

Mitigation Measure	Action Required	When Monitoring to Occur	Monitoring Frequency	Responsible Agency or Party	Compliance Verification		
					Initial	Date	Comments
<p><u>species. Fencing or other components shall be designed to allow movement.</u></p>							
<p><b>CR-1(a). Avoidance or Minimization of Historic, Cultural, and Archaeological Resources Impacts.</b> Policy C-2.3 of the General Plan and LCP Update shall be revised to read:</p> <p><b>Policy C-2.3.</b> Protection of Cultural Resources. Ensure the protection of <u>historic</u>, cultural, and archeological resources during development, construction, and other similar activities. Development shall avoid, to the maximum extent feasible, adversely impacting <u>historic</u>, cultural, and/or archaeological resources, and shall include adequate BMPs to address any such resources that may be identified during construction, including <u>avoidance, minimization, and</u> mitigation measures sufficient to allow documentation, preservation, and other forms of mitigation. <u>If the resource(s) in question are of Native American origin, develop avoidance or minimization measures in consultation with appropriate Native American tribe(s).</u></p>	<p>Verify vibration control policies are incorporated into Final General Plan and LCP Update</p>	<p>With adoption of Final General Plan and LCP Update</p>	<p>Once</p>	<p>City of Morro Bay Community Development Department</p>			
<p><b>CR-1(b). Cultural Resources Study Implementation Action.</b> The following implementation action for Goal C-2 shall be added to the General Plan and LCP Update:</p> <p><u>Require all discretionary proposals within the cultural resources overlay to consider the potential to disturb cultural resources. If preliminary reconnaissance suggests that cultural resources may exist, a Phase I cultural resources study shall be performed by a qualified professional meeting the Secretary of the Interior’s (SOI) Professional Qualification Standard (PQS) for archaeology and/or architectural history, as appropriate (NPS 1983).</u></p> <p><u>A Phase I cultural resources study shall include a pedestrian survey of the project site and sufficient background research and field sampling to determine whether subsurface prehistoric or historic remains may be present. Archival research should include a records search at the Central Coast Information Center (CCIC) and a Sacred Lands File (SLF) search with the Native American Heritage Commission</u></p>	<p>Verify vibration control policies are incorporated into Final General Plan and LCP Update</p>	<p>With adoption of Final General Plan and LCP Update</p>	<p>Once</p>	<p>City of Morro Bay Community Development Department</p>			

Attachment B to Council Resolution 20-21

City of Morro Bay  
**Morro Bay General Plan and LCP Update**

Mitigation Measure	Action Required	When Monitoring to Occur	Monitoring Frequency	Responsible Agency or Party	Compliance Verification		
					Initial	Date	Comments
<p>(NAHC). Where identified or potential resources are of <u>Native American origin, the appropriate Native American tribe(s) will participate with the qualified professional. The technical report documenting the study shall include recommendations to avoid or, if avoidance is not feasible, reduce impacts to cultural resources.</u></p>							
<p><b>N-2. Construction Vibration Control Measures and Notification.</b> The following new policies shall be added to the Noise Element under Goal NOI-3:  <u>Policy NOI-3.5. Vibration Control. Control construction vibration by avoiding the use of vibratory rollers near vibration-sensitive receptors and scheduling construction activities with the highest potential to produce vibration to hours with the least potential to affect sensitive land uses.</u>  <u>Policy NOI-3.6. Construction Vibration Notification. Developers shall notify neighbors of scheduled construction activities that would generate vibration.</u></p>	<p>Verify vibration control policies are incorporated into Final General Plan and LCP Update</p>	<p>With adoption of Final General Plan and LCP Update</p>	<p>Once</p>	<p>City of Morro Bay Community Development Department</p>			
<p><b>T-1. Pedestrian Facility Improvements.</b> The following pedestrian facility improvements shall be added to the list of “Planned Circulation Improvements” in the General Plan and LCP Update Circulation Element.</p> <ul style="list-style-type: none"> <li>▪ Embarcadero North of Beach Street: Provide sidewalks and a vehicular connection shifting traffic away from Beach Street for the redeveloped Morro Bay Power Plant site.</li> <li>▪ Morro Bay Boulevard: Provide a landscaped buffer at least two feet wide between the sidewalk and travel lanes.</li> <li>▪ Main Street south of Radcliffe Drive: Provide continuous sidewalks to provide acceptable pedestrian operations.</li> <li>▪ SR 41 east of Main Street: Provide sidewalks with a landscaped buffer when adjacent properties are redeveloped.</li> </ul> <p>In addition, Policy CIR-1.8 shall be revised as follows:  <b>Policy CIR-1.8.</b> Capital Improvement Program. Use the City’s Capital Improvement Program (CIP) process to prioritize, fund, and build roadway, <del>and</del> bikeway, <del>and</del> pedestrian</p>	<p>Verify vibration control policies are incorporated into Final General Plan and LCP Update</p>	<p>With adoption of Final General Plan and LCP Update</p>	<p>Once</p>	<p>City of Morro Bay Community Development Department</p>			

Mitigation Measure	Action Required	When Monitoring to Occur	Monitoring Frequency	Responsible Agency or Party	Compliance Verification		
					Initial	Date	Comments
improvements, and to address phasing and construction of traffic infrastructure throughout the city.							
<b>TC-1. Tribal Cultural Resources.</b> The Final EIR concludes, in Impact TC-1, development facilitated by the General Plan and LCP Update has the potential to impact tribal cultural resources. Implementation of the goals and policies of the General Plan and LCP Update would minimize the potential for impacts to previously unidentified tribal cultural resources. (Final EIR p. 4.15-3). The City Council finds changes or alterations have been required in, or incorporated into, the project that avoid or substantially lessen the significant environmental effect as identified in the FEIR. Mitigation Measures CR-1(a) and CR-1(b) would reduce the significant impact to a less than significant level.	Verify vibration control policies are incorporated into Final General Plan and LCP Update	With adoption of Final General Plan and LCP Update	Once	City of Morro Bay Community Development Department			

RESOLUTION NO. PC 06-21

A RESOLUTION OF THE MORRO BAY PLANNING COMMISSION FORWARDING A FAVORABLE RECOMMENDATION TO THE MORRO BAY CITY COUNCIL FOR ADOPTION OF PLAN MORRO BAY: GENERAL PLAN/LOCAL COASTAL PROGRAM UPDATE PROJECT AND CERTIFICATION OF THE FINAL ENVIRONMENTAL IMPACT REPORT WITH FINDINGS OF FACT AND STATEMENT OF OVERRIDING CONSIDERATIONS

**WHEREAS**, on November 7, 2017 the City issued a Notice of Preparation of an Environmental Impact Report (EIR) for the General Plan/ Local Coastal Program Update project, also known as Plan Morro Bay (“Project”) for a 30 day period from November 7, 2017 to December 7, 2017; and

**WHEREAS**, a public scoping meeting was held on November 21, 2017 at the Veteran’s Memorial Building at 209 Surf Street in Morro Bay;

**WHEREAS**, on October 16, 2020, a Notice of Availability of the Draft EIR (SCH#2017111026) for the Project was posted with the State Clearinghouse. It was also circulated to federal, state, and local agencies and interested parties requesting a copy. Copies of the Draft EIR were also made available to the public at the following location:

- City of Morro Bay Plan Morro Bay website: [www.morrobayca.gov/planmb](http://www.morrobayca.gov/planmb)
- City Community Development Department: 955 Shasta Avenue, Morro Bay

**WHEREAS**, the Draft EIR was prepared and circulation for a 45 day public review period from October 19, 2020 to December 4, 2020; and

**WHEREAS**, on February 8, 2021, (i) Responses to Comments were prepared for all comments received on the Draft EIR and posted to the City website and (ii) a Final EIR for the Plan Morro Bay General Plan/ Local Coastal Program Update project (SCH#2017111026) which incorporates the DEIR and responses to written comments on the DEIR, was completed and released for public review;

**WHEREAS**, duly noticed public hearings for the Public Draft of Plan Morro Bay were held by Planning Commission on August 7, 2018, August 23, 2018, September 4, 2018, December 4, 2018, and December 18, 2018; and

**WHEREAS**, duly noticed public hearings for the Adoption Hearing Draft were held by Planning Commission on October 20, 2020, November 4, 2020, November 17, 2020, December 1, 2020, and December 15, 2020; and

**WHEREAS**, the Planning Commission of the City of Morro Bay (the “City”) conducted a public hearing via video conference on March 16, 2021 for the purpose of considering a favorable recommendation to the Morro Bay City Council for adoption of Plan Morro Bay: General Plan/Local Coastal Program Update project and recommendation to certify the Final Environmental Impact Report (FEIR) (“Project”); and

**WHEREAS**, pursuant to the Governor's Executive Order N-29-20 issued on March 17, 2020 in response to the present State of Emergency in existence due to the threat of COVID-19, the City of Morro Bay Planning Commission is authorized to hold public meetings via teleconferencing and all requirements in the Brown Act expressly or impliedly requiring the physical presence of members, the clerk or other personnel of the body, or of the public as a condition of participation in or quorum for a public meeting are hereby waived; and

**WHEREAS**, notice of the public hearing was provided at the time and in the manner required by law; and

**WHEREAS**, the Planning Commission has duly considered all evidence, including the written and oral staff report, presentation, public testimony on the FEIR and the Project, and whether the FEIR should be certified and whether the Project should be approved; and

**WHEREAS**, the written staff report regarding the FEIR and the Project are found to be true and accurate in all respects and is incorporated herein by this reference;

**WHEREAS**, prior to the final consideration and any possible approval of any and all physical aspects of the proposed Project, as analyzed by the FEIR, the Planning Commission and all City legislative bodies involved with the proposed Project will consider the FEIR and the Planning Commission recommends all other governmental agencies and legislative bodies that must review or approve, if at all, the proposed Project do the same; and

**WHEREAS**, the Planning Commission has completed review of the FEIR and related materials.

**NOW, THEREFORE, BE IT RESOLVED** by the Planning Commission of the City of Morro Bay as follows:

**Section 1:** Findings. Based upon all the evidence, the Commission makes the following Findings of Facts attached to this resolution as Attachment 1. The Planning Commission recommends the City Council adopt a Statement of Overriding Considerations also included as Attachment 1 to this resolution.

**Section 2:** The Planning Commission recommends the City Council certify the FEIR as being in compliance with the California Environmental Quality Act (California Public Resources Code, Section 21000 et seq. and State CEQA Guidelines (14 California Code Regulations, section 15000 et seq.) (collectively, CEQA);

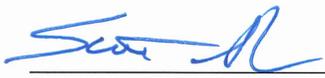
**Section 3. Action.** The Planning Commission does hereby forward a favorable recommendation to the City Council to certify and FEIR and adopt the Plan Morro Bay General Plan and Local Coastal Program Update.

PASSED AND ADOPTED by the Morro Bay Planning Commission at a regular meeting thereof held on this 16<sup>th</sup> day of March, 2021 on the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

  
\_\_\_\_\_  
Jesse Barron, Chairperson

ATTEST

  
\_\_\_\_\_  
Scot Graham, Planning Secretary

The foregoing resolution was passed and adopted this 16<sup>th</sup> day of March, 2021.

**CALIFORNIA COASTAL COMMISSION**

CENTRAL COAST DISTRICT OFFICE  
725 FRONT STREET, SUITE 300  
SANTA CRUZ, CA 95060-4508  
VOICE (831) 427-4863  
FAX (831) 427-4877

**April 16, 2021**

Dear Honorable Morro Bay City Councilmembers:

I would like to take a moment to commend your staff on their work on Plan Morro Bay. The Plan serves as an update to both the City's General Plan, but also the Local Coastal Program's Land Use Plan (LUP) pursuant to the California Coastal Act. The LUP was first certified by the Coastal Commission in the 1980s. And while it has served the City well in terms of protecting and enhancing the City's coastal resources, new issues and trends in coastal resource management necessitate updates to ensure it meets both contemporary issues and those moving forward. As such, your staff has done an excellent job of early coordination with us to discuss issues and best practices to tackle important coastal resource protection issues, including in terms of addressing public coastal access and recreation, coastal hazards, visual resources, and sensitive habitats, while also accommodating new development, including affordable housing and visitor-serving/coastal-dependent development, within the existing developed footprint of the City. We've spent several years crafting language together, and the fruit of that coordination—as well as public involvement and outreach—is the document before you now. Such early collaboration has resulted in a strong LUP that should ably serve to protect and enhance the City's immense coastal resources into the future, and should result in a much streamlined review and approval process upon its submittal to the Coastal Commission. The City should be very proud of this important planning endeavor.

Thank you for your consideration, and please do not hesitate to contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Kahn".

Kevin Kahn  
Central Coast District Supervisor  
California Coastal Commission

March 18, 2021

Honorable Mayor and City Council Members,

This week the Planning Commission unanimously agreed to forward a favorable recommendation for the certification and adoption of Plan Morro Bay: General Plan/ Local Coastal Plan and the accompanying Final EIR. I had the honor and privilege of serving on the General Plan Advisory Committee before being appointed to the Planning commission. Seeing this project come to fruition is extremely gratifying.

The people I have served with are an extraordinary group of individuals (including the late great Dr. Robert Tefft): thoughtful citizens with a variety of backgrounds who brought diverse insights, expertise and personal experience to the process. Our staff and various consulting groups spent hundreds of hours researching and preparing documents unique to Morro Bay, to provide direction for our future. We all waded through that material--and so did many other members of this community. Every meeting we held as advisory boards, from GPAC, to Planning Commission to City Council, included input from the general public. And of course, all the members of our advisory boards and council are our neighbors. There were multiple community workshops and focus groups as well, where prodigious notes were taken. This is truly a product by and for Morro Bay's citizens.

Morro Bay Community Development staff and our consultants went to great lengths to respond to input, comments, recommendations and questions from citizens, advisory committee members as well as Coastal Commission staff, with whom they lobbied for our interests and unique needs. As we all know, small towns developing a plan for their future must answer not only to their residents, but to state guidelines and codes, regional considerations for land use, public safety, environmental issues, economic concerns and a myriad of statutory requirements, as well as, of course, the great and powerful Oz known as the California Coastal Commission.

Our staff, consultants and commissioners treated the input of the people of Morro Bay with care and respect, providing answers to questions, listening to concerns and making adjustments where possible. Highest of praise to our staff, who rose to the challenges of serving many masters, dealing with legal, technological and conflicting policy issues with patience and grace--all while continuing to deal with the many other projects under

their purview (and in this last year, during a global pandemic). The GP/LCP is a culmination, but also a beginning--a guide for land use and development in our City for the next 20 years, with critical implementation items for every goal and policy. With all of the voices who contributed, this plan will likely not completely satisfy everyone. But as a living and "general" document, I believe it will be a great vehicle to carry us toward a future that will help us fulfill our Community Vision. And the boards and commissions that serve the community will continue to evaluate individual projects that come before them with respect, consideration and with the GP/LCP visions and goals to sustain and enhance our community.

I am excited to see Plan Morro Bay head to it's final review with the City Council and urge it's adoption and certification.

Sincerely,

Susan Stewart

Vice-Chairperson, Morro Bay Planning Commission

Former Chairperson, General Plan Advisory Committee

# Morro Bay Chamber Review of Plan Morro Bay

## Executive Summary

The Morro Bay Chamber of Commerce has done a deep dive into the proposed Plan Morro Bay (GP/LCP) and has recommended certain changes be made to ensure that the document is business friendly and responds to the economic needs of the community. The Chamber reviewed both a previous draft of the GP/LCP in 2019 and the Public Hearing Draft that is now under consideration by the City Council.

Welcome progress has been made in cleaning up the Byzantine mess of regulations that City staff has inherited. This progress is thanks to significant time, money and leadership from among Morro Bay's community members and the City staff members themselves. Nevertheless, it is the Chamber's position that changes are still necessary. While our comments may be perceived as late, the twenty-five volunteers on the Governmental Affairs Committee and Board of Directors who reviewed and digested source material, consulted peers and planning professionals from the public and private sectors, and carefully weighed the consequences of submitting this review at this late stage feel strongly that, sometimes, "too late" is just in time. Successful businesses and organizations operate with a mindset that it is never too late to get it right, and we implore the City Council to adopt this mindset as it considers adoption of Plan Morro Bay.

The Chamber has determined that some changes to Plan Morro Bay are needed in the near term and other changes are recommended for future reviews and GP/LCP amendments. Since the business community will bear the cost of implementing the plan, both directly and indirectly, we recommend that the Public Hearing Draft of the GP/LCP be modified and amended as indicated in the pages to follow.

We have summarized our review below, with recommended actions to be taken within each of the following topics: Housing, Circulation Programming and Planning, The Harborwalk, Tourism Business Improvement and The Morro Bay Power Plant Site.

1. **Housing.** The plan does not provide a realistic way to solve the local housing problem (refer to Chamber's comments on the Housing Element), and makes it substantially worse. The plan creates new commercial development that would yield 16,000 more local jobs (itself a matter that is not supported by the community), and a mere 881 additional dwelling units. **Businesses are already bearing the brunt of increased cost due to poor jobs/housing balance.** The plan does not result in a community where people both live and work. **Table LU-2 should be modified to correct unrealistic and unsupportable buildouts, bringing the number of jobs per household closer to balance.**

- a) The GP/LCP technical reports and the EIR suggest that implementation of the plan will make the jobs-housing balance substantially worse, going from 0.66 jobs/house to 2.77 jobs/house. See Attachment B. This is because the GP/LCP development program will add 16,000 more jobs compared with only 881 additional housing units. Policy LU-3.5 provides a goal of a jobs-

\_\_\_\_\_ *Morro Bay Chamber of Commerce 3-16-21*

*Review of 2020 Public Hearing Draft of GP/LCP Page 1 of 27*

housing balance 1.0. The main source of the imbalance is the “over-zoning” of the Power Plant property and the unrealistic and unsupportable buildout projections in Table LU-2. Table LU-2 should be modified as shown in Attachment B.

- b) We recommend the City develop prototypical plans for infill/transition areas on MB Blvd and Downtown and that it deletes residential mixed-use overlays for the Power Plant area because these land uses are not permitted by existing and proposed governmental and private land use deed restrictions. Housing is a “bread and butter” issue with the business community to ensure that it can retain employees and reduce the costs of employee turnover. Proposed land use in Plan Morro Bay results in greater jobs-housing imbalance.

**2. Circulation planning and programming** needs to be adequate to support planned growth. **This planning cannot be deferred, or placed on the backs of individual property owners and businesses.** All of the City’s properties, including those bordered by Atascadero Road, Embarcadero and Main Street should interconnect to provide for pedestrian, bicycle and vehicular access to support existing and future businesses. **Figures CIR-1A, CIR-1B and CIR-4 should be amended to provide for adequate vehicular, pedestrian and bicycle access, and emergency access. Circulation policies ought to be amended to provide for adequate financing for improvements. Level of Service standards should be adopted to determine project impacts, and to “right size” City sidewalks, roads and bikeways.**

- a) Change the Circulation Diagram in Figure CIR-4, and make revisions to Circulation Element narrative and Implementation Action CIR-4 in as shown in Attachment A. Deferring this planning and programming renders potential development infeasible, and subject to future major changes to the GP/LCP that will significantly delay or prevent actual development.
- b) The City should identify the circulation network that is necessary to support businesses during their peak earning months, not just during the winter and spring “shoulder” seasons.

**3. The Harborwalk** should be viewed as a community asset in Plan Morro Bay, especially considering that much of it is the City’s to maintain and improve. Level of Service standards for multi-modal transportation should be established and then used as the basis for any and all sidewalk widening, including the Harborwalk. **We can do better than to improve the Harborwalk piece-meal and solely on the backs of private investors.** These private investors are building projects that are subject to the highest construction cost in the city and carry with them the highest obligation to provide public benefit. **Implementation CIR-9, Goal CIR-1 should include the Harborwalk. The City should include improvement of this community asset in its development fee structure. Triggers for widening the Harborwalk should be linked to a lease, a lease renewal, a major change in the development intensity, a change in land use designation or a change in use requiring CDP/CUP approval. The City should consider including the Harborwalk in an Enhanced Infrastructure Financing District (EIFD) as an additional funding mechanism for the improvement of this community asset in its entirety.**

- a) The City should establish standards for levels of service for vehicle, transit, pedestrian, and bicycle modes of transportation, such those in Attachment C. These standards are a legal pre-

## Attachment 3c

requisite for requiring improvements from developments. Without these standards specified in the GP/LCP, the City cannot legally impose mitigations or requirements, and different requirements will be applied to different projects, and the City will fail to fully understand, and plan for, the circulation needs necessary to support the expansion of businesses. While the EIR for GP/LCP uses an LOS of “C” based on Caltrans customary level of service standard, it is not an adopted standard.

- b) The City should apply the 7' Clear Path requirement as illustrated for sidewalks in its major commercial districts for the Harborwalk. A lesser Clear Path width could be justified, but is not recommended to maintain consistency and connectivity.
- c) The City should only require the expansion of the Harborwalk during Lease Renewal, or if a change of tenancy provides a significant enough increase in pedestrian traffic that cannot be accommodated by the existing pedestrian facilities. Using the Minor Use Permit trigger does not meet the “nexus” requirement that an additional development regulation be directly related to the additional impact created by a project. Changes in use of individual tenancies in a Waterfront project should not trigger any increase in the width, unless there is a documented, statistical need for it.
- d) The City should establish a level of service standard for determining adequacy of pedestrian facilities, including the Harborwalk. The City should remedy this by including LOS standards in the General Plan for vehicle, pedestrian, transit and bicycle modes of transportation, as shown in Attachment C.
- e) As identified in the Waterfront Master Plan and the Downtown Waterfront Strategic Plan, the Harborwalk is a significant community asset that creates businesses opportunities for all Morro Bay Downtown and Waterfront business, and is a recreational asset for residents. As such, a significant fraction of the cost ought to be borne by all community businesses and the community as a whole. This could be accomplished by including this improvement in the City's impact fee program and/or financed with community funding sources such as an Enhanced Infrastructure Financing District program. This will also solve the problem of gaps in the Harborwalk, many of which are on City property.
- f) As an implementation program, the City should develop and adopt a master plan for the Harborwalk (perhaps as part of the recommended Waterfront Specific Plan) that shows the horizontal and vertical alignment of this facility.

**4. Tourism business improvement** has been successful, with revenues increasing 3.5-5% year over year for the last 12 years. **Recent strategic plans from the Morro Bay TBID, which now includes Vacation Rental owners, desire that a broader socioeconomic customer base be drawn to our destination.**

**Many of the policies in LU-6 directly challenge this strategic direction.** Quite the opposite, the city's plan seeks to increase the already-high level of lower cost accommodations, even though the city's own technical studies conclude that there is absolutely no issue with the affordability of lodgings of

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*Morro Bay Chamber of Commerce 3-16-21*

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our destination. **No development standards or policies should be adopted that prescribe that any hotel or motel project provide 25% of its rooms at a lower cost until the City provides evidence that Morro Bay is not accessible to all Californians of all socioeconomic and income levels. Further, policies should be added that encourage the development of higher service lodgings.**

- a) LU 6.2 and LU 6.8 provide a vague and overly broad preservation threshold. LU 6.2 should be amended to state that 25 percent of the community's accommodations should be for Lower Cost Accommodations, and that this number can be provided with a mix of RV, campground, VR, and hotel properties.
- b) LU 6.2 through LU 6.8, in effect, will provide price controls on Morro Bay's lodging properties and will discourage upgrading and rehabilitation of those properties. Those policies will institutionalize the City's over-concentration Lower Cost lodgings, which is contrary to the community's economic development and visitor strategies.
- c) LU 6.1 should be amended to state that 25 percent of the community's accommodations should be for Lower Cost Accommodations, and that this number can be provided throughout the community with a mix of RV, campground, VR, and hotel properties.

**5. Feasibility and reality should drive planning at the Morro Bay Power Plant site.** The GP/LCP proposes uses that are not legally permissible on the site, and of a scale that is not needed over the next 20 years, at a scale that the community does not want and that cannot be supported by local infrastructure, housing, or environmental restrictions. **Policies and programs that aren't financially feasible won't happen and obstructions to implementation that cannot be financially, legally or technically solved by investors themselves set us up to fail.** Hotels, residences, schools and parks are not permitted uses according to existing legally enforceable land use restrictions. Until these are actually removed, there is no sense in counting on those types of land use occurring on the site. **Small portions of the property, or adjacent properties, should be designated for the development of Visitor Serving Commercial use to a scale that is needed to sustain our community to 2040, with the balance of the property held in 'reserve' or allowed to develop to other uses, including energy production, storage and transmission.**

- a) The frontage of the Vistra Power Plant property between the City's triangle lot and the main entrance should be designated for Visitor Serving Commercial (VSC) for a depth of approximately 175 feet (the areas between the base of the stacks and the curb line). This property is outside of any DTSC Area of Concern for contamination. The City's triangle lot should be redesignated for VSC. Both properties are subject to PGE's land use covenant, but neither has a documented groundwater or soil contamination issue. The City would need to develop an implementation plan to increase the permitted uses on the properties. The portions of the property north of the main entrance/power building/switchyard and south of Morro Creek should be changed to a designation that permits energy storage, energy transmission, energy production and general industrial uses.

## Attachment 3c

- b) The balance of the Power Plant property should be placed in “reserve” designation pending further information on a master plan for the site, and the practical limitations of demolition, cleanup, and re-use.
- c) As recommended earlier, a circulation plan should be established for the area as shown in Attachment A. This plan should recognize that there is a community desire to direct visitors through the Downtown Area (Morro Bay Boulevard and Main Street) to the greatest extent practicable. This can be accomplished with directional signage and informational programs. Successful development of any of the property in the Power Plant and WWTP master plan areas requires circulation, connectivity and improvements.
- d) The City is undertaking a review of its permit processes. (See Chamber comments and recommendation of permit processing.) This review and process is an excellent step forward and should be continually monitored and benchmarked. We further recommend and request that the City prepare a comprehensive Specific Plan for the Waterfront that distills all of the relevant design regulations into one document, rather than having those requirements (some of which are conflicting), in the Waterfront Master Plan, the Zoning Ordinance, General Plan design regulations and standards, the Downtown Waterfront Strategic Plan, the Economic Development Strategic Plan, and other documents.

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## The Chamber's Interest

Our current and future members, and California courts, believe that regulations should flow from a legitimate government interest, else they become efforts by public agencies to coerce investors and businesses to provide public goods and services to the community that are beyond their fair share. City regulations should not be “fuzzy” or regulation for regulation’s sake, or be a citywide solution to a very local or isolated problem. The following describes the basis for the Chamber’s comments on the GP/LCP:

- **First, the City Council’s goal to “improve fiscal and economic sustainability” indicates that there is an interest in increasing and enhancing the City’s businesses. This is an interest that is shared and supported by the Chamber.** The achievement of this goal can only happen with adequate and reasonable development regulations, designation of sites that are adequately located, zoned and served by infrastructure, and by policies that encourage the expansion of tourism, and the expansion of housing opportunities (both for job-housing balance, and for local consumer demand).
- **Second, business and private investment drives and funds implementation of the General Plan/LCP.** The General Plan/LCP puts forth aspirations and visions for Morro Bay to be prosperous and economically healthy, to expand higher quality visitor and community serving facilities that provide for the enjoyment, health and safety its citizens. General Plan/LCP policies and programs that aren’t financially feasible won’t happen and the promised “vision” and aspirational goals will not be realized. New housing, hotels, restaurants, offices and other new businesses are built when there is a clear path and identifiable market opportunity. **No amount of “wanting” or “visioning” can overcome an obstruction to implementation that cannot be financially, legally or technically solved by investors themselves. The business community should therefore provide feedback to the City on** what is feasible, bankable and marketable and what is not, and to recommend actions that the City should take to remedy existing constraints.
- **Third, business has an interest in the stability and growth of consumer demand. This “interest” is not existential nor intangible.** Business owners have invested significant capital in the community and are risking their life savings on these business investments. **Having a stable year-round population in the community’s neighborhoods is ideal to sustain that demand, as well as providing feasible opportunities for growth and development. The business community should therefore inform the City when** regulations, policies and programs may significantly alter their investment and expansion plans, or threaten their current business operations.
- **Fourth, stable neighborhoods attract and retain workers, business managers and business owners. Our businesses need housing for our workforce. Having neighborhoods of strangers or transient occupants does not encourage social cohesion and stability.** High employee turnover is an issue in retail, restaurants, and the hospitality industry in particular, and a stable and growing supply of owner-occupied and long-term rental housing is important.
- **Fifth, the business community needs a reliable and predictable implementation program so that it can coordinate its investments and actions with those of the City. Good communication, coordinated effort and clear pathways to project completion should be standard operating procedure on every investment, both public and private.** The business community should therefore identify areas where regulations are preventing investments, and should reasonably expect that regulators seek to resolve those barriers to investment where public health and safety and quality of life are not at risk.

- **Finally, business relies on an adequately funded government to provide services and infrastructure.** Businesses require adequate roads, sidewalks, water supply, wastewater treatment, police services, fire suppression and prevention, solid waste service, and others. **It is the City's responsibility to do an adequate level of planning and implementation to "set the table" to sustain existing businesses and allow for added growth in the community. The City is in the unique position of being able to establish plans and programs that affect multiple, disparate (often competing) property owners and to set the basic framework for growth and development that is feasible, and that meets the community's expectations.**

The Chamber's final review of the Public Hearing Draft of the GP/LCP is broken down into four basic sections:

1. A review of the City's responses to the Chamber's 2019 comments on the GP/LCP, and an assessment of whether or not the responses adequately address the issues or concerns identified by the Chamber;
2. An assessment and recommendation on selected issues that have come up since that time, including significant changes that have been made by the City, Coastal Commission, and comments from others on the draft;
3. Issues related to the land use designations for the Vistra Power Plant and WWTP properties; and,
4. Visitor-serving and lodging/accommodations policies.

## Section 1: 2019 Comments, City Responses and Further Actions

The following are the Chamber's comments on the 2018 draft of the GP/LCP that were made in May/June of 2019. In the section, the original comment is provided, plus the City's written response and "disposition" of the comment. The "disposition" indicates if the comment remains, has been adequately answered by the City, and any follow-up actions proposed for the Chamber.

Chamber Comment 1: Enhance Connectivity Between Main Street & Embarcadero

City Response: Implementation in DWSP.

**Disposition:** *No further comments. See also response to comment Chamber Comment 3 re: connectivity between Embarcadero, Main and Atascadero Road.*

Chamber Comment 2: Re: Policy ED-1.3. Improve City Procedures. Review Management Partners Report and come up with a punch list of 10 things to adopt a "business friendly" attitude and practices. Proceed under the assumption that the City is not currently perceived as "business friendly" and identify tangible ways to demonstrate that the city is, now, open for business.

City Response: City has conducted training for employees. EDSP also indicates business friendly practice as an issue. City is evaluating process timelines for planning and building permit applications. City putting together a committee to assist with process improvements for Development Review.

**Disposition:** *City undertaking review of permit process. See Chamber comments and recommendation of permit processing. Implement and monitor progress per those recommendations. No further action necessary in GP/LCP.*

Chamber Comment 3: Re: Policy ED-1.6. Streamline Development. Identify and codify development standards to the extent that design professionals and developers can self-certify their projects for compliance with city codes and design guidelines. Minimize the number of items requiring PC, CC and CEQA review to only those that cannot demonstrate compliance with city requirements. This requires the City to be clear about and quantify how design regulations can be met, and to minimize the amount of open-ended discretion.

City Response: Underway, with update of the zoning code. Approximately 2 years ago, changed how we process parking exceptions allowing them, under certain circumstances, to be approved as staff level. Significantly reduced the number of applications going to PC. Small single-family home additions are not clogging up PC agendas now. This will be even further enhanced with the new zoning code. CEQA is required for all projects, although most small projects are exempt. We just

## Attachment 3c

received an HCD grant for \$160,000 to support policy change to increase housing supply. RFP is out with responses due March 2nd. One item we will be working on is to create objective design standards for by right housing development that includes up to 10 units. We are in the coastal zone so noticing is still required.

**Disposition:** *City undertaking review of permit process. See Chamber comments and recommendation of permit processing. Implement, monitor and benchmark progress per those recommendations. No further action necessary in GP/LCP.*

Chamber Comment 4: Re: Figure CIR-1B. The Circ Element appears to kick the can down the road about how circulation improvements are to be made to connect the Embarcadero, Main Street and Atascadero Road. This analysis should not be deferred until the WWTP re-use plan or the Power Plan Redevelopment plan. GP should set the foundation. Develop appropriate alternatives, study in the EIR, and then modify the city's impact fees and implementation to provide adequate financing. Establish these soon after GP approval, if not concurrent.

City Response: City does not have funding to do this. These improvements will be driven by development of the power plant site.

**Disposition:** *City has the duty and responsibility to make sure that there is adequate circulation to support proposed land uses. See necessary revisions to Circulation Diagram in Figure CIR-4, and revisions to Circulation Element narrative and Implementation Action CIR-4 in Attachment A. Funding is to come from a combination of impact fees, developer improvements and EIFD. Deferring this planning and programming renders potential development infeasible, and subject to future major changes to the GP/LCP that will significantly delay or prevent actual development.*

*It is also noteworthy that the existing conditions traffic counts were taken in "March 2018" according to Page 5 of the traffic report, and therefore do not represent the peak season weekend mid-day and PM Peak hour conditions in the peak visitor months. (See Attachment B.) The traffic report therefore understates the traffic improvements necessary to support the proposed land use plan, and the City will therefore fail to anticipate and properly fund (or develop a funding plan for) improvements that are needed to support expansion of visitor-serving businesses. The City should identify the circulation network that is necessary to support businesses during their peak earning months, not just during the winter and spring "shoulder" seasons.*

***The City should also establish standards for levels of service for vehicle, transit, pedestrian, and bicycle modes of transportation, such those in Attachment C from the SLO Circulation Element, as this is the norm and custom for General Plans and Circulation Elements, and is a pre-requisite for requiring improvements from developments. Without these standards specified in the GP/LCP the City cannot legally impose mitigations or requirements, and different standards requirements will be applied to different projects, and the City will fail to fully understand, and plan for, the circulation needs necessary to support the expansion of businesses. While the EIR for GP/LCP uses an LOS of "C" based on Caltrans customary level of service standard, it is not an adopted standard.***

Chamber Comment 5: Re: Policy CIR-4.2, Paid Parking. Support the establishment of paid parking. This approach has been used successfully in other SLO County cities, and the fees would pay for acquisition and maintenance of public parking lots, road improvements to enhance access, and other improvements to enhance coastal access.

City Response: Study is underway. Also included in DWSP and EDSP. Coastal Commission approval of paid parking in and around the waterfront will be difficult.

***Disposition: Study is underway. Monitor progress. Paid Parking has been identified by the Chamber as an essential element to provide adequate funding for Harbor operations and to provide improvement to support tourism and waterfront improvements. No further comments.***

Chamber Comment 6: Re: Policy CIR-3.4, Vehicle Idling. The City has no role to play in exploring ways to reduce vehicle idling. This is a state CARP or federal EPA item. City does have authority to make necessary circulation improvements and parking improvements.

City Response: It's an APCD requirement. It is also in the Climate Action Plan and represents mitigation in the EIR.

***Disposition: Same comment as before. City can minimize vehicle idling by implementing an adequate road network, but cannot otherwise regulate vehicle idling. The GP/LCP should not identify regulations that are not within its actual powers to implement.***

Chamber Comment 7: Re: Conservation Goal C-4, Greenhouse Gas Emission. The biggest contributor to greenhouse gas emissions in SLO County is excessive commute trips and jobs housing imbalance. Yet there is no mention of reducing VMT through jobs housing balance.

City Response: Discussed/addressed in EDSP and DWSP. Much of the update is geared toward providing more housing. Mixed use residential overlay is applied to several commercial areas and allows for residential at density up to 27 units per acre.

**Disposition:** *Although the reduction of Greenhouse Gas Emissions is stated as a fundamental precept of the GP/LCP update, the EIR and Circulation Technical Report indicate that the City's GP/LCP update will make the jobs-housing balance substantially worse, going from 0.66 jobs/house to 2.77 jobs/house. See Attachment B. This is because the GP/LCP development program will add 16,000 more jobs compared adding only 881 more housing units.*

*Policy LU-3.5 provides a goal of a jobs-housing balance 1.0. In SLO County, a jobs-housing balance of 1.25 to 1.50 is normally considered "balanced" because there are approximately 1.25-1.50 wage earners per household. The main source of the imbalance is the "over-zoning" of the Power Plant property and the unrealistic and unsupportable buildout projections in Table LU-2. The jobs-housing (and VMT) problem can be solved by placing realistic and achievable land uses on that property and adjacent properties. The other part of this issue is that Table LU-2 provides an unrealistic and inaccurate assessment of development that will occur over the 20-year period of the General Plan. That table concludes that there will be an increase of 8.3 million square feet of commercial building space in the community over the next 20 years when the actual "need" is 1.1 million square feet (see additional comments elsewhere herein).*

*The actual "balance" in Morro Bay is very important because Policy LU-3.5 in the GP/LCP prescribes a jobs housing balance in Morro Bay of 1.0, and the SLO County Regional Transportation Plan/Sustainable Communities Plan, and the State SB 743 implementation guidance prescribe a 15 percent reduction in VMT below County average per-employee and per-resident VMT, to achieve State and local air quality goals. Since the GP/LCP results in a 419% increase in jobs and a 13.7% increase in housing, VMT will increase four-fold under the proposed GP/LCP. Failure of the City to remedy the land use imbalance in the GP/LCP will result in future redevelopment projects being burdened with unnecessary and expensive mitigation payments.*

*Implementation of the GP/LCP will result in the addition of 11,500 more in-bound and 11,500 outbound vehicle trips each day and 350,000 more vehicle miles travelled per day. To solve this problem, the City should reduce planned Visitor Serving Commercial land use that is not feasible in the term of the GP (placing it a "Reserve" designation), and increase housing supply so that jobs-*

***housing balance does not exceed 1.25 at GP/LCP buildout plus project. This matter is a fundamental business issue because commuting causes high employee turnover and high operating costs. The jobs-housing imbalance also exacerbates the reliance of the economy on consumer expenditures outside the community, and results in the expenditure of locally earned payroll dollars in other communities. See Attachment D for a revision to Table LU-2 that will address the jobs-housing imbalance.***

Chamber Comment 8: Re: Conservation Goal C-7, One Water. It is worth mentioning that Morro Bay's household water use is one of the lowest in the County, and among the lowest in the state. Additional efficiencies can be gained by trading out old fixtures through an offset program that would benefit current water users and provide more capacity for future users. We use less water today (1,200 AF) than we did 50 years ago (1,534 AF) with 3,200 fewer residents. And, supply has increased by 50% (2,566 AF to 3,682 AF). Water supply is currently three times water use. City development regulations should recognize that the City has a secure and reliable water supply (and not impose arbitrary regulation as if it is not).

City Response: We have a toilet and washer retrofit/rebate program. Toilets are also required to be replaced upon sale (1.28 gallons max). Documents identify water availability and usage as does the City's One Water Plan. The WRF will greatly improve reliability of water as City won't be solely dependent on State Water. Arbitrary regulations?

***Disposition: No further comment or action required.***

Chamber Comment 9: Re: Policy LU-6, Population Limit. Support the concept of opening up discussion on Measure F 12,200 pop limit. This was put in place in 1981 when average household water use was twice what it is now, and 25% lower in absolute terms. Population growth will come primarily from infill and redevelopment.

City Response: It will be a political decision to take this up. Measure F is likely not legally valid, but City would have to go to court to overturn it.

***Disposition: Agreed. City should commence the necessary actions to invalidate Measure F in a timely way to ensure that jobs-housing balance does not exceed 1.5.***

Chamber Comment 10: RE: Implementation CD-5, Dynegy Area Master Plan, and LU-5.4 and LU-5.5. Support the concept of a master plan for this area. However, set an adequate infrastructure and circulation framework for it in the GP. Don't defer important decisions.

City Response: Don't have money for this in the current update, hence the reason for the master plan. Master plans typically address required project infrastructure.

***Disposition: It is unclear whether or not the response indicates that the City does not have***

***the money to make the necessary mapping and text changes to the GP/LCP or to make the circulation improvements. If the former, see Attachment A for the revised maps and text to comply. California Government Code 65302 requires that the GP identify a circulation system/plan/diagram that is consistent with the land use plan. The Circulation Plan/Diagram needs to establish levels of***

Chamber Comment 11: Re: ED Implementation Policies. Most of the ED Implementation policies are non-specific. Focus on making the process more transparent, fast, less discretionary and long, and predictable. Investors and developers will find you if they believe that they can get through the process.

City Response: See responses to Chamber Comments 2, 3 and 14.

***Disposition: City undertaking review of permit process. See Chamber comments and recommendation of permit processing. Implement and monitor progress per those recommendations. No further action necessary in GP/LCP.***

Chamber Comment 12: Re: Policy ED-1.5, Infrastructure and Public Facilities. Could be used to support high speed fiber program to attract technology investment.

City Response: We have had discussion with Digital West about this.

***Disposition: Chamber initiating working group on this. Greater sensitivity to localized Internet deficiencies.***

Chamber Comment 13: RE: ED 1.6, Streamline Development Process. This is foundational, and can be achieved at a low cost, without any reduction in environmental protection, required public hearings and notifications. Identify and codify development standards to the extent that design professionals and developers can self-certify their projects for compliance with city codes and design guidelines. Minimize the number of items requiring PC, CC and CEQA review to only those that cannot demonstrate compliance with city requirements. This requires the City to be clear about and quantify how design regulations can be met, and to minimize the amount of open-ended discretion.

City Response: We are working on this. Approximately, two years ago we changed how we process additions to nonconforming homes to allow most to be processed at Staff level. Looking at turning our project tracking system public facing. 1st step will be to allow business license submittals online, both for renewals and new businesses. We migrated all of our business license info from HdL (old system) to Cityworks (new system). City has grant funding to identify and implement an online application for electronic plan review that connects with Cityworks. Identification of said application anticipated by the beginning of March.

***Disposition: City undertaking review of permit process. See Chamber comments and***

***recommendation of permit processing. Implement and monitor progress per those recommendations. No further action necessary in GP/LCP.***

Chamber Comment 14: Re: Policy ED-1.10, Prioritize Access/Housing Downtown. Build housing downtown, support building height increases to house people with commerce. Remove processing, economic and financial barriers to achieving this.

City Response: Draft updated GP/LCP/Zoning Code increases height in downtown and increases density of allowed residential in many areas to 27 units per acre.

***Disposition: Agree. Recommend City develop prototypical plans for infill/transition areas on MB Blvd and Downtown. Recommend deleting residential mixed-use overlays for Power Plant area as these land uses are not permitted by existing and proposed governmental and deed restrictions. Housing is a “bread and butter” issue with the business community to ensure that it can retain employees and reduce the costs of employee turnover. Proposed land use plan results in greater jobs-housing imbalance. See Chamber Comment 6, Disposition, above***

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## Section 2: Comments on New Issues Raised

Following the Chamber's comments on the 2018 draft of the GP/LCP in 2019, changes were made to the GP/LCP as a result of the comments by others, changes directed in the GP/LCP by the Planning Commission and the California Coastal Commission. The Chamber has informed itself of the changes that have been made to the document since 2018 via Planning Commission agendas and staff reports, and our Governmental Affairs Committee received an update from Cindy Jacinth, Senior Planner, in February 2021. **The Chamber does not seek to review and opine on all of the changes made by others, but does offer comments on new issues of specific importance to economic development.**

The two significant additional issues that have been raised are associated with **policies affecting Waterfront and Embarcadero commercial properties** raised by the Embarcadero Master Leaseholders Group ("EML") and **land use issues associated with the redevelopment of the Vistra Power Plant and Wastewater Treatment Plant sites.**

### **Embarcadero Master Lease Holder (EML) Comments.**

The correspondence associated with the comments raised by EML are shown in **Attachment E**. The City's proposed response to these comments, and the Planning Commission's disposition of them is also shown in **Attachment E**. The issues raised by EML include standards associated with the implementation of the Harborwalk bayside lateral access, coastal safety issues, circulation and other issues. In this review by the Chamber, we have chosen to evaluate, and opine on, the implementation process and standards for Embarcadero lateral access (both bayside and landside) since these policies reflect other issues in the GP/LCP. It also impacts **effective implementation of the Harborwalk, which is identified as the No 1 "Catalyst Project" in the Morro Bay Downtown Waterfront Strategic Plan (DWSP)**. These issues have significant impact on the capital cost of operating a business and leasehold on the Embarcadero.

Implementation of the Harborwalk started with the adoption of the Waterfront Master Plan in 1996, and its implementation over the last 25 years has resulted in a community amenity and a feature that draws visitors to this important community commercial area. It also serves the purpose of providing access for all Californians to their waterfront public resources.

There is no doubt that this is an important community asset and completing it from The Rock to Tidelands park is important and should continue. **The issue raised by EML is that the width requirement for the Harborwalk as contained in Policy LU-7.1 is being increased from 8 feet to "...a minimum of 12 feet (minimum of 10 feet of walkway)".** This is significant because the construction or reconstruction of the additional 4 feet along a typical 50-foot lease frontage may cost \$250,000 to \$300,000 and will also eliminate outdoor seating for businesses where the expansion is needed.

EML comments that the GP/LCP Policy LU-7.1 (c) requires that the greater width and standard be implemented in "...all new development or additions on properties adjacent to the bayfront", when there is a "...change in land use designation, a change in intensity of use, or a change of use" where there is an "...increase of 10 percent or more of internal floor area of an existing structure or an additional improvement of 10 percent or less where an improvement to the structure has previously been undertaken", where there is "...[any] increase in height by more than 10 percent of an existing structure", or where "...significant nonattached structures are added such as such as garages, fences, shoreline protective works, or docks."

City staff has responded to these concerns as detailed in **Attachment D**, including changes to specify that the additional width would be required for any use requiring a Minor Use Permit or greater, and to modify Policy LU-7.1giii, Policy LU-7.2, LU-7.8 and C-1.15. With regard to the additional width requirements, City staff has commented that these changes would be “non-starters” with the Coastal Commission.

However, **despite the importance of the Harborwalk as a feature and a catalyst project and the thousands of hours and hundreds of thousands of dollars spent on Lateral Access Plans, Downtown Waterfront Plans, and the GP/LCP itself that include it, there are no objective standards or a specific plan for its implementation (either at the Coastal Commission or local level), nor a funding program.** Requirements for a clear, walkable path vary from project to project, and there is no master plan for the location and type of amenities within the Harborwalk outside of the Clear Path area. **There is no specific State standard for the horizontal Clear Path clearances in the Coastal Act or their associated design guidelines.** There is reference in Coastal Commission regulations to making sure lateral access facilities are “adequate”, and most of this discussion has to do with the width of surface access and vertical access. Implementation is expected to be “adequate” for the expected volume, but there is no State standard for the Clear Path or areas for abutting amenities or viewing areas. There is also no plan to close the “gaps” in the Harborwalk, many of which are on City property.

There are a number of technical resources that prescribe the actual needed Clear Path based on the expected peak flow of pedestrians. Just like a traffic impact study prescribes road widths and facilities according to projected traffic levels, sidewalks and bike paths are sized based on the flow of pedestrians and bicycles and directional attributes. **The City “standard” for other pedestrian facilities in the community as illustrated in GP/LCP figures CIR- 2f and CIR-2g is seven (7) feet of Clear Path area for Arterial Streets.** By comparison, the building code requires 5.5’ to 6’ of Clear Path area to accommodate 2-way, ADA-accessible traffic. The National Association of Transportation Officials (NACTO), the organization that is becoming the go-to organization for bike and ped design guidelines, recommends a Clear Path of 8’ to 12’ in commercial areas, based on peak hour pedestrian volume. The standard in Downtown SLO, arguably the commercial district in the County with the highest pedestrian volume, requires sidewalks that have a “...8’ minimum clear path.” EML did a survey of other coastal communities that have similar facilities and have found that they do not have Clear Path requires greater than 8’. A Clear Path of 7’-8’ is adequate from a traffic operations standpoint and is consistent with other local development regulations.

**The actual width that is needed to support our visitors on the Waterfront should be determined based on an adopted level of service for pedestrian traffic, projected pedestrian volumes, and other factors.**

Unfortunately, the City has not yet established what an acceptable level of service is for various transportation modes (see comments on this elsewhere), but LOS D is the normal standard when judging peak hour flow.

Peak pedestrian flows have not been inventoried, but are estimated to be between 30 and 35 pedestrians per minute walking in one direction or another along the Embarcadero (Embarcadero Road sidewalks, plus Harborwalk) during a peak season weekend day when 9,000 to 10,000 persons visit the Waterfront area. Assigning half of that total volume to the Harborwalk would indicate a pedestrian flow of 15 to 17.5 pedestrians per minute. The Transportation Research Board’s Highway Capacity Manual indicates that maximum pedestrian flow at LOS D for a sidewalk with a 7-foot Clear Path (14.93 pedestrians per foot of Clear Path width) is 105 pedestrians per minute. The Clear Path that is required for the City’s Arterial Streets in Figures CIR-2f and CIR-2g is more than adequate to accommodate Harborwalk pedestrian traffic.

*The Chamber, in its review of this matter makes the following observations and recommendations:*

- 1. Both the City and Coastal Commission are controlled by the California and United States Constitutions, and both must comply with related case law that development requirements must meet a legitimate state or local purpose and must be reasonably related to the impact that a development project creates. Through its regulatory powers the City cannot require improvements that mitigate another property's impact, or that are in excess of their fair share.*
- 2. Embarcadero Master Lease holders are subject to local and state regulations and enter into long term contracts and leases with the City to operate their facilities in conformance with their leases and permits. Imposing new requirements on those leases or vested development rights creates uncertainty and lack of investment. The requirement for expansion of the Harborwalk, even with a Minor Use Permit does not meet the "nexus" requirement that an additional development regulation be directly related to the additional impact created by a project. Changes in use of individual tenancies in a Waterfront project should not trigger any increase in the width, unless there is a documented, statistical need for it.*
- 3. The City does not have a level of service standard, nor a technical analysis that prescribes the needed width of the Harborwalk. Likewise, the Coastal Commission does not have an adopted standard for these facilities. The City should remedy this by including LOS standards in the General Plan for vehicle, pedestrian, transit and bicycle modes of transportation, as shown in Attachment C. This is a basic and customary requirement in order to ensure that there is a "...balanced, multimodal transportation network that meets the needs of all users of streets, roads, and highways for safe and convenient travel in a manner that is suitable to the rural, suburban, or urban context of the general plan." There is no way to judge adequacy or inadequacy without these standards and the City will end up imposing inconsistent standards and development regulations.*
- 4. The justification from City staff that they cannot impose a standard and requirement that is based on current and expected traffic volumes because it "would be a non-starter with the Coastal Commission" is unacceptable. Coastal Commission staff stubbornness does not trump limitations on the City to impose reasonable and proportionate development requirements. The Coastal Commission's own regulations state that the lateral access facilities are to be "adequate". This "adequacy" should be determined by a quantitative analysis. The City should apply the 7' Clear Path requirement as illustrated for side-walks in its major commercial districts. In point of fact, a lesser Clear Path width could be justified, but is not recommended to maintain consistency and connectivity.*
- 5. As identified in the Waterfront Master Plan and the Downtown Waterfront Strategic Plan, the Harborwalk is a significant community asset that creates businesses opportunities for*

*all Morro Bay Downtown and Waterfront business, and is a recreational asset for residents. As such, a significant fraction of the cost ought to be included in the City's impact fee program and/or financed with community funding sources such as an Enhanced Infra- structure Financing District program. This will also solve the problem of gaps in the Harborwalk, many of which are on City property.*

6. *As an implementation program, the City should develop and adopt a master plan for the Harborwalk that shows the horizontal and vertical alignment of this facility.*

### Section 3: Vistra Power Plant Land Use

The Vistra Power Plant (nee' Duke Energy, nee' PGE) site has been a key element of the community. Since the mid-1950s, it has been an important element of the local and regional economy. It has provided the City organization with an ongoing source of revenue for local public services and operation of the Harbor for many years. After de-regulation of the energy industry, it functioned more as a "peaker plant" that sold energy during days of high demand, such as hot inland weather. In the mid-2000s its output substantially declined, and stopped ten years ago. Since that time, the community has speculated about an appropriate use for the 107-acre site that would make it again serve as a catalyst and economic engine for the community. Vistra now owns the site that has the power generation building, the three "stacks", the tank farm property, and miscellaneous adjacent properties including Lila Keiser Park. See **Attachment F** for the property ownership.

A community's General Plan and specific plans will normally set out the goals, objectives and design expectations for major catalyst properties in the community. Land Use policies LU-5.4 and LU-5.5 cover the design objectives for the Vistra Site and the "WWTP" site between Morro Creek and Atascadero Road, respectively. However, there is still much speculation, and little agreement, in the community about the appropriate mix of uses for the master plan areas (and the Chamber is doing a deep dive on recommendations on this matter in March and April), and **the General Plan has not narrowed that focus**. In fact, the GP/LCP has confused the issue by proposing uses that are not legally permissible on the site, and of a scale that cannot be supported by local infrastructure, housing, or environmental restrictions. As the community's No. 1 catalyst site, it should be given more attention. As shown in the GP/LCP the Vistra site is proposed at 63 acres for Visitor-Serving Commercial, 20 acres for the PGE switchyard and substation, a 20 acres of park land, including an expansion of Lila Keiser Park. **The 63 acres of Visitor Serving Commercial would be adequate to add 1.75 million square feet of commercial space, 3,000 additional hotel rooms, 1,700 more residential units, or some mix of those three totaling to 2.0 million square feet of building space.**

As we now know from presentations from the City and Vistra, the likelihood of even a fraction of that development occurring on the project site is small, at least in the 20-year planning period for the General Plan. We have become apprised of the following that should be considered prior to adoption of the final GP/LCP:

- 1. The likelihood of any residential development on the site is unlikely to remote, at best. Deed restrictions were placed on the site by PGE in 1998 that specifically prohibit residential uses on all of the Power Plant properties, and these restrictions can only be released by PGE itself or eliminated through a public acquisition of the site and re-structuring of the title restrictions. There are also to be restrictions placed on the site by the State to regulate non-industrial land uses. Hotel rooms and lodgings are also specifically excluded from the site.**

2. **There is a need in the community for approximately 500 more hotel rooms over the next 20 years, based on occupancy trends over the last 10 years, above and beyond the current 916-room supply. That number of rooms, if built similar to a format like the Embarcadero Inn/456 Embarcadero with two upper floors of rooms and tuck-under parking, would require 7-10 total acres throughout the community. The need for added Visitor Serving Commercial, if assumed to be the same as the rate of growth in occupied hotel rooms, is probably around 150,000 to 225,000 square feet of building area, or about another five to ten acres. Therefore, combined, there is a demand for up to 20 more developed VSC acres in the entire community, a fraction of which might go the Power Plant site. The community does not need the entire 106-acre Vistra site to meet those needs.**
3. **We are also aware (see comments above), that the city is planning and programming a substantial worsening of the jobs-housing imbalance in the community, by planning and designating land for a quadrupling (400%+) of commercial space in the community, but providing for only a 13.7 percent increase in local housing. See Chamber Comment 6 and 12 above.**
4. **Vistra has proposed a battery storage facility on a portion of the property. That facility is dependent on direct access to the state's transmission facilities through the PGE substation. Such uses are compatible with state and Coastal Commission energy objectives, and in achieving state-mandated goals.**

Considering these factors, it is apparent that the property is over zoned, and unlikely to develop in any way similar to the land use plan in GP/LCP. And, there is really no "vision" for the property to work towards, and no implementation plan that describes how the City will address public and private land use constraints and covenants, ESHA constraints, and other issues.

We are also aware that assigning this site to entirely Visitor Serving Commercial will lead to the need to plan for and build roads, sewers, water systems and other public facilities that won't ever be needed or used. Also considering these factors, it seems prudent to identify small portions of the property, or adjacent properties, that should be designated for Visitor Serving Commercial use and development during the 20-year term of the GP/LCP, and that other properties ought to be held in 'reserve' or allowed to develop to other uses, including energy production, storage and transmission.

We are aware that these will be perceived as late comments, but there is no statute of limitation on getting it right and rightsizing community expectations.

***To this end, the following changes should be made to the land use diagram and Table LU-2:***

1. ***The frontage of the Vistra property between the City's triangle lot and the main entrance should be designated for VSC for a depth of approximately 175 feet (the area between the base of the stacks and the curb line). This property is outside of any DTSC Area of Concern for contamination. The City's triangle lot should be redesignated for VSC. Both properties are subject to PGE's use covenant, but neither has a documented groundwater or soil contamination issue.***

- 2. The City would need to develop an implementation plan to increase the permitted uses on the properties. The portions of the property north of the main entrance/power building/switchyard and south of Morro Creek should be changed to a designation that permits energy storage, energy transmission, energy production and general industrial uses. The balance of the property should be placed in "reserve" designation pending further information on a master plan for the site, and the practical limitations of demolition, cleanup, and re-use.**
- 3. As recommended earlier, a circulation plan should be established for the area as shown in Attachment A. This would satisfy the Government Code requirement that the Circulation Element show "...the general location and extent of existing and proposed major thoroughfares, transportation routes, terminals, any military airports and ports, and other local public utilities and facilities, all correlated with the land use element of the plan." This plan should recognize that there is community desire to direct visitors through the Downtown Area (Morro Bay Boulevard and Main Street). This can be accomplished with directional signage and informational programs. Successful development of any of the property in the Power Plant and WWTP master plan areas requires circulation connectivity and improvements.**
- 4. This change would also address the severe jobs-housing imbalance created by the GP/LCP. It would address the significant VMT impacts identified in the EIR, and have a beneficial change in Green House Gas emissions. And, in accordance with its duties under CEQA, the City has an obligation to make whatever feasible changes it can to the plan to reduce the significant impacts of the project. The current plan includes the addition of 16,000 added jobs in the community, with only 881 additional housing units. By making these changes in land use, there would be 4,000-5,000 fewer planned jobs, 10,000 fewer trips in and out of the community, and hundreds of thousands of fewer trips on key local road-ways.**

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## Section 4: Visitor Serving and Accommodations Policies

Our visitors account for a significant amount of commercial business volume and most of the General Fund revenues. There are approximately 1.4 million visitors to Morro Bay every year, including 375,000 day-visitors and over 1,000,000 overnight visitors in hotels, motels, VRs, RVs, campgrounds and second homes. Lodging and accommodation revenues have increased 3.5%-5% per year over the last 12 years, and that growth has kept cash registers in our retail outlets and restaurants ringing. **Attachments G and H** provide data on historic accommodation occupancies, and the current GP/LCP accommodations policies, respectively. Reference is also made to the GP/LCP technical memorandum on Lower Cost Accommodations in Morro Bay.

The community has spent considerable time developing plans and strategies to sustain that growth, including the Economic Development Strategic Plan and the Downtown Waterfront Strategic Plan. The GP/LCP should include robust policies and implementation plans that support those plans and strategies.

**The Chamber has apprised itself of the GP/LCP lodging policies and believes that they are incomplete as they appear to solely address the issue of lower cost visitor accommodations.** The Chamber is aware that Morro Bay provides significantly more lower cost accommodations than required by Coastal Commission (uncodified) regulations, and certainly more than its peer communities on the Central Coast. This emphasis has been at the expense of providing a wider range of accommodations that are suitable to all potential visitors, including those that desire higher levels of service and amenities.

We also noted and discussed the needs and locations for new accommodations. Hoteliers report that the plan should specifically address the desirability of promoting new hotels in the Main Street/Morro Bay Blvd area, in south Morro Bay on State Park Road, and the re-use of under-utilized City-owned properties. Assuming a continuation of the growth in occupancies that has occurred over the last 10 years, and the development of new lodging properties at a rate that does not significantly reduce occupancies at existing properties, the GP/LCP should reflect a realistic inventory of 10-15 acres for new hotels/motels.

The Chamber reviewed the following questions regarding GP/LCP accommodation:

1. *Do the GP policies and implementation actions adequately support and promote what we need to grow the number and breadth of accommodations?*

**Response:** *The answer to this question is “no”. There appears to be inadequate consideration to promote higher end, higher service hotels. Development regulations in the Downtown will provide a constraint to development of new lodging properties on underutilized vacant properties in the downtown. The “over-zoning” of the Power Plant property for Visitor Serving Commercial uses creates a false sense of adequacy for our lodging property inventory.*

2. *Are the policies and implementation actions adequate to remove constraints to developing the properties that are designed for new lodgings in the community?*

**Response:** *No. The current plan provides a significant amount of future inventory*

*on properties that do not have the legal, physical or financial ability to provide the GP-designated uses, in particular the power plant property. Other constraints include City ownership of key properties such as the Triangle Lot, Market Plaza and Embarcadero parking lots, and others. Finally, City development regulations in the downtown may limit development in a format (hotel over retail or hotel over parking) that would be appropriate for Downtown properties.*

3. *Is there a shortage of lower cost accommodations in the community?*

***Response:*** *The City's technical reports say absolutely not, estimating that approximately two thirds of the City's lodging inventory (including camp grounds, VRs and lower cost hotels and motels) qualify as Lower Cost Accommodations. However, the City's Lower Cost Accommodation policies require the development of additional such properties, and in particular in the Tidelands Trust properties where there are already significant cost and development constraints. We are advised from hoteliers, the City and others that there are no specific policies or guidance, and these requirements are applied on a case-by-case basis. There are also open questions about the price metric that is used to determine the price threshold for Lower Cost Accommodations; that is, whether they relate to Morro Bay, the County, the tourist destination region (SLO, Monterey and Santa Barbara counties) or the entire State of California's coastline. The City should consider that providing these "lower cost" accommodations in the Tidelands Trust area is not cost effective because development in the Tidelands area is one of the highest cost locations. This will significantly degrade the lease revenues that they are able to obtain since the fair market value of a lodging property is determined almost exclusively by the revenue potential of the rooms. The Chamber believes that the "mitigation" policies are unnecessary and burdensome given Morro Bay's inventory. Specifically:*

- a. LU 6.2 and LU 6.8 provide a vague and overly broad preservation threshold.*
- b. LU 6.2 should be amended to state that 25 percent of the community's accommodations should be for Lower Cost Accommodations, and that this number can be provided with a mix of RV, campground, VR, and hotel properties.*
- c. LU 6.2 through LU 6.8, in effect, will provide price controls on Morro Bay's lodging properties and will discourage upgrading and rehabilitation of those properties. Those policies will institutionalize the City's over-concentration of Lower Cost lodgings, which is contrary to the community's economic development and visitor strategies.*
- d. LU-13 is unnecessary and provides the Lower Cost accommodation in the properties with the highest risk and the highest development and construction cost. Are the properties on the other side of the Embarcadero or with the same spectacular bay views any less appropriate? This policy is unnecessary given the current supply of Lower Cost accommodations.*

**e. Providing predictable and reasonable development regulations is essential to successful business development and economic development. The City should resolve these matters in the current GP/LCP and not defer them to a future study, GP amendment or zoning update. The time to get this right is now.**

4. Are the policies adequate to support lodgings in all economic areas of the community, including the downtown and South Main/State Park Road?

**Response: No. There are no properties that are to be considered on State Park Road, and development regulations on Main and Morro Bay Blvd may severely limit new lodging projects there.**

5. Are the planned sites adequate to allow the balanced growth of lodging improvements in the community?

**Response: No. The major “planned” sites are on Atascadero Road, the WWTP Master Plan, the Power Plant Master Plan, and selected properties between Main and the Embarcadero. The GP/LCP does not identify basic infrastructure needed to support those uses, and the development capacity of those properties is grossly overstated because Table LU-2 assumes that that all properties in the inventory will be “scraped” and redeveloped to maximum capacity. See comments above about issues with the Power Plant designations.**

6. VRs have provided an element of growth in revenue in the last four years while RVs and hotels have shown modest growth. VR are now capped, and it is unlikely that we will get more RV parks. How do we grow accommodations (especially given that the total rooms have not increased in 12 years and annual occupied rooms have been steady)? Is our existing inventory maxed out?

**Response: The community spent significant time and effort getting a new VR ordinance in place. We do not recommend that the City revisit or change that to provide more accommodations for visitors. The City should identify properties that can accommodate new lodging uses and develop an implementation program that ensure their development during the term of the GP/LCP.**

## Attachments

- A—Proposed Circulation Plan and Policies
- B—Traffic Technical Studies
- C—LOS Standards Example
- D—Recommended Table LU-2
- E—EML Correspondence and Responses
- F—Power Plant Property Ownership and Restrictions
- G—Accommodations Data
- H—Accommodations Policies

Attachment 3c

**Attachments A**

**Proposed Circulation Plan and Policies**

Development projects in and the Master Plans for the Power Plant and Wastewater Treatment Plant master plan areas called for in Policies LU-5.4 and LU-5.5 shall include Collector Street connections between Embarcadero Road and Atascadero Road. The Master Plans should evaluate the need for and benefit of providing a vehicular connection from the Master Plan areas to Main Street. The impacts of development and redevelopment in the master plan areas on the SR 41 and Main Street intersections shall be evaluated.

According to the traffic study for the General Plan, the improvements described above are necessary to support full building of the Plan Area and the master plan area. A feasible methods of financing shall be established, including in the City's update of the traffic impact fee program to ensure adequate funding, as required by Policy CIR-4. These improvements are necessary to meet the City's level of service standards. A full description of the planned improvements can be found in the Circulation Element Technical Report in the Appendices to *Plan Morro Bay*.

## GOALS AND POLICIES

Each time a rock icon is placed next to a Goal, all of the policies underneath the goal are also included in the LCP unless specifically noted otherwise in the policies.

**GOAL CIR-1: Residents and visitors can easily move about the city in a variety of safe and active ways.**

**POLICY CIR-1.1: Balanced Transportation.** Work to complete a balanced multimodal transportation system that meets the needs of all users, including pedestrians, cyclists, motorists, children, seniors, and people with disabilities.

**POLICY CIR-1.2: Access Improvement.** Use infrastructure improvements within public rights-of-way as an opportunity to improve street design and multimodal access.

**POLICY CIR-1.3: System Connectivity.** Develop a complete and connected network of accessible sidewalks, crossings, paths, and separated bike lanes that are convenient and attractive throughout the city.

**POLICY CIR-1.4: Future Enhancements.** Identify streets in the city that can be made “complete,” and plan for new bikeways, sidewalks, and crosswalks on these streets by reallocating how space within the public right-of-way is used.

incorporating resilient strategies and materials into design, using the most up-to-date guidance from the Federal Highway Administration.

**POLICY CIR-1.13: Regional Transportation Planning.** Continue to coordinate with SLOCOG and other agencies in the county on regional transportation planning.

## IMPLEMENTATION ACTIONS

### IMPLEMENTATION ACTION CIR-1

Review the Morro Bay Bicycle and Pedestrian Master Plan annually to identify opportunities for implementation and ensure consistency with existing local and regional plans.

### IMPLEMENTATION ACTION CIR-2

Identify future funding and ways to remove permitting barriers to install fiber optic Internet or other similar communications infrastructure that will support the increase of smart transportation technology and connected vehicles.

### IMPLEMENTATION ACTION CIR-3

Prioritize projects in the CIP that improve local and regional connectivity and mobility by increasing access and connecting to existing systems, including transit, sidewalks, bike lanes, and roadways.

### IMPLEMENTATION ACTION CIR-4

Update the City's development impact fee program to provide funding for future circulation improvements including pedestrian, bicycle, and public transit facilities and amenities. The City shall also pursue development other local financing methods such as an Enhanced Infrastructure Financing District.

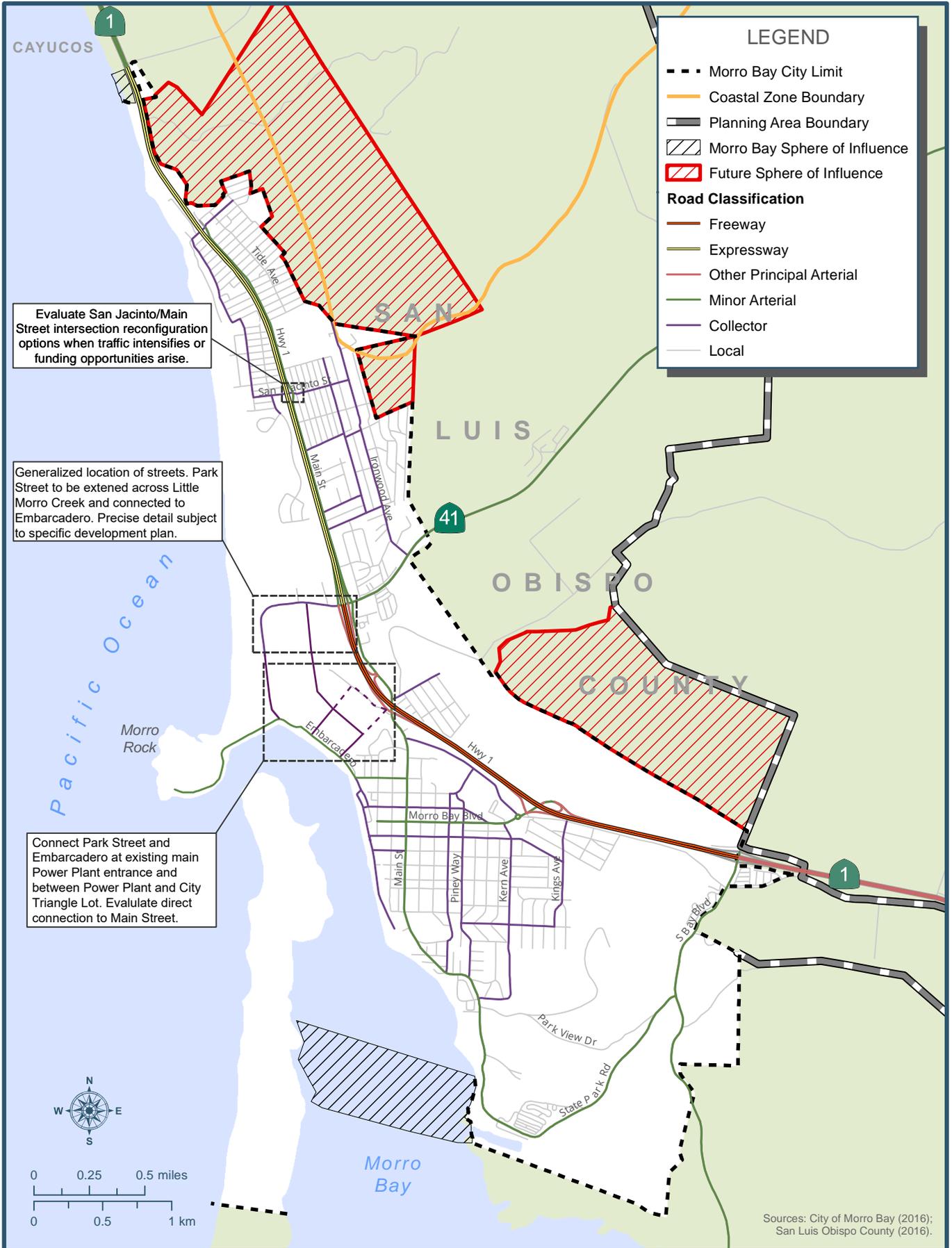
### IMPLEMENTATION ACTION CIR-5

Include the San Luis Obispo Bicycle Club, Bike SLO County, SLO Nexus, and other bicycling groups as key stakeholders in planning and transportation system projects to identify concerns and opportunities in the active transportation system.

### IMPLEMENTATION ACTION CIR-6

Designate a representative to attend locally relevant meetings held by San Luis Obispo Regional Transit Authority, Caltrans, and other regional agencies to represent the interests of Morro Bay.

Transportation Network Diagram: Auto Facilities



W:\GIS\CityofMorroBay\Planning\Plan Morro Bay\Figures\Feb2020\Circulation\Figure CIR-1b TransportationNetworkDiagram\_Auto.mxd (6/10/2020)

Attachment 3c

**Attachment B**

**Traffic Technical Studies**

### 3. VMT

Table 10 shows the VMT under Buildout and Buildout Plus Project conditions. The substantial land use growth evaluated under Buildout Plus Project conditions results in a major increase in VMT.

<b>Table 10: VMT in Morro Bay (Buildout and Buildout Plus Project)</b>			
<b>Trip Type</b>	<b>Daily VMT in SOI</b>	<b>Daily VMT in County</b>	<b>Daily VMT in State</b>
Origin and destination within City SOI	63,301 (123,487)	63,301 (123,487)	63,301 (123,487)
Origin only within City SOI	18,268 (82,925)	53,405 (720,021)	71,734 (1,118,440)
Destination only within City SOI	18,535 (91,287)	58,616 (782,939)	76,945 (1,181,359)
<b>Total</b>	<b>100,104 (297,699)</b>	<b>175,322 (1,626,447)</b>	<b>211,981 (2,423,286)</b>
KEY: xx (yy) = Buildout (Buildout Plus Project) VMT			
1. SOI = Sphere of Influence			
2. Source: SLOCOG and CA Statewide Travel Demand Models			

The increased VMT is attributable to the large increase in employment associated with significant commercial growth. Table 11 summarizes the ratio of jobs to households in Morro Bay and the County under Existing, Buildout, and Buildout Plus Project conditions using data extracted from the SLOCOG Travel Demand Model. The Buildout Plus Project scenario significantly increases the number of jobs in Morro Bay but does not provide a commensurate increase in households, which results in substantial new trips shifted to Morro Bay from other areas. This increase would be significant enough to modify regional travel patterns.

<b>Table 11: Jobs:Household Comparisons</b>			
	<b>Existing</b>	<b>Buildout No Project</b>	<b>Buildout Plus Project</b>
Morro Bay Jobs/HH	0.66	0.72	2.77
SLO County Jobs/HH	0.93	0.97	1.07
Source: SLOCOG Travel Demand Model, CCTC 2018			

Attachment 3c

**Attachment C**

**LOS Standards Example**

## 6. MULTI-MODAL CIRCULATION

Support the development and maintenance of a circulation system that balances the needs of all circulation modes.

### 6.1. Policies

#### 6.1.1. Complete Streets

The City shall design and operate city streets to enable safe, comfortable, and convenient access and travel for users of all abilities including pedestrians, bicyclists, transit users, and motorists.

#### 6.1.2. Multimodal Level of Service (LOS) Objectives, Service Standards, and Significance Criteria

The City shall strive to achieve level of service objectives and shall maintain level of service minimums for all four modes of travel; Pedestrians, Bicyclists, Transit, & Vehicles per Table 2 and the Highway Capacity manual.

**Table 2. MMLOS Objectives and Service Standards**

Travel Mode	LOS Objective	Minimum LOS Standard
Bicycle <sup>1</sup>	B	D
Pedestrian <sup>2</sup>	B	C
Transit <sup>3</sup>	C	Baseline LOS or LOS D, whichever is lower
Vehicle	C	Main St, MB Blvd, Embarcadero: D; All Other Roads: C

Notes:

- (1) Bicycle LOS objectives & standards only apply to routes identified in the City's adopted Bicycle Transportation Plan.
- (2) Exceptions to minimum pedestrian LOS objectives & standards may apply when its determined that sidewalks are not consistent with neighborhood character including topography, street design and existing density.
- (3) Transit LOS objectives & standards only apply to routes identified in the City's Short Range Transit Plan.

#### 6.1.3. Multimodal Priorities

In addition to maintaining minimum levels of service, multimodal service levels should be prioritized in accordance with the established modal priorities designated in Table 3, such that construction, expansion, or alteration for one mode should not degrade the service level of a higher priority mode. 1

**Table 3. Modal Priorities for Level of Service**

Complete Streets Areas	Priority Mode Ranking	
Downtown & Upper Monterey Street	1. Pedestrians 2. Bicycles	3. Transit 4. Vehicle
Residential Corridors & Neighborhoods	1. Pedestrians 2. Bicycles	3. Vehicle 4. Transit
Commercial Corridors & Areas	1. Vehicles 2. Bicycles	3. Transit 4. Pedestrians
Regional Arterial and Highway Corridors	1. Vehicles 2. Transit	3. Bicycles 4. Pedestrians

Notes:

- (1) Exceptions to multimodal priorities may apply when in conflict with safety or regulatory requirements or conflicts with area character, topography, street design, and existing density.

Attachment 3c

**Attachment D**

**Recommended Table LU-2**

Land Use Designation	GP/LCP Table LU-2							GAC Recommendation		
	Vacant Acres	Land Use per LU Diagram (Acres)	Total Estimated Dwelling Units (2040)	Total Estimated Full Time Households @ 78%	Population (2040)	Non Residential SF per GP/LCP	Non residential Square Feet (2040) per GP/LCP	Existing (2018) Per GP/LCP Backup Data	Incremental Need 2016-2040(3)	New 2040 Total
<b>Residential(1)</b>		753.4								
Existing			6,206	4,897	10,381			6,414		6,414
ADUs (Per HE Table H-37)			207	207	311				207	207
Morro Elementary	9.44		150	118	251				150	150
Vacant Sites (Per HE Table H-37)	77.68		396	312	662				396	396
Infill/Redevelopment (Panorama Drive Site per HE Table H-37))	10.06		45	36	75				45	45
Mixed Use Commercial and Overlay									364	364
<b>Subtotal</b>	<b>97.18</b>	<b>753.40</b>	<b>7,004.00</b>	<b>5,569.83</b>	<b>11,679.71</b>			<b>6,414</b>	<b>1,162</b>	<b>7,576</b>
<b>Commercial(2)</b>										<b>12,629</b>
Existing										
Community	2.36	47.0						933,414	59,000	992,414
District (including Williams Bros Property)	23.40	70.0						609,326	75,000	684,326
Neighborhood	7.50	21.0	100	79	165			106,930	75,000	181,930
Visitor Serving								545,126		545,126
Vistra Site (frontage and triangle lot)	5.90	72.0	342	270	565				147,500	147,500
Atascadero Road--North Side	5.76	20.0							144,000	144,000
Atascadero Road--South Side	1.63	30.0							40,750	40,750
Downtown	1.98	26.0	123	97	204				49,500	49,500
Other (including Main/Blvd and State Park Road)									93,250	93,250
Commercial Recreational/Fishing		21.6						32,415		32,415
Other		41.5						159,244		159,244
Industrial								893,006	250,000	250,000
General Light Industrial								327,515		327,515
Coastal Dependent Industrial	20.00							63,764		63,764
Waterfront Commercial/ Industrial (Tideland Lease Areas)		6.3						107,524	75,000	182,524
Mixed Use(4)	0.29	17.6	141	111	233				50,000	50,000
Open Space & Agriculture		1,547.4								
Public/ Institutional		336.9								
<b>Outside City in Future SOI and Plan Area</b>										
Open Space & Agriculture		6,079.9								
Public/ Institutional		56.6								
<b>Total (2040)</b>	<b>263.18</b>	<b>9,900.6</b>	<b>14,729</b>	<b>11,709</b>	<b>24,552</b>			<b>3,257,208</b>	<b>1,134,000</b>	<b>4,391,208</b>
<b>Existing (2016) Totals</b>		<b>9,147.2</b>	<b>6,414</b>	<b>5,063</b>	<b>10,714</b>					<b>3,257,208</b>
<b>Change, 2017-2040</b>		<b>-</b>	<b>8,315</b>	<b>6,646</b>	<b>13,838</b>				<b>1,136,324</b>	<b>1,134,000</b>

1. Added units in Table LU-2 does not agree with the Housing Element Table H-36, H-37 for buildout. GP says 159 additional (6573-6414) and HE says 396. The two should agree

2. Allocation of "Commercial" in Table LU-2 is based on proportionate scaling to get to 307.6 acre total. Confirm. DU capacity allocate to get to 565 units per Table LU-2.

3. Incremental need/growth based on 2.5% annual growth in hotel occupancy (500 more total rooms), and 3.5% annual growth in retail. Industrial is a SWAG.

4. Mixed Use estimated at 100% of projected residential floor area (residential on top of commercial)

Attachment 3c

**Attachment E**

**Embarcadero Master Least Holder Correspondence and Responses**

**Embarcadero Master Leaseholder's comments**  
**November 2, 2020**

**POLICY LU-7.1: Lateral Access.** All existing publicly used lateral accessways and areas shall be protected, preserved, and enhanced to the maximum possible extent, and new lateral accessways/areas shall be encouraged and provided, where appropriate. All lateral connections along the coast, with particular emphasis on the Embarcadero, shall be required to be improved and enhanced. All such connections shall be universally accessible. For new development (defined by the Coastal Act) adjacent to the bayfront or ocean, open and unobstructed public access shall be provided from the nearest public roadway to the shoreline and along the coast as required herein.

- g. Lateral access along the waterfront revetment may be achieved in the following manner:
  - i. Walkways. In the form of open or enclosed unobstructed walkways, a minimum of 10 feet wide across the bayward side of the proposed development.
  - ii. Decking and/or boardwalks. Open and unobstructed exterior decking and/or boardwalks extending bayward a minimum of 12 feet (minimum of 10 feet of walkway).
  - iv. Connection to adjacent properties shall be planned for and implemented on a system wide basis.

Most of the lateral accessways on the Embarcadero have already been installed or approved in upcoming projects. Only a few, other than the access required on City owned properties, remain to be installed:

1. Associated Pacific (will have a 10' accessway when proposed)
2. The rental units south of Associated Pacific
3. Kayak Horizons (will have a 10' accessway when proposed)
4. The Aquarium building
5. Yacht Club
6. A portion of the Dutchman Seafood House (will have a 10' accessway when proposed)
7. Libertine Pub
8. Central Coast Fuel Dock (has 5' access now)
9. Santa Monica Seafoods
10. Tognazini's Dockside & Dockside II (Dockside has never completed the Harborwalk on the east side.
11. Morro Bay Oyster Company

City Owned Properties:

12. Coast Guard
13. PG&E Inlet structure
14. Harbor Dept.
15. Anchor Park
16. City ice machine
17. Tidelands Park

18. Street ends at Beach, Harbor, Centennial Stairway, Pacific, Marina and Driftwood

The accessways that are installed at 8 feet wide will, under his policy need to be upgraded to 10' (or is it 12'; see 7.1 g. i, ii and iv.

Nevertheless this policy requires those installed at 8' to be rebuilt to 10' or 12' upon a minor trigger such as a "change in land use designation, intensity of use or a change of use." (7.1 c.) This along with sections 7.1 d., e., f., seem to be too minor of a standard to require what may well be a very expensive retrofit. The only way to achieve the widened accessway where it already exists is to extend further out over the bay by a minimum of 2 feet plus. As we all know there are substantial obstacles to extending structures over the bay. If a cantilever design cannot be achieved then the only other alternative is to support the structure with pilings. That solution is fraught with complications with eelgrass and the prohibition of adding fill to the bay. The alternative is to widen the accessway by moving it into the occupied space of the building on the landward side. On a project recently built that is a very onerous condition to accept.

The effect of this is to discourage a Master Lessee from proposing a minor change in use. This needs to be a requirement imposed at the time that a major redevelopment or complete replacement of the building on the parcel is considered. We all, including the City, want these businesses to be able to adapt to changes in the market place and be able to accommodate uses that are appropriate without burdening the projects with impossible conditions. This would discourage a user wanting to make a change that otherwise would be good for the City.

**Suggested language:**

#c. Change in use. A change in land use designation requiring a major reconstruction of all or at least 50% of the property.

#d. delete

#e delete

#f delete unless needed in areas other than the Embarcadero waterfront.

#g Lateral access along the waterfront revetment may be achieved in the following manner:

- i. Walkways, decking or boardwalks in the form of open or enclosed unobstructed walkways, a minimum of 10 feet (clear) wide across the bayward side of the proposed development.
- ii. Breezeways and/or walkways. Designated open and unobstructed breezeways and/or walkways within the structure, provided such breezeways are located as close as possible to the bay and designed to provide the most direct convenient connection between adjacent existing or potential lateral accessways. Exterior access is preferred over interior access.
- iv. Connection to adjacent properties shall be taken into consideration and planned for between adjacent property owners at the time construction plans are submitted to the City.

#h. Exceptions. The lateral access requirements specified above may be waived in the following situations:

- i. When the applicant can demonstrate, based on an engineering analysis, that all or a portion of such access is physically infeasible and there are no design alternatives capable of overcoming topographical or site constraints that jeopardize public safety and fragile coastal resources.
- ii. If continuous lateral access across the bayward portion of the parcel is found infeasible due to topographical or site constraints as defined in subsection (d)(i) of this section, the contribution of an in-lieu fee, equivalent to the cost of construction of an accessway along the bayward edge of the structure proposed, shall be paid to the City. Fees shall be used to coordinate the bayfront lateral and vertical access program, and shall be used to link lateral access where feasible and to improve vertical access provisions.

For our purposes here it applies to use of the lateral accesses by the general public and should protect the grantees of lateral access, except where there is "a willful or malicious failure to guard against a dangerous condition, use, structure or activity." It seems to the leaseholders that the fueling area and the fish unloading areas would fall under that exception and that additional precautions are needed to protect the public. This may be a legal question if the City can demand that an access is constructed when there is a clear and present danger for public and unsafe conditions that cannot be exempted.

If the lateral accessway is found to be infeasible an in lieu fee of the amount of the cost of construction doesn't seem to work. One of the reasons to have the in lieu fee is the potentially high cost of implementation. The in lieu fee needs to be established at some reasonable amount, perhaps a per linear foot fee, and what it is used for needs to be clearly defined. It should be spent on those lateral access areas that are City owned and within the Tideland Trust properties. Again, we don't want to discourage redevelopment or re-use of these properties so we need to make this a reasonably achievable goal.

**Suggested language:**

- i. Leave the public safety statement in the policy. So policy as written.
- ii. If continuous lateral access across the bayward portion of the parcel is found infeasible due to topographical or site constraints as defined in subsection (d)(i) of this section, the contribution of an in-lieu fee of \$\_\_\_\_\_ per linear foot shall be paid to the City for use in the establishment and construction of the lateral accessways on City owned properties such as but not limited to the Tidelands Park and the street ends at Harbor, Pacific, Marina, and Driftwood.

**POLICY LU-7.3: Unobstructed Lateral Access.** Furniture, windscreens, gates, fences, or other items shall not be placed in the area of pedestrian flow of a lateral accessway. Existing items of this sort shall be removed during future lease renewals or applications for improvements.

Part of the charm and attraction of the lateral accessways is the opportunity to enjoy the experience. Benches, windscreens, trash receptacles, potted plants and other amenities add to the ambience. We don't want this language to disallow those kinds of experience enhancing things to exist and we should want to encourage our Master Lessees and subtenants to provide those kinds of things. The lateral

accessways are to be 10 feet wide, the ADA requirement is 4 feet, so how about if we provide language that provides that the accessways remain unobstructed. If there is a particular issue for a particular accessway that can be dealt with in the approval process in the case of a new project or in the case of a lease renewal, in the lease itself.

**Suggested language:**

**Lateral Access.** Furniture, windscreens, gates, fences, or other items shall not be placed in areas that would obstruct pedestrian flow of a lateral accessway.

**POLICY LU-7.5: Coastal Access Amenities.** Provide clear signage (including appropriate interpretive signs) and amenities (such as benches, picnic tables, trash and recycling service, bike racks, etc.) at all access points. (See also Policies CD-1.7 and CD-1.8)

**POLICY LU-7.5: Coastal Access Amenities.** Provide clear signage (including appropriate interpretive signs) and amenities (such as benches, picnic tables, trash and recycling service, bike racks, etc.) at all access points. (See also Policies CD-1.7 and CD-1.8)

Bob – I didn't see any changes to this. My original comment was if this conflicted with LU-3?

**POLICY LU-7.8: Sea Level Rise Impacts on Lateral Access.** The following monitoring and actions shall be taken to address issues related to sea level rise in lateral access areas:

The language in this section of the Plan is just too detailed for the purposes of this document. Besides that, this addresses just the lateral accesses. The lateral accesses only exist because the building and business enterprises are there. You have to address and protect the golden goose first and then the lateral accesses can be dealt with. The likelihood of sea level rise or the amount of such rise or the timeline of the rise occurring is speculative at best. To impose draconian mitigations, applicable in specific timeframes when the effects of the phenomenon are so nebulous is to be putting the cart before the horse. The statement here ought to be more generalized so that it can be applied if and when it is needed. To definitively call out the fixes for particular properties in particular timeframes is beyond what this document is designed to do and risks trapping us into doing fixes that may not be necessary or may be required in a much different timeframe.

**Suggested language:**

**POLICY LU-7.8:** Sea Level Rise Impacts on Lateral Access. The following monitoring and actions shall be taken to address issues related to sea level rise in lateral access areas. The City shall evaluate whether any of the existing bayside lateral access in the 2050 inundation zone can be defended in that part of the Embarcadero. During lease renegotiations, raising of the bayside lateral access or installing floating access may be required if the existing bayside access cannot be defended. All lease sites affected through 2050 will need to be monitored for additional sea level rise impacts to lateral accessways through 2100 due to lease site vulnerability. When feasible, lease sites should be encouraged to implement floating bayside lateral accessways to improve design resiliency to sea level rise. Monitoring the need for improvements to the boat launch ramp will be done as part of this action. During lease renegotiations, raising of the bayside lateral access or installing floating access may be required in these areas if the existing bayside access cannot be defended.

- a. delete

- b. delete
- c. delete
- d. delete
- e. delete
- f. delete
- g. delete
- h. delete
- i. delete
- j. delete

**You may want to consider if floating access will meet ADA access requirements. Note; there are exemptions for ADA accessibility for small marinas and floating docks so the CA Building Code should be used for this.**

Policy LU-8.7. **Embarcadero Coastal Hazards Standards.** In the Embarcadero area development shall include all feasible measures to avoid, or if avoidance is infeasible, to mitigate against coastal hazard threats and potential impacts to coastal resources. Fill and placement of materials in coastal waters, including shoreline protective devices in this area, shall be the minimum amount necessary, shall be allowable only where there is no feasible less environmentally damaging alternative and where feasible mitigation measures have been provided to minimize adverse environmental effects, consistent with the following:

- a. Upon the lease site approval or renewal, lease sites adjacent to the bayfront shall be required to relocate any underdeck utilities to a location above the sea level rise zone.
- b. Decks, piers, and other immobile bayside lateral accessways should be raised or reconstructed to heights above the sea level rise inundation zone.
- c. At-risk storm drains should be redesigned or relocated to maintain full function and prevent flooding as tides continue to rise.

First, this policy is under “GOAL LU-8: Morro Bay’s downtown and waterfront areas are active and welcoming locations for shopping, recreation, public access, visitor-serving needs, and coastal services.” So how does this section on coastal hazards apply to the particular language in the goal? See below for suggested relocation.

Second, this particular section is not necessarily appropriate for the Embarcadero. The Army Corps constructed the Embarcadero and rock revetment back in the 1940’s. So there is an approximate 80 year old structure that the City requires the leaseholders to maintain and repair when necessary but with this policy the City is requiring additional studies and in some instances limitations on what can be proposed as a project.

This policy would require an alternative analysis for “fill and placement of materials in coastal waters” which means piles, rock revetment, floating docks and any other things that are placed in the water. The applicants will be required and responsible for doing more studies to evaluate the least environmentally

damaging alternatives for pilings, or rock rip rap, floating docks, repairs or reconstruction. The policy as written states that this “shall be allowable only where there is no feasible less environmentally damaging alternative and where feasible mitigation measures have been provided to minimize adverse environmental effects, consistent with the following: So does this mean if it is less environmentally damaging to have a vertical seawall rather than rip rap, then you will be required to take out the rip rap and put in a vertical wall rather repair the existing rip rap?”

This could also mean that a Harborwalk or building would need to be cantilevered rather than supported by pilings. This may force a reduction in the size of the project so that it is even potentially feasible for a cantilever design. This policy as written also gives the City and Coastal Commission the authority to require the removal of the seawall and let it return to nature.

There will be a CEQA or equivalent review, and in some cases a proposed project will be exempt under CEQA that will consider the environmental impacts and incorporate mitigation measures to minimize the impacts of the proposed project where appropriate.

Additionally the language as presented potentially precludes a CEQA exempt determination especially for repair and maintenance as it states that the project “shall be allowable only where there is no feasible less environmentally damaging alternative and where feasible mitigation measures have been provided to minimize adverse environmental effects...”. The policy as written would trigger the need for an environmental analysis of the proposed project to determine whether it is the best alternative.

The additional language included in the sub categories do not necessarily relate to the main goal in determining environmental feasibility of any alternative, minimum placement of fill and materials, or minimizing adverse environmental effects. Specifically the following:

a. Upon the lease site approval or renewal, lease sites adjacent to the bayfront shall be required to relocate any underdeck utilities to a location above the sea level rise zone.

The applicant or leaseholder will be **required** to “relocate any underdeck utilities to a location above sea level rise at the time of “lease site approval or renewal”. This is a complete unknown as a lease site may be required to elevate utilities above an existing level of a building that will not be feasible and at a point that the potential sea level rise point is well into the future. For example if a lease holder renews a lease 5 years after adoption of this policy, they will need to elevate the underdeck utilities well beyond a level of where the existing building is located. If there is an existing sewer line that that needs to be at the current level in order to flow to the city collection system and it is required to rise even a couple of feet, it may need a pump installed to get the wastewater to flow up and back down to the connection point. The underdeck utilities can also include a fire sprinkler system that is required to remain at its current location.

b. Decks, piers, and other immobile bayside lateral accessways should be raised or reconstructed to heights above the sea level rise inundation zone.

Docks, piers, and other immobile bayside lateral accessways “should” be raised to heights above sea level rise. Take note that the definition of “should” provided for in the Plan is stated as the following “Should” and “may” **are mandatory**, unless there is a compelling reason to do otherwise. How will this be done irrespective of the relationship to the existing building and adjacent sites, ADA standards and

absent a defined period of time for this to be done that would necessitate planning for more than just one project area but more like the entire Embarcadero area.

c. At-risk storm drains should be redesigned or relocated to maintain full function and prevent flooding as tides continue to rise.

Taking into consideration that if there are storm drains that are at risk for flooding tides and/or sea level rise, then a greater issue is at hand for all the buildings and other developments that need to be considered on an area wide basis. Will this policy require the applicants to study the entire City storm drain system for the Embarcadero? Will this policy require that the applicant pay for relocation or one or more storm drains?

Consider the other polices in the Plan that encourage repair, maintenance and promote economic development...

**Suggested language:**

Consider moving this policy to Goal PS-3: Morro Bay is prepared for and responsive to the effects of sea level rise and other coastal hazards in both the short and longer term future.

Revise as follows:

**Embarcadero Coastal Hazards Standards.** In the Embarcadero area development shall include all feasible measures to avoid, or if avoidance is infeasible, to mitigate against coastal hazard threats and potential impacts to coastal resources.

#a - #c: Delete as these are undefined for specifics and create unintended consequences that cannot be remedied with a reasonable timeframe or with just one project.

**IMPLEMENTATION ACTION CD-11** Decking for bayside lateral access decks shall be made of metal slats when eelgrass shading is an issue. Decking shall be made of timber when eelgrass shading is not an issue. Railings for all bayside lateral access decks shall be made of metal...

I believe the Commission has already decided to modify the language however a suggestion is below.

**Suggested language:**

Decking and railings for bayside lateral access decks shall be made of materials that are appropriate for the surroundings and grated decking for areas that may have an impact on eelgrass. This action will be incorporated into the Waterfront Master Plan when updated.

**IMPLEMENTATION ACTION CD-13** New or replacement sections of the Harborwalk boardwalk shall use the same type of materials as the existing Harborwalk sections. If feasible, the lateral access icon shall be included on the Harborwalk by stamping or some other form of application. This action will be incorporated into the Waterfront Master Plan when updated.

The first part of this directly conflicts with #CD-11 as the other section requires metal or timber.

**Suggested language:**

If feasible, the lateral access icon shall be included on the Harborwalk by stamping or some other form of application. This action will be incorporated into the Waterfront Master Plan when updated.

**IMPLEMENTATION ACTION CD-14** On-land lateral accessways (except the public sidewalk) shall be made of paved stained brick and shall include the lateral access icon incorporated into the pavement. This action will be incorporated into the Waterfront Master Plan when updated.

There is a caution that should be noted in using bricks as it may not be good to allow for water infiltration along the waterfront sites. Water flowing through this area may tend to carry the fines out to the bay creating additional sedimentation problems and leading to possible undermining on the site. The project engineer should be consulted prior to making this a requirement.

**Suggested language:**

On-land lateral accessways (except the public sidewalk) shall be made of paved stained brick or appropriate materials per the project engineer and shall include the lateral access icon incorporated into the material. This action will be incorporated into the Waterfront Master Plan when updated.

**POLICY CIR-1.10: Goods Movement.** Maintain smooth, consistent, and nonintrusive movement of trucks and goods through the city by way of truck routes, including working with businesses to minimize disruption to traffic flow during loading and unloading, and expanding designated commercial loading zones along the Embarcadero.

Expansion of loading areas should not displace existing parking.

**Suggested language:**

**Goods Movement.** Maintain smooth, consistent, and nonintrusive movement of trucks and goods through the city by way of truck routes, including working with businesses to minimize disruption to traffic flow during loading and unloading, and expanding designated commercial loading zones along the Embarcadero *as long as existing parking is not diminished.*

**POLICY CIR-.2: Street End Pedestrian Connections.** Create safer and more distinct lateral access connections across the street ends on the west side of the Embarcadero at Dunes, Harbor, Morro Bay Boulevard, Front, Pacific, Marina, and Driftwood Streets, including by relocating parking from these areas. (See also Policies LU-4.1, LU-4.5, LU-4.6, LU-7.1 through LU-7.6, and OS-1.6 and Implementation Action LU-19).

Parking is crucial in the Embarcadero area and its disbursement throughout the area is important. Rather than relocating parking to accommodate the street end Lateral Accessways the accessways should be built seaward over the rip rap areas or above the water areas west of the street ends.  
Suggested language:

**POLICY CIR-.2: Street End Pedestrian Connections.** Create safer and more distinct lateral access connections across the street ends on the west side of the Embarcadero at Dunes, Harbor, Morro Bay Boulevard, Front, Pacific, Marina, and Driftwood Streets.

3 – F - Noise – Vibration - Vibration Decibels

There is a section discussion on vibration but no policies that refer to this. Why is it included? If language is included then it should be consistent with the draft EIR comments which states on page 4.10-16 “This analysis assumes that construction activity would not involve the use of vibration-generating pile drivers, as discussed in Impact N-1. There are no anticipated major sources of operational groundborne vibration in the city through the General Plan and LCP Update horizon; therefore, this analysis focuses on potential vibration impacts during construction activity.” So therefore, marine construction should specifically be exempt for these policies.

**Suggested language:**

**Acoustical Studies.** Require an acoustical study for proposed projects in areas where existing or projected noise levels exceed or would exceed the maximum allowable levels established in this element. Adopt procedures to ensure project compliance with mitigation measures and enforcement of noise standards. *Marine, waterfront and harbor related temporary construction, such as pile driving, shall be exempt.*

**IMPLEMENTATION ACTION NOI-5** Require acoustical studies for all discretionary development proposals that are likely to be exposed to existing or projected future noise levels that exceed the “normally acceptable” community noise exposure standard (Table NOI-3); and for projects that are likely to generate noise in excess of the community noise exposure standard (Table NOI-3); or as determined by the Community Development Director. For discretionary projects, acoustical analysis will be required at the time the application is accepted for processing. For development not subject to discretionary approval and/or environmental review, the requirements for an acoustical analysis shall be implemented prior to the issuance of a building permit.

Does this include marine related work? Does it include temporary construction noise? Suggestion below to add exemption.

**Suggested language:**

Require acoustical studies for all discretionary development proposals that are likely to be exposed to existing or projected future noise levels that exceed the “normally acceptable” community noise exposure standard (Table NOI-3); and for projects that are likely to generate noise in excess of the community noise exposure standard (Table NOI-3); or as determined by the Community Development Director. For discretionary projects, acoustical analysis will be required at the time the application is accepted for processing. For development not subject to discretionary approval and/or environmental review, the requirements for an acoustical analysis shall be implemented prior to the issuance of a building permit. *Marine, waterfront and harbor related temporary construction, such as pile driving, shall be exempt.*

**POLICY NOI-3.3:** Construction Shielding. Encourage shielding for construction activities to reduce noise levels and protect adjacent noise-sensitive land uses.

Does this include marine construction work? It appears from the main goal that this is for residential construction however to be clear, there should be a marine construction exemption since there are residential neighborhoods in close proximity to the waterfront.

**Suggested language:**

Construction Shielding. Encourage shielding for construction activities to reduce noise levels and protect adjacent noise-sensitive land uses. *Marine, waterfront and harbor related temporary construction, such as pile driving, shall be exempt.*

**POLICY C-1.15 Eelgrass Protection.** Continue to address and mitigate eelgrass impacts on a project-by-project basis using implementation guidelines from the California Eelgrass Mitigation Policy (CEMP) to promote eelgrass growth in the bay. In addition, investigate establishing an eelgrass mitigation bank.

Eelgrass has been a huge obstruction to development in the Bay and we need to establish less stringent protocols, so we need to keep open and encourage new policies that take actual conditions into consideration. Adding this language will keep the Plan current with any new federal regulations that are created.

**Suggested language:**

**Eelgrass Protection.** Continue to address and mitigate eelgrass impacts on a project-by-project basis using implementation guidelines from the California Eelgrass Mitigation Policy (CEMP) or subsequent policies to promote eelgrass growth in the bay. In addition, investigate establishing an eelgrass mitigation bank and other mitigation or programs allowed for in the CEMP.

**POLICY PS-3.6: Shoreline Preservation as a City Goal.** The Morro Bay shoreline is an irreplaceable resource and its preservation as a natural living shoreline is a matter of great public importance. Therefore, the intent of the Local Coastal Program is to ensure that shoreline protective devices and other shoreline altering development are only utilized in very rare situations and only when all coastal resource impacts are avoided, and where unavoidable are appropriately and proportionately mitigated, including consistent with Policies PS-3.7, PS-3.12, and PS-13.

The Embarcadero is different and should be recognized as such. This is State Tidelands and is set aside for commerce and navigation under the Tidelands Trust. This area with seawalls and other protective devices are found in other policies that indicate that they shall be maintained and repaired so this needs to be consistent with that direction.

**Suggested language:**

**Shoreline Preservation as a City Goal.** The Morro Bay shoreline is an irreplaceable resource and its preservation as a natural living shoreline is a matter of great public importance. Therefore, the intent of the Local Coastal Program is to ensure that shoreline protective devices and other shoreline altering development are only utilized in very rare situations and only when all coastal resource impacts are avoided, and where unavoidable are appropriately and proportionately mitigated, including consistent with Policies PS-3.7, PS-3.12, and PS-13. *Shoreline protective devices in the State Tidelands Trust from Morro Rock to Tidelands Park shall be allowed and maintained as consistent with other policies in this document.*

**POLICY PS-3.7: Existing Shoreline Protective Devices.** Repair and maintenance of existing legally established shoreline protective devices (including restacking dislodged rock rip-rap in revetments within the approved revetment profile and texturing/contouring a vertical seawall per the approved surface treatment, but not including replacement, augmentation, addition, or expansion) shall only be allowed if the shoreline protective device is required to protect existing structures (i.e., structures legally constructed prior to January 1, 1977, that have not been redeveloped since then) and coastal-dependent development in danger from erosion (i.e., when the development would be unsafe to use or occupy within two or three years). If it is not so required, then the shoreline protective device shall be removed and the affected area restored. Any such allowable repair and maintenance projects shall include measures to address and mitigate for any coastal resource impacts the device is having, including with respect to public views and public recreational access. The City shall only be involved financially with public shoreline protective devices.

This could be interpreted to mean that shoreline protective devices cannot be repaired if there is no record of the development being legally constructed prior to January 1, 1977. The City and the County for that matter do not have good records of development prior to 1964 (City incorporation) and prior dates. This places the burden on the applicant to prove that the structure was legally constructed rather than recognizing that it may have been but there are no records. This in relation to the Embarcadero and not to other areas outside of this. What does it mean that the City will only be involved financially with public shoreline protective devices? Does this include the Tidelands Trust area even though the City has leased these areas and requires the master leaseholders to take care of the repair, maintenance or new construction?

**Suggested language:**

**Existing Shoreline Protective Devices.** Repair and maintenance of existing legally established shoreline protective devices (including restacking dislodged rock rip-rap in revetments within the approved revetment profile and texturing/contouring a vertical seawall per the approved surface treatment, but not including replacement, augmentation, addition, or expansion) shall only be allowed if the shoreline protective device is required to protect existing structures (i.e., structures legally constructed prior to January 1, 1977, that have not been redeveloped since then) and coastal-dependent development in danger from erosion (i.e., when the development would be unsafe to use or occupy within two or three years). If it is not so required, then the shoreline protective device shall be removed and the affected area restored. Any such allowable repair and maintenance projects shall include measures to address and mitigate for any coastal resource impacts the device is having, including with respect to public views and public recreational access. The City shall only be involved financially with public shoreline protective devices. *State Tidelands Trust from Morro Rock to Tidelands Park shall be allowed and maintained as consistent with other policies in this document and is exempt from this policy.*

**POLICY PS-3.8: New Shoreline Protective Devices.** New shoreline protective device development (including replacement, augmentation, addition, and expansion associated with an existing device) shall only be allowed where required to protect existing structures (i.e., structures legally constructed prior to January 1, 1977, that have not been redeveloped since then) and coastal-dependent development in danger from erosion (i.e., when the development would be unsafe to use or occupy within two or three years)... hazards. Such nonstructural options shall be used and prioritized

wherever possible to protect coastal resources, including coastal habitats, public recreational uses, and public access to the coast.

Where such nonstructural options are not feasible in whole or in part, soft structural alternatives (sand bags, vegetation, etc.) shall be used and prioritized wherever possible before more significant shoreline protective devices are considered. Shoreline protective devices shall not be constructed to protect non-coastal-dependent development, development built on or after January 1, 1977 (including redeveloped structures), or where other measures/alternatives, including relocation, can adequately mitigate erosion hazards. All construction associated with shoreline protective devices and repair or maintenance or augmentation of existing protection devices shall be designed to eliminate or mitigate adverse impacts to coastal resources. The City shall only be involved financially with public shoreline protective devices.

So this says that new seawalls “shall not be constructed to protect non-coastal-dependent development, development on or after January 1, 1977 (including redeveloped structures), or where other measures/alternatives, including relocation, can adequately mitigate erosion hazards”. This policy seems to be in direct conflict with other policies discussing repair and maintenance of the revetment along the Embarcadero. This policy also leaves the open concept that the buildings on the Embarcadero may not be able to install protective devices but rather to consider other alternatives, such as relocation, should be considered. Does the City need to add clarifying language regarding the Embarcadero if this area is not meant to be included in this policy? The City should only be involved financially with public shoreline protective devices so, how does this impact, or not, the Embarcadero?

**Suggested language:**

**POLICY PS-3.8: New Shoreline Protective Devices.** New shoreline protective device development (including replacement, augmentation, addition, and expansion associated with an existing device) shall only be allowed where required to protect existing structures (i.e., structures legally constructed prior to January 1, 1977, that have not been redeveloped since then) and coastal-dependent development in danger from erosion (i.e., when the development would be unsafe to use or occupy within two or three years)... hazards. Such nonstructural options shall be used and prioritized wherever possible to protect coastal resources, including coastal habitats, public recreational uses, and public access to the coast.

Where such nonstructural options are not feasible in whole or in part, soft structural alternatives (sand bags, vegetation, etc.) shall be used and prioritized wherever possible before more significant shoreline protective devices are considered. Shoreline protective devices shall not be constructed to protect non-coastal-dependent development, development built on or after January 1, 1977 (including redeveloped structures), or where other measures/alternatives, including relocation, can adequately mitigate erosion hazards. All construction associated with shoreline protective devices and repair or maintenance or augmentation of existing protection devices shall be designed to eliminate or mitigate adverse impacts to coastal resources. The City shall only be involved financially with public shoreline protective devices. *State Tidelands Trust from Morro Rock to Tidelands Park shall be allowed and maintained as consistent with other policies in this document and is exempt from this policy.*

**IMPLEMENTATION ACTION PS-13** Require new development in the Sea Level Rise Hazard Overlay Zone to evaluate potential impacts to adjacent or nearby properties from all proposed structural

flood protection measures to ensure that these measures will not create adverse direct and/or cumulative on-site or off-site impacts.

On page 4-128 the last paragraph says “For all other areas outside of the Harbor, Marina, area immediately adjacent to the shoreline, and Working Waterfront Area, development shall be sited and designed in a manner consistent with the following policies.”

So this is more of a question and confirmation regarding the waterfront. Is the Embarcadero exempt from this policy?

## GLOSSARY

Coastal Dependent and non-coastal dependent are not included in the glossary however these terms are used frequently in the Plan.

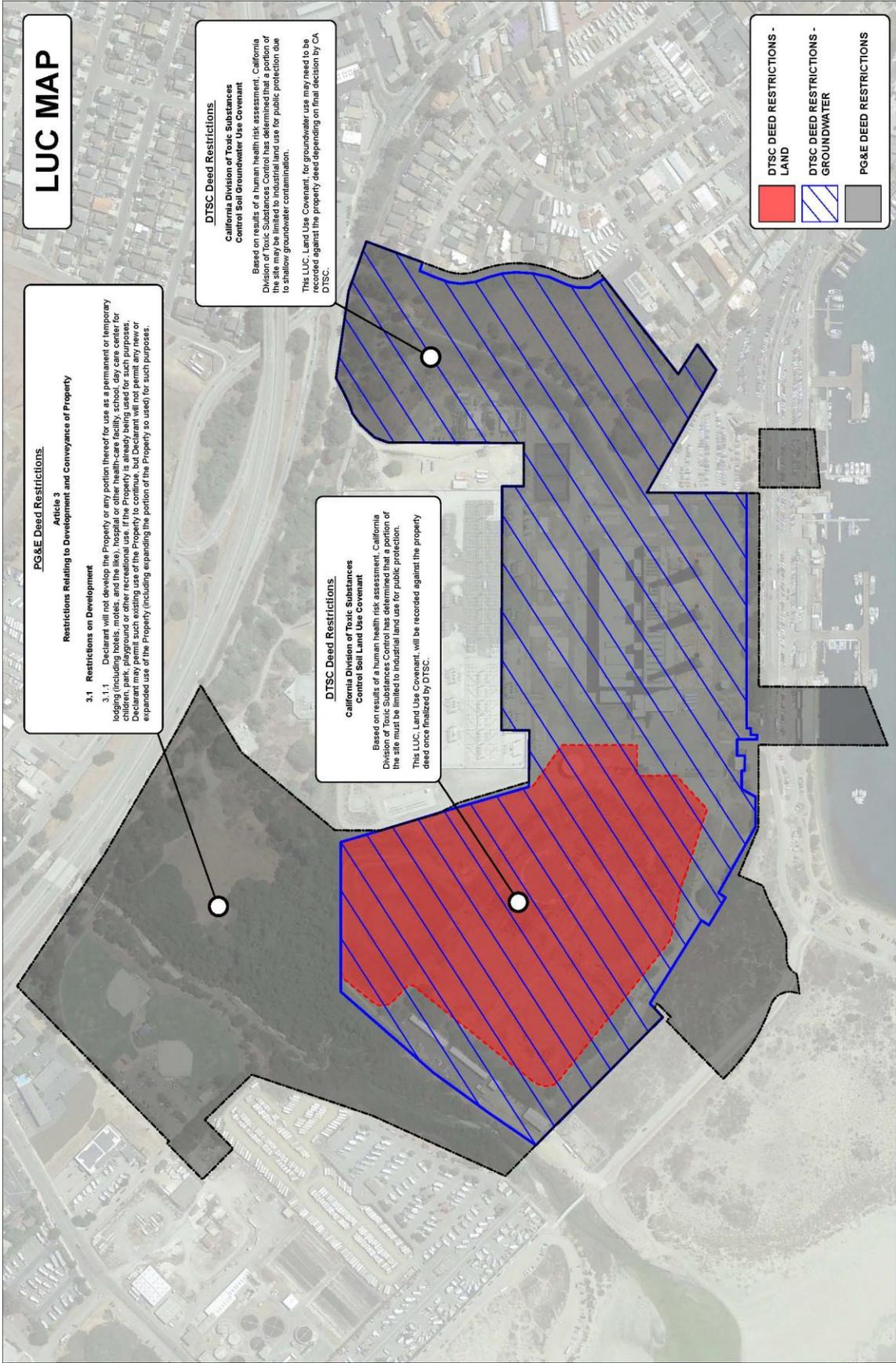
Attachment 3c

**Attachment F**

**Power Plant Property Ownership and Restrictions**

# Appendix: Real Estate

# Morro Bay Power Plant: Land Use Restrictions



- **PG&E Deed Restrictions**

- When PGE sold the power plant site in 1998, they recorded a limited use covenant against the property that covers the entire Morro Bay power plant site.
- The restriction limitations are shown below:

**Article 3**

**Restrictions Relating to Development and Conveyance of Property**

**3.1 Restrictions on Development**

**3.1.1** Declarant will not develop the Property or any portion thereof for use as a permanent or temporary lodging (including hotels, motels, and the like), hospital or other health-care facility, school, day care center for children, park, playground or other recreational use. If the Property is already being used for such purposes, Declarant may permit such existing use of the Property to continue, but Declarant will not permit any new or expanded use of the Property (including expanding the portion of the Property so used) for such purposes.

- **DTSC Deed Restrictions –Groundwater Use Covenant**

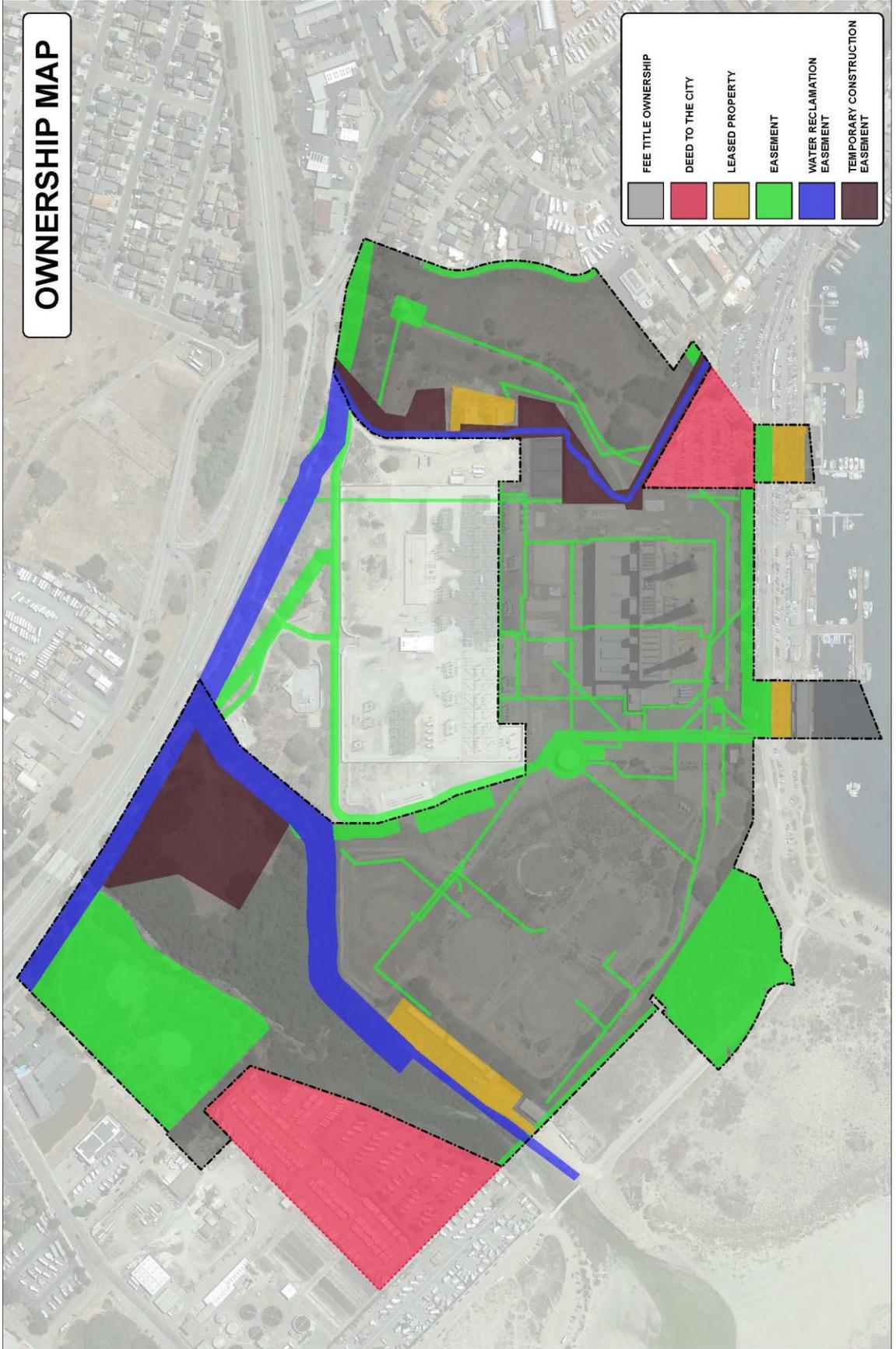
- Based on results of a human health risk assessment, California Department of Toxic Substances Control (DTSC) has determined that a portion of the site may be limited to industrial land use for public protection due to shallow groundwater contamination.
- This DTSC review is ongoing and the final Land Use Covenant, for groundwater use would be recorded against the property deed.

- **DTSC Deed Restriction – Soil Land Use Covenant**

- Based on results of a human health risk assessment, California Department of Toxic Substances Control (DTSC) has determined that a portion of the site, may to be limited to industrial land use.
- The DTSC review is ongoing and the final Land Use Covenant, would be recorded against the property deed.

# Morro Bay Power Plant: Ownership Map

## OWNERSHIP MAP



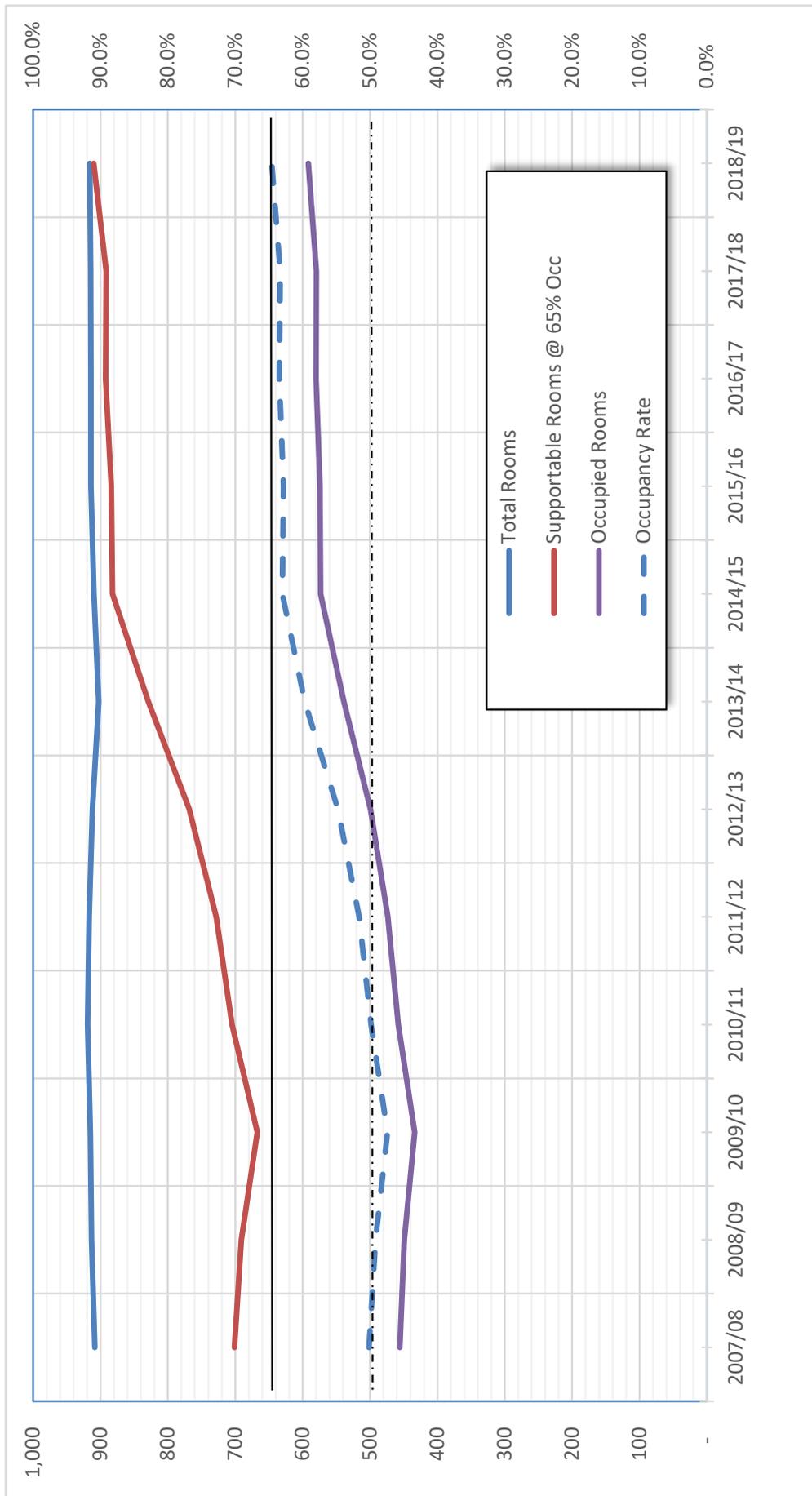
- The Morro Bay Power Plant is located at 1290 Embarcadero (APN 066-331-046) and is approximately 107 acres.
- Through various agreements with the City and others, access, easements, temporary use and even transfers of the property have occurred. Here is a list of those transactions that are show on the map:
  - City’s Lila Kaiser park
  - City’s RV Park
  - City’s Fisherman’s storage and boathouse
  - City’s Embarcadero multi purpose path easement
  - City’s Embarcadero Street easement
  - City’s Embarcadero free parking lot lease
  - City’s parking lot where the maritime museum is located
  - City’s boardwalk easement
  - City’s easement for Scott Street
  - City’s easement for sewer pipes
  - City’s bike path and sewer pipeline easement
  - Eminent Domain
    - City’s pipeline and injection well easement
    - City’s temporary construction easement
  - Morro Bay Mutual Water Company (co-owned w/ PG&E)
  - Pacific Wildcare and Marine Mammal Center

Attachment 3c

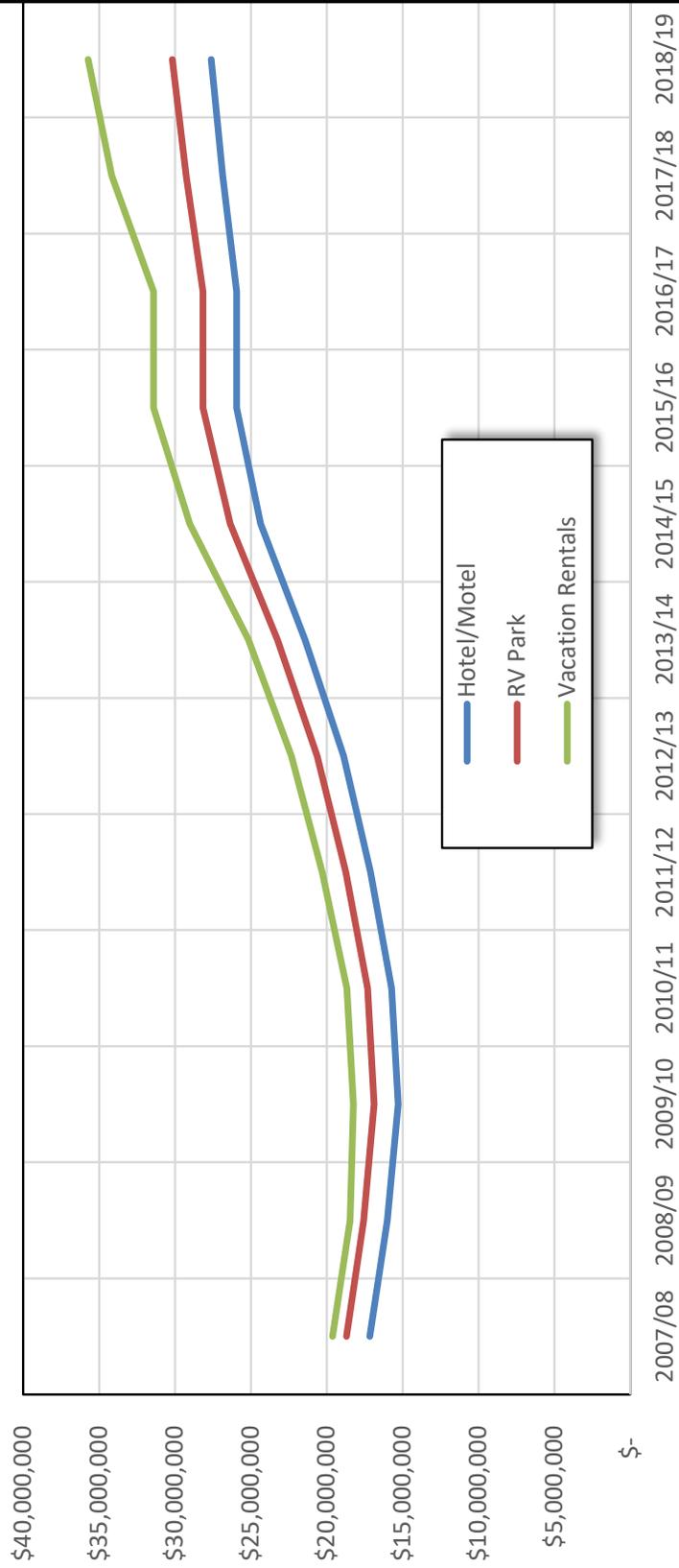
**Attachment G**

**Lodgings and Accommodations Data**

Attachment 3c



Total Lodging Revenue by Source



	Fiscal Year													Total	Nominal Growth	Annualized Growth Rate
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19				
Hotels/Motel	\$ 17,152,824	\$ 16,000,071	\$ 15,285,777	\$ 15,719,492	\$ 17,005,133	\$ 18,891,952	\$ 21,424,442	\$ 24,946,340	\$ 25,936,031	\$ 25,956,031	\$ 26,860,623	\$ 27,608,198	\$ 29,226,814	\$ 10,455,375	4.42%	
RV Park	\$ 1,529,098	\$ 1,564,187	\$ 1,588,335	\$ 1,578,353	\$ 1,641,084	\$ 1,731,895	\$ 1,815,442	\$ 2,005,807	\$ 2,220,232	\$ 2,220,232	\$ 2,402,961	\$ 2,551,175	\$ 2,828,802	\$ 1,035,077	4.80%	
Vacation Rentals	\$ 918,877	\$ 901,188	\$ 1,362,896	\$ 1,386,609	\$ 1,543,932	\$ 1,707,402	\$ 1,914,618	\$ 2,666,152	\$ 3,245,301	\$ 3,245,301	\$ 4,890,453	\$ 5,549,992	\$ 29,334,721	\$ 4,631,116	37.76%	
<b>Total</b>	<b>\$ 19,600,798</b>	<b>\$ 18,467,445</b>	<b>\$ 18,237,009</b>	<b>\$ 18,680,454</b>	<b>\$ 20,190,149</b>	<b>\$ 22,331,448</b>	<b>\$ 25,152,503</b>	<b>\$ 29,018,298</b>	<b>\$ 31,401,564</b>	<b>\$ 31,401,564</b>	<b>\$ 34,154,038</b>	<b>\$ 35,719,165</b>	<b>\$ 304,454,337</b>	<b>\$ 16,118,567</b>	<b>5.61%</b>	
Available Rooms	909	913	915	919	917	912	903	910	914	914	915	916	10,957	7	0.07%	
Planned Rooms																
Atascadero Road																
Harbor View Inn																
Market Plaza																
Total Rooms	909	913	915	919	917	912	903	910	914	914	915	916	10,957	7	0.07%	
Supportable Rooms @ 65% Occ	701	691	667	705	728	768	829	882	884	882	891	910	9,807	5	0.05%	
Additional Rooms Needed	(207)	(222)	(248)	(214)	(189)	(140)	(100)	(72)	(70)	(68)	(76)	(106)	(1,050)	(2)	(0.02%)	
Occupied Rooms	655	619	631	658	673	698	730	773	774	800	829	832	6,207	136	2.40%	
Occupancy Rate	50.2%	49.2%	47.4%	49.8%	51.6%	54.8%	59.7%	63.0%	63.8%	63.4%	63.3%	64.6%	64.6%	14.4%	2.32%	
RevPAR	\$ 52.44	\$ 48.67	\$ 46.41	\$ 47.89	\$ 51.81	\$ 57.35	\$ 65.92	\$ 74.32	\$ 78.81	\$ 81.29	\$ 81.56	\$ 83.74	\$ 31.30	\$ 56.806	5.9%	
TOT	\$ 1,961,743	\$ 1,849,362	\$ 1,818,503	\$ 1,866,327	\$ 2,029,297	\$ 2,233,091	\$ 2,029,297	\$ 2,914,608	\$ 3,139,991	\$ 3,322,846	\$ 3,413,797	\$ 3,572,037	\$ 30,152,808	\$ 1,610,294	5.6%	
TBD	\$ -	\$ 48,682	\$ 441,006	\$ 397,301	\$ 513,136	\$ 566,757	\$ 640,832	\$ 729,666	\$ 778,077	\$ 802,723	\$ 805,819	\$ 828,177	\$ 6,552,277	\$ 828,277	7.3%	
TMD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Attachment 3c

**Attachment H**

**GP/LCP Accommodations Policies**

**POLICY LU-5.5: Continued Industrial Use at WWTP Site and Master Plan.** The site of the existing wastewater treatment plant (WWTP) on Atascadero Road is proposed to accommodate future visitor-serving, recreation, and open space uses (see Figure LU-4). Once the WWTP is relocated and operating at another site, and prior to redevelopment of the site, a master plan shall be prepared for the site and surrounding public parcels with specific objectives, needed improvements, and area-specific zoning. Plan objectives should include creating an environment more focused on pedestrians, in particular visitors and those using the area for recreation. Redesign for this area should take advantage of the proximity and connection to the beach and views of Morro Rock. Encourage extensive community participation in the master plan process. The master plan shall be incorporated into the LCP via an LCP amendment prior to any CDP processing for associated development. Until and unless the WWTP is relocated, the industrial WWTP use shall be allowed to continue to operate at that location as a coastal priority use and shall not be considered nonconforming.

**No implementation actions specifically correspond to this goal and policies.**

### Overnight Accommodations



**LCP**

A critical part of ensuring public access to the coast involves maintaining a variety of choices in overnight accommodations that are affordable for the average visitor. Hotels, motels, campgrounds, or short-term rentals can contribute to the city's supply of lower-cost lodging. Lower-cost accommodations are one of the primary issues required to be addressed by local jurisdictions under the Coastal Act. This is especially important as the cost of accommodations in coastal cities continues to rise. While most accommodations in Morro Bay are relatively low cost compared to other coastal cities, they recently rose 30 percent in just five years (2012 to 2017).

The Coastal Act requires that all members of the public have "equal access to the coast," including access to accommodations that are affordable to the public. Because of the differing natures of coastal communities, the method each jurisdiction chooses to preserve and maximize the availability of lower-cost accommodations must be tuned to the economy and culture of that community. Local agencies and the Coastal Commission have pursued multiple ways to accomplish these goals, including:

- Introducing an official definition of "lower cost" that is calculated individually for each community.
- Prohibiting loss of lower-cost accommodations in coastal communities.

- Requiring that new higher-cost accommodations also provide lower-cost accommodations where possible.
- When on-site (or nearby) provision of lower-cost accommodations is not possible, requiring in-lieu fees that are adequate for the full range of development costs to develop the lower-cost accommodation foregone.
- Ensuring efficient use of in-lieu fees through partnerships with other organizations (i.e., environmental education, outreach programs).
- Supporting appropriately regulated short-term vacation rentals.

The amount of lower-cost accommodations needed, and the means of providing them, is determined by each jurisdiction and approved by the Coastal Commission. In recent years, the Commission has recommended that new higher-cost accommodation projects also provide at least 25 percent lower-cost accommodations (e.g., a project with 100 overnight rooms needs to provide at least 25 such rooms as lower cost, or provide the lower-cost requirements through an in-lieu fee for same). However, this guidance is evolving and is different in each jurisdiction.

## Accommodation Types

### Overview

Morro Bay offers a variety of accommodation types that range in price and types of amenities. These include hotels, motels, campgrounds, RV parks, and short-term vacation rentals (STVRs). When assessing affordability of overnight accommodations, all types of accommodations were considered. In 2016, the City conducted comprehensive inventories of all accommodation types and their typical costs per night.

### Short-term Vacation Rentals

One important piece of the modern accommodation market is the recent success of STVRs managed through online sites. These accommodations can range from a room in a resident's occupied home to large unoccupied accommodations with space for an entire family. These locations generally offer access to common areas, full kitchens, and bathrooms, often with comforts and amenities not offered in hotels. These short-term rentals are often a low-cost option for visitors to Morro Bay, while also contributing transient occupancy taxes (TOT) to the City.

As a tourist destination, Morro Bay has a high proportion of vacation homes, many of which are used as STVRs. The city has over 200 STVRs which vary in size and price. While in some cases these provide lower-cost visitor accommodations, they also affect the overall stock of affordable housing. These types of rentals have become popular in many coastal destinations, and in some cases, landlords have converted their units

from long-term rentals to STVRs. This places a strain on the affordable housing market by removing long-term rental opportunities.

The City has recognized the impacts of STVRs, and established regulations for them in the Municipal Code. Chapter 5.47 of the Municipal Code defines STVRs and establish specific signage, nuisance, violation, and permitting requirements. Chapter 3.24 requires TOT collection for hotels in Morro Bay, and includes STVRs in its definition of a hotel.

### **Threshold for Lower-cost Accommodations**

The Coastal Commission developed an official process for determining what is defined as lower-cost using the Smith Travel Research (STR) report on local hotel trends and determining the average daily room rate for hotels and motels. A threshold for lower-cost accommodations in Morro Bay was determined using the Coastal Commission's preferred methodology, but using the results of a 2016 cost survey conducted by the City, which was more complete and accounted for all hotel and motel rooms in the city. Campgrounds were not assessed to determine the lower-cost accommodation threshold. The survey of hotel and motel rooms was based on summer pricing, which reflects the prices tourists can actually expect to spend, since Morro Bay is most popular during the summer months. This method of developing a cost threshold resulted in an initial ADR threshold of \$102 for lower-cost accommodations. Hotels, motels, and campgrounds will only be considered lower-cost if they cost less than \$102 per night for an average of 2-4 person occupancy.

This threshold may be subject to change based on updated inventories of accommodations and changes in the market. The City will adjust the threshold by adjusting for inflation based on the Consumer Price Index to ensure it aligns with current market conditions. Procedures and regulations for determining the threshold will be implemented by the City to continually provide for lower-cost accommodations. These procedures are outlined in policies and implementation actions in *Plan Morro Bay*.

### **Short-term Vacation Rentals Threshold**

Since STVRs have different capacities, amenities, and business models, the lower-cost threshold was adjusted to provide a more accurate depiction of affordability. The adjusted threshold is aligned with the threshold for lower-cost hotels and motels, but due to the range of short-term rentals available, affordability is determined based on how many accommodations fall within the lower-cost range when considering per person cost. Any additional fees that STVR hosts may charge above the advertised nightly rate were not accounted for in the survey.

Using this method, short-term rentals are considered lower cost if their cost per person is less than one-fourth of the hotel and motel threshold per night, as the average hotel

room occupancy is four people. This captures the range of short-term rental pricing while considering the differences in accommodation sizes. For instance, if an STVR costs \$300 per night, this would appear to be more expensive than a hotel room. Especially for cases where several visitors are staying in the same location, higher-capacity short-term rentals are an economical option according to this per person threshold.

### **Affordability in Morro Bay**

A 2017 study of low-cost visitor-serving accommodations (LCVSA) in Morro Bay determined that approximately 52 percent of all accommodations, or 36 percent of all hotels and motels, can be considered lower cost based on the \$102 threshold. Surveys of surrounding coastal cities including Pismo Beach, Avila Beach, Cayucos, and Cambria showed that Morro Bay's accommodation pricing is significantly lower than similar beach communities. The current proportion of LCVSAs in Morro Bay far exceeds surrounding communities as well as the Commission's guidance of 25 percent.

While Morro Bay currently has a sufficient number of LCVSAs, prices continue to increase. In order to ensure ongoing affordability, the City will regularly reassess the stock of affordable accommodations and determine whether the proportion of LCVSAs has decreased too substantially. If this occurs, the City has prepared policies that will be triggered to protect, improve, or increase the stock of LCVSAs. Each policy has been assigned to an implementation timeline base; policies that may take longer to implement will be triggered sooner than those that can be quickly implemented. For instance, policies that require development or rehabilitation projects will be triggered sooner than policies that require higher-cost accommodations to provide public amenities.

### **Day-use Facilities**

Another way for a city to increase its capacity for lower-cost accommodations is through the provision of day-use amenities in the coastal zone. Currently, Morro Bay has some day-use facilities near the Embarcadero, including small public parks and docks. However, many day-use facilities in this area are linked to commercial uses such as restaurants or hotels, and are not accessible to the public. An increase in public day-use amenities would allow visitors to utilize the recreational features provided by a higher-cost hotel or motel for little or no cost while staying at a lower-cost accommodation.

## GOALS AND POLICIES



LCP

**GOAL LU-6: Visitors to Morro Bay have access to a variety of lower-cost lodging options to meet their needs.**

- POLICY LU-6.1: Range of Accommodations.** The City encourages a range of accommodation types, including low-cost visitor accommodations, public recreational opportunities, and short-term vacation rentals, so long as such rentals do not adversely impact coastal resources or unduly burden residential neighborhoods.
- POLICY LU-6.2: Lower-Cost Accommodations Threshold.** Adopt an appropriate threshold for lower-cost accommodations. Regularly update this threshold using the Consumer Price Index to adjust for inflation.
- POLICY LU-6.3: Accommodations Inventory.** Regularly track the inventory of lower-cost accommodations through a scheduled price survey of all accommodations. Notice of the upcoming survey shall be provided to all accommodations owners.
- POLICY LU-6.4: Accommodations on State Tidelands.** Hotels and motels developed on the State-owned tidelands shall provide lower-cost accommodations and publicly accessible facilities and/or amenities.
- POLICY LU-6.5: Short-Term Vacation Rentals.** Allow short-term vacation rentals as an important source of visitor accommodations while developing regulations that respond to residential community character issues.
- POLICY LU-6.6: Amend Short-term Rental Regulations.** Amend existing short-term rental regulations to improve community oversight while also providing a range of options for visitors seeking overnight accommodations near the coast.
- POLICY LU-6.7: Protect Existing Accommodations.** Protect the existing inventory of lower-cost accommodations using fees or other revenue sources for as-needed rehabilitation grants.
- POLICY LU-6.8: Develop New Accommodations.** If the number of lower-cost accommodations falls below the required proportion, require that development projects in Morro Bay provide on-site lower-cost

accommodations, or provide equivalent mitigation as a condition of approval of a Coastal Development Permit.

**POLICY LU-6.9: Day-Use Facilities.** Require new hotel and motel projects that do not feature lower-cost accommodation options to incorporate non-overnight facilities and amenities, either within or as a component of the development, which will be generally available for passive public use.

**POLICY LU-6.10: Short-Term Vacation Rental Permits.** Continue to manage the number of new short-term vacation rental permits allocated each year in residential zones.

**POLICY LU-6.11: Monitor Vacation Rentals.** Monitor unpermitted vacation rentals and work to remove unpermitted units from those being rented short term in the City.

**POLICY LU-6.12: Transient Occupancy Tax Rebate Program.** Consider offering a TOT rebate program that would allow older hotels and motels to recoup TOT expenses in order to fund capital improvement and rehabilitation projects.

**POLICY LU-6.13: Camping Accommodations.** Campgrounds and RV parks will be regularly maintained and improved. This may include improvements to accessibility trails and amenities.

## IMPLEMENTATION ACTIONS

### IMPLEMENTATION ACTION LU-12

Perform a survey of all hotels and motels in the city every two years. The survey should include documentation of the number of accommodations (for 2-4 person occupancy) and their average costs. Upon completing the survey, use the established City threshold to determine what proportion of hotels and motels can be considered low cost visitor-serving accommodations. This process will be completed between January and April to capture realistic peak-season prices. Notice that the survey will be completed and the threshold and proportion information will be updated based on the survey will be given three months in advance of conducting the survey. Notice will be given to all accommodations owners and any applicants who have submitted applications for hotels or motels in the last year. Once the survey is updated it will be sent to this group as well.

**IMPLEMENTATION ACTION LU-13**

New upscale hotel and motel projects that are developed on state-owned tidelands and do not have lower-cost rooms proposed shall provide 25 percent of units at a lower-cost rate approved by the Coastal Commission.

**IMPLEMENTATION ACTION LU-14**

New mid-price hotel and motel projects that are developed on state-owned tidelands and do not have lower-cost accommodation options shall incorporate non-overnight facilities and amenities, either within or as a component of the development, which will be generally available for passive public use. Such amenities may include public plazas and spaces, restaurants, retail units/shops, gardens, viewing areas, free Wi-Fi access, bike parking facilities, or other day-use features that may be used by the public at no or relatively low cost. The quality and quantity of amenities shall be considered in the Coastal Development Permit review process. This standard does not prohibit a new hotel or motel project from charging a user fee or resort fee for active amenities, such as pool and spa access, recreation activities and equipment, or organized group activities on the property.

**Low-Cost Visitor-Serving Accommodation (LCVSA) actions only required to be implemented when certain thresholds are reached (LU-15 through LU-18)****IMPLEMENTATION ACTION LU-15**

Use fee revenues from new developments with the potential to directly displace existing lower- and mid-price accommodations to provide as-needed rehabilitation grants to Low-Cost Visitor-Serving Accommodations (LCVSAs) to ensure the LCVSAs stay on the market at an affordable price point.

**IMPLEMENTATION ACTION LU-16**

Require any new hotel or motel development that does not include lower-cost overnight accommodations (and that is not directly displacing lower-cost lodgings) to provide mitigation as a condition of approval of a Coastal Development Permit. Mitigation actions shall include a mitigation payment to provide funding for the establishment of lower-cost overnight visitor accommodations elsewhere in the city, including granting the state “rights-of-way” to expand or using fees for linear coastal park improvements.

**IMPLEMENTATION ACTION LU-17**

Require that hotel or motel development projects in Morro Bay provide 25 percent of units at a lower-cost rate approved by the Coastal Commission if they directly displace either (a) existing lower-cost accommodations or (b) accommodations above the lower-cost threshold that include additional amenities or higher capacity.

## IMPLEMENTATION ACTION LU-18

Require new hotel and motel projects that do not have lower-cost accommodation options to incorporate non-overnight facilities and amenities, either within or as a component of the development, which will be generally available for passive public use. Such amenities may include public plazas and spaces, restaurants, retail units, gardens, viewing areas, free Wi-Fi, bike parking facilities, or other day-use features that may be used by the public at no or relatively low cost. The quality and quantity of amenities shall be considered in the Coastal Development Permit review process. This standard does not prohibit a new hotel or motel project from charging a user fee or resort fee for active amenities, such as pool and spa access, recreation activities and equipment, or organized group activities on the property.

**The implementation actions are replicated in the table in Section 5 under the “Land Use Element Implementation Actions” subheading. The table also includes information on the anticipated implementation tools, City departments responsible for implementation, anticipated funding sources, any associated EIR mitigation measures, and timing.**

## Coastal Access

A key tenet of the Coastal Act is to protect and expand public coastal accessways and areas to help facilitate maximum public recreational shoreline access within the coastal zone. In addition, such coastal access in Morro Bay also promotes recreation, tourism, and ecosystem health. The City provides access to and along the shoreline via lateral access, vertical access, universal access, and the California Coastal Trail. In general, Morro Bay provides good access to the beach, although improvements have been and continue to be made in some areas.

### Lateral Public Access

Lateral access describes the ability to move parallel to the coastline, along the shore. In Morro Bay, lateral access is found contiguously along the coast from the City’s northern border, near Morro Rock, along the Embarcadero, and further downcoast. Although the Embarcadero area provides significant lateral access, including along the most bayside portion of development, lateral access is blocked in some cases, including by commercial uses. The goal of the Plan is enhanced and continuous lateral public access throughout the City, including the connection to Cayucos at the northern end of town. There is a particular emphasis on lateral access improvements needed in the Embarcadero area, where complete bayside lateral access via dedicated public space is required, and where the City has identified a preferred alignment and design for such continuous lateral coastal access.



LCP

Attachment 4

**Morro Bay Chamber of Commerce GAC Review of Plan Morro Bay (as summary of letter received 3/22/2021)**

Page number/ paragraph item in Chamber Letter	Related Element	Related Page in Hearing Draft of PMB	Chamber Comment from Letter	Where/How Addressed	Staff Comments/Response
Page 1 Housing 1	Land Use	p. 3-21	Table LU-2 should be modified to correct unrealistic and unsupportable buildouts, bringing the number of jobs per household closer to balance.	no change	Buildout is based on proposed land use. The number is skewing high because of the size of the 107 acre Power Plant site. Based on the mix use of uses there, and historical development rates, maximum buildout by 2040 is not anticipated. All acknowledged that the specificity of what takes place on the site would be driven by a master plan. It was also the desire of the reviewing bodies to not constrain what could be built on site.
Housing 1a	Land Use	p. 3-21, 3-27	Policy LU-3.6 provides a goal of a jobs-housing balance 1.0. The main source of the imbalance is the "over-zoning" of the Power Plant property and the unrealistic and unsupportable buildout projections in Table LU-2. Table LU-2 should be modified as shown in Attachment D.	no change	Land use proposed at the site are the result of community engagement, public workshops, GPAC input, PC and CC direction. All acknowledged that the specificity of what takes place on the site would be driven by a master plan. It was also the desire of the reviewing bodies to not constrain what could be built on site.
Page 1 Housing- 1a and Page 37	Land Use	p. 3-21	Request that Table LU-2 be amended based on the following notes, as shown in Attachment D which includes a new Table LU-2 and these footnotes: (1) Added units does not agree with the Housing Element Table H-36, H-37 for buildout (GP says 159 additional (6573-6414), HE says 396). (2) Allocation of "commercial" in Table LU-2 is based on proportionate scaling to get to 307.6 acre total, Confirm. DU capacity allocate to get to 565 units per Table LU-2. (3) Incremental need/growth based on 2.5% annual growth in hotel occupancy (500 more total rooms), and 3.5% annual growth in retail, industrial is a SWAG. (4) Mixed Use estimated at 100% of projected residential floor area (residential on top of commercial).	no change	same as above. The background info and technical studies were done prior to adoption of the Housing Element last year.

Attachment 4

**Morro Bay Chamber of Commerce GAC Review of Plan Morro Bay (as summary of letter received 3/22/2021)**

Page number/ paragraph item in Chamber Letter	Related Element	Related Page in Hearing Draft of PMB	Chamber Comment from Letter	Where/How Addressed	Staff Comments/Response
Page 2 Housing- 1b	Land Use	p. 3-18	We recommend the City develop prototypical plans for infill/transition areas on MB Blvd and Downtown and that it deletes residential mixed-use overlays for the Power Plant area because these land uses are not permitted by existing and proposed governmental and private land use deed restrictions.	no change. Implimentaion actions CD-1, 2, 3, 6 and ED-1 address this issue.	Unclear what the request is here. Possibly form based codes or actual plans. If actual plans, could be added to Implementation section. Land uses proposed at the Power Plant site are the outcome of public engagement, GPAC, PC and Council direction. The land use restrictions can be removed and Vistra has indicated they have had discussions with PG&E and DTSC regarding this process.
Page 2 Circulation- 2	Circulation	3-90, 3-91, 3-104	Figures CIR-1A, CIR-1B and CIR-4 should be amended to provide for adequate vehicular, pedestrian and bicycle access, and emergency access.	-	The master planning processes for both the power plant site and the existing waster water treatment plant site could include reference to specifically the need for providing vehicle connections across the creek and from Embarcadero to Main and from Atascadero Rd. to Main. It should be noted that evaluation of circulation system improvement needs would a part of any master plan. Could add to implementation actions for each master plan or could add to Policies LU-5.4 adn 5.5 (master plans).
Page 2 Circulation- 2 and Page 31	Circulation	p. 3-89	Request that Figure CIR-1B be amended as shown in Attachment A: Include generalized location of streets for Park Street to be extended across Little Morro Creek and connected to Embarcadero.	no change	Park street is the most unlikely location for extending a bridge across the creek given the extensive amount of Environmentally Sensitive Habitat in this location. Better to leave the exhibit with general references to implementing these circulation improvements as noted on current figure CIR-1B. Coastal would likely have in issue with this based on ESHA
Page 2 Circulation- 2 and Page 31	Circulation	p. 3-89	Request that Figure CIR-1B be amended as shown in Attachemnt A: Show connection between Park Street and Embarcadero at existing main Power Plant entrance and between Power Plant and City Triangle Lot.	no change	see comment above for Park Street.

Attachment 4

Morro Bay Chamber of Commerce GAC Review of Plan Morro Bay (as summary of letter received 3/22/2021)

Page number/ paragraph item in Chamber Letter	Related Element	Related Page in Hearing Draft of PMB	Chamber Comment from Letter	Where/How Addressed	Staff Comments/Response
Page 2 Circulation- 2	Circulation	3-106	Circulation policies ought to be amended to provide for adequate financing for improvements.	Policy CIR-1.8 and Implementation Action CIR-4	Policy CIR-1.8 states to use the City CIP process to priority these improvements and to address phasing and construction of traffic infrastructure throughout the city. IA CIR-4 directs updating the City's development impact fee program to provide funding for future circulation improvements including pedestrian, bicycle, and public transit facilities & amenities
Page 2 Circulation- 2	Circulation	n/a	<b>Level of Service standards</b> should be adopted to determine project impacts, and to "right size" City sidewalks, roads and bikeways.	Policy CIR-3.1 and Implementation Action CIR-15	IA CIR-15 directs that LOS and VMT be adopted as the standard for monitoring impacts to the complete transportation systems
Page 2 Circulation- 2a and Page 29	Circulation	3-106, 3-108	Make revisions to Circulation Element narrative and Implementation Action CIR-4. IA CIR-4 should include "The City shall also pursue development of other local financing methods (Enhanced Infrastructure Financing District)." The City should identify the circulation network that is necessary to support businesses during their peak earning months, not just during the winter and spring "shoulder" seasons.	Implementation Action CIR-4	EIFD could specifically be added here
Page 2 Circulation- 2b Page 2	Circulation	n/a		no change	Original timeline for completion of the GP/LCP update was two years. The traffic counts were taken
Harborwalk-3	Circulation	3-106, 3-109	Implementation CIR-9, Goal CIR-1 should include the Harborwalk.		Harborwalk could be added IA LU-20 directs that the Harborwalk be name and branded as such. Could also include this in development impact fee structure, but would require additional scope of include in current DIF update process.
Page 2 Harborwalk- 3	General	n/a	The City should include improvement of this community asset [the Harborwalk] in its development fee structure. Triggers for widening the Harborwalk should be linked to a lease, a lease renewal, a major change in the development intensity, a change in land use designation or a change in use requiring CDP/CUP approval.	-	
Page 2 Harborwalk- 3	Land Use	p. 3-44, 3-45		Policy LU-7.1.c	This policy was edited during adoption hearings to make clear a MUP would not triggers Harborwalk widening
Page 2 Harborwalk- 3 (and 3e)	Land Use	n/a	The City should consider including the Harborwalk in an Enhanced Infrastructure Financing District (EIFD) as an additional funding mechanism for the improvement of this community asset in its entirety.	-	This is addressed with IA CIR-4 although not specifically identified as an EIFD; and also does not specifically call out the Harborwalk area Was not something considered as part of circulation element nor was it ever discussed by GPAC, and PC and City has a Bike and Ped master plan. Could be added to policy CIR 3.1 and Implementation action CIR-15 or could be added to the Bicycle and Ped master plan update if desired.
Page 2 Harborwalk- 3a	Circulation	p. 3-112, 3-113	The City should establish standards for <b>levels of service</b> for vehicle, transit, pedestrian, and bicycle modes of transportation, such those in Attachment C. These standards are a legal pre- requisite for requiring improvements from developments.	Policy CIR-3.1 and Implementation Action CIR-15	

Attachment 4

Morro Bay Chamber of Commerce GAC Review of Plan Morro Bay (as summary of letter received 3/22/2021)

Page number/ paragraph item in Chamber Letter	Related Element	Related Page in Hearing Draft of PMB	Chamber Comment from Letter	Where/How Addressed	Staff Comments/Response
Page 3 Harborwalk- 3b	Land Use	p. 3-45	The City should apply the 7' Clear Path requirement as illustrated for sidewalks in its major commercial districts for the Harborwalk.	-	Coastal Commission requires 10' foot minimum free and clear with no obstructions. In the past when they have allowed a lesser amount, it was only due to significant eelgrass impacts. Narrower harbor was also not supported by the Planning Commission.
Page 3 Harborwalk- 3c	Land Use	p. 3-45	The City should only require the expansion of the Harborwalk during Lease Renewal, or if a change of tenancy provides a significant enough increase in pedestrian traffic that cannot be accommodated by the existing pedestrian facilities. Using the Minor Use Permit trigger does not meet the "nexus" requirement that an additional development regulation be directly related to the additional impact created by a project. Changes in use of individual tenancies in a Waterfront project should not trigger any increase in the width, unless there is a documented, statistical need for it.	Policy LU-7.1.c	This was edited since the October 2020 hearing draft to clarify that it would be triggered with a change of use that requires a CDP/CUP approval.
Page 3 Harborwalk- 3d	Circulation	p. 3-112, 3-113	The City should establish a <b>level of service</b> standard for determining adequacy of pedestrian facilities, including the Harborwalk. The City should remedy this by including LOS standards in the General Plan for vehicle, pedestrian, transit and bicycle modes of transportation, as shown in Attachment C. As an implementation program, the City should develop and adopt a master plan for the Harborwalk (perhaps as part of the recommended Waterfront Specific Plan) that shows the horizontal and vertical alignment of this facility.		Policy CIR-3.1 (and IA CIR-15) requires the City to adopt an LOS standard but doesn't reference the Harborwalk. Could be added to circulation element, bike and ped master plan or Complete Streets plan (CIR-10)
Page 3 Harborwalk- 3f	General	n/a		Implementation Action LU-21	IA LU-21 says to update the Waterfront Master Plan. This could be included with the scope of the updated Waterfront Master Plan.
Page 4 4	Tourism- Land Use	p. 3-41	No development standards or policies should be adopted that prescribe that any hotel or motel project provide 25% of its rooms at a lower cost until the City provides evidence that Morro Bay is not accessible to all Californians of all socioeconomic and income levels. No change		Implementation Action LU-13 requires 25% of the hotel units along the waterfront be affordable. It doesn't require any other visitor serving accommodations located elsewhere to meet this requirement unless our affordability numbers drop significantly. This policy is based on direct feedback from the Coastal Commission that the waterfront is a unique resource and that they would require on-site low cost accommodation. also, when you look at our waterfront accommodations by themselves, they are not low cost, which is the issue Coastal Staff raised with regard to this area of the City specifically.
Page 4 4	Tourism- Land Use	p. 3-40	Policies should be added that encourage the development of higher service lodgings.	no change	The City can certainly pursue higher end hotels and can in fact approve them without reference to them in this section. Coastal would likely find this addition objectionable.

## Attachment 4

### Morro Bay Chamber of Commerce GAC Review of Plan Morro Bay (as summary of letter received 3/22/2021)

Page number/ paragraph item in Chamber Letter	Related Element	Related Page in Hearing Draft of PMB	Chamber Comment from Letter	Where/How Addressed	Staff Comments/Response
Page 4 4a	Tourism- Land Use	3-40, 3-41	LU 6.2 and LU 6.8 provide a vague and overly broad preservation threshold. LU 6.2 should be amended to state that 25 percent of the community's accommodations should be for Lower Cost Accommodations, and that this number can be provided with a mix of RV, campground, VR, and hotel properties.	No change	Low Cost Accommodations is a priority issue for the Coastal Commission. City Staff, GPAC and PC have had significant discussions on this topic resulting in the current language. CCC staff have accepted the threshold language to be broad in this document, and then agreed to allow us to develop the specific policy in the Zoning Code (Coastal Implementation Plan). The Planning Commission has discussed this issue at length and agrees with this approach.
Page 4 4b	Tourism- Land Use	3-40, 3-41	LU 6.2 through LU 6.8, in effect, will provide price controls on Morro Bay's lodging properties and will discourage upgrading and rehabilitation of those properties. Those policies will institutionalize the City's over-concentration Lower Cost lodgings, which is contrary to the community's economic development and visitor strategies.	no change	same as above
Page 4 4c	Tourism- Land Use	p. 3-40	LU 6.1 should be amended to state that 25 percent of the community's accommodations should be for Lower Cost Accommodations, and that this number can be provided throughout the community with a mix of RV, campground, VR, and hotel properties.	no change	same as above
Page 4 Power Plant-5	Land Use	p. 3-19	Small portions of the [power plant] property, or adjacent properties, should be designated for the development of Visitor Serving Commercial use to a scale that is needed to sustain our community to 2040, with the balance of the property held in 'reserve' or allowed to develop to other uses, including energy production, storage and transmission.	no change	The Land use proposed at the site are the result of community engagement, public workshops, GPAC input, and PC and CC direction. This change would require a revision to the circulation element, traffic model and EIR. The cost would be tens of thousands of dollars and would create months of delay. Issues could also be addressed/discussed through the required master plan process for this site.
Page 4 Power Plant-5a	Land Use	p. 3-19	The frontage of the Vistra Power Plant property between the City's triangle lot and the main entrance should be designated for Visitor Serving Commercial (VSC) for a depth of approximately 175 feet (the areas between the base of the stacks and the curb line). This property is outside of any DTSC Area of Concern for contamination.	no change	Area is identified as visitor serving commercial along with the remainder of the power plant property, consistent with land use input from GPAC, PC and Council.

Attachment 4

**Morro Bay Chamber of Commerce GAC Review of Plan Morro Bay (as summary of letter received 3/22/2021)**

Page number/ paragraph item in Chamber Letter	Related Element	Related Page in Hearing Draft of PMB	Chamber Comment from Letter	Where/How Addressed	Staff Comments/Response
Page 4 Power Plant-5a	Land Use	p. 3-19	The City's triangle lot should be redesignated for VSC.	No change	triangle lot has several competing interests: boat haul out facility, parking lot, Meritime Museum, RV camping, Boat storage. This change would require significant public outreach and is not something that was ever discussed through the land use decision making process that the GPAC, PC and Council went through. This discussion could be directed to take place as part of the Master Plan update.
Page 4 Power Plant-5a	Land Use	p. 3-19	The portions of the property north of the main entrance/power building/switchyard and south of Morro Creek should be changed to a designation that permits energy storage, energy transmission, energy production and general industrial uses.	no change	Land use proposed at the site is the result of community engagement, public workshops, GPAC input, and PC and CC direction. Recognizing a battery storage project as an allowed use in this area will likely be necessary for the battery project to move forward. how and when this happens has yet to be determined.
Page 5 Power Plant-5b	Land Use	n/a	The balance of the Power Plant property should be placed in "reserve" designation pending further information on a master plan for the site, and the practical limitations of demolition, cleanup, and re-use.	No change	Land use proposed at the site are the result of community engagement, public workshops, GPAC input, and PC and CC direction.
Page 5 Power Plant-5c	Circulation	p. 3-89	A circulation plan should be established for the area as shown in Attachment A. This plan should recognize that there is a community desire to direct visitors through the Downtown Area (Morro Bay Boulevard and Main Street) to the greatest extent practicable. This can be accomplished with directional signage and informational programs.	Implementation Action CIR-13	IA CIR-13 says to design and install comprehensive wayfinding signage in key locations of the city that address all modes of travel. Bid package documents for the program are at 40% design
Page 5 Power Plant-5d	General	n/a	We further recommend and request that the City prepare a comprehensive Specific Plan for the Waterfront that distills all of the relevant design regulations into one document, rather than having those requirements (some of which are conflicting), in the Waterfront Master Plan, the Zoning Ordinance, General Plan design regulations and standards, the Downtown Waterfront Strategic Plan, the Economic Development Strategic Plan, and other documents.	Implementation Action LU-21	This is included with IA LU-21 and will be accomplished with the updating of the Waterfront Master Plan.

Attachment 5

# CITY COUNCIL

*April 27, 2021*



# Overview

- Final Adoption of Plan Morro Bay
  - Integrated General Plan/ Local Coastal Program Land Use Plan
  - Comparison chart
- Reviewed by Planning Commission over five public hearings
- Planning Commission forwarded favorable recommendation on 3/16/2021



# Overview

- Comment Summaries reflect edits & responses received throughout the project
- Additional Public Correspondence Received
  - Coastal Commission support
  - Chamber of Commerce GAC



# GAC

- Chamber of Commerce GAC correspondence requests additional edits in addition to PC recommendation:
  1. Develop proto-typical plans for infill/transition areas, delete mixed-use overlays at Power Plant
  2. Revise Circulation Element to provide adequate multi-modal access.
  3. Pursue development of an EIFD
  4. Include the Harborwalk in Circulation CIR-4
  5. Establish LOS for multi-modal transportation



# GAC cont.

- Chamber of Commerce GAC correspondence requests additional edits in addition to PC recommendation:
  6. Establish LOS for pedestrian facilities including Harborwalk.
  7. Small portions of Power Plant site should be visitor-serving commercial with portion of property to be held in reserve.
  8. Triangle lot should be designated as visitor-serving commercial.
  9. Portions of the property north of Power Plant and south of Morro Creek should be changed to designation that permits energy storage, transmission, and production.
  10. City should prepare a specific plan for Waterfront area.



# Organization

- 1 - Introduction
- 2 – Vision

## Blueprint Review

- 3a – Blueprint Introduction
- 3b – Land Use Element
- 3c – Community Design Element
- 3d – Economic Development Element



# Organization (cont'd)

- 3e – Circulation Element
- 3f – Noise Element
- 3g – Housing Element\*

*\*Updated and adopted in 2020, not currently included in Plan Morro Bay*



# Organization (cont'd)

## Greenprint Review

- 4a – Greenprint Introduction
- 4b – Conservation Element
- 4c – Open Space Element
- 4d – Public Safety Element
- 4e – Environmental Justice Element



# Organization (cont'd)

- 5 – Implementation
- 6 – Glossary and Acronyms
- Appendices



# Plan Morro Bay Review

1. Council to review the Plan in two hour increments over the three meetings (4/27, 5/11, and 5/25), unless review is completed earlier
2. The EIR will be presented at the 5/11 meeting, which would allow Council to complete review in two meetings if desired



# Recommendation

Staff recommends Council review and consider the favorable recommendation by Planning Commission for approval of Plan Morro Bay: General Plan/ Local Coastal Program Update, and certification of the Final Environmental Impact Report with Findings of Fact and Statement of Overriding Considerations.





AGENDA NO: C-1  
MEETING DATE: April 27, 2021

# Staff Report

**TO:** Honorable Mayor and City Council      **DATE:** April 20, 2021  
**FROM:** Scott Collins, City Manager  
**SUBJECT:** Public Meeting to Receive Public Testimony on (Re)Formation of the Morro Bay Tourism Business Improvement District and Levy of Assessments

**RECOMMENDATION**

Receive public testimony from members of the public, on the proposed (re)formation of the Morro Bay Tourism Business Improvement District (MBTBID) and the potential levying of assessments, pursuant to the Property and Business Improvement District Law of 1994.

*NOTE: The City Council does not take any action at this public meeting. Holding this public meeting is a required statutory element of the MBTBID (re)formation process, and this public meeting is not a statutory public hearing.*

**ALTERNATIVES**

The Council could choose not to hold the public meeting. Staff does not recommend this option.

**FISCAL IMPACT**

None immediately. Because the MBTBID programs are intended to increase visitation to the City, there may be an increase in transient occupancy tax and sales tax collections.

**BACKGROUND**

The existing Morro Bay Tourism Business Improvement District (MBTBID) was formed pursuant to the Parking and Business Improvement Area Law of 1989 (89 Law) (Streets and Highways Code sections 36500 et seq.). On April 27, 2009, City Council approved Ordinance No. 546 (the "Ordinance") amending the Morro Bay Municipal Code and establishing the MBTBID. This current effort seeks to modernize the MBTBID by allowing the MBTBID created via the 89 Law to expire and re-establishing the MBTBID pursuant to the Property and Business Improvement District Law of 1994 (94 Law) (Streets and Highways Code sections 36600 et seq.).

The MBTBID is a business improvement district designed to help fund sales, marketing, and communication programs for Morro Bay lodging businesses and vacation rental businesses. This approach has been used successfully in both Morro Bay as well as other

Prepared By: <u>SC</u>	Dept Review: _____
City Manager Review: <u>SC</u>	City Attorney Review: <u>CFN</u>

destination areas throughout the state to improve tourism and drive additional room nights to assessed lodging businesses. The MBTBID includes all lodging businesses and vacation rental businesses, existing and in the future, within the boundaries of the City of Morro Bay, as shown on the map in the Management District Plan.

Lodging business and vacation rental business owners decided to pursue formation of the new MBTBID in order to create an up-to-date revenue source devoted to marketing Morro Bay as a tourist, meeting and event destination pursuant to the 94 Law. If (re)formed, the MBTBID would generate approximately \$991,000 on an annual basis for promotion of travel and tourism specific to Morro Bay.

### *TOURISM BUSINESS IMPROVEMENT DISTRICTS*

Tourism Business Improvement Districts (TBIDs) utilize the efficiencies of private sector operation in the market-based promotion of tourism. These special assessment districts allow assessed business owners to organize their efforts to increase tourism. Assessed business owners within the TBID fund the TBID, and those funds are used to provide services that are desired by and benefit the assessed businesses within the TBID.

TBID benefits:

- Funds cannot be diverted for other government programs;
- They are customized to fit the needs of each destination;
- They allow for a wide range of services; including: destination marketing, tourism promotion, and sales lead generation;
- They are designed, created and governed by those who will pay the assessment; and
- They provide a stable funding source for tourism promotion.

In California, TBIDs may be formed pursuant to the Property and Business Improvement District Law of 1994 (94 Law) or the Parking and Business Improvement Area Law of 1989 (89 Law). Many cities believe the 94 Law provides for a more stream-lined approach than the 89 Law, and many cities find the 94 Law more efficient and practical. These laws allow for the creation of a special benefit assessment districts to raise funds within a specific geographic area. A key difference between TBIDs and other special benefit assessment districts is that funds raised may be returned to the private non-profit corporation governing the TBID.

In the last ten years, many 89 Law TBIDs have converted to the 94 Law. A partial list is below:

- Stockton (2010);
- Sacramento (2012);
- Fairfield (2013);
- West Hollywood (2013);
- Huntington Beach (2014);
- Lodi (2015);
- Richmond (2015);
- Palm Springs (2016);
- Yolo County (2017);
- Paso Robles (2017);

- Pasadena (2018); and
- Dana Point (2020)

### MANAGEMENT DISTRICT PLAN

The Management District Plan (**Attachment 1**) includes the proposed boundary of the MBTBID, a service plan and budget and a proposed means of governance. The MBTBID includes all lodging businesses and vacation rental businesses, existing and in the future, within the boundaries of the City of Morro Bay.

The MBTBID will have a five (5) year term, beginning July 1, 2021 through June 30, 2026. The assessment will be implemented beginning July 1, 2021. Once per year beginning on the anniversary of MBTBID formation there is a thirty (30) day period in which business owners paying fifty percent (50%) or more of the assessment may protest and begin proceedings to terminate the MBTBID.

The annual assessment rate is three percent (3%) of gross short-term room rental revenue. Based on the benefit received, assessments will not be collected on stays of more than thirty (30) consecutive days. Assessments will not be collected on any officer or employee of a foreign government who is exempt by reason of express provision of federal law or international treaty.

The City of Morro Bay (City) will be responsible for collecting the assessment on a monthly basis (including any delinquencies, penalties and interest) from each lodging business and vacation rental business located in the boundaries of the MBTBID. The City shall take all reasonable efforts to collect the assessments from each lodging business and vacation rental business.

### MBTBID FORMATION PROCESS

April 13, 2021

#### RESOLUTION OF INTENTION ADOPTION

Upon the submission of a written petition, signed by the business owners in the proposed MBTBID who will pay more than fifty percent (50%) of the assessments proposed to be levied, the City Council initiated proceedings to form the MBTBID by the adoption of a resolution expressing its intention to form the MBTBID. **(Attachment 2)**

*Petition Status:* Petitions in favor of MBTBID formation were submitted by twenty-seven (27) businesses, which represent 72.87% of the total MBTBID assessment. This majority petition allowed the Council to initiate proceedings for MBTBID formation at the April 13, 2021 meeting.

April 15, 2021

#### NOTICE

The 94 Law requires the City to mail written notice to the owners of all businesses proposed to be within the proposed MBTBID. Mailing the notice begins a mandatory forty-five (45) day period in which owners may protest MBTBID formation. Such notices were mailed consistent with law. **(Attachment 3)**

April 27, 2021

**PUBLIC MEETING**

Allow public testimony on the formation of the (new) MBTBID and levy of assessments. No Council action required.

June 8, 2021

**PUBLIC HEARING**

Allow public testimony regarding the formation of the (new) MBTBID and the levy of assessments.

Any owner of an assessed business within the proposed MBTBID that will be subject to the assessment may protest the formation of the MBTBID.

If written protests are received (at the public hearing, or by City Hall pursuant to notice before the public hearing during the protest period) from the owners of businesses in the proposed (new) MBTBID which will pay more than fifty percent (50%) of the assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than fifty percent (50%), no further proceedings to levy the proposed assessment against such businesses shall be taken for a period of one (1) year from the date of the finding of a majority protest by the Council.

At the conclusion of the public hearing to form the MBTBID, if there is not a protest from the owners of businesses in the proposed (new) MBTBID which will pay more than fifty percent (50%) of the assessments proposed to be levied, the Council may establish the (new) MBTBID by adopting a resolution of formation.

**ATTACHMENTS**

1. Management District Plan
2. Resolution of Intention No. 16-21
3. Notice of Public Meeting and Public Hearing

2021-2026



# MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT MANAGEMENT DISTRICT PLAN

*Prepared pursuant to the Property and Business Improvement District Law of 1994, Streets and Highways Code section 36600 et seq.*

CC\_2021-04-27 Page 373 of 408

March 3, 2021

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## I. OVERVIEW

Developed by City of Morro Bay (City), Morro Bay hoteliers, and Morro Bay vacation rental businesses, the Morro Bay Tourism Business Improvement District (MBTBID) is an assessment district proposed to provide specific benefits to payors, by funding marketing and sales promotion efforts for assessed businesses. In 2009, the Morro Bay Tourism Business Improvement District (MBTBID) was formed pursuant to the Parking and Business Improvement Area Law of 1989 (89 Law). This effort seeks to modernize the MBTBID by disestablishing the 89 Law District and forming a new District pursuant to the Property and Business Improvement District Law of 1994 (94 Law).

*Location:* The MBTBID includes all lodging businesses and vacation rental businesses, existing and in the future, within the boundaries of the City of Morro Bay, as shown on the map in Section III.

*Services:* The MBTBID is designed to provide specific benefits directly to payors by increasing room night sales. Sales, marketing, and communications programs will increase overnight tourism through promotion of payors as tourist, meeting and event destinations, thereby increasing room night sales.

*Budget:* The total MBTBID annual assessment budget for the initial year of its five (5) year operation is anticipated to be approximately \$991,000. A similar budget is expected to apply to subsequent years, but this budget is expected to fluctuate as room sales do.

*Cost:* The annual assessment rate is three percent (3%) of gross short-term room rental revenue. Based on the benefit received, assessments will not be collected on stays of more than thirty (30) consecutive days. Assessments will not be collected on any officer or employee of a foreign government who is exempt by reason of express provision of federal law or international treaty.

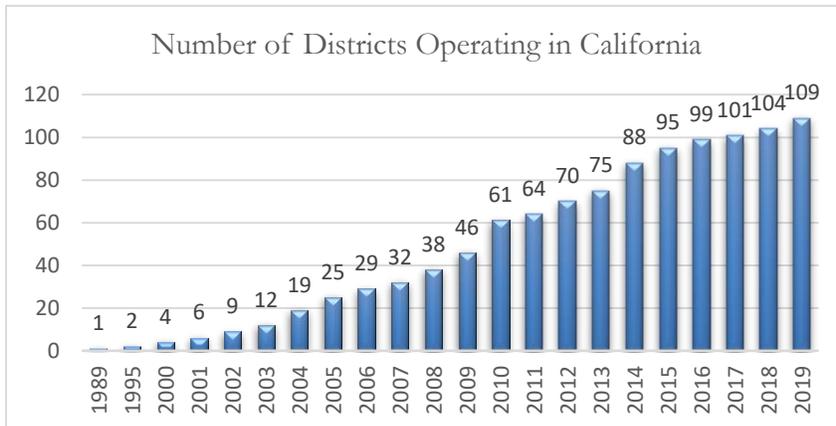
*Collection:* The City will be responsible for collecting the assessment on a monthly basis (including any delinquencies, penalties and interest) from each lodging business and vacation rental business located in the boundaries of the MBTBID. The City shall take all reasonable efforts to collect the assessments from each lodging business and vacation rental business.

*Duration:* The MBTBID will have a five (5) year life, beginning July 1, 2021 through June 30, 2026. Once per year, beginning on the anniversary of the MBTBID formation, there is a thirty (30) day period in which assessed business owners paying fifty percent (50%) or more of the assessment by written petition may protest the assessment and thereby initiate a City Council hearing on MBTBID termination.

*Management:* Visit Morro Bay (VMB) will serve as the founding MBTBID's Owners' Association. The Owners' Association contracts with the City of Morro Bay to manage funds and implement programs in accordance with this Plan, is a private nonprofit entity, must provide annual reports to the City Council.

## II. BACKGROUND

TBIDs are an evolution of the traditional Business Improvement District. The first TBID was formed in West Hollywood, California in 1989. Since then, over one hundred California destinations have followed suit. In recent years, other states have begun adopting the California model – Montana, South Dakota, Washington, Colorado, Texas and Louisiana have adopted TBID laws. Several other states are in the process of adopting their own legislation. The cities of Wichita, Kansas and Newark, New Jersey used an existing business improvement district law to form a TBID. And, some cities, like Portland, Oregon and Memphis, Tennessee have utilized their home rule powers to create TBIDs without a state law.



California's TBIDs collectively raise over \$250 million annually for local destination marketing. With competitors raising their budgets, and increasing rivalry for visitor dollars, it is important that Morro Bay lodging businesses invest in stable, lodging-specific marketing programs.

TBIDs utilize the efficiencies of private sector operation in the market-based promotion of tourism districts. TBIDs allow lodging business owners to organize their efforts to increase room night sales. Lodging business owners within the TBID pay an assessment and those funds are used to provide services that increase room night sales.

In California, many TBIDs are formed pursuant to the Property and Business Improvement District Law of 1994. This law allows for the creation of a benefit assessment district to raise funds within a specific geographic area. *The key difference between TBIDs and other benefit assessment districts is that funds raised are returned to the private non-profit corporation governing the district.*

There are many benefits to TBIDs:

- Funds must be spent on services and improvements that provide a specific benefit only to those who pay;
- Funds cannot be diverted to general government programs;
- They are customized to fit the needs of payors in each destination;
- They allow for a wide range of services;
- They are ***designed, created and governed by those who will pay*** the assessment; and
- They provide a stable, long-term funding source for tourism promotion.

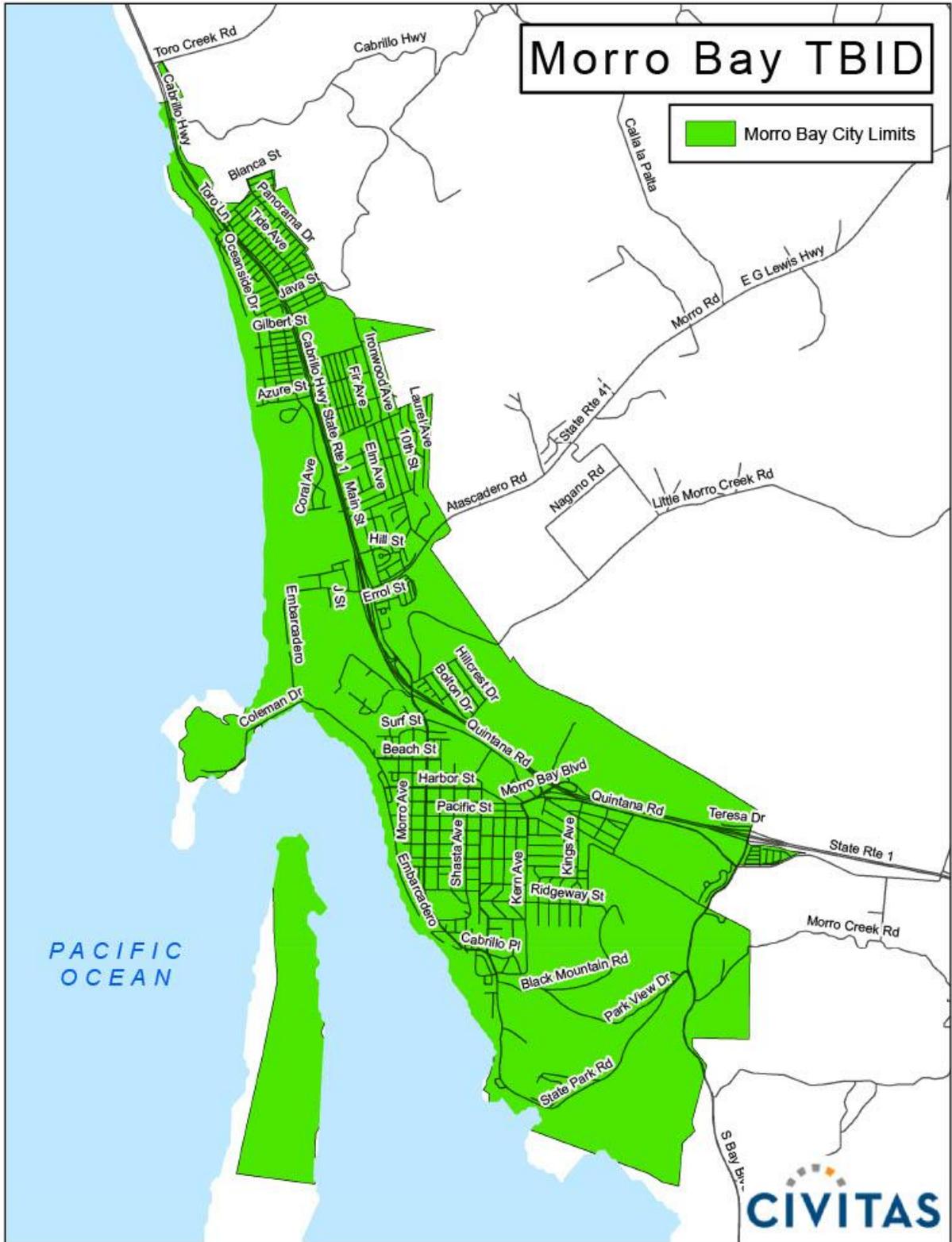
### III. BOUNDARY

The MBTBID will include all lodging businesses and vacation rental businesses, existing and in the future, within the boundaries of the City of Morro Bay.

Lodging business means: any structure, or any portion of any structure, which is occupied or intended or designed for occupancy by transients for dwelling, lodging, or sleeping purposes, and includes any hotel, inn, tourist home or house, motel, studio hotel, bachelor hotel, lodging house, rooming house, apartment house, dormitory, public or private club at a fixed location or other similar structure or portion thereof; and shall further include any space, lot, area or site in any or other similar conveyance that is occupied or intended or designed for occupancy by transients dwelling, lodging or sleeping purposes. For purposes of this Plan, the definition of "lodging business" shall not include mobile homes, house trailers, trailer courts, recreational vehicle parks, mobilehome parks, camps, parks or lot where a trailer, tent, recreational vehicle, mobile home, motorhome or similar conveyance that is occupied or intended or designed for occupancy by transients dwelling, lodging or sleeping purposes.

Vacation rental means: the rental of any structure or any portion of any structure for occupancy for dwelling, lodging or sleeping purposes for thirty (30) consecutive calendar days or less in duration, including detached single-family residences, condominiums, duplexes, twinplexes, townhomes and multiple-family dwellings.

The boundary, as shown in the map on the following page, as of January 19, 2021 includes two hundred and eighty-two (282) businesses. A complete listing of lodging businesses within the MBTBID can be found in Appendix 2.

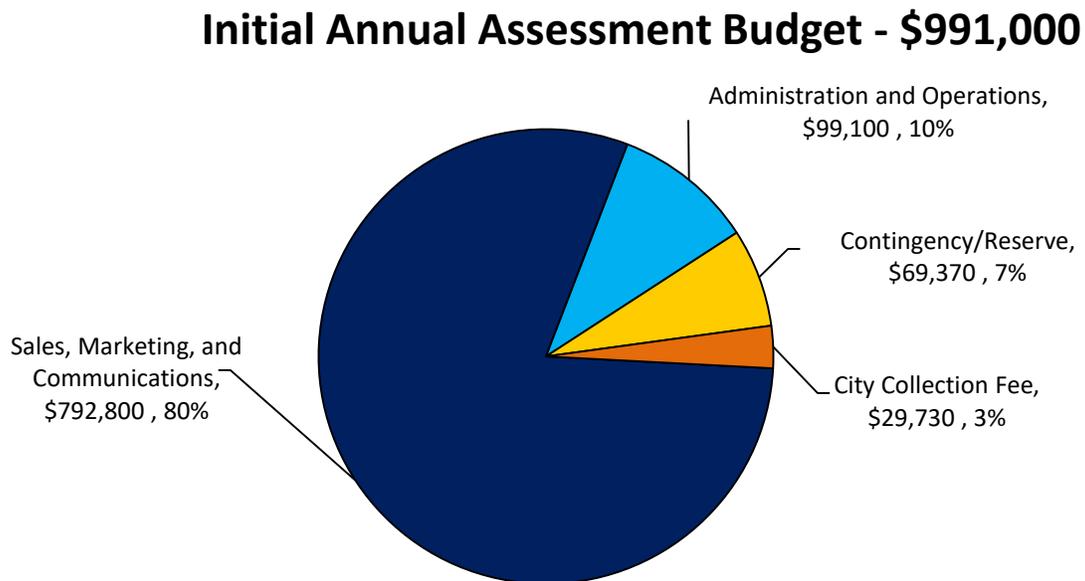


## IV. ASSESSMENT BUDGET AND SERVICES

### A. Annual Service Plan

Assessment funds will be spent to provide specific benefits conferred or privileges granted directly<sup>1</sup> to the payors that are not provided to those not charged, and which do not exceed the reasonable cost to the City of conferring the benefits or granting the privileges. The privileges and services provided with the MBTBID funds are sales, marketing, and communications programs available only to assessed businesses.

A service plan budget has been developed to deliver services that benefit the assessed businesses. A detailed annual budget will be developed and approved by VMB. The table below illustrates the initial annual assessment budget allocations. The total initial budget is \$991,000.



Although actual revenues will fluctuate due to market conditions, the proportional allocations of the budget shall remain the same. However, the VMB board shall have the authority to adjust budget allocations between the categories by no more than fifteen percent (15%) of the total budget per year. A description of the proposed improvements and activities for the initial year of operation is below. The same activities are proposed for subsequent years. In the event of a legal challenge against the MBTBID, any and all assessment funds may be used for the costs of defending the MBTBID. In the first year of operation, the costs of creating the MBTBID may be repaid by deducting repayment funds proportionally from each of the budget categories.

Each budget category includes all costs related to providing that service. For example, the sales, marketing, and communications budget includes the cost of staff time dedicated to overseeing and implementing the sales, marketing, and communications program. Staff time dedicated purely to administrative tasks is allocated to the administrative portion of the budget. The costs of an individual staff member may be allocated to multiple budget categories. The staffing levels necessary to provide the services below will be determined by VMB on an as-needed basis.

<sup>1</sup> Notwithstanding businesses not assessed may “receive incidental or collateral effects that benefit them.” (Sts. & High. Code § 36601(d).)

## **Sales, Marketing, and Communications**

A sales, marketing, and communications program will promote assessed lodging businesses as tourist, meeting, and event destinations. The sales, marketing, and communications program will have a central theme of promoting the destination as a desirable place for overnight visits. The program will have the goal of increasing overnight visitation and room night sales at assessed lodging businesses, and may include, but is not limited to, the following activities:

- Internet marketing efforts to increase awareness and optimize internet presence to drive overnight visitation and room sales to assessed lodging businesses; Print ads in magazines and newspapers, television ads, and radio ads targeted at potential visitors to drive overnight visitation and room sales to assessed lodging businesses;
- Building the Morro Bay branding and local destination marketing to attract overnight visitation to assessed businesses and the MBTBID;
- Attendance of trade shows to promote assessed lodging businesses;
- Sales blitzes for assessed lodging businesses;
- Familiarization tours of assessed lodging businesses;
- Preparation and production of collateral promotional materials such as brochures, flyers and maps featuring assessed lodging businesses;
- Attendance of professional industry conferences and affiliation events to promote assessed lodging businesses;
- Lead generation activities designed to attract tourists and group events to assessed lodging businesses;
- Director of Sales and General Manager meetings to plan and coordinate tourism promotion efforts for assessed lodging businesses;
- Education of hospitality staff on service and safety (related to alcohol and food) designed to create a visitor experience that will bring repeat visits to assessed lodging businesses; and
- Education of lodging business management and the Owners' Association on marketing strategies best suited to meet assessed lodging businesses' needs.

## **Administration and Operations**

The administration and operations portion of the budget shall be utilized for administrative staffing costs, office costs, advocacy, and other general administrative costs such as insurance, legal, and accounting fees.

## **Collection Fee**

The City of Morro Bay shall be paid a fee equal to three percent (3%) of the amount of assessment collected to cover its costs of collection and administration.

## **Contingency / Reserve**

The budget includes a contingency line item to account for lower than anticipated assessments. If there are contingency funds collected, they may be held in a reserve fund or utilized for other program, administration or renewal costs at the discretion of VMB. Policies relating to contributions to the reserve fund, the target amount of the reserve fund, and expenditure of monies from the reserve fund shall be set by VMB. Contingency/reserve funds may be spent on MBTBID programs or administrative and renewal costs in such proportions as determined by VMB. The reserve fund may be used for the costs of renewing the MBTBID.

## **B. Annual Assessment Budget**

The total five (5) year improvement and service plan assessment budget is projected at approximately \$991,000 annually, or \$4,955,000 through 2026. A similar budget is expected to apply to subsequent years, but this budget is expected to fluctuate as room sales do.

## **C. California Constitutional Compliance**

The MBTBID assessment is not a property-based assessment subject to the requirements of Proposition 218. Courts have found Proposition 218 limited the term ‘assessments’ to levies on real property.<sup>2</sup> Rather, the MBTBID assessment is a business-based assessment, and is subject to Proposition 26. Pursuant to Proposition 26 all levies are a tax unless they fit one of seven exceptions. Two of these exceptions apply to the MBTBID, a “specific benefit” and a “specific government service.” Both require that the costs of benefits or services do not exceed the reasonable costs to the City of conferring the benefits or providing the services.

### **1. Specific Benefit**

Proposition 26 requires that assessment funds be expended on, “a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.”<sup>3</sup> The services in this Plan are designed to provide targeted benefits directly to assessed businesses, and are intended only to provide benefits and services directly to those businesses paying the assessment. These services are tailored not to serve the general public, businesses in general, or parcels of land, but rather to serve the specific businesses within the MBTBID. The activities described in this Plan are specifically targeted to increase room night sales for assessed lodging businesses and vacation rental businesses within the boundaries of the MBTBID, and are narrowly tailored. MBTBID funds will be used exclusively to provide the specific benefit of increased room night sales directly to the assessees. Assessment funds shall not be used to feature non-assessed lodging businesses in MBTBID programs, or to directly generate sales for non-assessed businesses. The activities paid for from assessment revenues are business services constituting and providing specific benefits to the assessed businesses.

The assessment imposed by this MBTBID is for a specific benefit conferred directly to the payors that is not provided to those not charged. The specific benefit conferred directly to the payors is an increase in room night sales. The specific benefit of an increase in room night sales for assessed businesses will be provided only to businesses paying the district assessment, with marketing, sales, and communications programs promoting businesses paying the MBTBID assessment. The marketing, sales, and communications programs will be designed to increase room night sales at each assessed businesses. Because they are necessary to provide the marketing, sales, and communications programs that specifically benefit the assessed lodging businesses, the administration and contingency services also provide the specific benefit of increased room night sales to the assessed lodging businesses.

Although the MBTBID, in providing specific benefits to payors, may produce incidental benefits to non-paying businesses, the incidental benefit does not preclude the services from being considered a specific benefit. The legislature has found that, “A specific benefit is not excluded from classification

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<sup>2</sup> *Jarvis v. the City of San Diego* 72 Cal App. 4<sup>th</sup> 230

<sup>3</sup> Cal. Const. art XIII C § 1(e)(1)

as a ‘specific benefit’ merely because an indirect benefit to a nonpayor occurs incidentally and without cost to the payor as a consequence of providing the specific benefit to the payor.”<sup>4</sup>

## **2. Specific Government Service**

The assessment may also be utilized to provide, “a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.”<sup>5</sup> The legislature has recognized that marketing and promotions services like those to be provided by the MBTBID are government services within the meaning of Proposition 26<sup>6</sup>. Further, the legislature has determined that “a specific government service is not excluded from classification as a ‘specific government service’ merely because an indirect benefit to a nonpayor occurs incidentally and without cost to the payor as a consequence of providing the specific government service to the payor.”<sup>7</sup>

## **3. Reasonable Cost**

MBTBID services will be implemented carefully to ensure they do not exceed the reasonable cost of such services. The full amount assessed will be used to provide the services described herein. Funds will be managed by the MBTBID, and reports submitted on an annual basis to the City. Only assessed businesses will be featured in marketing materials, receive sales leads generated from MBTBID-funded activities, be featured in advertising campaigns, and benefit from other MBTBID-funded services. Non-assessed businesses will not receive these, nor any other, MBTBID-funded services and benefits.

The MBTBID-funded programs are all targeted directly at and feature only assessed businesses. It is, however, possible that there will be a spill over benefit to non-assessed businesses. If non-assessed businesses receive incremental room nights, that portion of the promotion or program generating those room nights shall be paid with non-MBTBID funds. MBTBID funds shall only be spent to benefit the assessed businesses, and shall not be spent on that portion of any program which directly generates incremental room nights for non-assessed businesses.

## **D. Assessment**

The annual assessment rate is three percent (3%) of gross short-term room rental revenue. Based on the benefit received, assessments will not be collected on stays of more than thirty (30) consecutive days. Assessments will not be collected on any officer or employee of a foreign government who is exempt by reason of express provision of federal law or international treaty.

The term “gross room rental revenue” as used herein means: Gross room rental revenue shall not include any federal, state or local taxes collected, including but not limited to transient occupancy taxes.

The assessment is levied upon and a direct obligation of the assessed business. However, the assessed business may, at its discretion, pass the assessment on to transients. The amount of assessment, if passed on to each transient, shall be disclosed in advance and separately stated from the amount of rent charged and any other applicable taxes, and each transient shall receive a receipt for payment from the business. If the MBTBID assessment is identified separately it shall be disclosed as the “MBTBID Assessment.” As an alternative, the disclosure may include the amount of the MBTBID assessment and the amount of the assessment imposed pursuant to the California Tourism Marketing

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<sup>4</sup> Government Code § 53758(a)

<sup>5</sup> Cal. Const. art XIII C § 1(e)(2)

<sup>6</sup> Government Code § 53758(b)

<sup>7</sup> Government Code § 53758(b)

Act, Government Code §13995 et seq. and shall be disclosed as the “Tourism Assessment.” The assessment is imposed solely upon, and is the sole obligation of, the assessed lodging business, even if it is passed on to transients. The assessment shall not be considered revenue for any purpose, including calculation of transient occupancy taxes.

Bonds shall not be issued.

### **E. Penalties and Interest**

The MBTBID shall reimburse the City of Morro Bay for any costs and fees (including, but not limited to, both City staff time as reasonably calculated by the City, as well as any attorney’s fees) associated with collecting unpaid assessments. If sums in excess of the delinquent MBTBID assessment are sought to be recovered in the same collection action by the City, the MBTBID shall bear its pro rata share of such collection costs. Assessed businesses which are delinquent in paying the assessment shall be responsible for paying:

1. *Original Delinquency.* Any owner who fails to remit any assessment imposed by this Plan within the time required shall pay a penalty of ten percent (10%) of the amount of the assessment in addition to the amount of the assessment.
2. *Continued Delinquency.* Any owner who fails to remit any delinquent remittance on or before a period of thirty (30) days following the date on which the remittance first became delinquent shall pay a second delinquency penalty of ten percent (10%) of the amount of the assessment in addition to the amount of the assessment and the ten percent (10%) penalty first imposed.
3. *Fraud.* If the City determines in its sole reasonable discretion that the nonpayment of any remittance due under this chapter is due to fraud and/or intent to mislead the City, a penalty of twenty-five percent (25%) of the amount of the assessment shall be added thereto in addition to the penalties stated in subsections 1 and 2 of this section.
4. *Interest.* In addition to the penalties imposed, any owner who fails to remit any assessment imposed by this Plan shall pay interest at the rate of one-half of one percent (0.05%) per month or fraction thereof on the amount of the assessment, exclusive of penalties, from the date on which the remittance first became delinquent until paid.
5. *Penalties Merged with Assessment.* Every penalty imposed and such interest as accrues under the provisions of this section shall become a part of the assessment herein required to be paid.
6. *Appeals Procedure.* City will provide written procedures for appeal of contested assessments, consistent with due process.
7. *City Collection Costs.* Delinquent assessed businesses will be responsible for City collection costs, pursuant to section F below.

### **F. Time and Manner for Collecting Assessments**

The MBTBID assessment will be implemented beginning July 1, 2021 and will continue for five (5) years through June 30, 2026. The City will be responsible for collecting the assessment on a monthly basis (including any delinquencies, penalties and interest) from each assessed business. The City shall take all reasonable efforts to collect the assessments from each assessed business. The City shall forward the assessments collected to VMB.

## **V. GOVERNANCE**

### **A. Owners' Association**

The City Council, through adoption of this Management District Plan, has the right, pursuant to Streets and Highways Code §36651, to identify the body that shall implement the proposed program, which shall be the Owners' Association of the MBTBID as defined in Streets and Highways Code §36612. The City Council has determined that Visit Morro Bay will serve as the Owners' Association for the MBTBID. The City reserves the right to conduct regular financial and/or operational audits, as reasonably determined to be appropriate by City in City's sole discretion, of the Owners' Association. Any such City audits will receive the full and unqualified cooperation and assistance of the Owners' Association, and upon request by City will be paid for in whole or part with MBTBID funds. Consistent with law, and for good cause as reasonably demonstrated to the satisfaction of the City Council, the City Council at a noticed public hearing may designate a different qualified private nonprofit entity as the Owners' Association of the MBTBID, to replace either Visit Morro Bay, or any subsequent designated Owners' Association.

### **B. Brown Act and California Public Records Act Compliance**

An Owners' Association is a private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose. The Owners' Association is, however, subject to government regulations relating to transparency, namely the Ralph M. Brown Act and the California Public Records Act. These regulations are designed to promote public accountability. The Owners' Association acts as a legislative body under the Ralph M. Brown Act (Government Code §54950 et seq.). Thus, meetings of the Owner's Association board and certain committees must be held in compliance with the public notice and other requirements of the Brown Act. The Owners' Association is also subject to the record keeping and disclosure requirements of the California Public Records Act. Accordingly, the Owners' Association shall publicly report any action taken and the vote or abstention on that action of each member present for the action.

### **C. Annual Report**

Visit Morro Bay shall present an annual report at the end of each year of operation to the City Council pursuant to Streets and Highways Code §36650 (see Appendix 1). The annual report shall include:

- Any proposed changes in the boundaries of the improvement district or in any benefit zones or classification of businesses within the district.
- The improvements and activities to be provided for that fiscal year.
- An estimate of the cost of providing the improvements and the activities for that fiscal year.
- The method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for that fiscal year.
- The estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
- The estimated amount of any contributions to be made from sources other than assessments levied pursuant to this part.

# APPENDIX 1 – LAW

\*\*\* THIS DOCUMENT IS CURRENT THROUGH THE 2020 SUPPLEMENT \*\*\*  
(ALL 2019 LEGISLATION)

## STREETS AND HIGHWAYS CODE DIVISION 18. PARKING PART 7. PROPERTY AND BUSINESS IMPROVEMENT DISTRICT LAW OF 1994

### CHAPTER 1. General Provisions

#### ARTICLE 1. Declarations

##### **36600. Citation of part**

This part shall be known and may be cited as the “Property and Business Improvement District Law of 1994.”

##### **36601. Legislative findings and declarations; Legislative guidance**

The Legislature finds and declares all of the following:

- (a) Businesses located and operating within business districts in some of this state’s communities are economically disadvantaged, are underutilized, and are unable to attract customers due to inadequate facilities, services, and activities in the business districts.
- (b) It is in the public interest to promote the economic revitalization and physical maintenance of business districts in order to create jobs, attract new businesses, and prevent the erosion of the business districts.
- (c) It is of particular local benefit to allow business districts to fund business related improvements, maintenance, and activities through the levy of assessments upon the businesses or real property that receive benefits from those improvements.
- (d) Assessments levied for the purpose of conferring special benefit upon the real property or a specific benefit upon the businesses in a business district are not taxes for the general benefit of a city, even if property, businesses, or persons not assessed receive incidental or collateral effects that benefit them.
- (e) Property and business improvement districts formed throughout this state have conferred special benefits upon properties and businesses within their districts and have made those properties and businesses more useful by providing the following benefits:
  - (1) Crime reduction. A study by the Rand Corporation has confirmed a 12-percent reduction in the incidence of robbery and an 8-percent reduction in the total incidence of violent crimes within the 30 districts studied.
  - (2) Job creation.
  - (3) Business attraction.
  - (4) Business retention.
  - (5) Economic growth.
  - (6) New investments.
- (f) With the dissolution of redevelopment agencies throughout the state, property and business improvement districts have become even more important tools with which communities can combat blight, promote economic opportunities, and create a clean and safe environment.
- (g) Since the enactment of this act, the people of California have adopted Proposition 218, which added Article XIII D to the Constitution in order to place certain requirements and restrictions on the formation of, and activities, expenditures, and assessments by property-based districts. Article XIII D of the Constitution provides that property-based districts may only levy assessments for special benefits.
- (h) The act amending this section is intended to provide the Legislature’s guidance with regard to this act, its interaction with the provisions of Article XIII D of the Constitution, and the determination of special benefits in property-based districts.
  - (1) The lack of legislative guidance has resulted in uncertainty and inconsistent application of this act, which discourages the use of assessments to fund needed improvements, maintenance, and activities in property-based districts, contributing to blight and other underutilization of property.
  - (2) Activities undertaken for the purpose of conferring special benefits upon property to be assessed inherently produce incidental or collateral effects that benefit property or persons not assessed. Therefore, for special benefits to exist as a separate and distinct category from general benefits, the

incidental or collateral effects of those special benefits are inherently part of those special benefits. The mere fact that special benefits produce incidental or collateral effects that benefit property or persons not assessed does not convert any portion of those special benefits or their incidental or collateral effects into general benefits.

(3) It is of the utmost importance that property-based districts created under this act have clarity regarding restrictions on assessments they may levy and the proper determination of special benefits. Legislative clarity with regard to this act will provide districts with clear instructions and courts with legislative intent regarding restrictions on property-based assessments, and the manner in which special benefits should be determined.

### **36602. Purpose of part**

The purpose of this part is to supplement previously enacted provisions of law that authorize cities to levy assessments within property and business improvement districts, to ensure that those assessments conform to all constitutional requirements and are determined and assessed in accordance with the guidance set forth in this act. This part does not affect or limit any other provisions of law authorizing or providing for the furnishing of improvements or activities or the raising of revenue for these purposes.

### **36603. Preemption of authority or charter city to adopt ordinances levying assessments**

Nothing in this part is intended to preempt the authority of a charter city to adopt ordinances providing for a different method of levying assessments for similar or additional purposes from those set forth in this part. A property and business improvement district created pursuant to this part is expressly exempt from the provisions of the Special Assessment Investigation, Limitation and Majority Protest Act of 1931 (Division 4 (commencing with Section 2800)).

### **36603.5. Part prevails over conflicting provisions**

Any provision of this part that conflicts with any other provision of law shall prevail over the other provision of law, as to districts created under this part.

### **36604. Severability**

This part is intended to be construed liberally and, if any provision is held invalid, the remaining provisions shall remain in full force and effect. Assessments levied under this part are not special taxes.

## **ARTICLE 2. Definitions**

### **36606. “Activities”**

“Activities” means, but is not limited to, all of the following that benefit businesses or real property in the district:

- (a) Promotion of public events.
- (b) Furnishing of music in any public place.
- (c) Promotion of tourism within the district.
- (d) Marketing and economic development, including retail retention and recruitment.
- (e) Providing security, sanitation, graffiti removal, street and sidewalk cleaning, and other municipal services supplemental to those normally provided by the municipality.
- (f) Other services provided for the purpose of conferring special benefit upon assessed real property or specific benefits upon assessed businesses located in the district.

### **36606.5. “Assessment”**

“Assessment” means a levy for the purpose of acquiring, constructing, installing, or maintaining improvements and providing activities that will provide certain benefits to properties or businesses located within a property and business improvement district.

### **36607. “Business”**

“Business” means all types of businesses and includes financial institutions and professions.

**36608. “City”**

“City” means a city, county, city and county, or an agency or entity created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code, the public member agencies of which includes only cities, counties, or a city and county, or the State of California.

**36609. “City council”**

“City council” means the city council of a city or the board of supervisors of a county, or the agency, commission, or board created pursuant to a joint powers agreement and which is a city within the meaning of this part.

**36609.4. “Clerk”**

“Clerk” means the clerk of the legislative body.

**36609.5. “General benefit”**

“General benefit” means, for purposes of a property-based district, any benefit that is not a “special benefit” as defined in Section 36615.5.

**36610. “Improvement”**

“Improvement” means the acquisition, construction, installation, or maintenance of any tangible property with an estimated useful life of five years or more including, but not limited to, the following:

- (a) Parking facilities.
- (b) Benches, booths, kiosks, display cases, pedestrian shelters and signs.
- (c) Trash receptacles and public restrooms.
- (d) Lighting and heating facilities.
- (e) Decorations.
- (f) Parks.
- (g) Fountains.
- (h) Planting areas.
- (i) Closing, opening, widening, or narrowing of existing streets.
- (j) Facilities or equipment, or both, to enhance security of persons and property within the district.
- (k) Ramps, sidewalks, plazas, and pedestrian malls.
- (l) Rehabilitation or removal of existing structures.

**36611. “Management district plan”; “Plan”**

“Management district plan” or “plan” means a proposal as defined in Section 36622.

**36612. “Owners’ association”**

“Owners’ association” means a private nonprofit entity that is under contract with a city to administer or implement improvements, maintenance, and activities specified in the management district plan. An owners’ association may be an existing nonprofit entity or a newly formed nonprofit entity. An owners’ association is a private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose. Notwithstanding this section, an owners’ association shall comply with the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code), at all times when matters within the subject matter of the district are heard, discussed, or deliberated, and with the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), for all records relating to activities of the district.

**36614. “Property”**

“Property” means real property situated within a district.

**36614.5. “Property and business improvement district”; “District”**

“Property and business improvement district,” or “district,” means a property and business improvement district established pursuant to this part.

**36614.6. “Property-based assessment”**

“Property-based assessment” means any assessment made pursuant to this part upon real property.

**36614.7. “Property-based district”**

“Property-based district” means any district in which a city levies a property-based assessment.

**36615. “Property owner”; “Business owner”; “Owner”**

“Property owner” means any person shown as the owner of land on the last equalized assessment roll or otherwise known to be the owner of land by the city council. “Business owner” means any person recognized by the city as the owner of the business. “Owner” means either a business owner or a property owner. The city council has no obligation to obtain other information as to the ownership of land or businesses, and its determination of ownership shall be final and conclusive for the purposes of this part. Wherever this part requires the signature of the property owner, the signature of the authorized agent of the property owner shall be sufficient. Wherever this part requires the signature of the business owner, the signature of the authorized agent of the business owner shall be sufficient.

**36615.5. “Special benefit”**

“Special benefit” means, for purposes of a property-based district, a particular and distinct benefit over and above general benefits conferred on real property located in a district or to the public at large. Special benefit includes incidental or collateral effects that arise from the improvements, maintenance, or activities of property-based districts even if those incidental or collateral effects benefit property or persons not assessed. Special benefit excludes general enhancement of property value.

**36616. “Tenant”**

“Tenant” means an occupant pursuant to a lease of commercial space or a dwelling unit, other than an owner.

**ARTICLE 3. Prior Law**

**36617. Alternate method of financing certain improvements and activities; Effect on other provisions**

This part provides an alternative method of financing certain improvements and activities. The provisions of this part shall not affect or limit any other provisions of law authorizing or providing for the furnishing of improvements or activities or the raising of revenue for these purposes. Every improvement area established pursuant to the Parking and Business Improvement Area Law of 1989 (Part 6 (commencing with Section 36500) of this division) is valid and effective and is unaffected by this part.

**CHAPTER 2. Establishment**

**36620. Establishment of property and business improvement district**

A property and business improvement district may be established as provided in this chapter.

**36620.5. Requirement of consent of city council**

A county may not form a district within the territorial jurisdiction of a city without the consent of the city council of that city. A city may not form a district within the unincorporated territory of a county without the consent of the board of supervisors of that county. A city may not form a district within the territorial jurisdiction of another city without the consent of the city council of the other city.

### **36621. Initiation of proceedings; Petition of property or business owners in proposed district**

- (a) Upon the submission of a written petition, signed by the property or business owners in the proposed district who will pay more than 50 percent of the assessments proposed to be levied, the city council may initiate proceedings to form a district by the adoption of a resolution expressing its intention to form a district. The amount of assessment attributable to property or a business owned by the same property or business owner that is in excess of 40 percent of the amount of all assessments proposed to be levied, shall not be included in determining whether the petition is signed by property or business owners who will pay more than 50 percent of the total amount of assessments proposed to be levied.
- (b) The petition of property or business owners required under subdivision (a) shall include a summary of the management district plan. That summary shall include all of the following:
- (1) A map showing the boundaries of the district.
  - (2) Information specifying where the complete management district plan can be obtained.
  - (3) Information specifying that the complete management district plan shall be furnished upon request.
- (c) The resolution of intention described in subdivision (a) shall contain all of the following:
- (1) A brief description of the proposed improvements, maintenance, and activities, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property or businesses within the district, a statement as to whether bonds will be issued, and a description of the exterior boundaries of the proposed district, which may be made by reference to any plan or map that is on file with the clerk. The descriptions and statements do not need to be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements, maintenance, and activities, and the location and extent of the proposed district.
  - (2) A time and place for a public hearing on the establishment of the property and business improvement district and the levy of assessments, which shall be consistent with the requirements of Section 36623.

### **36622. Contents of management district plan**

The management district plan shall include, but is not limited to, all of the following:

- (a) If the assessment will be levied on property, a map of the district in sufficient detail to locate each parcel of property and, if businesses are to be assessed, each business within the district. If the assessment will be levied on businesses, a map that identifies the district boundaries in sufficient detail to allow a business owner to reasonably determine whether a business is located within the district boundaries. If the assessment will be levied on property and businesses, a map of the district in sufficient detail to locate each parcel of property and to allow a business owner to reasonably determine whether a business is located within the district boundaries.
- (b) The name of the proposed district.
- (c) A description of the boundaries of the district, including the boundaries of benefit zones, proposed for establishment or extension in a manner sufficient to identify the affected property and businesses included, which may be made by reference to any plan or map that is on file with the clerk. The boundaries of a proposed property assessment district shall not overlap with the boundaries of another existing property assessment district created pursuant to this part. This part does not prohibit the boundaries of a district created pursuant to this part to overlap with other assessment districts established pursuant to other provisions of law, including, but not limited to, the Parking and Business Improvement Area Law of 1989 (Part 6 (commencing with Section 36500)). This part does not prohibit the boundaries of a business assessment district created pursuant to this part to overlap with another business assessment district created pursuant to this part. This part does not prohibit the boundaries of a business assessment district created pursuant to this part to overlap with a property assessment district created pursuant to this part.
- (d) The improvements, maintenance, and activities proposed for each year of operation of the district and the maximum cost thereof. If the improvements, maintenance, and activities proposed for each year of operation are the same, a description of the first year's proposed improvements, maintenance, and activities and a statement that the same improvements, maintenance, and activities are proposed for subsequent years shall satisfy the requirements of this subdivision.
- (e) The total annual amount proposed to be expended for improvements, maintenance, or activities, and debt service in each year of operation of the district. If the assessment is levied on businesses, this amount may be estimated based upon the assessment rate. If the total annual amount proposed to be expended in each year of operation of the district is not significantly different, the amount proposed to be expended in the initial

year and a statement that a similar amount applies to subsequent years shall satisfy the requirements of this subdivision.

(f) The proposed source or sources of financing, including the proposed method and basis of levying the assessment in sufficient detail to allow each property or business owner to calculate the amount of the assessment to be levied against his or her property or business. The plan also shall state whether bonds will be issued to finance improvements.

(g) The time and manner of collecting the assessments.

(h) The specific number of years in which assessments will be levied. In a new district, the maximum number of years shall be five. Upon renewal, a district shall have a term not to exceed 10 years. Notwithstanding these limitations, a district created pursuant to this part to finance capital improvements with bonds may levy assessments until the maximum maturity of the bonds. The management district plan may set forth specific increases in assessments for each year of operation of the district.

(i) The proposed time for implementation and completion of the management district plan.

(j) Any proposed rules and regulations to be applicable to the district.

(k) (1) A list of the properties or businesses to be assessed, including the assessor's parcel numbers for properties to be assessed, and a statement of the method or methods by which the expenses of a district will be imposed upon benefited real property or businesses, in proportion to the benefit received by the property or business, to defray the cost thereof.

(2) In a property-based district, the proportionate special benefit derived by each identified parcel shall be determined exclusively in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, or the cost of the activities. An assessment shall not be imposed on any parcel that exceeds the reasonable cost of the proportional special benefit conferred on that parcel. Only special benefits are assessable, and a property-based district shall separate the general benefits, if any, from the special benefits conferred on a parcel. Parcels within a property-based district that are owned or used by any city, public agency, the State of California, or the United States shall not be exempt from assessment unless the governmental entity can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit. The value of any incidental, secondary, or collateral effects that arise from the improvements, maintenance, or activities of a property-based district and that benefit property or persons not assessed shall not be deducted from the entirety of the cost of any special benefit or affect the proportionate special benefit derived by each identified parcel.

(l) In a property-based district, the total amount of all special benefits to be conferred upon the properties located within the property-based district.

(m) In a property-based district, the total amount of general benefits, if any.

(n) In a property-based district, a detailed engineer's report prepared by a registered professional engineer certified by the State of California supporting all assessments contemplated by the management district plan.

(o) Any other item or matter required to be incorporated therein by the city council.

### **36623. Procedure to levy assessment**

(a) If a city council proposes to levy a new or increased property assessment, the notice and protest and hearing procedure shall comply with Section 53753 of the Government Code.

(b) If a city council proposes to levy a new or increased business assessment, the notice and protest and hearing procedure shall comply with Section 54954.6 of the Government Code, except that notice shall be mailed to the owners of the businesses proposed to be assessed. A protest may be made orally or in writing by any interested person. Every written protest shall be filed with the clerk at or before the time fixed for the public hearing. The city council may waive any irregularity in the form or content of any written protest. A written protest may be withdrawn in writing at any time before the conclusion of the public hearing. Each written protest shall contain a description of the business in which the person subscribing the protest is interested sufficient to identify the business and, if a person subscribing is not shown on the official records of the city as the owner of the business, the protest shall contain or be accompanied by written evidence that the person subscribing is the owner of the business or the authorized representative. A written protest that does not comply with this section shall not be counted in determining a majority protest. If written protests are received from the owners or authorized representatives of businesses in the proposed district that will pay 50 percent or more of the assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than 50 percent, no further proceedings to levy the proposed assessment against such businesses, as contained in the resolution of intention, shall be taken for a period of one year from the date of the finding of a majority protest by the city council.

(c) If a city council proposes to conduct a single proceeding to levy both a new or increased property assessment and a new or increased business assessment, the notice and protest and hearing procedure for the property assessment shall comply with subdivision (a), and the notice and protest and hearing procedure for the business assessment shall comply with subdivision (b). If a majority protest is received from either the property or business owners, that respective portion of the assessment shall not be levied. The remaining portion of the assessment may be levied unless the improvement or other special benefit was proposed to be funded by assessing both property and business owners.

#### **36624. Changes to proposed assessments**

At the conclusion of the public hearing to establish the district, the city council may adopt, revise, change, reduce, or modify the proposed assessment or the type or types of improvements, maintenance, and activities to be funded with the revenues from the assessments. Proposed assessments may only be revised by reducing any or all of them. At the public hearing, the city council may only make changes in, to, or from the boundaries of the proposed property and business improvement district that will exclude territory that will not benefit from the proposed improvements, maintenance, and activities. Any modifications, revisions, reductions, or changes to the proposed assessment district shall be reflected in the notice and map recorded pursuant to Section 36627.

#### **36625. Resolution of formation**

(a) If the city council, following the public hearing, decides to establish a proposed property and business improvement district, the city council shall adopt a resolution of formation that shall include, but is not limited to, all of the following:

(1) A brief description of the proposed improvements, maintenance, and activities, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property, businesses, or both within the district, a statement on whether bonds will be issued, and a description of the exterior boundaries of the proposed district, which may be made by reference to any plan or map that is on file with the clerk. The descriptions and statements need not be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements, maintenance, and activities and the location and extent of the proposed district.

(2) The number, date of adoption, and title of the resolution of intention.

(3) The time and place where the public hearing was held concerning the establishment of the district.

(4) A determination regarding any protests received. The city shall not establish the district or levy assessments if a majority protest was received.

(5) A statement that the properties, businesses, or properties and businesses in the district established by the resolution shall be subject to any amendments to this part.

(6) A statement that the improvements, maintenance, and activities to be conferred on businesses and properties in the district will be funded by the levy of the assessments. The revenue from the levy of assessments within a district shall not be used to provide improvements, maintenance, or activities outside the district or for any purpose other than the purposes specified in the resolution of intention, as modified by the city council at the hearing concerning establishment of the district. Notwithstanding the foregoing, improvements and activities that must be provided outside the district boundaries to create a special or specific benefit to the assessed parcels or businesses may be provided, but shall be limited to marketing or signage pointing to the district.

(7) A finding that the property or businesses within the area of the property and business improvement district will be benefited by the improvements, maintenance, and activities funded by the proposed assessments, and, for a property-based district, that property within the district will receive a special benefit.

(8) In a property-based district, the total amount of all special benefits to be conferred on the properties within the property-based district.

(b) The adoption of the resolution of formation and, if required, recordation of the notice and map pursuant to Section 36627 shall constitute the levy of an assessment in each of the fiscal years referred to in the management district plan.

**36627. Notice and assessment diagram**

Following adoption of the resolution establishing district assessments on properties pursuant to Section 36625, the clerk shall record a notice and an assessment diagram pursuant to Section 3114. No other provision of Division 4.5 (commencing with Section 3100) applies to an assessment district created pursuant to this part.

**36628. Establishment of separate benefit zones within district; Categories of businesses**

The city council may establish one or more separate benefit zones within the district based upon the degree of benefit derived from the improvements or activities to be provided within the benefit zone and may impose a different assessment within each benefit zone. If the assessment is to be levied on businesses, the city council may also define categories of businesses based upon the degree of benefit that each will derive from the improvements or activities to be provided within the district and may impose a different assessment or rate of assessment on each category of business, or on each category of business within each zone.

**36628.5. Assessments on businesses or property owners**

The city council may levy assessments on businesses or on property owners, or a combination of the two, pursuant to this part. The city council shall structure the assessments in whatever manner it determines corresponds with the distribution of benefits from the proposed improvements, maintenance, and activities, provided that any property-based assessment conforms with the requirements set forth in paragraph (2) of subdivision (k) of Section 36622.

**36629. Provisions and procedures applicable to benefit zones and business categories**

All provisions of this part applicable to the establishment, modification, or disestablishment of a property and business improvement district apply to the establishment, modification, or disestablishment of benefit zones or categories of business. The city council shall, to establish, modify, or disestablish a benefit zone or category of business, follow the procedure to establish, modify, or disestablish a property and business improvement district.

**36630. Expiration of district; Creation of new district**

If a property and business improvement district expires due to the time limit set pursuant to subdivision (h) of Section 36622, a new management district plan may be created and the district may be renewed pursuant to this part.

**CHAPTER 3. Assessments**

**36631. Time and manner of collection of assessments; Delinquent payments**

The collection of the assessments levied pursuant to this part shall be made at the time and in the manner set forth by the city council in the resolution levying the assessment. Assessments levied on real property may be collected at the same time and in the same manner as for the ad valorem property tax, and may provide for the same lien priority and penalties for delinquent payment. All delinquent payments for assessments levied pursuant to this part may be charged interest and penalties.

**36632. Assessments to be based on estimated benefit; Classification of real property and businesses; Exclusion of residential and agricultural property**

- (a) The assessments levied on real property pursuant to this part shall be levied on the basis of the estimated benefit to the real property within the property and business improvement district. The city council may classify properties for purposes of determining the benefit to property of the improvements and activities provided pursuant to this part.
- (b) Assessments levied on businesses pursuant to this part shall be levied on the basis of the estimated benefit to the businesses within the property and business improvement district. The city council may classify businesses for purposes of determining the benefit to the businesses of the improvements and activities provided pursuant to this part.
- (c) Properties zoned solely for residential use, or that are zoned for agricultural use, are conclusively presumed not to benefit from the improvements and service funded through these assessments, and shall not be subject to any assessment pursuant to this part.

**36633. Time for contesting validity of assessment**

The validity of an assessment levied under this part shall not be contested in an action or proceeding unless the action or proceeding is commenced within 30 days after the resolution levying the assessment is adopted pursuant to Section 36626. An appeal from a final judgment in an action or proceeding shall be perfected within 30 days after the entry of judgment.

**36634. Service contracts authorized to establish levels of city services**

The city council may execute baseline service contracts that would establish levels of city services that would continue after a property and business improvement district has been formed.

**36635. Request to modify management district plan**

The owners' association may, at any time, request that the city council modify the management district plan. Any modification of the management district plan shall be made pursuant to this chapter.

**36636. Modification of plan by resolution after public hearing; Adoption of resolution of intention**

(a) Upon the written request of the owners' association, the city council may modify the management district plan after conducting one public hearing on the proposed modifications. The city council may modify the improvements and activities to be funded with the revenue derived from the levy of the assessments by adopting a resolution determining to make the modifications after holding a public hearing on the proposed modifications. If the modification includes the levy of a new or increased assessment, the city council shall comply with Section 36623. Notice of all other public hearings pursuant to this section shall comply with both of the following:

(1) The resolution of intention shall be published in a newspaper of general circulation in the city once at least seven days before the public hearing.

(2) A complete copy of the resolution of intention shall be mailed by first class mail, at least 10 days before the public hearing, to each business owner or property owner affected by the proposed modification.

(b) The city council shall adopt a resolution of intention which states the proposed modification prior to the public hearing required by this section. The public hearing shall be held not more than 90 days after the adoption of the resolution of intention.

**36637. Reflection of modification in notices recorded and maps**

Any subsequent modification of the resolution shall be reflected in subsequent notices and maps recorded pursuant to Division 4.5 (commencing with Section 3100), in a manner consistent with the provisions of Section 36627.

**CHAPTER 3.5. Financing**

**36640. Bonds authorized; Procedure; Restriction on reduction or termination of assessments**

(a) The city council may, by resolution, determine and declare that bonds shall be issued to finance the estimated cost of some or all of the proposed improvements described in the resolution of formation adopted pursuant to Section 36625, if the resolution of formation adopted pursuant to that section provides for the issuance of bonds, under the Improvement Bond Act of 1915 (Division 10 (commencing with Section 8500)) or in conjunction with Marks-Roos Local Bond Pooling Act of 1985 (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code). Either act, as the case may be, shall govern the proceedings relating to the issuance of bonds, although proceedings under the Bond Act of 1915 may be modified by the city council as necessary to accommodate assessments levied upon business pursuant to this part.

(b) The resolution adopted pursuant to subdivision (a) shall generally describe the proposed improvements specified in the resolution of formation adopted pursuant to Section 36625, set forth the estimated cost of those improvements, specify the number of annual installments and the fiscal years during which they are to

be collected. The amount of debt service to retire the bonds shall not exceed the amount of revenue estimated to be raised from assessments over 30 years.

(c) Notwithstanding any other provision of this part, assessments levied to pay the principal and interest on any bond issued pursuant to this section shall not be reduced or terminated if doing so would interfere with the timely retirement of the debt.

#### **CHAPTER 4. Governance**

##### **36650. Report by owners' association; Approval or modification by city council**

(a) The owners' association shall cause to be prepared a report for each fiscal year, except the first year, for which assessments are to be levied and collected to pay the costs of the improvements, maintenance, and activities described in the report. The owners' association's first report shall be due after the first year of operation of the district. The report may propose changes, including, but not limited to, the boundaries of the property and business improvement district or any benefit zones within the district, the basis and method of levying the assessments, and any changes in the classification of property, including any categories of business, if a classification is used.

(b) The report shall be filed with the clerk and shall refer to the property and business improvement district by name, specify the fiscal year to which the report applies, and, with respect to that fiscal year, shall contain all of the following information:

(1) Any proposed changes in the boundaries of the property and business improvement district or in any benefit zones or classification of property or businesses within the district.

(2) The improvements, maintenance, and activities to be provided for that fiscal year.

(3) An estimate of the cost of providing the improvements, maintenance, and activities for that fiscal year.

(4) The method and basis of levying the assessment in sufficient detail to allow each real property or business owner, as appropriate, to estimate the amount of the assessment to be levied against his or her property or business for that fiscal year.

(5) The estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year.

(6) The estimated amount of any contributions to be made from sources other than assessments levied pursuant to this part.

(c) The city council may approve the report as filed by the owners' association or may modify any particular contained in the report and approve it as modified. Any modification shall be made pursuant to Sections 36635 and 36636.

The city council shall not approve a change in the basis and method of levying assessments that would impair an authorized or executed contract to be paid from the revenues derived from the levy of assessments, including any commitment to pay principal and interest on any bonds issued on behalf of the district.

##### **36651. Designation of owners' association to provide improvements, maintenance, and activities**

The management district plan may, but is not required to, state that an owners' association will provide the improvements, maintenance, and activities described in the management district plan. If the management district plan designates an owners' association, the city shall contract with the designated nonprofit corporation to provide services.

#### **CHAPTER 5. Renewal**

##### **36660. Renewal of district; Transfer or refund of remaining revenues; District term limit**

(a) Any district previously established whose term has expired, or will expire, may be renewed by following the procedures for establishment as provided in this chapter.

(b) Upon renewal, any remaining revenues derived from the levy of assessments, or any revenues derived from the sale of assets acquired with the revenues, shall be transferred to the renewed district. If the renewed district includes additional parcels or businesses not included in the prior district, the remaining revenues shall be spent to benefit only the parcels or businesses in the prior district. If the renewed district does not include parcels or businesses included in the prior district, the remaining revenues attributable to these parcels shall be refunded to the owners of these parcels or businesses.

(c) Upon renewal, a district shall have a term not to exceed 10 years, or, if the district is authorized to issue bonds, until the maximum maturity of those bonds. There is no requirement that the boundaries, assessments, improvements, or activities of a renewed district be the same as the original or prior district.

## **CHAPTER 6. Disestablishment**

### **36670. Circumstances permitting disestablishment of district; Procedure**

(a) Any district established or extended pursuant to the provisions of this part, where there is no indebtedness, outstanding and unpaid, incurred to accomplish any of the purposes of the district, may be disestablished by resolution by the city council in either of the following circumstances:

(1) If the city council finds there has been misappropriation of funds, malfeasance, or a violation of law in connection with the management of the district, it shall notice a hearing on disestablishment.

(2) During the operation of the district, there shall be a 30-day period each year in which assesseses may request disestablishment of the district. The first such period shall begin one year after the date of establishment of the district and shall continue for 30 days. The next such 30-day period shall begin two years after the date of the establishment of the district. Each successive year of operation of the district shall have such a 30-day period. Upon the written petition of the owners or authorized representatives of real property or the owners or authorized representatives of businesses in the district who pay 50 percent or more of the assessments levied, the city council shall pass a resolution of intention to disestablish the district. The city council shall notice a hearing on disestablishment.

(b) The city council shall adopt a resolution of intention to disestablish the district prior to the public hearing required by this section. The resolution shall state the reason for the disestablishment, shall state the time and place of the public hearing, and shall contain a proposal to dispose of any assets acquired with the revenues of the assessments levied within the property and business improvement district. The notice of the hearing on disestablishment required by this section shall be given by mail to the property owner of each parcel or to the owner of each business subject to assessment in the district, as appropriate. The city shall conduct the public hearing not less than 30 days after mailing the notice to the property or business owners. The public hearing shall be held not more than 60 days after the adoption of the resolution of intention.

### **36671. Refund of remaining revenues upon disestablishment or expiration without renewal of district; Calculation of refund; Use of outstanding revenue collected after disestablishment of district**

(a) Upon the disestablishment or expiration without renewal of a district, any remaining revenues, after all outstanding debts are paid, derived from the levy of assessments, or derived from the sale of assets acquired with the revenues, or from bond reserve or construction funds, shall be refunded to the owners of the property or businesses then located and operating within the district in which assessments were levied by applying the same method and basis that was used to calculate the assessments levied in the fiscal year in which the district is disestablished or expires. All outstanding assessment revenue collected after disestablishment shall be spent on improvements and activities specified in the management district plan.

(b) If the disestablishment occurs before an assessment is levied for the fiscal year, the method and basis that was used to calculate the assessments levied in the immediate prior fiscal year shall be used to calculate the amount of any refund.

## APPENDIX 2 – ASSESSED BUSINESSES

<b>Motels</b>	<b>Address</b>
Anderson Inn	897 Embarcadero
Ascot Suites	260 Morro Bay Blvd
Bayfront Inn	1148 Front St.
Bay View Inn	225 Harbor St.
Beach Bungalow Inn & Suites	1050 Morro Ave.
Best Western San Marcos Inn	250 Pacific St.
Blue Sail Inn	851 Market Ave.
The Landing	780 Market Ave.
Coastal Breeze Inn	1098 Main St.
Comfort Inn	590 Morro Ave.
Harbor House	1095 Main St.
Morro Bay Beach Inn	1100 Main St.
El Rancho Motel	2460 Main St.
Embarcadero Inn	456 Embarcadero
Estero Inn	501 Embarcadero
Fireside Inn	730 Morro Ave.
Front Street Inn	1140 Front St.
Gray's Inn	561 Embarcadero
Harborfront Suites	581 Embarcadero
Holland Inn	2630 Main St.
Inn at Morro Bay	60 State Park Rd.
La Roche	575 Embarcadero
La Serena Inn	990 Morro Ave.
Marina Street Inn B & B	305 Marina St.
Masterpiece Hotel	1206 Main St.
Morro Crest Inn	670 Main St.
Morro Shores Inn & Suites	290 Atascadero Rd.
Motel Six	298 Atascadero Rd.
Pacific Cottage	2830 Alder
Pacific Shores Inn	890 Morro Ave.
Pleasant Inn Motel	235 Harbor St.
Salty Sister	1170 Front St.
Sandpiper Inn	540 Main St.
Sea Air Inn	845 Morro Ave.
Seaside Inn	220 Beach St.
Sundown Inn	640 Main St.
Rockview Inn	1080 Market Ave.
Tradewinds	225 Beach St.
<b>Vacation Rentals*</b>	<b>Address</b>
Garcia Investments	221 Piney Way

Kolb Properties	271 Main Street
Kolb Properties	271 Main Street #B
Kolb Properties	263 Main Street
Meske by the Sea	1210 Bolton Drive
The 1211 Trust	154 Orcas Street
The Saap Trust	965 Pelican Place
Brim J & June A Carter Trust	150 Verdon
Ciano Real Estate, Inc.	880 Main Street
Kenneth & Debra Lehman Trust	3350 Beachcomber
Klose Rentals	3390 Beachcomber Drive
Agnes Dill	2060 Seaview
Al & Geri Bevilacqua	3201 Tide Ave
Al Boada	310 Bernardo
Al Boada	356 Shasta Ave
Al Boada	337 Bernardo
Al Boada	229 Piney Way
Alice Frawley Bicksler	477 Kern Avenue
Allen Hochstetler	199 Main Street
Andrew & Hilary Wilkie	476 Hill St.
Anne Jenks	3130 Beachcomber Drive
Antonio Benevento	431 Panay Street
Arthur Dyson	1177 Main Street
Barron Aleshire	2958 Cedar Avenue
Barry Bailey	410 Mindoro
Beth & Douglas Kerns	921 Mesa St.
Beth Richie	238 Pacific Street
Beth Richie	240 Pacific Street
Blanche Hosfeldt	121 Bradley
Brenda Avery	550 Bernardo Avenue
Brian & Ann Littlefield	180 Verdon St.
Brian Hill	675 La Loma Avenue
Brian Lucas	150 Bali Street
Brian Osgood	2250 Hemlock Ave
Brian Salber	165 Panay Street
Bruce Morosin	150 Formosa Street
Cameron B. Samuelson-Sanford	121 Easter
Carol Burk	199 Sienna
Carol Ferioli-Moe	810 Luisita Street
Carol Soares	2400 Ironwood Ave.
Ceil & Gerri Howe	184 Tahiti St.
Chris Hunt	2470 Hemlock Avenue
Chris & Rebecca Running	155 Hatteras
Chris Bath	380 Las Vegas

Christine Barrett	216 Surf St.
Christopher & Elizabeth Appel	400 Pico Street
Chuck & Tillie Easterling	1178 Main St.
Cindy Gregory	645 Monterey Avenue #B
Colin Chaney	508 Shasta Avenue
Constance Hamilton Trustee Robert G Hamilton Trust	180 Gilbert Street
Craig Jeffus	405 Zanzibar
Craig & Ellen Fetterolf	3128 Beachcomber Drive
Cynthia & Thomas Nabors	240 Bali
Cynthia Mauch	280 Main Street
Dan & Dina Krull	2575 Greenwood Avenue
Dan & Teri Ennis	611 Estero Ave.
Daniel Yates	221 Main St.
David Eggers	938 Marina Street
David Zepp	120 Java Street
Daynard Tullis	456 Yerba Buena
Debbie Kopack	535 Dunes St.
Deborah Boyett	1280 Bolton Drive
Debra Lehman	2629 Koa Avenue
Dennis Buckley	2171 Sunset Avenue
DeRosa, Betty/ Pegler, Robert	270 Cypress Avenue
Diane Doban	2235 Hemlock Avenue
Diem Chau Le	455 Panay St.
Don & Carolyn Schimnowski	2615 Nutmeg Avenue
Don & Sandra Pool	2545 Elm Ave.
Donna & Robert Weigandt	491 Orcas St
Douglas & Catherine Loop	391 Luzon Street
E. Wade & June Ortman	650 Avalon Street
Ed & Erin Largoza	1215 Main Street
Elizabeth & Richard Egan	701 San Joaquin
Flaherty, Loreen/ Dent, Chris	731 Marina
Frank & Sandra Ciano	2960 Beachcomber Drive
Frank Ciano	115 Easter Street
Frank Ciano	897 Monterey Avenue
Frank Ciano	895 Monterey Avenue
Fred & Candi Wickman	3198 Beachcomber
Frederick Jack Buckman	671 Estero Avenue
Gail Johnson	470 Arbutus
Garry & Janice Wilson	560 Bonita Street
Gary & Nancy Weisenberger	115 Hatteras
Gary & Susie Ferreria	245 Gilbert Street
Gates, Jeff & Ronni Grogan, Rene	340 Vashon Street

Genji & Stephanie Arakaki	2799 Elm Avenue
Giacomo Licari	2950 Beachcomber Drive
Gina & John Strong	940 Monterey
Ginie Harris	460 Piney Way
Grant & Phyllis Morris	3370 Beachcomber Drive
Greg & Angie Wheeler	2697 Laurel Ave.
Greg & Jeanne Frye	3420 Toro Lane
Greg Finch	1881 Sunset Ave.
Gregory MacDougall	1851 Ironwood
Gustafson, Cindy/ Auerbach, Wally	3200 Beachcomber Drive
Harry Stroup	524 Yerba Buena Street
Helen Ferguson	700 Sierra Court
Herb & Gayle Rose	929 Mesa St.
Ilsa Pope	2585 Ironwood
Jack Franklin	299 Kern Avenue
Jack Randall	3033 Beachcomber
James & Casey Shuler	3464 Toro Lane
James & Peggy Church	195 Capri
James & Rhoda Gonzales	441 Luzon Street
James Cooley	510 Yerba Buena Street
James Sigler	390 Luzon Street
Janice Bryant	2665 Juniper
Janice Kennedy	385 Tulare Avenue
Jasmyn Haas	440 Java Street
Jean White	413 Arbutus
Jeannie Jorgensen	2615 Maple Ave.
Jeannie Mielke	550 Main St.
Jeff & Darlene Wise	360 Trinidad Street
Jenny B. & Ross Jones	450 Napa Ave.
Jim & Sharon Kroll	301 Trinidad
Joe & Susan Ross	120 Mindoro Street
John Strong	955 Napa Avenue Apt B
John Draxler	1279 Berwick Drive
John Hyché	377 Fairview Avenue
Jonel Mueller	1291 Main St.
Joseph & Beverly Heinemann	2889 Hemlock Avenue
Judy Kandarian	425 Bernardo
Julie & Ron Eddlemon	1197 Main St.
Julie Caglia	2811 Ironwood Avenue
Julie Sanders	1323 Clarabelle Drive
Karen Croley	2870 Fir Avenue
Karen Farlow	311 Piney
Karl & Elizabeth Levy	3480 Toro Lane

Karla A. Haeuser	501 Zanzibar Street
Kate Stulberg	261 Shasta Avenue
Kathy Taverner	324 Shasta Ave.
Ken Lehman	3015 Beachcomber Street
Kenneth Burke	370 Vashon Street
Kenneth Fiser	491 Mindoro
Kenneth Vogel	948 Marina Street
Kevin & Leslie Conrad	449 Panay Street
Kevin Winfield	2700 Greenwood Avenue
Kristin/Stacey Lopez/Houk	3476 Toro Lane
Kurt & Darcy Senff	180 Bali Street
L.M. Williams	157 Verdon Street
L.M. Williams	195 Orcas
L.M. Williams	3175 Orcas Way
Lani Colhouer	401 San Joaquin Street
LaRonda Chirman	1365 Prescott Drive
LaRonda Chirman	1363 Prescott Drive
Larry T & Corinne Black	625 Monterey Ave
Laura Andes	498 Nassau
Lee & Peggy Garispe	1271 Hillcrest
Lena Rutherford	2580 Laurel Avenue
Linda Rieger	2975 Beachcomber
Lisa Burgstrom	372 Main Street
Lisa Dornhofer	180 Andros St.
Loyd & Madalyn Clift	150 Andros
Maci & Henri Daramy	2740 Dogwood Ave.
Manuel & Geraldine Rodrigues	623 Kern Avenue
Mark Graham	166 Vashon
Mark Hays	3273 Tide Avenue
Marshall King	325 Shasta Ave
Mary Guinn Felsted	455 Oahu (457)
Michael & Jenny Hudson	2076 Seaview
Michael & Jordonna Dores	155 Formosa Street
Michael Chernekoff	2910 Fir Avenue
Michelle Quillin & William II Reynolds	234 Pacific Street
Michelle Wiebe	325 Kings Avenue
Mike & Laurel Blackenby-Slater Slater	686/690 Driftwood Street
Mike Fackler	2640 Maple Ave
Minh Riley	875 Ridgeway Street
N Keith Decker	2870 Hemlock Avenue
Nancy Seiler	2556 Koa Avenue
Nicholas Taron	340 Arbutus
Nicole Nix	370 Bonita St.

Patricia Brown	2780 Cedar Ave.
Patricia Czach	565 Monterey Ave #A
Patricia Czach	1890 Hill St
Paul & Janell Spencer	2630 Greenwood
Penni Daugherty	1098 Balboa St.
Perry William	235 Piney Way
Phillip & Mary Ann Britton	465 Whidbey Street
Pina Naran	2172 Main St.
Randall & Jennifer McNamee	844 Monterey St
Reba & Glenn Myers	226 Pacific Street
Reba & Glenn Myers	226 1/2 Pacific Street
Reg Whibley	471 Embarcadero
Reilly & Sean Carpenter	2076 Bayview Ave.
Rhonda L. Davis	564 Morro Avenue
Rich Buquet	647 Estero Avenue
Richard Moss	730 Luisita
Rigmor Samuelsen	230 Surf St.
Robert Naste	2660 Nutmeg Avenue
Robert & Cynthia Young	381 Panay St.
Robert & Donna Salber	176 Panay St.
Robert & Katie Heugly	2670 Greenwood Ave
Robert & Sabrina Elzer	169 Kodiak Street
Robert & Tiffany Eranio	1188 Main Street
Robert Coomer	3440 Toro Lane
Robert Schechter	245 Driftwood Street
Roberta & Wayne Colmer	424 Morro Avenue
Roberta Herter	3185 Orcas Way
Robyn Bowser	1364 Clarabelle Drive
Ron Medellin	320 Sicily
Rushdi Cader	1887 Ironwood
Sam & Manetta Shields	2700 Fir Avenue
Sara Williams	659 Kern Avenue
Satoshi Sasaki	452 Sicily Street
Sean Green	361 Dunes Street
Sebastian & Zulmira Sousa	360 Luzon Street
Sharon Duganne	636 Bay Avenue
Shiban & Sushma Tiku	221 Dunes Street
Stephen & Glenna Penner	645 Morro #2G
Stephen Burdette	530 Monterey, Unit #1
Steve Barton	860 Luisita
Steve Gong	217 Main Street
Steven Banner	110 Java
Steven Cox	1174 Main Street

Stuart & Marcy Styles	2290 Ironwood Ave.
Sue Quanstrom	645 Morro Avenue #2B
Susan Callado	471 Mindoro Street
Susan Craig	340 Island Street
Sylvia Sanchez	450 Tahiti Street
Tech Chea	218 Pacific St.
Tedd Struckmeyer	150 Gilbert Street
Teresa Shea	290 Terra Street
Terri Frank	445 Whidbey Street
Terry & Lissa Gillette	391 Panay Street
Thomas & Connie Jameson	2398 Laurel Avenue
Thomas Gruber	540 Downing Street
Thomas Harrington	496 Kern
Thomas Riley	881 Ridgeway Street
Tiffani & Anthony Gonzales	234 Beach St.
Tim & Karen Dixon	2746 Main Street
Timothy Gomes	2970 Greenwood Avenue
Todd & Ashley McGuyer	481 Jamaica
Tom & Cynthia Gotuzzo	300 Kings Avenue
Tom & Ordonna Link	1184 Main Street
Tom St. John	460 Jamaica St.
Tylor Mason	335 Fairview Avenue
Virginia & Tony Brazil	601 San Jacinto
Virginia Bailey	395 Avalon Street
Wayne Johnson	421 Kings Ave., Unit A
William & Marlene Regan	3030 Beachcomber Drive
William Benson	2670 Ironwood Avenue
Wilma Stephens	1275 Morro Avenue
Yolanda Hill	1368 Berwick Drive

\* The assessed business list was compiled from records provided by City of Morro Bay. The list was developed with the most reliable information provided, however, the list may contain discrepancies due to any of the following reasons: 1) The vacation rentals included in the list are businesses that have obtained a permit or license to operate as a vacation rental at the time of formation, and does not include vacation rentals that are not permitted or licensed to operate as a vacation rental; 2) Vacation rentals may cease operation with little or no notice, and may no longer be operating as a vacation rental; 3) the vacation rental list was compiled based on information provided in January of 2021, and may not include vacation rentals that began operation after the date listed.

**RESOLUTION NO. 16-21**

**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA  
DECLARING ITS INTENTION TO FORM THE  
MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT (MBTBID) UNDER  
THE PROPERTY AND BUSINESS IMPROVEMENT LAW OF 1994, AND FIXING  
THE TIME AND PLACE OF A PUBLIC MEETING AND A PUBLIC HEARING  
THEREON, AND GIVING NOTICE THEREOF**

**THE CITY COUNCIL  
City of Morro Bay, California**

**WHEREAS**, the Property and Business Improvement Law of 1994, Streets and Highways Code §36600 et seq., authorizes the City to form business improvement districts for the purposes of promoting tourism; and

**WHEREAS**, Visit Morro Bay, Morro Bay business owners, and representatives from the City of Morro Bay have met to consider the formation of the MBTBID; and

**WHEREAS**, Visit Morro Bay has drafted a Management District Plan (Plan) consistent with requirements of Streets and Highways Code section 36622 and which sets forth the proposed boundary of the MBTBID, a service plan and budget, and a proposed means of governance; and

**WHEREAS**, businesses who will pay more than fifty percent (50%) of the assessment under the MBTBID have petitioned the City Council to form the MBTBID pursuant to Streets and Highways Code section 36621.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Morro Bay, California, as follows:

1. The recitals set forth herein are true and correct.
2. The City Council finds that businesses that will pay more than fifty percent (50%) of the assessment proposed in the Plan have signed and submitted petitions in support of the formation of the MBTBID. The City Council accepts the petitions and adopts this Resolution of Intention to form the MBTBID and to levy an assessment on certain lodging businesses and vacation rentals within the MBTBID boundaries in accordance with the Property and Business Improvement District Law of 1994.
3. The City Council finds that the Plan satisfies all requirements of Streets and Highways Code §36622.
4. The City Council declares its intention to form the MBTBID and to levy and collect assessments on lodging businesses and vacation rental businesses within the MBTBID boundaries pursuant to the Property and Business Improvement District Law of 1994.
5. The MBTBID includes all lodging businesses and vacation rental businesses, existing and in the future, within the boundaries of the City of Morro Bay, as shown in the map attached as

Exhibit A.

6. The name of the district shall be Morro Bay Tourism Business Improvement District (MBTBID).
7. The annual assessment rate is three percent (3%) of gross short-term room rental revenue. The assessments will be collected on a monthly basis. Based on the benefit received, assessments will not be collected on stays of more than thirty (30) consecutive days. Assessments will not be collected on any officer or employee of a foreign government who is exempt by reason of express provision of federal law or international treaty.
8. The assessments levied for the MBTBID shall be applied toward sales, marketing, and communications programs to promote an increase in overnight tourism through promotion of payors as tourist, meeting and event destinations, thereby increasing room night sales, as described in the Plan. Funds remaining at the end of any year may be used in subsequent years in which MBTBID assessments are levied as long as they are used consistent with the requirements of this resolution and the Plan.
9. The MBTBID will have a five (5) year life, beginning July 1, 2021 through June 30, 2026, unless renewed pursuant to Streets and Highways Code §36660.
10. Bonds shall not be issued.
11. The time and place for the public meeting to hear testimony on forming the MBTBID and levying assessments are set for April 27, 2021, at 5:30 PM, or as soon thereafter as the matter may be heard, at City Hall located at 595 Harbor Street, Morro Bay, CA 93442.
12. The time and place for the public hearing to form the MBTBID and the levy of assessments is set for June 8, 2021, at 5:30 PM, or as soon thereafter as the matter may be heard, at City Hall located at 595 Harbor Street, Morro Bay, CA 93442. The City Clerk is directed to provide written notice to the lodging businesses subject to assessment of the date and time of the meeting and hearing, and to provide that notice as required by Streets and Highways Code §36623.
13. At the public meeting and hearing, the testimony of all interested persons for or against the formation of the MBTBID may be received. If at the conclusion of the public hearing, there are of record written protests by the owners of the assessed businesses within the formed MBTBID that will pay more than fifty percent (50%) of the estimated total assessment of the entire MBTBID, no further proceedings to form the MBTBID shall occur for a period of one (1) year.
14. The complete Plan is on file with the City Clerk and may be reviewed upon request.

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15. This resolution shall take effect immediately upon its adoption by the City Council.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay at a regular meeting thereof held on the 13th day of April 2021 by the following vote:

AYES: Headding, Addis, Barton, Davis, Heller  
NOES: None  
ABSENT: None  
ABSTAIN: None

  
\_\_\_\_\_  
JOHN HEADDING, Mayor

ATTEST:

  
\_\_\_\_\_  
DANA SWANSON, City Clerk

EXHIBIT A  
District Boundaries



**NOTICE OF PUBLIC MEETING AND PUBLIC HEARING CONCERNING THE  
FORMATION OF THE MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT  
(MBTBID) AND LEVY OF AN ASSESSMENT ON CERTAIN LODGING BUSINESSES AND  
VACATION RENTAL BUSINESSES WITHIN THE MBTBID**

**NOTICE IS HEREBY GIVEN** that on April 13, 2021, the City Council (the “Council”) of the City of Morro Bay (the “City”) adopted a Resolution of Intention to form the Morro Bay Tourism Business Improvement District (the “MBTBID”) and to levy an assessment on certain businesses within the MBTBID as set forth in the Resolution of Intention.

**NOTICE IS HEREBY FURTHER GIVEN** that at 5:30 PM on April 27, 2021, at City Hall located at 595 Harbor Street, Morro Bay, CA 93442, a public meeting shall be held pursuant to Government Code section 54954.6 to allow public testimony regarding the formation of the MBTBID and the levy of assessments therein as set forth in the Resolution of Intention and pursuant to Government Code section 54954.6.

**NOTICE IS HEREBY FURTHER GIVEN** that at 5:30 PM on June 8, 2021, at City Hall located at 595 Harbor Street, Morro Bay, CA 93442, has been set as the time and place for a public hearing at which time the Council proposes to form the MBTBID and to levy the proposed assessment as set forth in the Resolution of Intention.

- Location:** The MBTBID includes all lodging businesses and vacation rental businesses, existing and in the future, within the boundaries of the City of Morro Bay, as shown on the map in the Management District Plan (Plan).
- Services:** The MBTBID is designed to provide specific benefits directly to payors by increasing room night sales. Sales, marketing, and communications programs will increase overnight tourism through promotion of payors as tourist, meeting and event destinations, thereby increasing room night sales.
- Budget:** The total MBTBID annual assessment budget for the initial year of its five (5) year operation is anticipated to be approximately \$991,000. A similar budget is expected to apply to subsequent years, but this budget is expected to fluctuate as room sales do.
- Cost:** The annual assessment rate is three percent (3%) of gross short-term room rental revenue. Based on the benefit received, assessments will not be collected on stays of more than thirty (30) consecutive days. Assessments will not be collected on any officer or employee of a foreign government who is exempt by reason of express provision of federal law or international treaty.

**Collection:** The City of Morro Bay (City) will be responsible for collecting the assessment on a monthly basis (including any delinquencies, penalties and interest) from each lodging business and vacation rental business located in the boundaries of the MBTBID. The City shall take all reasonable efforts to collect the assessments from each lodging business and vacation rental business.

**Duration:** MBTBID will have a five (5) year life, beginning July 1, 2021 through June 30, 2026. Once per year, beginning on the anniversary of MBTBID formation, there is a thirty (30) day period in which owners paying fifty percent (50%) or more of the assessment may protest and initiate a City Council hearing on MBTBID termination.

**Management:** Visit Morro Bay (VMB) will serve as the founding MBTBID's Owners' Association. The Owners' Association contracts with the City of Morro Bay to manage funds and implement programs in accordance with the Plan, is a private nonprofit entity, and must provide annual reports to the City Council.

**Protest:** Any owner of an assessed business within the proposed MBTBID that will be subject to the assessment may protest the formation of the MBTBID. If written protests are received from the owners of assessed businesses in the proposed MBTBID who represent fifty percent (50%) or more of the estimated annual assessments to be levied, the MBTBID shall not be formed, and the assessment shall not be imposed.

You may mail a written protest to:

Office of the City Clerk  
595 Harbor Street  
Morro Bay, CA 93442

You may also appear at the public meeting or hearing and submit a written protest at that time.

**Information:** Should you desire additional information about this proposed MBTBID formation or assessment contact:

Scott Collins  
City Manager  
City of Morro Bay  
595 Harbor Street  
Morro Bay, CA 93442  
(805) 772-6200