



CITY OF MORRO BAY HARBOR ADVISORY BOARD A G E N D A

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.

**Meeting - Thursday, June 6, 2019
Veteran's Memorial Building – 5:30 P.M.
209 Surf Street, Morro Bay, CA**

Ron Reisner, Chair	Marine Oriented Business
Mark Blackford, Vice Chair	Member at Large
Lynn Meissen,	Member at Large
Gene Doughty	South Bay/Los Osos
Cherise Hansson	Waterfront Leaseholders
Dana McClish	Recreational Boating
Jeremiah O'Brien	Morro Bay Commercial Fishermen's Organization
Peter Griffin	Alternate to Jeremiah O'Brien (MBCFO)
Owen Hackleman	Alternate to Jeremiah O'Brien (MBCFO)

ESTABLISH QUORUM AND CALL TO ORDER

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

CHAIR, ADVISORY BOARD MEMBER & LIAISON ANNOUNCEMENTS & PRESENTATIONS

PUBLIC COMMENT PERIOD

Members of the audience wishing to address the Board on City business matters not on the agenda may do so at this time. For those desiring to speak on items on the agenda, but unable to stay for the item, may also address the Board at this time.

Public comment is an opportunity for members of the public to provide input to the advisory body. To increase the effectiveness of the Public Comment Period, the City respectfully requests the following guidelines and expectations be followed:

- When recognized by the Chair, please come forward to the podium to speak. Though not required, it is helpful if you state your name, city of residence and whether you represent a business or group. Unless otherwise established by the Chair, comments are to be limited to three minutes.
- All remarks should be addressed to Board, as a whole, and not to any individual member thereof.
- The Board respectfully requests that you refrain from making slanderous, profane or personal remarks against any elected official, commission and/or staff.
- Please refrain from public displays or outbursts such as unsolicited applause, comments or cheering.
- Any disruptive activities that substantially interfere with the ability of the Board to carry out its meeting will not be permitted, and offenders will be requested to leave the meeting.
- Your participation in Board meetings is welcome and your courtesy will be appreciated.
- The Board in turn agrees to abide by its best practices of civility and civil discourse according to Resolution No. 07-19.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Harbor Department's Office Assistant at (805) 772-6254. Notification 24 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

A. CONSENT CALENDAR

A-1 Harbor Department Status Report.

B. BUSINESS ITEMS

B-1 Update from the Boatyard/Marine Services Facility Ad-Hoc Committee on Committee's Recent Activities

Staff Recommendation: Receive and file report.

B-2 Update from the Finance & Budget Ad-Hoc Committee on Committee's Recent Activities; Presentation on Current Budget Development Status of Harbor Operating Fund and Harbor Capital Improvement Program; and Discussion of Potential New Revenue Sources for the Harbor Fund

Staff Recommendation: Receive and file reports, and provide staff input and recommendations as deemed appropriate.

B-3 Update from the Eelgrass Ad-Hoc Committee on Committee's Recent Activities

Staff Recommendation: Receive and file report.

B-4 Update on Harbor Department Lease Management Policy Update Process

Staff Recommendation: Receive and file report.

B-5 Update on Status of Offshore Wind Energy Generation Development on the Central California Coast, and Question and Answer Session with Offshore Wind Farm Proponent Castle Wind, LLC

Staff Recommendation: Receive update, and participate in question and answer session.

C. DECLARATION OF FUTURE AGENDA ITEMS

Pending items previously declared:

- Goals and Objectives – Working Waterfront Designation
- Measure D
- Explore Benefits of Becoming a Harbor or Port District
- Wind Energy Generation off the Coast of Morro Bay
- Creation of an Embarcadero Business District to Fund Harbor Infrastructure
- Review of TBID Assessment funding
- Identify/review responsible parties for cleanliness of waterfront ground lease sites, public restrooms, light posts, and concern for public safety
- Review potential for primitive camping as a revenue source and provide input to City Council
- Report for Morro Bay Quota Fund in September or October of 2019

D. ADJOURNMENT

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 the Morro Bay Harbor Department, 1275 Embarcadero, for any revisions or call the department at 772-6254 for further information.

Materials related to an item on this Agenda are available for public inspection during normal business hours at the Harbor Department and at Mill's/ASAP, 495 Morro Bay Boulevard, or online at www.morrobayca.gov. Materials related to an item on this Agenda submitted to the Board after publication of the Agenda packet are available for inspection at the Harbor Department during normal business hours or at the scheduled meeting.



AGENDA NO: A-1

MEETING DATE: June 6, 2019

Staff Report

TO: Harbor Advisory Board

DATE: May 30, 2019

FROM: Eric Endersby, Harbor Director

SUBJECT: Harbor Department Status Report

RECOMMENDATION

Receive and file.

DISCUSSION

Recent Department Activity:

Harbor Patrol statistics for the month of May 2019 were 9 emergency responses, 137 calls for service, 57 assists of other agencies, 30 enforcement contacts, and 9 weather warnings including 3 days Hazardous Bar Warnings.

Noteworthy calls for the Harbor Patrol Officers include:

May 3, Harbor Patrol responded to the South T Pier for a male adult with a sting ray sting. The victim was transported to the hospital by San Luis Ambulance.

May 11, Dispatch reported a kayaker in distress off Spooner's cove in Montana de Oro. Harbor Patrol responded to assist in the search. The kayaker was located at "Windy Point" on Diablo Canyon Power Plant property, much further south than first reported. Cal Fire Los Osos was able to access the victim by land and Harbor Patrol returned to Morro Bay.

May 12, Dispatch reported a missing juvenile from Montana de Oro. Harbor Patrol boat 3864 and rescue watercraft responded to search down the sandspit. The watercraft spotted the juvenile three miles south of the South Jetty and assessed him for any medical needs. There were none. State Park Rangers transported him back to reunite with his family.

May 22, Harbor Patrol received a phone call from a local citizen informing us of a possible surfer in distress in 8-10 foot surf, sitting out a few hundred feet passed the surf break just north of the Rock. Patrol responded with a patrol vessel and rescue watercraft and found the male surfer roughly a half a mile north of the Rock well outside the surf line. Contact was made and the surfer said he was fine, just wanted to go for a paddle and refused assistance. The surfer appeared fatigued, so Patrol remained on scene with him until he made it safely back to the beach.

May 28, Patrol and Coast Guard responded to a capsized kayak off of North T Pier. As the victim was being assisted, another kayaker in the paddling group also capsized. Both were assisted and transported back to the Harbor Patrol docks.

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____

Beach Lifeguards

Beach Lifeguards began staffing over the Memorial Day weekend, and will be on weekend-only duty until mid-June, after schools are out and summer really gets into swing. Seven-day a week coverage will continue through the Labor Day weekend, after which they will go back to weekends-only through the Harbor Festival weekend. Beachgoers are reminded to always swim near a Lifeguard, and don't hesitate to ask your local guards for the latest beach and other information.

Harbor Dredging

The Army Corps of Engineers dredge ship YAQUINA has arrived for her annual harbor dredging. She will be here through June 14. Dredging will be concentrated in the harbor entrance to ensure our harbor is safely passable during winter months and high surf, although some interior dredging to about the Target Rock area may take place. Mariners are reminded that most of the interior harbor channel markers from the entrance to the North T Pier are removed for the dredging, and therefore the navigation channel is not marked. Contact the Harbor Patrol, Coast Guard or dredge ship for information if necessary. Harbor Patrol and Coast Guard can be contacted on marine channel 16, and the dredge, while they do monitor 16, works on marine channel 13.

Coast Guard Change of Command

It is time for the current Chief of Coast Guard Station Morro Bay, Chief Warrant Officer Timothy Crochet, to move on to his next command. The Change of Command Ceremony will take place at the North T Pier on June 26, 2019 at 11:00. Chief Crochet is being relieved by Chief Ryan Widdows. We wish to thank Chief Crochet for his excellent service in Morro Bay, wish him farewell, and welcome Chief Widdows.

Recent City Council Activity:

At the May 14 meeting, Council adopted Resolution No. 32-19 approving Amendment #1 to the New Master Lease Agreement between the City of Morro Bay and Flying Dutchman Enterprises (Stan Van Beurden) for Lease Site 96/96W, located at 945 Embarcadero. This amendment made some administrative corrections to the lease.

Also at the May 14 meeting, Council adopted of Resolution No. 28-19 approving Concept/Precise Plan Conditional Use Permit No. CUP 18-10 for US Coast Guard Station Building, at 1279 Embarcadero. This project includes an 806 square foot addition to the existing US Coast Guard building on City lease site 141.

On May 14, 16, & 28, 2019 Council reviewed the proposed operating and capital budget for fiscal year 19/20 and provided direction. Final budgets are due to be adopted by the council on June 11.

At the May 28 Council meeting, Council adopted Resolution No. 36-19 authorizing the Mayor to execute documents necessary for a New Loan for the Lease Agreement at Lease Site 124-128/124W-128W and 113W (Morro Bay Landing), including accepting a Deed of Trust and Memorandum of Lease related thereto for improvements to the leased property, and approval of an extension to the lease-mandated deadline for completion of improvements to the leased property.

Also at the May 28 meeting, Council adopted of Resolution No. 40-19 authorizing the Mayor to execute documents necessary for a New Loan for the Master Lease Agreement at Lease Site 82-85/82W-85W (Rose's Landing), including accepting a Deed of Trust and Memorandum of Lease Related Thereto for Improvements to the Leased Property

Upcoming Events:

June 26	11:00 am USCG Change of Command Ceremony
June 29	2nd Annual Friends of the Harbor Department Marine Swap Meet
July 4	Weekend Art in the Park & Family Fun Day
July 20	Rock to Pier Run

Oct 5-6 Morro Bay Harbor Festival
 Dec 7 Lighted Boat Parade

Status of Pending HAB Recommendations:

	HAB Recommendation	Date	Status
1	Staff draft letter to Council encouraging the City to pursue negotiating with State Parks the City assume both marina and café concessions.	5/7/15	<p>Staff's last contact with Parks indicated no Parks interest in giving up the café concession. Since that time, all of Parks' key personnel on the SPM have either retired or positions turned over. Staff's current thinking is we're at a "start-over" point with Parks to begin talks anew, and are acting accordingly before taking anything back to the Council.</p> <p>11/1/17. Staff have reached out to Parks to renew discussions.</p> <p>12/20/17. Spoke with office of Director for State Parks; tentative meeting set for week of January 8-12.</p> <p>2/13/18. Spoke with office of Director of Concessions office left message with assistant for our concession specialist to set up conference call. No response. 2/22/18 Called again left message. 2/23/18. new Parks concession specialist contacted department.</p> <p>4/23/18. Harbor Director email sent to Parks.</p> <p>4/27/18. Contacted Parks staff, discussions underway.</p> <p>5/17/18. Harbor Director met with Dan Falat, District Superintendent, regarding reviving discussions, putting concessions out to bid and prospects for City taking over operation and management of the marina.</p> <p>Staff was recently informed by the district superintendent that State Parks in Sacramento is potentially bringing this item off the back burner. 4/26/19 Meeting still pending.</p>
2	Staff provide Council with modified sections of MBMC 15.24 (harbor sanitation) and develop environmental BMP's.	7/22/15	<p>Staff have incorporated this BMP effort into the ongoing Rules & Regs/MBMC updating project.</p> <p>11/1/17. Work ongoing; tentatively scheduled to come to HAB Feb or March 2018.</p> <p>1/18/18. Review at HAB 2/1/18 meeting item C7.</p> <p>4/27/18. Pending Council consideration.</p> <p>No new updates.</p>
3	City Council to approve issuance of the final draft Marine Services Facility/Boatyard Request for Qualifications document.	2/2/17	<p>2/14/17. Council approved the release of a Request for Qualifications (RFQ) document as-proposed. RFQ is out, and responses due July 14, 2017.</p> <p>7/27/17. No responses to RFQ.</p> <p>8/3/17. HAB meeting to consider next steps.</p> <p>11/3/17. Put together a RFP for a financial feasibility study to go to Council for approval.</p>

			<p>12/1/17. Draft proposal in process for HAB review 2/2018.</p> <p>12/18/17. Tentatively on Council agenda for 1/23/18. to lay out scope of work and get authorization for a financial feasibility study.</p> <p>1/18/18. Discussing at HAB meeting 2/1/18 during item C1.</p> <p>4/27/18. Working on draft RFP to go to Council. Tentatively on 6/26/18 City Council agenda for consideration of issuance.</p> <p>Tentatively on 8/28/18 City Council agenda for consideration of issuance.</p> <p>8/28/18. Council approved issuance of a financial feasibility RFP. RFP to be issues asap.</p> <p>Request for Proposals issued for financial feasibility study services for the proposed boatyard. RFP due February 1, 2019.</p> <p>No proposal submissions received. HAB to consider next steps 3/13/19.</p> <p>4/26/19 Staff not recommending any further expenses be undertaken on boatyard financial feasibility study at this time.</p> <p>5/31/19 Boatyard/Marine Services Facility remains on the City Council's goals.</p>
4	City to use a consultant to update the cost allocation plan, if feasible, if not, then direct staff to do an internal check.	6/1/17	<p>Approved Council Goal Objective Work Plan Item – Internal “gut check” Goal 1(e).</p> <p>11/2/17. On HAB agenda for process consideration. Staff/Committee analysis review calendar 2017. To new Finance Director January 2018. Consideration of findings into development of FY 18/19 budget.</p> <p>1/18/18. Staff currently engaging in internal check. Staff met 3/2 with new Finance Director. Lighting issue “gut check” in Cost Allocation resolved in draft FY 18/19 budget.</p> <p>4/13/18. issued RFP for Comprehensive Fee Study & Cost Allocation Plan – closes 5/11/18.</p> <p>Multiple proposals received; have gone through initial staff review and evaluation. Interviews of top candidates pending in first half of June.</p> <p>Tentatively on 8/14/18 City Council agenda to award contract for comprehensive fee study.</p> <p>8/14/1/8 Council authorized the City Manager to execute an agreement with Consultant to update the City's user fees, cost allocation, and development impact fee study's.</p> <p>Consultant currently working with staff on studies. Studies are well underway.</p>
5	City to share tax revenues that are collected in the Harbor fund (and not currently going to the Harbor Fund) and used for Harbor Capitol maintenance and improvements.	6/1/17	<p>Pending until a new Finance Director and City Manager are in place.</p> <p>10/30/17. Per the SLC it is normal for these taxes to go into the City's General municipal funds.</p> <p>4/5/18. Chair Reisner requesting City Manager to</p>

			<p>provide a memorandum on this item. Chair Reisner met with the City Manager. No new updates.</p>
6	<p>City Council to include proposed eelgrass language into General Plan/Local Coastal Plan updates, and to review the proposed outline for the eelgrass policy to decide if the elements are appropriate.</p>	6/7/17	<p>7/28/17. Consultant Anchor QEA is developing a proposal to review existing information and documentation, research typical projects that have eelgrass issues, interview NEP personnel, and meet with Eelgrass Ad-Hoc committee members to discuss Newport Beach management plan. 11/1/17. Staff engaged with Anchor on eelgrass proposal. 12/1/17. Update to HAB on 12/7/17 on revised consultant contract scope of work. 12/18/17. Draft eelgrass consultant agreement submitted to legal for review and approval. 1/18/18. executed contract with Anchor QEA. 4/27/18. Anchor QEA beginning project. 4/25/18. Eelgrass Ad-Hoc committee met with Anchor QEA reps in Morro Bay Draft Anchor QEA eelgrass mitigation report on HAB agenda for consideration 8/2/18. 8/18 final Morro Bay Conceptual Eelgrass Plan report issued by Anchor QEA for ad-hoc and HAB consideration. Next step of hiring Anchor QEA to approach pertinent regulators with Morro Bay eelgrass mitigation plan concept pending Council consideration on January 8, 2019. 2/19/19. staff, eelgrass committee and MBNEP exploring new possible in-lieu mitigation path, as Morro Bay Eelgrass Plan as currently outlined by Anchor QEA is likely not viable. No new updates.</p>
7	<p>Incorporate Working Waterfront land area and uses into General Plan/Local Coastal Plan updates.</p> <p>In General Plan/Local Coastal Plan updates, consideration be given to a list of uses provided, and that the Measure D area and its uses be incorporated into Morro Bay's Working Waterfront.</p>	6/1/17	<p>Tentatively on the July 11, 2017 City Council agenda for consideration with Measure D recommendation above. 7/27/17. City Council on 7/11/17 authorized PC subcommittee to jointly work with HAB ad-hoc committee on Measure D ambiguities and Working Waterfront policy language for consideration of incorporation into GP/LCP update process. 9/1/17. First joint HAB/PC subcommittee meeting to consider Measure D and Working Waterfronts scheduled for September 8, 2017, at the Community Center Studio room from 3:00-5:00 pm. 9/8/17. First joint subcommittee meeting held. General discussion and public input. Second meeting TBD, likely late October or early November. 12/18/17. 1/11/18. PC/HAB joint meeting, recommendations made to GPAC.</p>

			<p>4/27/18. Pending GPAC action. Currently at Coastal for comments. Document link on City's Website: https://www.morrobayca.gov/943/PlanMB No new updates. See HAB 5/2/29 agenda item B-6</p>
8	<p>Paid parking be established on and around the Embarcadero, and recommended list of issues to be addressed when considering establishment of same.</p>	7/6/17	<p>7/18/17. letter from HAB Chairman provided to Planning Commission and copied to City Council, Public Works Advisory Board and Community Development Director with HAB's recommendations. 10/9/17. Once CD Director gets additional input from PC, it will be brought to Council to obtain direction on parking initiatives. PC to the lead on policy development. 11/7/17. Discussed at the Planning Commission Meeting. 12/1/17. Per CD Director also discussed with PWAB and tentatively going to Council in Jan or Feb 2018 for direction. 12/19/17. Per CD Director PC and Council will be provided with HABs recommendations. 4/27/18. Pending consideration by PC and Council. No new updates. 5/28/19 City Council directed staff to begin looking at paid parking as a possible new revenue source, to bring research back to Council for consideration.</p>



AGENDA NO: B-1

MEETING DATE: June 6, 2019

Staff Report

TO: Harbor Advisory Board

DATE: May 30, 2019

FROM: Eric Endersby, Harbor Director

SUBJECT: Update from the Boatyard/Marine Services Facility Ad-Hoc Committee on Committee's Recent Activities

RECOMMENDATION

Receive and file report.

BACKGROUND & DISCUSSION

The Boatyard/Marine Services Facility Ad-Hoc Committee will be presenting an oral update on their activities, if any. This is a standing committee report agenda item.

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____



AGENDA NO: B-2

MEETING DATE: June 6, 2019

Staff Report

TO: Harbor Advisory Board

DATE: May 30, 2019

FROM: Eric Endersby, Harbor Director

SUBJECT: Update from the Finance & Budget Ad-Hoc Committee on Committee's Recent Activities; Presentation on Current Budget Development Status of Harbor Operating Fund and Harbor Capital Improvement Program; and Discussion of Potential New Revenue Sources for the Harbor Fund

RECOMMENDATION

Receive and file reports, and provide staff input and recommendations as deemed appropriate.

BACKGROUND

In a continuing effort to provide the Harbor Advisory Board (HAB) and public a clearer picture of the Harbor Department's budget and Capital Improvement Program (CIP), in addition to an update from the Finance & Budget Ad-Hoc Committee's report, staff is presenting an overview of the proposed Harbor Fund (HF) FY 19/20 Operating Budget development process, including a detailed update of the Harbor CIP schedule spreadsheets, included with this staff report at Attachment 1. In addition, staff is seeking HAB input on several potential revenue-generating initiatives.

The Harbor Department submitted a balanced operating budget of recurring expenses completely met by recurring revenues, with projected excess revenues of approximately \$20,000 going to the Harbor Accumulation Fund for future capital asset and major equipment needs.

To date in 2019, the City Council has held several budget study sessions:

1. February 26 – 10-year budget forecast study session.
2. May 14 – Budget Study Session #1: GF budget general overview.
3. May 16 – Budget Study Session #2: GF budget details; Enterprise and Other fund overviews, proposed CIP budgets and projects.
4. May 28 – Budget Study Session #3: ten-year budget forecast updates and consideration of revenue enhancement options.

The Council is tentatively slated to approve the overall City budget on June 11, 2019.

DISCUSSION

Harbor Operating Budget and Capital Funding Needs

The submitted HF Operating budget includes \$2,011,000 in projected revenues and \$1,991,000 in proposed expenses, for a net annual revenue surplus of ~\$20,000. The ten-year forecast predicts a net annual deficit of \$13,000 for FY 20/21, then net annual surpluses in FY 21/22 and beyond. FY 20/21 is the last year that the \$135,000 annual South T-Pier loan payment is due.

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____

Subsequent years show modest increases over the long term, with a \$190,000 annual surplus forecast in FY 28/29. In sum, according to the budget forecast model, the total accumulated net annual long-term HF revenue surplus *from FY 19/20 through FY 28/29*, a ten-year period, is \$1,031,000.

By contrast, the total current projected funding needs for capital replacement, capital major maintenance and capital equipment *averages approximately \$878,000 per year over the next five fiscal years*.

Short of cutting services or further significant departmental reorganization, the Harbor Department has done about everything possible to reduce expenses, streamline operations and maximize efficiencies, including not replacing the full-time Administrative Technician position vacated late last year. Given this is the case, revenue enhancement and/or new revenue development appear the only fiscally viable options forward for the Harbor Department.

Of existing HF revenues, preliminary lease policy update group work on fair market lease values indicate the City of Morro Bay's Tidelands Trust leases are not out of the statewide norm for fair market rent values. As such, no significant under-market rent issues are anticipated to be addressed, and hence, no significant revenue relief seen from lease rents either short- or long-term.

The City's master fee study, however, is nearing completion, and may very well indicate Harbor fee rates being below full cost-recovery levels and/or at under-market rates. Initial study results indicate the current Harbor master fee rates are *not* at or above cost-recovery or market levels, therefore, some degree of revenue enhancement is anticipated with the new rates, depending on the study results and Council direction on fee recovery.

Capital Projects

Capital budget items being proposed by staff in the upcoming FY budget, as reflected in the CIP spreadsheets, consist of:

- A. \$250,000 for the DBW grant-funded Launch Ramp Rehabilitation project engineering and permitting
- B. \$42,000 for South T-Pier renovations
- C. \$10,000 for North T-Pier renovations
- D. \$20,000 for Ice Machine maintenance and repair
- E. \$370,000 for Beach Street Slips replacement

If all these projects are completely spent, this will essentially deplete the Harbor Accumulation Fund to four figures. This does not, however account for any revenues exceeding expenses, if any, in the current fiscal year.

Potential New Revenue Sources

Regarding potential new revenues, on May 28 the Council considered several revenue-generating options applicable to the HF presented by staff:

- A. RV Camping
- B. Paid Parking
- C. Assessment Districts

Of these, the Council direction was to not pursue RV camping at this time, but for staff to research and bring back to Council for consideration analysis on paid parking and assessment districts. Staff have yet to fully formulate the manner and process in which these two issues will be researched, analyzed and brought back to Council.

Paid Parking

The HAB previously considered paid parking on and around the Embarcadero, and made certain recommendations to the Planning Commission in a memo dated July 18, 2017. That memo is included with this staff report as Attachment 2.

Staff are seeking any further input or recommendations the HAB may have at this time regarding paid parking and its previous 2017 memo.

Assessment Districts

The notion of establishing a Harbor or Port District under the California Harbors and Navigation Code, and creation of an Embarcadero business district, both as means to generate needed capital funding, have been declared future agenda items for the HAB for some time now. To date, neither have come back to the HAB for consideration.

Staff are seeking any preliminary information or input from the HAB regarding special assessment of other districts the HAB may have at this time, including any research HAB members have conducted on the issues.

Other Revenue-Generating Ideas

The HAB's stated primary 2019/2020 goal was fiscal sustainability of the HF and seeking new or improved revenue sources. In addition, the City Council's Goal #1, "Achieve Financial Sustainability and Economic Sustainability" has as Action Item #5, "Bring forward a comprehensive set of revenue enhancement options for City Council consideration."

In addition to input on paid parking and assessment/special districts as revenue-generating options as outlined above, staff are seeking initial HAB input on other sources or measures to enhance revenues. Any ideas brought forward would need HAB consensus for declaration of future agenda items for discussion at a future HAB meeting.

CONCLUSION

Any HAB input or recommendations proffered will be routed to the City Council through the normal channels and processes.

ATTACHMENTS

1. Capital Improvement Program detail sheets.
2. July 18, 2017 Harbor Advisory Board memo to the Planning Commission regarding paid parking.

CITY OF MORRO BAY - HARBOR DEPT.
SCHEDULE OF 5-YEAR CAPITAL EQUIPMENT REQ'MTS
UPDATED 5/30/19

DESCRIPTION	YEAR ACQ'RD OR PLACED IN SVC	LIFE IN YEARS	Priority ⁵	Est. Repl. Cost (rounded)	FISCAL YEAR REQUIREMENTS ^{1,2,3,4}					23/24	NOTES
					\$ Approved or proposed in current FY	19/20	20/21	21/22	22/23		
Harbor											
VEHICLES - REPLACEMENT (see Note 3):											
Truck, 2013 Ford F150 Pickup	09/01/13	10	3	\$ 40,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000			Replacement 2023.
Truck, 2006 Ford Ranger Pickup	10/01/06	15	2	\$ 20,000	\$ 10,000	\$ 10,000					Replacement 2021.
Vehicle, 2006 Ford Escape 4x4 Hybrid	10/16/06	20	2	\$ 25,000	\$ 4,170	\$ 4,170	\$ 4,170	\$ 4,170	\$ 4,170		Replacement 2026
Truck, 2013 Ford F250 Pickup	07/01/13	10	3	\$ 40,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000			Replacement 2023.
Truck, 2010 Ford F350 Flatbed	02/01/10	20	4	\$ 50,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000		\$50k replacement 2030.
VESSELS - MAINT. & REPAIR - Major (see Note 3):											
Boat, Rescue #64	03/01/14		2		\$ 8,300	\$ 8,300	\$ 8,300	\$ 8,300			\$25k refit at 5-year mark.
Boat, Rescue #68	06/30/84		n/a				Retire				Standard maint. & repair for ~two more years service.
Boat, Rescue #66	01/01/95		1		\$ 10,000		Retire				Major maint. & repair for ~two more years service.
VESSELS - REPLACEMENT:											
Boat, Rescue #64	03/01/14	30	5	\$ 500,000	\$ 20,800	\$ 20,800	\$ 20,800	\$ 20,800	\$ 20,800		Replacement 2044.
Boat, Rescue #68	06/30/84	30	1	\$ 500,000	\$ 150,000	\$ 150,000	\$ 200,000				Replacement 2022; seek partial grant funding.
Boat, Rescue #66	01/01/95	20	n/a					Retire			Not to be replaced; going to a two dual-engine vessel fleet.
Honda Personal Watercraft 1	08/01/18	5 to 7	3								Replaced w/grant funding.
Honda Personal Watercraft 2	08/01/18	5 to 7	3								Replaced w/grant funding.
EQUIPMENT - MAINT. & REPAIR - Major (see Note 3):											
Parking Kiosk at Launch Ramp	05/01/10		3								
Sandspit Emergency Telephone	08/21/03		n/a								Phone controller recently replaced.
Tidelands Vessel Sewage Pumpout	01/01/11		2		\$ 3,000						Rebuild pump at 5-year mark, grant funding secured.
EQUIPMENT - REPLACEMENT:											
Parking Kiosk at Launch Ramp	05/01/10	Indef.	5								
Sandspit Emergency Telephone	08/21/03	15	1		\$ 10,000						\$15k replacement FY2018/19 of entire unit.
Tidelands Vessel Sewage Pumpout	01/01/11	10	3					\$ 15,000			Replace 2021 w/grant funding, \$15k.
TOTAL					\$ -	\$ 241,270	\$ 218,270	\$ 258,270	\$ 73,270	\$ 29,970	Five-year funding need per year
GRANT-FUNDED						\$ 3,000			\$ 15,000		\$ 164,210

CITY OF MORRO BAY - HARBOR DEPT.
SCHEDULE OF 5-YEAR CAPITAL EQUIPMENT REQ'MTS
UPDATED 5/30/19

DESCRIPTION	YEAR ACQ'RD OR PLACED IN SVC	LIFE IN YEARS	Priority ⁵	Est. Repl. Cost (rounded)	FISCAL YEAR REQUIREMENTS ^{1,2,3,4}					23/24	NOTES
					\$ Approved	19/20	20/21	21/22	22/23		
<p><u>Note 1:</u> dollar figures in <i>italics</i> are earmark set-aside requirements toward a total amortized cost as-noted.</p> <p><u>Note 2:</u> dollar figures in green bold are Department budget recommendations in current FY.</p> <p><u>Note 3:</u> routine and standard maintenance and repair funded in annual Operating budget.</p> <p><u>Note 4:</u> grant-funding is listed in blue.</p> <p><u>Note 5:</u> Prioritization Categories 1 - Has reached or exceeded its useful life. 2 - End of useful life in 2-3 years. 3 - End of useful life in 4-6 years. 4 - End of useful life in 7-10 years. 5 - End of useful life is beyond 10 years.</p>											
Sorted by Priority											
<u>VEHICLE, VESSEL & EQUIPMENT REPLACEMENT:</u>											
Boat, Rescue #68	06/30/84	30	1		<i>\$ 100,000</i>	<i>\$ 200,000</i>	<i>Retire</i>				\$300k replacement 2018/19, seek partial grant funding.
Sandspit Emergency Telephone	08/21/03	15	1		<i>\$ 7,500</i>	<i>\$ 7,500</i>					\$15k replacement FY2018/19 of entire unit.
Priority 1 Subtotals					#####	#####					\$315,000
Truck, 2006 Ford Ranger Pickup	10/01/06	15	2		\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000			\$20k replacement 2021.
Vehicle, 2006 Ford Escape 4x4 Hybrid	10/16/06	~15	2								
Honda Personal Watercraft 1	08/01/12	5 to 7	2			\$ 12,000					Replace w/grant funding.
Honda Personal Watercraft 2	08/01/12	5 to 7	2			\$ 12,000					Replace w/grant funding.
Priority 2 Subtotals					\$ 4,000	\$ 28,000	\$ 4,000	\$ 4,000			\$40,000
Truck, 2013 Ford F150 Pickup	09/01/13	10	3		\$ 5,700	\$ 5,700	\$ 5,700	\$ 5,700			2023, \$40k replacement 2023.
Truck, 2013 Ford F250 Pickup	07/01/13	10	3		\$ 5,700	\$ 5,700	\$ 5,700	\$ 5,700			\$40k replacement 2023.
Tidelands Vessel Sewage Pumpout	01/01/11	10	3					\$ 15,000			Replace 2021 w/grant funding, \$15k.
Priority 3 Subtotals					\$ 11,400	\$ 11,400	\$ 11,400	\$ 26,400			\$60,600
Truck, 2010 Ford F350 Flatbed	02/01/10	20	4		\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800			\$50k replacement 2030.
Priority 4 Subtotals					\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800			\$15,200

CITY OF MORRO BAY - HARBOR DEPT.
SCHEDULE OF 5-YEAR CAPITAL EQUIPMENT REQ'MTS
UPDATED 5/30/19

DESCRIPTION	YEAR ACQ'RD OR PLACED IN SVC	LIFE IN YEARS	Priority ⁵	Est. Repl. Cost (rounded)	FISCAL YEAR REQUIREMENTS ^{1,2,3,4}				23/24	NOTES
					\$ Approved	19/20	20/21	21/22		
Boat, Rescue #64	03/01/14	30	5		\$ 14,300	\$ 14,300	\$ 14,300	\$ 14,300		\$400k replacement 2044.
Parking Kiosk at Launch Ramp	05/01/10	Indef.	5							
Priority 5 Subtotals					\$ 14,300	\$ 14,300	\$ 14,300	\$ 14,300		\$57,200
<u>VEHICLE, VESSEL & EQUIPMENT MAJ. MAINT. & REPAIR</u>										
Boat, Rescue #66	01/01/95		1		\$ 10,000		Retire			Major maint. & repair for ~two more years service.
Priority 1 Subtotals					\$ 10,000					\$10,000
Boat, Rescue #64	03/01/14		2		\$ 8,300	\$ 8,300	\$ 8,300	\$ 8,300		\$25k refit at 5-year mark.
Tidelands Vessel Sewage Pumpout	01/01/11		2		\$ 3,000					Rebuild pump at 5-year mark, grant funding secured.
Priority 2 Subtotals					\$ 11,300	\$ 8,300	\$ 8,300	\$ 8,300		\$36,200
Parking Kiosk at Launch Ramp	05/01/10		3							

A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	CITY OF MORRO BAY - HARBOR DEPT.												
2	SCHEDULE OF 5-YEAR CAPITAL MAJOR MAINTENANCE REQ'MTS												
3	UPDATED 5/30/19												
4		YEAR											
5		ACQ'RD			Est. Repl.								
6		OR PLACED	LIFE IN		Cost	FISCAL YEAR REQUIREMENTS¹					Cost/year		
7	DESCRIPTION	IN SVC	YEARS	Priority²	(rounded)	\$ Approved	19/20	20/21	21/22	22/23	23/24	NOTES	over life
8						or proposed							
9	Harbor					in current FY							
10													
11													
12	BUILDINGS:												
13	Harbor Maint. Bldg, Front St. (Oil Yard)	01/01/15	25	3									
14	Harbor Maint/Storage Bldg. (Gear Storage)	01/01/93	30	2								Leased to Coast Guard.	
15	Harbor Maint/Storage Bldg. (Boat Shed)	01/01/93	30	2								Budgeted for elec & restroom improvements; replace roof instead?	
16	Harbor Office	06/01/64	40	n/a			(Replace)					Depending on Coast Guard building project.	
17													
18	FACILITIES:												
19	North T-Pier ³	06/01/64	Indef.	1	\$3.7M	\$ 10,000	\$ 200,000	\$ 200,000			\$ 15,000	\$10,000 minor needed structural work. \$400k major maint/repair phase 2. Structural inspection in 2024.	\$500K/20y
20	North T-Pier HP Slips	06/01/93	30+	3									
21	Ice Machine	06/01/07	30+ ?	1		\$ 20,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	Annual maintenance requirements. \$100K Cable grant acquired to replace reefer system completed.	
22	South T-Pier ³	06/30/92	Indef.	1	\$3.7M	\$ 42,000	\$ 20,000	\$ 15,000				Major maint/repair identified in 2016 structural inspection. Structural inspection due in 2021.	\$500K/20y
23	Beach Street Slips - North	01/01/83	30	n/a			(Replace)					Const. contracting u/w.	\$ 500
24	Beach Street Slips - South	06/01/80	30	n/a			(Replace)					Const. contracting u/w.	\$ 500
25	Dune Street Slips	01/01/95	30	1			\$ 15,000					General major maintenance/repair requirements. Replace 2030.	\$ 500
26	Anchor Memorial Park Pier	01/01/85	Ind.	3A			\$ 5,000					Pier structural inspection. Major maint/repair completed 2013.	
27	Floating Dock	?	25-30	n/a								Sea lion dock. Replaced 2018.	
28	Harbor Street End Dock (Galley Rest.)	?	25	n/a								Replace 2022.	
29	Harbor Street End Pier		Indef.	1A			\$ 5,000					Pier structural inspection.	
30	MBB Street End Dock (Rose's)	?	25	n/a								Replace 2022.	
31	MBB Street End Pier		Indef.	1A			\$ 5,000					Pier structural inspection.	
32	Marina Street End Pier (Marina Square)	?	Indef.	1A			\$ 5,000					Pier structural inspection.	
33	Mariner Park Dock (Estero Inn)	?	25	n/a								Replace 2022.	
34	Mariner Park Pier		Indef.	1A			\$ 5,000					Pier structural inspection.	
35	Tidelands Park Side Tie Dock	06/01/97	30	2					\$ 10,000			General major maintenance/repair requirements. Replace 2027.	\$ 350
36	Tidelands Park Fish Cleaning Station			1								Enclose station, dumpster.	
37	Launch Ramp Slips North	06/01/95	30	1			\$ 15,000					General major maintenance/repair requirements. Replace 2030.	\$ 500
38	Launch Ramp Slips South	~01/01/00	25	1			\$ 5,000					General major maintenance/repair requirements. Replace 2030.	\$ 500

A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	CITY OF MORRO BAY - HARBOR DEPT.												
2	SCHEDULE OF 5-YEAR CAPITAL MAJOR MAINTENANCE REQ'MTS												
3	UPDATED 5/30/19												
4		YEAR											
5		ACQ'RD			Est. Repl.								
6		OR PLACED	LIFE IN		Cost	FISCAL YEAR REQUIREMENTS¹						Cost/year	
7	DESCRIPTION	IN SVC	YEARS	Priority²	(rounded)	\$ Approved	19/20	20/21	21/22	22/23	23/24	NOTES	over life
39	Boat Launch Boarding Floats (N & S) & L/R Facility	01/01/93	20	1		\$ 250,000						Complete upgrade to entire L/R facility including concrete ramp, floats, parking lot, restroom, fish cleaning station. 100% DBW grant funds applied for; \$250k approved in FY 16/17. Remainder in follow-on years. \$1,900,000 total estimated project cost.	
40													
41	TOTALS					\$ 322,000	\$ 290,000	\$ 225,000	\$ 20,000	\$ 10,000	\$ 25,000	Five-year funding need per year	\$ 114,000
42													
43	Note 1: dollar figures in green bold are Department budget recommendations in current FY.												
44													
45	Note 2: Prioritization Categories												
46	1 - Requires immediate attention.												
47	2 - Requires attention in 2-3 years.												
48	3 - Requires attention in 4-10 years.												
49	4 - Attention required beyond 10 years.												
50	A - Structural/Condition Assessment required.												
51													
52	Note 3: Blended costs for the two piers are												
53	approximately \$500K every 20 years per pier.												

A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	CITY OF MORRO BAY - HARBOR DEPT.												
2	SCHEDULE OF 10-YEAR CAPITAL REPLACEMENT REQ'MTS												
3	UPDATED 5/30/19												
4		YEAR											
5		ACQ'RD			Est. Repl.								
6		OR PLACED	LIFE IN		Cost	FISCAL YEAR FOR REQUIREMENTS ^{1,2}						Cost/year	
7	DESCRIPTION	IN SVC	YEARS ³	Priority ⁵	(rounded)	\$ Approved	19/20	20/21	21/22	22/23	23/24	NOTES ⁴	over life
8						or proposed							
9	Harbor					in current FY							
10													
11													
12	BUILDINGS:												
13	Harbor Maint. Bldg, Front St. (Oil Yard)	01/01/15	25	5			\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100		\$50k replacement 2040.	\$ 2,000
14	Harbor Maint/Storage Bldg. (Gear Storage)	01/01/93	30	4								Leased to Coast Guard.	
15	Harbor Maint/Storage Bldg. (Boat Shed)	01/01/93	30	4									
16	Harbor Office	06/01/64	40	1	\$ 1,100,000		\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000	Replacement 2025; \$220K/year.	\$ 27,500
17													
18	FACILITIES:												
19	North T-Pier	06/01/64	Indef.	2A	n/a							Not to be replaced; ~20-year major maintenance cycles.	
20	North T-Pier HP Slips (2,300 SF @ \$155/SF)	06/01/93	35+	4	\$ 360,000		\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	Replacement 2030; \$36K/year.	\$ 9,800
21	Ice Machine	06/01/07	30+ ?	5									
22	South T-Pier	06/30/92	Indef.	5A								Not to be replaced; ~20-year major maintenance cycles.	
23	Beach Street Slips - North (2,224 SF)	01/01/83	30	1	\$ 445,000	\$ 370,000	\$ 370,000					\$75,000 previously approved and expended.	\$ 14,840
24	Beach Street Slips - South (1,488 SF)	06/01/80	30	1	\$ 300,000		\$ 300,000					Const. contracting u/w.	\$ 10,000
25	Dune Street Slips (2,960 SF)	01/01/95	30	4	\$ 595,000		\$ 59,500	\$ 59,500	\$ 59,500	\$ 59,500	\$ 59,500	Replacement 2030; \$59.5K/year.	\$ 19,800
26	Anchor Memorial Park Pier	01/01/85	Indef.	1A									
27	Floating Dock	?	30	5	\$ 20,000							Replaced 2018 w/donated funding.	\$ 670
28	Harbor Street End Dock (Galley Rest.)	?	25	2	\$ 35,000		\$ 11,700	\$ 11,700	\$ 11,700			Replacement 2022. \$20k dock, \$15k gangway.	\$ 1,400
29	Harbor Street End Pier		Indef.	1A									
30	MBB Street End Dock (Rose's)	?	25	2	\$ 35,000		\$ 11,700	\$ 11,700	\$ 11,700			Replacement 2022. \$20k dock, \$15k gangway.	\$ 1,400
31	MBB Street End Pier		Indef.	1A									
32	Marina Street End Pier (Marina Square)	?	Indef.	1A									
33	Mariner Park Dock (Estero Inn)	?	25	2	\$ 20,000		\$ 6,700	\$ 6,700	\$ 6,700			Replacement 2022. Gangway replaced ~2012.	\$ 1,400
34	Mariner Park Pier		Indef.	1A									
35	Tidelands Park Side Tie Dock (1,200 SF)	06/01/97	30	2	\$ 240,000		\$ 34,285	\$ 34,285	\$ 34,285	\$ 34,285	\$ 34,285	Replacement 2027; \$34.3K/year.	\$ 8,000
36	Launch Ramp Slips North (3,400 SF)	06/01/95	30	3	\$ 680,000		\$ 68,000	\$ 68,000	\$ 68,000	\$ 68,000	\$ 68,000	Replacement 2030; \$68K/year.	\$ 22,700
37	Launch Ramp Slips South (1,426 SF)	~01/01/00	30	3	\$ 285,000		28,500	\$ 28,500	\$ 28,500	\$ 28,500	\$ 28,500	Replacement 2030; \$28.5K/year. Slips renovated ~2000.	\$ 9,500
38	Launch Ramp Boarding Floats			1		\$ 250,000						Currently grant-funded for planning and permitting.	
39	Launch Ramp Concrete Ramp			1								Currently grant-funded for planning and permitting.	
40	TOTALS					\$ 620,000	\$ 1,148,485	\$ 478,485	\$ 478,485	\$ 448,385	\$ 446,285		
41												Slip costs/year total	\$ 76,840
42												Five-year funding need per year	\$ 600,025
43	Note 1: dollar figures in <i>italics</i> are "earmark" set-aside requirements toward a total amortized replacement cost as-noted.												
44													
45	Note 2: dollar figures in green bold are Department budget recommendations in current FY.												



CITY OF MORRO BAY

HARBOR DEPARTMENT
1275 Embarcadero Road
Morro Bay, CA 93442

MEMO

Date: July 18, 2017
To: City of Morro Bay Planning Commission
From: City of Morro Bay Harbor Advisory Board
Subject: Paid Parking in the Area of the Morro Bay Waterfront

In June 2017, the Morro Bay City Council approved the Harbor Advisory Board's 2017/2018 Work Program, based upon the Council's 2017/2018 Goals and Objectives. Item 1.d. from that Work Program states in part, " Evaluate opportunities for new or expanded revenue sources, including but not limited to: paid parking . . .".

During its regular meeting on July 6, 2017 the City of Morro Bay Harbor Advisory Board (HAB) addressed agenda item C-6, "*Consideration of Issues Regarding Paid Parking on the Embarcadero and Adjacent Vicinities*". The purpose was to identify issues for consideration regarding paid parking on and around Embarcadero, including a reason or reasons they are important, and what might be considered when evaluating them - as a starting point in the process of evaluating paid parking.

In its preparations for addressing the agenda item, the HAB reviewed a number of historic documents, the earliest dating back to the 1990's, relative to the concept of paid parking in the area of the Morro Bay waterfront. The most recent of these documents, and the apparently most comprehensive, is the *City of Morro Bay Parking Management Plan – Final: October 2007*, prepared by TPG Consulting, Inc. Other than suggesting or recommending paid parking in areas of Morro Bay's waterfront, no definitive City action to establish paid parking was found during the HAB's review of historic documents.

The fundamental question the HAB addressed was should there be paid parking on and around Embarcadero, and why or why not. **The HAB concluded that as a revenue generating concept, it is reasonable to consider establishing a paid parking plan on and around Embarcadero Road.** In coming to that conclusion, the HAB noted that numerous waterfront communities on the coast of California, communities that attract and benefit from tourism, have paid parking plans. These include but are not limited to:

Santa Cruz, Monterey, Pismo Beach, Avila Beach, Santa Barbara, Huntington Beach, etc.

Having concluded that the concept of paid parking on and around Embarcadero is reasonable, further HAB discussion identified the following related issues for further consideration:

- A paid parking plan on and around Embarcadero Road involves the City's downtown waterfront strategic plan, the City's economic strategic plan, the City's waterfront master plan, and the City's Harbor Lease Management Policy.
- Does the current parking configuration on and around Embarcadero optimize the amount of available parking, whether paid or not?
- Consideration of a paid parking plan on and around Embarcadero best includes the waterfront area between Coleman Beach, and the north portion of Tidelands Park.
- It would be necessary to balance the opportunity for revenue from paid parking with the needs of business, and with tourism activities.
- It is probable there will be continuing impacts on available parking in the downtown waterfront area from business property development between Beach Street and the south end of the business area – especially in the case of hotel development that inherits parking-in-lieu, or is granted parking-in-lieu.
- Input from the waterfront business community regarding the concept of paid parking on and around Embarcadero is necessary.
- Irrespective of paid parking on and around Embarcadero Road, how should the issue of impacts on waterfront parking by waterfront business employees be addressed? It is probable that waterfront business employees occupy significant portions of Embarcadero area parking.
- In a waterfront paid parking plan, should the Triangle Lot be specifically designated as “free parking”, and should public transportation be provided between the Triangle Lot and the downtown waterfront area? [As a side note, no cars were parked in the Triangle Lot at 11:30 AM on July 4, 2017, or at 12:30 PM on July 5, 2017]
- If paid parking is instituted, where specifically would it be located?
- If paid parking is instituted, would it be hourly or daily, and during what hours of the day would paid parking apply? The HAB discussed the possibility paid parking, if instituted, not applying after early hours in the evenings.
- If paid parking is instituted, how much are reasonable parking fees?
- If paid parking is instituted, what sort of equipment (kiosk, etc.) would be used, and what would be the means to collect the parking fees? It was noted that solar powered kiosks are commonplace in other waterfront communities, and in fact there is one such unit in Morro Bay's Tidelands Park, which according to the

Harbor Director paid for itself in short order, and is a regular contributor to revenue.

- If paid parking is instituted, would there be enforcement, and if so by whom?
- If paid parking is instituted, would there be free parking in the same area, and if so where, why, how much, and for how long?
- If paid parking is instituted, would paid permit parking be incorporated into the plan? For instance, would waterfront businesses be able to purchase a limited number of permits for their use?
- If paid parking is instituted, would free permit parking be incorporated into paid parking areas (i.e. fishermen with City slips adjacent to Embarcadero Road)?
- If paid parking is instituted, would some sort of permit be made available to Morro Bay residents, and if so, for what paid parking areas, for what period of time, and at what fee, if any?
- If paid parking is instituted, would parking-in-lieu be incorporated into the program, and if so, how?
- If an Embarcadero parking plan is instituted, clear and effective signage and directional information relative to paid and free parking would be critical to the plan's success.
- Any Embarcadero parking plan needs to incorporate ADA accessibility, and loading zone considerations.
- A Morro Bay waterfront paid parking plan could be implemented by phases. For instance, the HAB recommends immediately establishing kiosk paid parking in the City lot on the east side of Embarcadero, below DiStasio's.
- The lands west of Embarcadero Road are public trust land owned by the State of California. Those lands were granted to San Luis Obispo County, and in 1964/1965 upon its incorporation, the City of Morro Bay assumed trusteeship of those lands. Per the terms of the Tidelands Grant, these lands must be used for commerce, fisheries, navigation, recreational purposes, parklands, public access, public parking, and environmental protection or enhancement. Further, funds for the maintenance and improvement of these lands falls to leaseholders, and in the absence of leaseholders, to the City. Ongoing waterfront infrastructure maintenance and improvement is necessary for public access, and is costly. Revenues from paid parking in the area of the Embarcadero could be a significant contributor to the City's capital needs in this area.
- If a paid parking plan is instituted on and around Embarcadero Road, some significant portion of the net proceeds should be earmarked specifically for maintenance and improvement of City shoreline infrastructure along the waterfront - infrastructure that is necessary to the working waterfront, and necessary for tourist access and enjoyment.

The HAB looks forward to continued involvement in the issue of paid parking on and around Embarcadero, and to working with the Morro Bay Planning Commission and the Morro Bay Public Works Advisory Board to further develop the feasibility and desirability of this potential revenue producing concept.

cc: Mr. Eric Endersby; City of Morro Bay Harbor Department Director
Mr. Scot Graham; City of Morro Bay Community Development Director
Morro Bay Public Works Advisory Board
Morro Bay City Council



AGENDA NO: B-3

MEETING DATE: June 6, 2019

Staff Report

TO: Harbor Advisory Board

DATE: May 30, 2019

FROM: Eric Endersby, Harbor Director

SUBJECT: Update from the Eelgrass Ad-Hoc Committee on Committee's Recent Activities

RECOMMENDATION

Receive and file report.

BACKGROUND & DISCUSSION

The Eelgrass Ad-Hoc Committee will be presenting an oral update on their activities, if any. This is a standing committee report agenda item.

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____



AGENDA NO: B-4

MEETING DATE: June 6, 2019

Staff Report

TO: Harbor Advisory Board

DATE: May 30, 2019

FROM: Eric Endersby, Harbor Director

SUBJECT: Update on Harbor Department Lease Management Policy Update Process

RECOMMENDATION

Receive and file report.

BACKGROUND & DISCUSSION

The Lease Management Policy Update Group continues its work on various sections of the policy. Currently, however, there are no updated materials to present the Harbor Advisory Board. This item, therefore, is an informational update only from the policy update group members and staff.

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____



AGENDA NO: B-5

MEETING DATE: June 6, 2019

Staff Report

TO: Harbor Advisory Board

DATE: May 30, 2019

FROM: Eric Endersby, Harbor Director

SUBJECT: Update on Status of Offshore Wind Energy Generation Development on the Central California Coast, and Question and Answer Session with Offshore Wind Farm Proponent Castle Wind, LLC

RECOMMENDATION

Receive update, and participate in question and answer session.

BACKGROUND

Due to Castle Wind, LLC's (formerly Trident Winds, LLC) interest in developing an offshore wind power generation "farm" approximately 30 miles northwest of Morro Bay, the federal government's Bureau of Ocean Energy Management (BOEM) initiated a public bid leasing process for the proposed area. That process is still underway in its early stages.

In October, 2018 Castle executed a benefits agreement with the Morro Bay and Port San Luis commercial fishermen's organizations to mitigate negative impacts on that industry. In addition, on November 29, 2018, Castle and the City executed a community benefits agreement to formally and contractually establish a joint cooperative effort between the two parties for the benefit of both in the BOEM leasing process. A copy of that agreement is included with this staff report as Attachment 1.

DISCUSSION & CONCLUSION

Staff will be providing an oral update on the City's efforts and activities to date regarding the BOEM leasing process and working with Castle, including recent letters sent to various elected officials regarding the Department of Defense's apparent position of opposition to offshore wind farms due to perceived interference with their Pacific Ocean training and testing missions. An example of one such letter to House Speaker Nancy Pelosi is included with this report in Attachment 2.

In addition, Alla Weinstein, principal of Castle Wind, will be providing an oral update of Castle's efforts and activities to date, including a question-and-answer session for the HAB.

ATTACHMENTS

1. Community Benefits Agreement between Castle Wind LLC and the City of Morro Bay
2. Letter to Speaker Pelosi from Mayor Heading regarding Department of Defense

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____

**COMMUNITY BENEFITS AGREEMENT
CASTLE WIND MORRO BAY OFFSHORE WIND FARM PROJECT**

This COMMUNITY BENEFITS AGREEMENT (this "Agreement") is entered into as of November 29, 2018 (the "Effective Date"), by and between the CITY OF MORRO BAY, a California municipal corporation, ("City") and CASTLE WIND LLC, a Delaware limited liability company, ("Castle Wind"). Each of City and Castle Wind are sometimes referred to below individually as a "Party" or, collectively, as the "Parties."

RECITALS

A. Castle Wind is in the process of developing an offshore wind project off the coast of San Luis Obispo County proximate to City (the "Project"), which process includes obtaining various federal, state and local permits, entitlements, and other approvals ("Governmental Agency Approvals") and entering into related commercial contracts, including the lease described below;

B. Castle Wind and the Morro Bay Commercial Fishermen Organization and the Port San Luis Commercial Fishermen Association (the latter collectively the "Fishermen's Organizations") have engaged in extensive review of the potential economic and other impacts of the Project on commercial fishing activities in the vicinity of the Project, and have entered into the Fishermen's Agreement; and

C. City acknowledges, in addition to the community benefits, described Section , the Parties anticipate the Project will provide significant economic benefits to City and County of San Luis Obispo, as shown in the "Economic Benefits Study" prepared by California Polytechnic Institute, a copy of which is attached as Exhibit B; and

D. This Agreement provides for a cooperative effort between Castle Wind and City for the economic and other benefits of the Project to the Morro Bay community.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby confirmed by each Party, the Parties have agreed to enter into this Agreement and to be bound by this Agreement's terms and conditions set forth below.

DEFINITIONS

“Agreement” is defined in the introductory paragraph of this Agreement. “BOEM” means the Bureau of Ocean Energy Management.

“BOEM Lease” is defined in Subsection 1(c).

“Castle Wind” means Castle Wind LLC, a Delaware limited liability company.

“CEQA” means the California Environmental Quality Act.

“City” means City of Morro Bay, a California municipal corporation.

“Community Benefits” means the benefits to the Morro Bay community described in Section 1.

“Community Communications Plan” is defined in Subsection 1(a).

“Covered Area” is defined as (1) the Wind Energy Area (WEA) off the coast of central California identified in Exhibit A, attached hereto, (the “Morro Bay WEA”); and (2) the Outfall Conduit.

“Cure Period” is defined in Section 6.

“Default” means any material or substantial failure by a Party to perform its obligations or responsibilities under this Agreement. Minor or technical breaches or deviations from the terms of this Agreement that do not materially affect the rights or obligations of the non-defaulting Party shall not constitute a Default. A Default shall not exist until expiration of the applicable notice and cure period under Section 6.

“Default Notice” is defined in Section 6.

“Defaulting Party” is defined in Section 6.

“Effective Date” is defined in the introductory paragraph of this Agreement.

“Environmental Review Process” means the Government Agencies’ compliance with environmental statutes, including NEPA and CEQA, which may include evaluation of potential impacts to the marine ecosystem, as well as impacts to visual resources, recreational opportunities, navigable channels, cultural resources and the fishing industry;

“Fishermen’s Agreement” is defined in Section 1(b).

“Fishermen’s Organizations.” is defined in Recital B.

“Force Majeure” is defined in Subsection 10(p).

“Government Agencies” refers to the federal, state, and local agencies that are involved in the permitting and approval of the Project, including the Environmental Review Process.

“Governmental Agency Approvals” is defined in Recital A

“Lease Execution Date” is defined in Subsection 4(c).

“Local Economic Development Activities” is defined in Subsection 1(c).

“NEPA” means the National Environmental Policy Act.

“Non-Defaulting Party” is defined in Section 6.

“Option” is defined in Subsection 4(b).

“Option Exercise Date” is defined in Subsection 4(c).

“Outfall Conduit” is defined in Section 4.

“Outfall Conduit Lease” is defined in Section 4.

“Party” or “Parties” is defined in the introductory paragraph of this Agreement.

“Project” is defined in Recital A.

“SAP” means the Site Assessment Plan submitted to BOEM for the Project pursuant to 30 CFR § 585.605 *et seq.*

“Third-Party Transferee” is defined in Subsection 10(b).

Section 1. Community Benefits

(a) Community Communications: Upon the Effective Date, in order to promote (i) open communications and (ii) accountability with the Morro Bay community, Castle Wind shall develop and implement the Community Communications Plan reasonably acceptable to the City Manager, which shall include scheduling, as reasonably requested by City, a series of public meetings with residents and certain interest groups, including various local business concerns, to discuss all aspects of the Project, including potential environmental impacts. City may post timely updates on the Project on its website and social media channels, and provide such reasonable support as may be required in organizing, promoting, and recording such public meetings.

(b) Commercial Fishermen’s Agreement. The Parties acknowledge the Morro Bay community will benefit from the Fisherman’s Agreement, entered into between Fishermen’s Organizations and Castle Wind, dated October 6, 2018 (“Fishermen’s Agreement”). Under the Fishermen’s Agreement, Castle Wind has committed to minimize and mitigate the anticipated impacts to the commercial fishermen from the Morro Bay and Port San Luis communities who

operate within the Covered Area and area proximate to the Project. A summary of the Fishermen's Agreement is attached as Exhibit C.

(c) Local Economic Development Activities: Subject to receipt of a legally binding lease from BOEM for the Wind Energy Area (WEA) portion of the Covered Area ("BOEM Lease"), Castle Wind shall use its best efforts to achieve local economic development goals related to the development and long-term operations and maintenance of the Project ("Local Economic Development Activities"), including, but not limited to:

- (i) promoting local hiring of qualified residents from the Morro Bay community, including handicapped persons,
- (ii) establishing internships/trainee programs with locally located schools and universities;
- (iii) establishing a maintenance and monitoring facility for the Project in the Morro Bay community;
- (iv) promoting local accommodation and the hotel/housing sector during construction phase;
- (v) promoting the local supply chain for construction services (*e.g.* 24/7 construction office), maintenance services (*e.g.* facility management, transportation, catering, waste management, weather forecasts), parts, tools and supplies (*e.g.* personal protection equipment, fuel, auxiliaries);
- (vi) promoting opportunities to generate "green solutions" with electric cars, charging stations and other green sustainable energy solutions;
- (vii) to the extent opportunities arise Castle Wind and City shall work together to develop methods economically advantageous to both for reuse of the former Morro Bay Power Plant, while recognizing that property is under a third-party's ownership and
- (viii) assisting City with the potential formation or implementation of Community Choice Aggregation for the Morro Bay community.

(d) Binding Conditions: As part of the Outfall Conduit Lease, the Parties shall enter into a binding agreement, after negotiating in good faith, establishing priorities and legally enforceable conditions and timelines through and by which Castle Wind and the ultimate developer/owner/operator of the Project shall implement activities needed to accomplish the matters described in Subsection 2(c).

Section 2. Reservation of Discretion by City

The Parties understand, acknowledge and agree, notwithstanding the terms and conditions of this Agreement, certain discretionary actions incidental to matters described in this Agreement (including, without limitation, the grant by City, individually or in conjunction with

another Governmental Agency, of governmental approvals, permits or entitlements with respect to the Project) may require the exercise of discretion by one or more decision-making bodies at City and such discretionary actions cannot lawfully be committed to by contract pursuant to the constitution and laws of the State of California. Nothing in this Agreement is intended or shall be interpreted to limit City's exercise of discretion with respect to any actions needed from City as a Governmental Agency or as a lessor of the Outfall Conduit nor shall anything in this Agreement be construed to (a) grant or commit City to grant, Castle Wind, or any other person, any discretionary governmental approvals, permits or entitlements or leasehold rights with respect to the Project, (b) limit or restrict City's discretion to approve, if at all, or disapprove any term or terms of the Outfall Conduit Lease, or (c) limit or restrict City's discretion with respect to (i) the approval, conditional approval or denial of any development approvals or entitlements that may be required from City for the Project as a Governmental Agency or lessor of the Outfall Conduit Lease, (ii) exercise of any other discretionary authority with respect to the Project possessed by City under the police power, or (iii) any environmental approvals that may be required under CEQA, NEPA or any other federal or state environmental laws or regulations in conjunction with any development approval required for the Project (all such decisions or actions, collectively, "Discretionary Actions"). In the event City takes or fails to take one or more of the Discretionary Actions, any such action or inaction shall not constitute a breach of City's obligations under this Agreement or of any express or implied covenant herein.

Section 3. Mutual Cooperation and Assistance

The successful implementation of this Agreement will require a coordinated effort by Castle Wind and City. The Parties understand, acknowledge and agree, while some of the Community Benefits (such as those set forth in the Fishermen's Agreement) are specific and well-defined, other Community Benefits, including Local Economic Development Activities, will require further delineation and refinement and the terms of the Community Communications Plan and the Outfall Conduit Lease remain to be developed and negotiated in the future. Without limiting the effect of the timing requirements of Subdivision 1 (d), each Party agrees to work together collaboratively with the other Party and to take such further actions and execute such additional documents as may be reasonably necessary to carry out the provisions of this Agreement while preserving, to the maximum extent possible, all material consideration to both Parties and (ii) Castle Wind agrees to use its best efforts, in good faith, to agree upon and implement the Local Economic Development Activities and the Community Communications Plan consistent with their purpose and intent as described in this Agreement, and in a manner that allows the Morro Bay community to realize the Community Benefits and to maximize the economic and other benefits of the Project. City agrees, subject to reservation of discretion with respect to any Discretionary Actions described in Section 2., to reasonably cooperate with, assist and support Castle Wind in the Environmental Review Process and the Governmental Agency Approvals process and to negotiate, in good faith, the terms and conditions of the Outfall Conduit Lease.

Section 4. Outfall Conduit Lease Option

(a) Outfall Conduit. City owns and controls the submerged outfall structure formerly utilized by the Morro Bay Power Plant for discharge of cooling water into Estero Bay north of Morro Rock ("Outfall Conduit"). The Parties acknowledge the Outfall Conduit could be

effectively re-utilized to route the export cable that will electrically connect the Project to the Morro Bay substation owned and operated by PG&E, located adjacent to the former Morro Bay Power Plant property, and, thereby, interconnect with the high-voltage transmission system operated by the California Independent System Operator.

(b) Option, Consideration. Within 14 calendar days after the Effective Date, Castle Wind shall pay to City \$250,000 (“Option Consideration”), in consideration of which, and subject to, and without waiver or compromise of the reserved discretion of City described in Section 2, Castle Wind shall have the exclusive option (“Option”) to enter into a non-transferable, long-term, mutually agreeable lease of the Outfall Conduit (“Outfall Conduit Lease”).

(c) Exercise of Option, Expiration. If Castle Wind desires to exercise the Option, then it shall (i) within 12 months after having received the legally binding BOEM Lease, have submitted to BOEM a complete SAP and (ii) have delivered written notice to City of the desire to exercise the Option no later than 180 days after BOEM approves the SAP (“Option Exercise Date”). Following the Option Exercise Date, the Parties shall promptly, and in good faith, negotiate the terms and conditions of the Outfall Conduit Lease, subject to, and without waiver or compromise of the reserved discretion of City described in Section 2. If Castle Wind fails to provide timely notice of its desire to exercise the Option or the Parties fail to execute the Outfall Conduit Lease within 120 days after Castle Wind provides notice of its desire to exercise the Option (“Lease Execution Date”), then the Option shall expire and be of no further force or effect and neither Party shall have any rights or obligations pursuant to this Agreement arising from the Option.

Section 5. Term and Termination

The Agreement shall become effective on the Effective Date and shall remain in full force and effect unless or until:

- (a) Notice from Castle Wind to City, Castle Wind has terminated the Project;
- (b) Castle Wind has surrendered the BOEM Lease, or the BOEM Lease has expired;
- (c) The Parties fail to enter into an Outfall Conduit Lease by the Lease Execution Date;
- (d) Castle Wind does not timely make the Option Consideration; or
- (e) The execution of the Outfall Conduit Lease.

Section 6.

(a) Breach, Default and Cure. Before either Party may declare a Default and take any action based thereon (including, without limitation, commencing any administrative or judicial proceeding), the procedures in this Section 6 must be followed. The Party asserting a Default (“Non-Defaulting Party”) may elect to do so by providing written notice to the Party alleged to be in Default (“Defaulting Party”) specifying the nature of the Default and the actions, if any, to

be taken by the Defaulting Party to cure or remedy the Default (“Default Notice”). The Defaulting Party shall have 30 days from receipt of the Default Notice within which to cure the Default (the “Cure Period”) and, if it fails to do so within that period, it shall be deemed in Default, and the Non-Defaulting Party may exercise any rights or remedies available under this Agreement, in equity (including the right to specifically enforce this Agreement pursuant to Section 6(b)) or by law; provided, however, that if the nature of the Default is such that it cannot reasonably be cured within 30 days, the Defaulting Party shall be afforded reasonable additional time so long as it commences such cure within the Cure Period and diligently pursues such cure to completion. The provisions of this Subsection 6(a) shall be inapplicable to Section 5.

(b) Equitable Relief. The Parties acknowledge and agree that, in the event of any material breach of this Agreement, damages would be extremely difficult or impossible to determine and that a remedy at law alone would be inadequate and the breach would therefore result in irreparable injury to the non-breaching Party. Accordingly, the Parties agree that, in addition to any other available remedies for material breach, the non-breaching party shall be entitled to obtain both temporary and permanent injunctive relief to enforce the material provisions of this Agreement and to seek specific performance of the obligation as to which the Default exists.

Section 7. Exclusive Nature of Agreement

As consideration for the binding commitment by Castle Wind to provide the Community Benefits and its assumption of the other obligations described herein, City agrees it shall not enter into any similar agreement with any third party to support an offshore wind project in the Covered Area other than the Project.

Section 8. Castle Wind’s Representations and Warranties

Castle Wind represents and warrants to City:

(a) Castle Wind is a duly organized and existing limited liability company under the laws of the State of Delaware, and it has full right, power and authority to carry on its activities and to execute, deliver, perform, comply with and consummate this Agreement.

(b) Except as expressly set forth herein, Castle Wind is relying solely upon its own inspection, investigation and analysis of the foregoing matters and is not relying in any way upon any representations, statements, agreements or other information by or from City not expressly contained in this Agreement.

(c) The execution of this Agreement by Castle Wind, its delivery to City and the performance by Castle Wind of its obligations under this Agreement have been duly authorized by its management.

(d) The execution, delivery, performance of and compliance with this Agreement has not resulted and will not result in any violation of, or be in conflict with, any federal, state or local law, policy or regulation applicable to Castle Wind.

If Castle Wind becomes aware of any act or circumstance which would change or render incorrect, in whole or in part, any representation or warranty made by Castle Wind hereunder, whether as of the Effective Date or any time thereafter through the termination of the Agreement, then Castle Wind shall give immediate written notice of such changed fact or circumstance to City, but such notice shall not release Castle Wind of any liabilities or obligations with respect thereto.

Section 9. City's Representations and Warranties

City represents and warrants to Castle Wind as follows:

(a) City is a duly organized and existing public entity by virtue of the laws of the State of California, and it has full right, power and authority to carry on its activities and to execute, deliver, perform, comply with and consummate this Agreement.

(b) Except as expressly set forth herein, City is relying solely upon its own inspection, investigation and analysis of the foregoing matters and is not relying in any way upon any representations, statements, agreements or other information by or from Castle Wind not expressly contained in this Agreement.

(c) The execution of this Agreement by City, its delivery to Castle Wind and the performance by City of its obligations under this Agreement have been duly authorized by its City Council.

(d) The execution, delivery, performance of and compliance with this Agreement has not resulted and will not result in any violation of, or be in conflict with, any federal, state or local law, policy or regulation applicable to City.

If City becomes aware of any act or circumstance which would change or render incorrect, in whole or in part, any representation or warranty made by City hereunder, whether as of the Effective Date or any time thereafter through the termination of the Agreement, then City shall give immediate written notice of such changed fact or circumstance to Castle Wind, but such notice shall not release City of any liabilities or obligations with respect thereto.

Section 10. Miscellaneous

(a) Advice of Legal Counsel. Each Party acknowledges it has reviewed this Agreement with its own legal counsel, and based upon the advice of that counsel, has freely entered into this Agreement.

(b) Assignment; Successors. This Agreement shall inure to the benefit of, be binding upon, and be enforceable by and against the Parties and their respective successors and permitted assigns. Castle Wind shall be permitted to assign this Agreement, or any portion thereof, to an affiliate or subsidiary of Castle Wind; provided, that Castle Wind remains in control of the affiliate or subsidiary. Castle Wind may also transfer its rights with respect to the Option to a third party in the event Castle Wind fails to secure the BOEM Lease ("Third-Party Transferee"); provided, that any transfer by Castle Wind of any right or obligation under this Agreement shall

require the prior written consent of City. Castle Wind shall provide City with written notice of any transfer of any rights or obligations under this Agreement within 10 calendar days after such transfer. City and Castle Wind shall each be entitled to 50 percent of the value received by Castle Wind from a Third-Party Transferee as consideration for the transfer.

(c) Controlling Law. This Agreement shall be enforced in accordance with the laws of the State of California and the United States.

(d) Notices. All notices to either Party under this Agreement shall be in writing and shall be addressed to the affected Party at the addresses set forth below. A Party may change its address by giving notice in compliance with this Subsection 10(d). The addresses of the Parties are:

If to Castle Wind:

Castle Wind LLC
548 Market St #62641
San Francisco, California 94104-540
Tel: 206.300.7721
Facsimile: 425.988.1977
Email: allaw@castlewind.com
Attn: Alla Weinstein, CEO

Copy to:

Perkins Coie, LLP
11988 El Camino Real, Suite 350
San Diego, CA 92130-2594
Tel.: 858.720.5748
Facsimile: 858.720.5799
Email: lzagar@perkinscoie.com
Attn.: Laura Zagar

If to City:

City of Morro Bay
595 Harbor Street
Morro Bay, CA 93442
Tel.: 805.772.6205
Facsimile: 805.772.7329
Email: scollins@morrobayca.gov
Attn: City Manager

Copy to:

Joseph W. Pannone
Aleshire & Wynder, LLP
2361 Rosecrans Avenue, Suite 475
El Segundo, CA 90245-4916
Tel.: 310.527.6663
Facsimile: 310.532.7395
Email: jpannone@awattorneys.com

(e) Counterparts. This Agreement may be executed in counterparts, each of which may be deemed an original, but all of which shall constitute one and the same document, and signatures transmitted by facsimile or email/pdf shall in all respects be treated as originals.

(f) Entire Agreement. The Agreement contains the entire agreement between the Parties and supersedes any prior agreements, discussions, or commitments, written or oral, between the Parties.

(g) Further Assurances. The Parties hereto agree to take such actions and execute such additional documents as are reasonably necessary to carry out the provisions of this Agreement.

(h) Modification. This Agreement may not be altered, amended or modified except by an instrument in writing signed by the Parties to this Agreement.

(i) Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, but the remainder of the provisions can be enforced without failure of material consideration to either Party, then the remainder of the Agreement shall continue in full force and effect.

(j) Venue. Venue for all legal proceedings shall be in the Superior Court of California, County of San Luis Obispo or the United States District Court for Central District of California, if the matter involves federal law.

(k) Waiver. A waiver by any Party of any breach of any term, covenant or condition herein contained or a waiver of any right or remedy of such Party available hereunder at law or in equity shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition herein contained or of any continued or subsequent right to the same right or remedy. No Party shall be deemed to have made any such waiver unless it is in writing and signed by the Party so waiving.

(l) Rules of Construction. In this Agreement, the singular includes the plural; "shall" is mandatory, and "may" is permissive. The Parties acknowledge and agree each of the Parties. In cases of uncertainty as to the meaning, intent or interpretation of any provision of this Agreement, the Agreement shall be construed without regard to which of the Parties caused, or may have caused, the uncertainty to exist. No presumption shall arise from the fact that particular provisions were or may have been drafted by a specific Party, and prior versions or drafts of this

Agreement shall not be used to interpret the meaning or intent of this Agreement or any provision hereof.

(m) Time of the Essence. Time is of the essence of each and every obligation of the Parties under this Agreement.

(o) Independent Contractors. Each Party is an independent contractor and shall be solely responsible for the employment, acts, omissions, control and directing of its employees. Except as expressly set forth herein, nothing contained in this Agreement shall authorize or empower a Party to assume or create any obligation or responsibility whatsoever, express or implied, on behalf of or in the name of the other Party or to bind the other Party or make any representation, warranty or commitment on behalf of any other Party. Nothing in this Agreement shall be deemed to create any form of business organization between the Parties, including, without limitation, a joint venture or partnership.

(p) Force Majeure. The obligations of any Party under this Agreement, and all deadlines by which any Party's obligations hereunder must be performed ("Delayed Obligation"), shall be excused or extended for a necessary period of time equal to any prevention, delay or stoppage in performance which results from any strike, lock-out or other labor or industrial disturbance, regulatory delay, civil disturbance, act of a public enemy, war, riot, sabotage, blockade, embargo, lightning, earthquake, fire, storm, hurricane, tornado, flood, explosion or other delays not within the control of the Party required to perform the Delayed Obligation ("Force Majeure"). Any Party relying on a Force Majeure shall give the other Party written notice of the Delayed Obligation within 30 days after becoming aware or it could have become aware of the Force Majeure; and the Parties shall use their reasonable, good faith efforts to minimize potential adverse effects from such Force Majeure.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first written above.

CITY OF MORRO BAY

By: _____
Jamie Irons, Mayor

ATTEST:

Dana Swanson, Clerk

APPROVED AS TO FORM:

Joseph W. Pannone, City Attorney

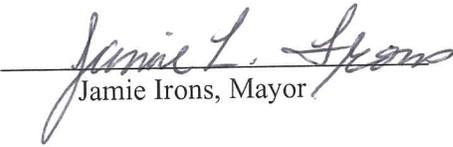
CASTLE WIND LLC

By: _____
Alla Weinstein, CEO

By: _____
Holger Grubel, COO

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first written above.

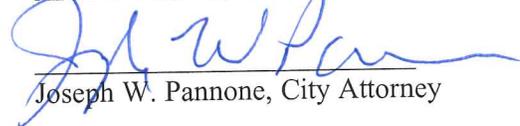
CITY OF MORRO BAY

By: 
Jamie Irons, Mayor

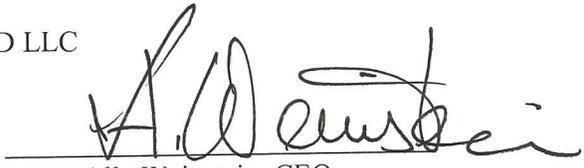
ATTEST:


for Dana Swanson, Clerk

APPROVED AS TO FORM:


Joseph W. Pannone, City Attorney

CASTLE WIND LLC

By: 
Alla Weinstein, CEO

By: 
Holger Grubel, COO

Exhibit A

The Covered Area referred to in Sections 5(c) and 6 refers to: (1) the entire potential Wind Energy Area (WEA) designated as “Morro Bay WEA” and as referred to by BOEM and the California Energy Commission; and (2) the Outfall Conduit. The actual Project site location and Outfall Conduit will be defined by the BOEM issued lease and will be subject to potential adjustments during the Environmental Review Process.

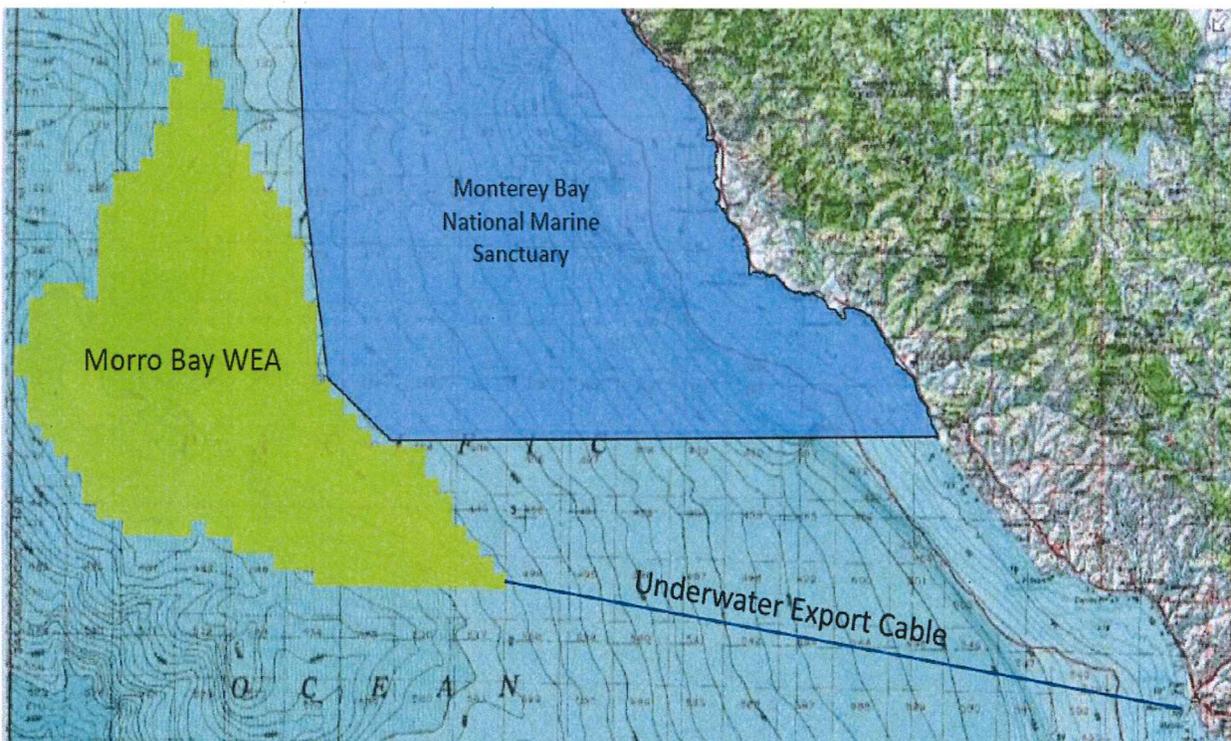


Exhibit B

Economic Benefits Study

(Immediately behind this page.)

**Economic and Fiscal Impacts of the
Morro Bay Offshore (MBO) Wind
Farm Project**

May 2, 2018

Stephen F. Hamilton
Professor of Economics
California Polytechnic State University

Prepared for



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EXECUTIVE SUMMARY

This report calculates the economic and fiscal impacts of the proposed Morro Bay Offshore Wind Farm (MBOWF), a 765 megawatt¹ (MW) floating offshore wind farm proposed by Trident Winds.

Table E1 shows the annual local economic output that results from the direct spending in each year of the operation period. The entries in the table include only the benefits resulting from local spending on labor, materials and services and do not include any additional benefits resulting from the value of the energy created.

The *direct impact* reflects the initial change in economic activity from local payroll and construction expenditures over the construction and operation period. The *indirect impact* results from local "business-to-business" transactions necessary to support the direct activity, for instance local purchase of building materials, engineering and consulting services, and other goods purchased from supporting industries. The *induced impact* results when the increased earnings generated by the direct and indirect economic activity is spent on local goods and services, for example when workers at the facility purchase food, clothing, automobiles, real estate, and education, health and social services.

Table E1: SLO County Economic Impact of MBOWF

Impact	Economic Activity	Job Years (FTEs)[1]	Employee Compensation[2]	Economic Output[3]
Operating Phase (Annual)				
Direct	Project Development	28	\$1,734,259.63	\$11,053,280.00
Indirect	Local Supply Chain	23.7	\$1,188,398.63	\$3,928,857.77
Induced	Employee Spending	13	\$542,170.37	\$1,682,374.33
Total Operating Phase		64.7	\$3,464,828.63	\$16,664,512.10
Total Economic Impact		64.7	\$3,464,828.63	\$16,664,512.10

[1] Job estimates include part-time and full-time employment

[2] Employee compensation includes wages and fringe benefits paid for by employers

[3] Economic output includes all local spending on labor, materials, and services, and does not include the value of the energy created.

Source: Copyright 2011 Minnesota IMPLAN Group, Inc.

Based on the projected need for direct employment of employees making up 28 job-years for annual operations, it is estimated that MBOWF would create 64.7 full-time equivalent jobs during the operating period in the County.² The total local economic impact of MBOWF is \$16.6 million per year. The share of local benefits attributed to San Luis Obispo County will depend on the success of programs Trident Winds has put in place to emphasize employment in the county.

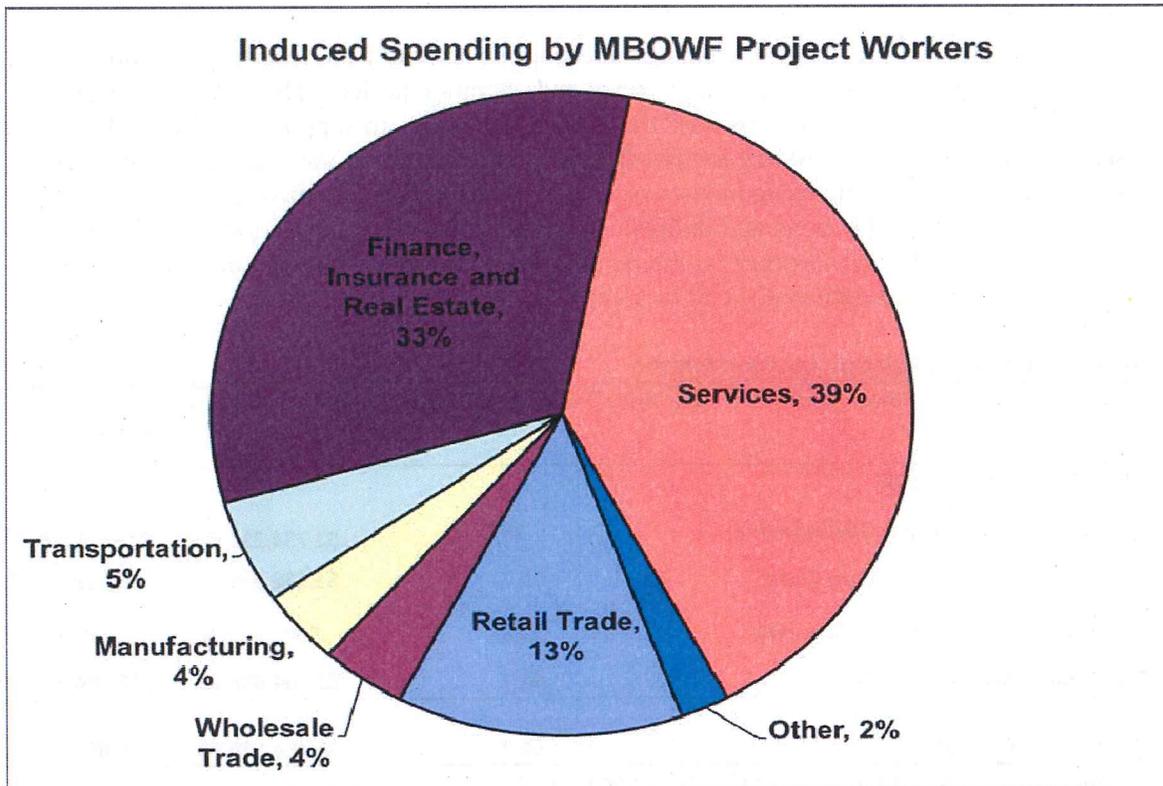
¹ Nameplate Capacity provided by Trident Winds.

² A full-time equivalent (FTE) job represents the equivalent of a single person employed for the entire fiscal year. An FTE is considered to be 2,080 hours of employment.

In addition to providing a local economic impact of over \$16 million annually, MBOWF is expected to produce a net fiscal benefit for the County of \$311,287 per year.

Figure E1 provides a breakdown of induced spending by MBOWF workers. The majority of induced spending is projected to occur in Finance, Insurance and Real Estate, Services and Retail Trade.

Figure E1. Induced Spending by MBOWF



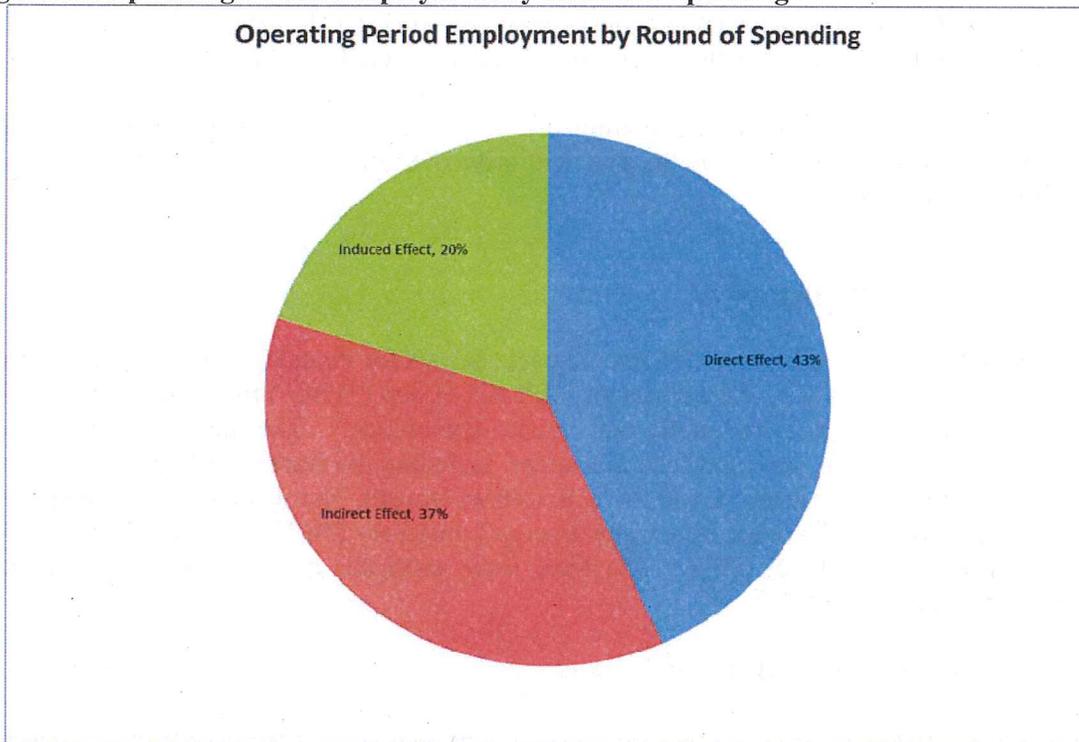
I. INTRODUCTION

This report details the economic and fiscal impacts of the Morro Bay Offshore Wind Farm (MBOWF), a 765 megawatt (MW) offshore wind farm proposed for San Luis Obispo County by Trident Winds.

During the operating period, an estimated cost of \$95 per Kilowatt is projected for local operations and maintenance (O&M) over a 30-year operating period, which is the lifetime of the wind farm considered in this report. Approximately \$1.7 million annually will be spent over this period on the estimated 28 annual workers needed to operate and maintain the plant.³ In total, MBOWF will generate an estimated 64.7 job-years annually over the 30-year operating period in San Luis Obispo County ("local economy").

Figure 1.1 presents a breakdown of the operating period employment created by round of spending in the local economy.

Figure 1.1 Operating Period Employment by Round of Spending



Earnings and output are based upon the local content assumptions recommended by BOEM.⁴ The study creates cases for local share content. Scenario 0 assumes little infrastructure and supply chain to support the new facility. Scenario B assumes a robust infrastructure and supply chain to support the industry. Because of this, Scenario B can be thought of as the long run annual impact of the facility. The following analysis will focus primarily on Scenario 0 with a brief case study of Scenario B prior to the conclusion.

³ Data provided by Trident Winds.

⁴ Speers et al. 2016, pg. 19

II. BACKGROUND

Morro Bay Offshore Wind Farm is a 765 MW alternating current (AC) wind farm currently being developed by Trident Winds. Each floating offshore wind system will consist of a commercially available floating support structure and a large offshore wind turbine generator. The proposed plant, located approximately 45 km offshore, is expected to have approximately 100 floating windmills⁵.

MBOFW relies on technology that requires no piling and is well suited for deep and variable seabed conditions. This unique method relies on anchoring and is completely reversible; no permanent damage will be done to the sea bed. The energy generated by the plant will help meet California's Renewable Portfolio Standard (RPS), which requires investor-owned utilities, electric service providers and community choice aggregators to increase procurement from eligible renewable energy resources by at least 1% of their retail sales annually to 33% by 2020. Conveying the energy produced at the plant will require interconnection to the transmission grid, an effort that will be undertaken by Trident Winds. Additional economic benefits created from construction of the interconnect are not considered in this report. The final project site will include windmills, as well as an electrical substation and maintenance facilities.

This report considers a minimum operating life of 30 years, which results in a conservative lower-bound on the economic benefits that will arise over the operating period of the project under the existing lease.

III. METHODOLOGY

The economic analysis relies on IMPLAN (Impact analysis for Planning), an input-output model developed and maintained by the Minnesota IMPLAN Group ("MIG") that is used for economic impact analysis by over 2,000 public and private institutions.⁶ The analysis draws on data collected from numerous state and federal sources, including the Bureau of Economic Analysis, Bureau of Labor Statistics (BLS), and the U.S. Census Bureau. The wind industry inputs for the analysis come from the National Renewable Energy Laboratory (NREL) and Jobs and Economic Development Impact Model (JEDI). The local share estimates come from Bureau of Ocean Energy Management (BOEM).

a. Description of IMPLAN

The IMPLAN modeling system relies on a matrix representation of the economy that describes the relationships among industries, consumers, government and foreign suppliers in order to derive the economy-wide impacts of changes in a specific industry. This matrix representation is the so-called Leontief matrix, which contains average input (purchase) coefficients that describe the mix of goods, services and labor that are required to produce a unit of output; that is, how the output of one industry is used as an input in other related industries. The resulting input-output

⁵ Information provided by Trident Winds.

⁶ MIG; http://implan.com/V4/index.php?option=com_content&view=article&id=282:what-is-implan&catid=152:implan-appliance-&Itemid=2

coefficients represent what economists refer to as production functions.⁷ The basic input-output model can be expressed in a straightforward equation: $X = (I - A)^{-1} * dY$ where $(I - A)$ is the inverse of the Leontief matrix, dY is a change in final demand and X is output.

The IMPLAN model refines the US economy into 440 unique sectors and allows for regional disaggregation down to the county level. The model can be used to estimate the direct, indirect and induced impacts on employment, earnings and output as a result of final demand changes that result from a new investment in a particular industry or compilation of industries.⁸ The *direct effect* captures the initial change in economic activity resulting from the new investment. The *indirect effect* reflects new economic activity that is stimulated by the direct investment in industries that supply inputs to the sector of initial change. For example, increased spending on engineering consulting services to support the construction industry would be an indirect effect that arises during the construction phase of a plant. The *induced effect* captures the economic activity that results when the increased earnings generated by the direct and indirect economic activity is spent on local goods and services, for instance when workers hired to work on the wind farm spend income on groceries, clothing, financial services, real estate, and healthcare. The economic impact of the project is the sum of these direct, indirect and induced effects.

b. Description of JEDI

The Jobs and Economic Development Impact (JEDI) model, produced by National Renewable Energy Laboratory, is a screening tool that estimates the economic impacts of constructing and operating power plants, fuel production facilities, and other projects at the local and state level. Based on user-entered project data, JEDI estimates the direct, indirect, and induced effects by the creation of a new energy facility. JEDI methodology relies upon the MIG state-level data to estimate the local economic activity and the resulting impact from new energy generation plants.⁹

c. IMPLAN Inputs

The county-level economic impacts of the proposed 765MW MBOWF are estimated using IMPLAN v3. To maintain consistency with the National Renewable Energy Laboratory's (NREL's) Jobs and Economic Development Impact (JEDI) model, the 536 IMPLAN industries are aggregated into 14 sectors that correspond to distinct areas of investment related to power generation projects. The aggregated sectors are as follows: Agriculture; Construction; Electrical Equipment; Fabricated Metals; Finance, Insurance and Real Estate; Government; Machinery; Mining; Other Manufacturing; Other Services; Professional Services; Retail Trade; Transportation, Communication and Public Utilities; and Wholesale Trade.

⁷ The production functions used in IMPLAN are based on the US Bureau of Economic Analysis' (BEA's) Benchmark Input-Output Accounts.

⁸ *Final Demand* is the demand of units external to the industrial sectors that constitute the producers in the economy, e.g., households, government and foreign trade. (Miller and Blair, 1985). Output represents the value of industry production.

⁹JEDI Methodology

Economic value is generated from the direct labor requirement for operations and maintenance of the facility. The labor cost to Trident Winds is comprised of both employee wages and employee benefits. Trident Winds is projected to spend \$61,937.84¹⁰ per worker in total compensation during the operations phase of the project (the compensation rate for maintenance and repair occupations in San Luis Obispo County).

The JEDI model was utilized to generate the direct impacts to the local economy given the initial input conditions provided by Trident Wind. The direct employment results from Jedi were then inputted into an analysis by parts template to calculate IMPLAN inputs for a nonexistent industry. These results in the nonexistent industry template were imputed using the output per worker estimate for all other renewable industries. This estimate is \$394,760 output per worker¹¹. This created inputs for IMPLAN where the indirect and induced economic effects were generated. IMPLAN contains a zip code analysis allowing for results based on Morro Bay as well as SLO county.

The process was completed with two different scenarios, with different local share estimates for both SLO county and Morro Bay.

IV. RESULTS

a. Economic Impacts

The results of modeling in IMPLAN are displayed in Tables 4.1- 4.3. Tables 4.1 and 4.2, respectively, show the induced and indirect impacts of the MBO Wind Farm project on employment across the aggregated sectors underlying the study.

Table 4.1: Induced Employment Generated by Direct Spending in the Local Economy

Industry/Sector	Operation Phase	
	Jobs	% of Total
Agriculture	0	1%
Mining	0	0%
Transportation, Communication and Public Utilities	0	3%
Construction (Maintenance & Repair)	0	1%
Other Manufacturing	0	2%
Fabricated Metals	0	0%
Machinery	0	0%
Electrical Equipment	0	0%
Wholesale Trade	0	3%
Retail Trade	2	18%
Finance, Insurance and Real Estate	1	12%
Professional Services	1	6%
Services (except Public Administration)	6	55%
Government	0	0%
Total Induced Employment	11	100%

Source: Copyright 2011 Minnesota IMPLAN Group, Inc.

¹⁰ Calculated by: Direct Labor Income ÷ Direct FTE Employment. The values can be found in Figure 4.3

¹¹ Source: 2011 Minnesota IMPLAN Group, Inc.

Table 4.2: Indirect Employment Generated by Direct and Indirect Spending in the Local Economy

Industry/Sector	Operation Phase	
	Jobs	% of Total
Agriculture	0	0%
Mining	1	2%
Transportation, Communication and Public Utilities	2	10%
Construction (Maintenance & Repair)	3	11%
Other Manufacturing	0	1%
Fabricated Metals	0	0%
Machinery	0	0%
Electrical Equipment	0	0%
Wholesale Trade	1	4%
Retail Trade	1	3%
Finance, Insurance and Real Estate	3	11%
Professional Services	9	36%
Services (except Public Administration)	5	21%
Government	0	0%
Total Indirect Employment	24	100%

Source: Copyright 2011 Minnesota IMPLAN Group, Inc.

Note that the employment figures generated by IMPLAN are converted into full-time equivalent jobs (job-years) to facilitate the comparison of employment effects across sectors for different compositions of part-time and full-time employees. The employment effects reported for the operating period represent the annual impacts of the project on local job creation in SLO County over the operating horizon.

Table 4.3 depicts the local economic impact of MBOWF in terms of employment, employee compensation, and total economic output.¹² The entries in the table indicate that the proposed project will create 64.7 job-years annually over the 30-year operating period in the local economy. In total, 43% of employment creation of the project arises through direct employment effects as a result of the MBOWF facility.

The resulting impact on local employee compensation and economic output are presented in the table in 2018 dollars. Development of MBOWF will generate \$3.5 million in local employee earnings and \$16.7 million in local economic output annually over the initial 30 year operating period.

¹² Local economic impacts reflect the assumption that the construction and O&M employment requirements are met by workers located in San Luis Obispo County.

Table 4.3: SLO County Economic Impact of MBOWF

Impact	Economic Activity	Job Years (FTEs)[1]	Employee Compensation[2]	Economic Output[3]
Operating Phase (Annual)				
Direct	Project Development	28	\$1,734,259.63	\$11,053,280.00
Indirect	Local Supply Chain	23.7	\$1,188,398.63	\$3,928,857.77
Induced	Employee Spending	13	\$542,170.37	\$1,682,374.33
Total Operating Phase		64.7	\$3,464,828.63	\$16,664,512.10
Total Economic Impact		64.7	\$3,464,828.63	\$16,664,512.10

[1] Job estimates include part-time and full-time employment

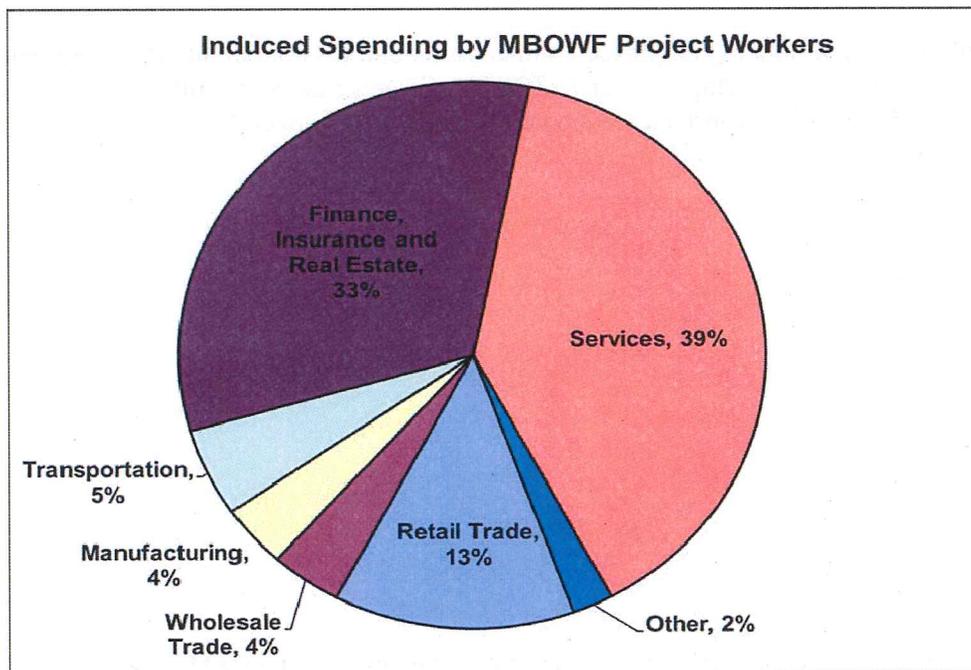
[2] Employee compensation includes wages and fringe benefits paid for by employers

[3] Economic output includes all local spending on labor, materials, and services, and does not include the value of the energy created.

Source: Copyright 2011 Minnesota IMPLAN Group, Inc.

Figure 4.1 details the distribution of induced spending by MBOWF workers across industries. The largest shares of induced spending is projected to occur in the service sector, finance, insurance and real estate industries, and retail trade, where service industries include administrative and waste services, educational services, health and social services, entertainment and recreation, professional services, and accommodation and food services. Other industries, which together account for 2% of induced spending, include agriculture, mining, construction and wholesale trade, with wholesale trade accounting for about half of spending in the category.

Figure 4.1. Induced Spending by MBOWF Project Workers



b. **Fiscal Impacts**

Table 4.4 displays a detailed distribution of the California state sales and use tax. SLO County will collect a local sales tax of 1% on all materials and supplies spent for the MBOWF.

Table 4.4 Distribution of Sales and Use Tax

Purpose	Rate
State	6.00%
SLO County	0.25%
Local	0.50%
Special	1.00%
Total	7.75%

Source: <https://www.taxrates.com/state-rates/california/cities/morro-bay/>

Fiscal Impacts on SLO county are dependent on our percentage of local share attributed to materials and maintenance costs as well as indirect taxes from property and corporate taxes. The local share for Scenario 0 provides a smaller portion of local share value. Table 4.5 displays the aggregated sales and tax revenues collected by San Luis Obispo County in the operating phase of the project.

Table 4.5: SLO County Tax Benefits For Scenario Year 0

Description	Employee Compensation	Tax on Production and Imports	Households	Corporations	Total
Dividends				\$557	
Social Ins. Tax	\$7,158				
TOPI[1]		\$231,302			
Corporate Tax				\$9,927	
Personal Taxes[2]			\$62,343		
Total County and Local Tax	\$7,158	\$231,302	\$62,343	\$10,484	\$311,287

[1] Tax on Production and Imports includes Sales, Property, Severance, and Use taxes.

Also includes motor vehicle license and other S/L taxes.

[2] Includes Income Tax, Fines/Fees, and other licenses (Fish/Hunting)

Total state and local tax benefits total \$311,287 with 74% of revenue is generated from sales, property, severance, and use taxes. This is a conservative estimate for SLO county assuming tax revenues will take place annually during the startup period of the wind farm. This estimate is based off of IMPLAN's estimates of fiscal impacts. Direct spending and sales tax revenue will depend on Trident Wind's O&M estimates for materials and supply costs relative to local share of operating spending.

Scenario B for SLO county assumes a larger local share of spending for operating expenses based on a 30 year average. B implies Trident and SLO county has become a supplier for the

wind industry along the central coast and will increase indirect effects within the county. Scenario B county and local tax benefits total \$555,868 with 74.3% of revenue generated from sales, property, and use taxes.

Morro Bay Fiscal Impacts Estimate

IMPLAN has the ability to run a zip code level estimate of tax revenues from the wind farm. Scenario 0 provides a conservative estimate for total tax benefits of \$119,091 and Scenario B provides an estimate for total tax benefits of \$214,191. Tax benefits consist of sales, property, and severance tax, but Morro Bay does not receive a use tax benefit. Table 4.6 displays the aggregated sales and tax revenues collected by Morro Bay in the operating phase of the project for scenario 0.

Table 4.6: Morro Bay Tax Benefits For Scenario Year 0

Description	Employee Compensation	Tax on Production and Imports	Households	Corporations	Total
Dividends					\$221
Social Ins. Tax	\$2,941				
TOPI[1]		\$82,871			
Corporate Tax				\$3,938	
Personal Taxes[2]			\$29,120		
Total City and Local Tax	\$2,941	\$82,871	\$29,120	\$4,159	\$119,091

[1] Tax on Production and Imports includes Sales, Property, and Severance taxes.

Also includes motor vehicle license and other S/L taxes.

[2] Includes Income Tax, Fines/Fees, and other licenses (Fish/Hunting)

Note that the tax revenue generated by Morro Bay is a subset of tax revenue generated by SLO county.

c. Scenario B

Scenario B looks at the potential local economic impact after the industry supply chain has had time to adjust to the introduction of the MBOWF. Over the lifespan of the wind farm, the local economy will develop to meet the needs of the facility. Scenario B estimates the impacts of the changes described above. It can be thought of as the long run annual effects of MBOWF to the local economy.¹³ Table 4.7 depicts the updated figures for the annual local economic impact with amounts to a 68% increase in job-years, 78% increase in employee compensation, and 78% increase in economic output.

¹³ Local shares for Scenario B comes from NREL Floating Offshore Wind in California: Gross Potential for Jobs and Economic Impacts from Two Future Scenarios

Table 4.7: Total Economic Impact of MBOWF for Scenario B
Scenario B: O&M Spending in San Luis Obispo County

Impact	Economic Activity	Job Years (FTEs)	Employee Compensation	Economic Output
Direct	Project Development	50	\$3,096,892	\$19,738,000
Indirect	Local Supply Chain	42	\$2,122,140	\$7,015,815
Induced	Employee Spending	20	\$968,161	\$3,004,239
Total Economic Impact		112	\$6,187,193	\$29,758,055

d. **Morro Bay Impacts**

Table 4.8 restricts the model to only the economic impact on the city of Morro Bay. The table shows an increase in 47 job-years for the local city with just under 60% of the job-years coming directly from the MBOWF over the initial 30-year operating period.

Table 4.8 Morro Bay Economic Impact of the MBOWF

Impact	Economic Activity	Job Years		
		(FTEs) ¹	Employee Compensation ²	Economic Output ³
Operating Phase (Annual)				
Direct	Project Development	28	\$5,145,744	\$11,053,280
Indirect	Local Supply Chain	13	\$917,903	\$1,651,398
Induced	Employee Spending	6	\$474,679	\$759,083
Total Economic Impact		47	\$6,538,326	\$13,463,762

[1] Job estimates include part-time and full-time employment

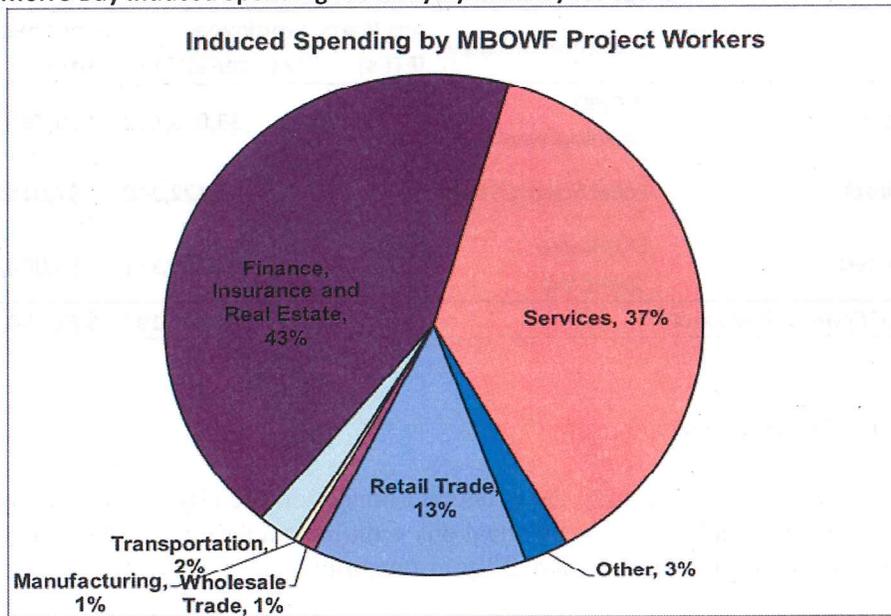
[2] Employee compensation includes wages and fringe benefits paid for by employers

[3] Economic output includes all local spending on labor, materials, and services, and does not include the value of the energy created.

Source: Copyright 2011 Minnesota IMPLAN Group, Inc.

The division of the \$759,083 annual induced spending by industry is shown in figure 4.2. Finance, Insurance and Real Estate, Services and Retail Trade making up 93% of the annual induced spending from the Trident Wind Farm.

Figure 4.2: Morro Bay Induced Spending Annually by Industry for Scenario B



e. **Commercial Fishery Impact**

The Bureau of Ocean Energy Management and US Department of the Interior funded an analysis on potential impacts to commercial fisheries due to offshore wind energy development¹⁴. The study used data collected from commercial fish tickets on over eight potential wind energy areas (WEA). The results grouped different permit subsets into five separate clusters. The study concluded with a loss of annual revenue net of variable costs (RNVC) of 2.2% in one of the five clusters, with the other four clusters having a RNVC change between a loss of 0.2% and a gain of 0.6%. All effects fell within the normal yearly deviation of the RNVC.

MBOWF could also cause an increase in potential danger to commercial fishermen due to the possibility of boats drifting into the wind farm zone during times with poor visibility such as fog and nighttime. A Danish study¹⁵ has found increased collision frequency after the erection of an offshore wind farm. This increased collision frequency was usually due to a failure on propulsion machinery instead of human or steering failure.

There is also a worry on the effect of electromagnetic fields on the fish population. While some fish species use geomagnetic fields to navigate underwater, current studies have not shown an impact from underwater wind farm cables.¹⁶

¹⁴Kirkpatrick et al., 2017

¹⁵ Christensen et al.

¹⁶Iyre et al., 2007

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Exhibit C

Summary of Fishermen's Agreement

(Immediately behind this page.)

Summary of the Mutual Benefits Agreement between

Morro Bay Commercial Fisherman's Organization, Port San Luis Commercial Fishermen Association, and Castle Wind LLC

The Morro Bay Commercial Fisherman's Organization (MBCFO), the Port San Luis Commercial Fishermen Association (PSLCFA), and Castle Wind LLC, a joint venture between Trident Winds Inc. and EnBW North America Inc., have entered into a Mutual Benefits Agreement to minimize the impacts of a future offshore wind project on the local commercial fishing community.

Castle Wind is planning to develop an offshore wind project with a grid connection in Morro Bay that will generate approximately 1,000 megawatts of clean energy for over 300,000 households and businesses. The commercial fishing industry represents a significant part of the Central Coast communities and economy. Castle Wind has been working closely with the local commercial fishing organizations for over two years to develop means to minimize the anticipated impacts in the vicinity of the planned offshore wind project.

The outcome of these negotiations is the Mutual Benefits Agreement, under which:

- MBCFO, PSLCFA, and Castle Wind will form a mutual benefits corporation in the event the Bureau of Ocean Energy Management (BOEM) issues a legally-binding lease to Castle Wind for the proposed offshore wind project.
- Castle Wind will make annual contributions to a fund, to be managed by representatives of MBCFO and PSLCFA, equal to a percentage of the annual operating fees that Castle Wind will be making to BOEM after the commercial operation date.
- The purpose of the fund is to mitigate the anticipated impacts of the offshore wind project on the local commercial fishing community and to help finance new business opportunities for their members.
- The fund will be used for improvements to the infrastructure at Morro Bay Harbor and Port San Luis, as well as to provide grants to reduce impacts to the commercial fishing industry. Those may include improvements to slips and unloading docks, safety equipment, equipment purchases or repair, improvements or repair of storage, fuel docks, or cold storage facilities, among others. The fund may also be used for activities that support the short- and long-term viability of the commercial fishing industry, including low-cost loans, community outreach, college scholarships, and internships.

In addition to the fund, the Mutual Benefits Agreement provides that:

- Members of MBCFO and PSLCFA will have the right of first offer to provide certain qualified services to Castle Wind during construction and operation of the offshore wind project.
- Castle Wind will provide training opportunities to qualified members of MBCFO and PSLCFA to apply their existing skills to the offshore wind industry.
- Castle Wind will consult with MBCFO and PSLCFA about the design of the offshore wind project and will also strive to minimize restrictions on commercial fishing in the project area.



CITY OF MORRO BAY

CITY HALL
595 Harbor Street
Morro Bay, CA 93442

May 23, 2019

Speaker Nancy Pelosi
1236 Longworth House Office Building
Washington D.C. 20515

Dear Speaker Pelosi,

California has world-class offshore wind energy power generation resources proximate to existing transmission capacity and major load centers. These resources are critical to our nation's energy security. Offshore wind farms will enhance grid stability and reliability.

The Bureau of Ocean Energy Management (BOEM) is looking at offshore "wind energy areas" (WEAs) in California for potential wind energy farm leases. We understand that the Navy is reluctant to sanction offshore wind energy development in these WEAs because of perceived incompatibility with Navy operations and training. If allowed to stand, that objection would forestall wind energy development along the entire Central Coast of California.

After more than two years of industry, local and state collaboration, we believe that offshore wind development can be compatible with Department of Defense (DoD) testing and training missions off the Central California coast.

Morro Bay possesses critical resources already in place to support wind energy generation – ability to bring generation cables onshore through an already existing ~3,100-foot tunnel previously used to discharge water from the decommissioned power plant; access to an existing PG&E switching station and transmission lines; a work force of willing fishermen and their boats to provide the daily support needs of an offshore farm; a potential work force of trained energy support personnel from the Diablo Canyon Nuclear Power Plant as it closes down; and a community that welcomes and is actively engaged with one of the wind farm lease applicants, Castle Wind LLC.

We respectfully request your assistance with the following:

1. Any official DoD position on the military mission compatibility of wind turbines off the Central California coast be delayed until a meeting is convened among the appropriate military, state and industry stakeholders to discuss the Department's specific concerns and to identify areas off the Central California coast where offshore wind is compatible with DoD's testing and training missions.
2. A thorough technical evaluation be conducted on the potential impacts (and mitigations of those impacts) of offshore wind operations on military testing and training activities for each Central California WEA – individually – before DoD finalizes its position. This should involve a federally-funded facility with radar and operational expertise to ensure that an objective analysis of mitigation options is completed that effectively protects DoD mission profiles.

Thank you for your attention to these matters.

Sincerely,

John Heading
Mayor