



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, December 5, 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

Presentation by Morro Bay Tourism Manager Jennifer Little on Morro Bay Tourism and the Tourism Business Improvement District (TBID) as they relate to the Morro Bay waterfront.

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

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

A-1 Approval of Minutes from the Harbor Advisory Board meeting held on September 5, 2019.

RECOMMENDATION: Receive and file report.

A-2 Harbor Department Status Report.

RECOMMENDATION: Receive and file report.

B. BUSINESS ITEMS

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

RECOMMENDATION: Receive and file committee report.

B-2 Update from the Finance & Budget Ad-Hoc Committee on Committee's Recent Activities, Input on Importance and Prioritization of Harbor Infrastructure Needs Should Funding be Made Available, and Consideration of Utilizing a Portion of the Castle Winds Community Benefit Agreement Payment to Fund a Portion of the Needed Coleman Park Restroom Rebuild

RECOMMENDATION: Receive and file committee report, and provide staff input on infrastructure needs prioritization and Castle Winds Community Benefit Agreement payment utilization as outlined in this staff report.

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

RECOMMENDATION: Receive and file committee report.

B-4 Update on Harbor Department Lease Management Policy Update Process, and Harbor Advisory Board Review and Input on Draft Policy Document

RECOMMENDATION: Receive and file report on update process, and provide input on draft Lease Management Policy document to-date.

B-5 Discussion and Prioritization of Results of Harbor Department Strengths, Weaknesses, Opportunities and Threats ("SWOT") Analysis as Discussed by the Harbor Advisory Board on November 7, 2019

RECOMMENDATION: Discuss and provide input and prioritization regarding the two most important elements for each of the Harbor-related Strengths, Weaknesses, Opportunities and Threats ("SWOT") identified by the Harbor Advisory Board during its "SWOT" analysis conducted during its regular November 7, 2019 meeting (agenda item B-5).

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

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, 1275 Embarcadero Road, 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: December 5, 2019

MINUTES-MORRO BAY HARBOR ADVISORY
BOARD MEETING – September 5, 2019
VETERAN'S MEMORIAL HALL – 5:30 P.M.

PRESENT: Ron Reisner HAB Chair
Gene Doughty HAB Member
Lynn Meissen HAB Member
Peter Griffin HAB Member
Dana McClish HAB Member
Cherise Hansson HAB Member

ABSENT: Mark Blackford HAB Vice-Chair

STAFF: Lori Stilts Harbor Business Coordinator
Becka Kelly Harbor Patrol Supervisor

ESTABLISH QUORUM AND CALL TO ORDER

The meeting was called to order at 5:35 p.m., with a quorum present.

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

CHAIR AND ADVISORY BOARD MEMBER ANNOUNCEMENTS & PRESENTATIONS

<https://youtu.be/TjBWOaemQ7c?t=100>

PUBLIC COMMENT

<https://youtu.be/TjBWOaemQ7c?t=300>

The public comment period was opened and closed with no comments.

A. CONSENT AGENDA

<https://youtu.be/TjBWOaemQ7c?t=368>

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

A-1 HARBOR DEPARTMENT STATUS REPORT

RECOMMENDATION: Receive and file.

Chair Reisner read a memorandum of conflict of interest from the City's Attorney explaining there is no reason for a current liveaboard Board Member to recuse themselves from the Master Fee, B-5 discussion.

MOTION: Board Member Doughty moved approval of items A-1 through A3. The Motion was seconded by Board Member McClish and carried unanimously, 6-0.

There was Board consensus to move B-5 to the beginning of the business items.

Peter Griffin joined the Board at the dais at 5:45 p.m.

B. BUSINESS ITEMS

<https://youtu.be/TjBWOaemQ7c?t=586>

B-5 PRESENTATION ON MASTER FEE SCHEDULE STUDY RESULTS AND RECOMMENDATION ON FEE RECOVERY RATES FOR HARBOR DEPARTMENT FEES

Chair Reisner explained to the Board and public the process of how B-5 will be presented and provided background on the City's Cost and Fee Study relating to the two liveaboard fees being discussed this evening.

The public comment period was opened.

Denise Jacobson, Liveaboard, stated she does not understand the Service fees and suggests the fees were picked out of the wind and would like the vote postponed to go along with the Fishermen.

Anastasha Ruthchow, Liveaboard on the Bay, stated the trash container is always locked and with no recycle, she fills her boat up once a month with water, doesn't take showers at the public restrooms because the water is cold and she feels unsafe. The 430% fee increase for services doesn't make any sense.

Scott Moore, owner of Tanya B, stated the restrooms are ridiculous with homeless sleeping in them, shower heads are stolen, and coin machines are broken and doesn't want to pay for something the general public gets for free.

Jesse Brazzel, Liveaboard, stated his permit was revoked because he refused to pay fees for overnight at Tidelands dock, and million-dollar boats fill up with water and don't have to pay.

Christopher Collpoy, Liveaboard, stated if there is a new fee increase perhaps it could be postponed until there are new facilities.

Craig Kent, resident of Solvang and his father owns the vessel Helene in Morro Bay, compared his resident exclusive utilities to the liveaboard services offered by the City and seems like apportionment is heavily weighted toward the moored boats verse the boats in a slip.

Steve Yarling, state he's been living and working in Morro Bay for 4 decades and uses the shower next to the Harbor Office and is in favor of a little increase and thanked the Board for their service.

Lori Toff, new sailboat owner, thanked the Harbor Patrol for their service, but feels like the liveaboard community keeps the bay safe and seems like a lot of free water is going to the fish cleaning station.

Drew Jacobson, Liveaboard, thanked Board Member Doughty for slowing down the fee increase and asked to hold the vote tonight and will work with department staff in the future.

Denise Jacobson stated that there are 30 permitted liveaboards and the fee would only affect about 12 of them.

Mike _____ stated he just heard about this a week ago and would like to slow it down and agrees to paying something, but when the shower is flooded or doesn't work, or no hot water, doesn't see the increase.

West _____, Liveaboard, asked who performed the cost study? Chair Reisner explained the City's hiring of a Cost Specialist. West made clear he doesn't use any of the facilities and is paying a fee for nothing.

Mimi Goldberg requested the Board Members ask City Council to give the mooring holders a break.

David Perlis, Liveaboard, stated this seems misguided to put the fees on the Liveboards especially at this rate.

The public comment period was closed.

Harbor Business Coordinator Stilts presented the staff report for B-5.

Chair Reisner opened a second public comment period.

Denise Jacobson requested explanation of what the \$38,000 overall liveaboard cost is for?

David Perlis requested what part of the \$38,000 is incurred by liveboards verses general public?

Christopher Collpoy stated he doesn't understand what the \$38,000 means and it sounds Citywide and not just Harbor.

Craig Kent stated there seems to be a lack of clarification of how the fees are allocated and distributed to mooring holders.

Mimi Goldberg asked why it took so long to recognize the shortfall of income verses expenses and suggested the City should get a second opinion.

Jesse Brazzel asked why the Harbor Department isn't using the granted derelict boat money to fund the liveaboard shortfall.

Jason Mayer, looking to become a Liveaboard, is familiar with the poor conditions of Morro Bay showers and prefers San Luis Obispo Harbor private showers.

Chair Reisner closed public comment.

There was Board discussion and input.

Chair Reisner polled the approximate 40 audience members of accepting of setting up a meeting with the City staff to discuss the Liveaboard Service fee increase and the City to provide more cost explanations. The audience members were in agreement.

MOTION: Member Doughty move to postpone B5 until representatives from the Liveboards meet with the City staff and work out arrangements on fee structure and their concerns. The motion was seconded by Member McClish. The motion carried 6-0.

Chair Reisner thanked the Liveaboard community for their participation at tonight's meeting.

B-1 UPDATE FROM THE BOATYARD/MARINE SERVICES FACILITY AD-HOC COMMITTEE ON COMMITTEE'S RECENT ACTIVITIES

<https://youtu.be/TjBWOaemQ7c?t=4442>

Committee Chair McClish stated the committee has continued to work toward looking for grant funding for the Boatyard/Marine Services facility and as a result has engaged with an experienced grant writer Louis Tornatzky. There will be a class Wednesday, September 18 at the Morro Bay Yacht Club from 2 - 4 p.m.

B-2 UPDATE FROM THE FINANCE & BUDGET AD-HOC COMMITTEE ON COMMITTEE'S RECENT ACTIVITIES

<https://youtu.be/TjBWOaemQ7c?t=4632>

Board Chair Reisner stated the Committee Chair is absent tonight and there is nothing new to report.

B-3 UPDATE FROM THE EELGRASS AD-HOC COMMITTEE ON COMMITTEE'S RECENT ACTIVITIES

<https://youtu.be/TjBWOaemQ7c?t=4661>

Committee Chair Meissen stated the Committee has not met since last month and nothing new to report.

B-4 UPDATE ON HARBOR DEPARTMENT LEASE MANAGEMENT POLICY UPDATE PROCESS

<https://youtu.be/TjBWOaemQ7c?t=4747>

Board Member Hansson summarized the latest from the Lease Managements Policy Update meeting and confirmed the next meeting will be September 17.

C. DECLARATION OF FUTURE AGENDA ITEMS

<https://youtu.be/TjBWOaemQ7c?t=4870>

There were no new items declared.

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
- Report for Morro Bay Quota Fund in September or October of 2019
- Mini “SWOT”

E. ADJOURNMENT

This meeting was adjourned at 6:58 p.m. The next Regular Meeting will be held on Thursday, October 3, 2019 at 5:30 p.m. in the Veteran’s Memorial Hall located at 209 Surf Street, Morro Bay, California.

Recorded by,

Lori Stilts
Harbor Business Coordinator



AGENDA NO: A-2

MEETING DATE: December 5, 2019

Staff Report

TO: Harbor Advisory Board
FROM: Eric Endersby, Harbor Director
SUBJECT: Harbor Department Status Report

DATE: November 26, 2019

RECOMMENDATION

Receive and file report.

DISCUSSION

Recent Department Activity:

Harbor Patrol statistics to date since the November Harbor Advisory Board meeting were 10 emergency responses, 74 calls for service, 20 assists of other agencies, 15 enforcement contacts, and 2 weather warnings.

November 4-8, Harbor Patrol Reserve Dax Theis attended a week of Boating and Waterways training on Rescue Boat Operations conducted at Marina del Rey and on November 18-22, Reserve Theis attended another Boating and Waterways training on Marine Fire Fighting, also in Marina del Rey.

Also over November 4-8, K-38 Rescue conducted a rescue watercraft surf rescue training class in Morro Bay that several Harbor and Fire department personnel attended.

November 2, Harbor Patrol responded to a vessel dead-in-the-water near the harbor entrance at the finger jetty and towed it back to the launch ramp. There were no injuries and the vessel was hauled out.

November 10, Harbor Patrol responded to a recreational vessel with engine trouble near the South Jetty. Patrol towed it back to the launch ramp to be hauled out. Also, on this same day Patrol assisted another vessel in the same situation off the Sandspit and towed it safely back to the launch ramp.

November 11, Harbor Patrol responded to a medical aid at the Morro Dunes Campground for a suicidal subject. The subject was transported by ambulance for medical treatment.

November 12, Harbor Patrol was dispatched to the Rock for two unresponsive persons in a vehicle. After arrival Patrol found the individuals to be just sleeping.

November 20, Harbor Patrol responded to a person in distress in the water clinging to a piling near Marina Square around 6:00 in the morning. Patrol staff entered the water and rescued the victim by pulling her to safety aboard a Harbor Patrol vessel. The victim was turned over to Morro Bay Fire and Police personnel for evaluation and treatment.

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____

Also on November 20, Harbor Patrol responded by water and land to a possible structure fire at a restaurant on the Embarcadero. The call was canceled due to a false alarm caused by construction.

November 21, Harbor Patrol staff and Morro Bay Coast Guard participated in a joint hands-on 1st aid training session at the Morro Bay Fire Station.

November 23, Harbor Patrol received a radio call from a commercial fisherman reporting of a vessel dead-in-the-water near the A-2 mooring area. Patrol towed the 18-foot runabout with a family aboard to the launch ramp to be hauled out.

Recent City Council Activity

There is no Harbor-related Council activity to report.

Lease Site Updates

From north to south, the following are updates on lease sites in some stage of development, redevelopment or construction:

Coast Guard Station Morro Bay: the Coast Guard has begun geophysical and other preliminary site assessment in preparation for pending ~800 square foot addition to the east side of their building. Construction should begin this winter.

Morro Bay Landing: the Embarcadero lot entry curb cut and other work to relocate and widen the alleyway curve serving the fish dock was recently completed, and work begun on the “pocket park” hardscape work to be located where the old boat-shaped building was. All major electrical service has been completed, as is most exterior work, and the tenant is currently working on fit and finishes on the interior spaces in preparation for subtenant occupancy.

House of JuJu: work should begin soon to finish converting the westerly interior spaces to customer seating, as well as improvements to the Harborwalk entry from Anchor Memorial Park, relocation of the site’s trash dumpster to a new enclosure, and re-decking the Harborwalk adjoining the site.

Port House Restaurant (formerly Otter Rock Restaurant): work was recently completed on a major renovation of the site’s improvements including a new, solid roof throughout (it was previously partially enclosed), addition of approximately 80 square feet of interior customer service area, complete renovation of the site’s failing foundation and over-water supporting structures, complete electrical upgrades, complete restroom upgrades, kitchen remodel and other interior work.

The Boatyard: work was recently completed on a major seawall failure issue including replacing the seawall with a new rock revetment structure, widening of the adjoining Harborwalk from eight to ten feet, new gangway, docks and dock rental shacks and other significant improvements.

Off the Hook Restaurant: the project for complete site redevelopment recently gained unanimous Planning Commission approval of the project’s Precise Plan. This site will be scraped to the ground, and all new building, dock and other improvements installed that will see two new retail units and a family-style restaurant on the ground floor, hotel units on the second floor, and an improved outdoor children’s play and public area.

Rose’s Landing: work was recently begun to convert the second story restaurant to a twelve room hotel complex, in addition to other deck and Harborwalk improvements.

Morro Bay Aquarium: preliminary work has begun to convert the ground floor spaces for occupation by Three Stacks and a Rock Brewing Company. The City is completing moderate demolition and electrical work, while Three Stacks is completing moderately extensive structural and other work to convert the former front aquarium retail area to a tasting and serving room, convert the back former

aquarium tank room to the brew tank area, and convert the former seal tank area to a new outdoor customer seating area.

The Salt Building; this site's tenant is currently working on plans to add two visitor-serving hotel units, one upstairs and one down. This project is still in its permitting phase.

Gray's Inn and Gallery; work is wrapping up on a modest site redevelopment that included addition of the Harborwalk access, including a vertical access walkway from the street, removal of a storage shed to improve viewsheds, addition of ADA access to the downstairs gallery area, addition of one on-site ADA parking spot and other associated improvements.

Kayak Horizons; the Gray's Inn tenants are currently working on updating their redevelopment proposal for this site in preparation of bringing that proposal to the City Council for approval. In the meantime, the Morro Bay Stand-Up Paddle Boarding has subleased the site and moved from their former location at Marina Square.

Coast Guard Proposed Rulemaking

The Coast Guard is proposing to establish Regulated Navigation Areas (RNAs) at the harbor bar entrances to Crescent City Harbor, Humboldt Bay, Noyo River, and Morro Bay. The proposed regulation would create additional safety requirements for recreational and small commercial vessels operating in these areas during periods of hazardous conditions, such as high wind or breaking surf, as well as establish clear procedures for restricting and closing these harbor bar entrances in the event of unsafe conditions. The proposed regulation is necessary to enhance mariner and vessel safety when crossing the bars exceeds parameters, typically when breaking seas are projected to be 20-foot or greater. The proposed rulemaking would prohibit vessels from entering these areas during unsafe conditions unless authorized by the local Captain of the Port or a designated representative. We invite your comments on this proposed rulemaking.

Comments and related material must be received by the Coast Guard on or before December 9, 2019.

You may submit comments identified by docket number USCG-2019-0785 using the Federal eRulemaking Portal at <http://www.regulations.gov>. See the "Public Participation and Request for Comments" portion of the SUPPLEMENTARY INFORMATION section for further instructions on submitting comments.

If you have questions about this proposed rulemaking, call or email Lieutenant Andres Ayure, Coast Guard District 11 Waterways Office; telephone 510-437-2982, email Andres.A.Ayure@uscg.mil.

The internet address for the information provided above is:

<https://www.federalregister.gov/documents/2019/11/07/2019-23968/regulated-navigation-areas-harbor-entrances-along-the-coast-of-northern-california>

Upcoming Events:

Dec 6	Friday Night Lights - Large Commercial Boat Cruise
Dec 6	City Wide Holiday Tree Lighting & Crab Pot Christmas Trees
Dec 7	Morro Bay Harbor Annual Lighted Boat Parade
Dec 7-22	Santa's House on the Embarcadero by the Chessboard
Dec 8	Non-Motorized Paddle Parade – Coleman Park 11AM to 1PM
Dec 9-11	Caroling Cops 5-9 PM
Dec 14	Breakfast with Santa – MB Community Center
Jan 1	Polar Bear Dip Cayucas
Feb 27-Mar 1	SLO Cal Open - World Surf League
April 3-5	17th Annual Citywide Yard Sale

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.</p> <p>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.</p> <p>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 provide a memorandum on this item.</p> <p>Chair Reisner met with the City Manager.</p>

			No new updates.
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.</p> <p>11/1/17. Staff engaged with Anchor on eelgrass proposal.</p> <p>12/1/17. Update to HAB on 12/7/17 on revised consultant contract scope of work.</p> <p>12/18/17. Draft eelgrass consultant agreement submitted to legal for review and approval.</p> <p>1/18/18. executed contract with Anchor QEA.</p> <p>4/27/18. Anchor QEA beginning project.</p> <p>4/25/18. Eelgrass Ad-Hoc committee met with Anchor QEA reps in Morro Bay</p> <p>Draft Anchor QEA eelgrass mitigation report on HAB agenda for consideration 8/2/18.</p> <p>8/18 final Morro Bay Conceptual Eelgrass Plan report issued by Anchor QEA for ad-hoc and HAB consideration.</p> <p>Next step of hiring Anchor QEA to approach pertinent regulators with Morro Bay eelgrass mitigation plan concept pending Council consideration on January 8, 2019.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>9/8/17. First joint subcommittee meeting held. General discussion and public input. Second meeting TBD, likely late October or early November.</p> <p>12/18/17.</p> <p>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: December 5, 2019

Staff Report

TO: Harbor Advisory Board

DATE: November 21, 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 committee report.

BACKGROUND, DISCUSSION & CONCLUSION

The 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: December 5, 2019

Staff Report

TO: Harbor Advisory Board

DATE: November 26, 2019

FROM: Eric Endersby, Harbor Director

SUBJECT: Update from the Finance & Budget Ad-Hoc Committee on Committee's Recent Activities, Input on Importance and Prioritization of Harbor Infrastructure Needs Should Funding be Made Available, and Consideration of Utilizing a Portion of the Castle Winds Community Benefit Agreement Payment to Fund a Portion of the Needed Coleman Park Restroom Rebuild

RECOMMENDATION

Receive and file committee report, and provide staff input on infrastructure needs prioritization and Castle Winds Community Benefit Agreement payment utilization as outlined in this staff report.

BACKGROUND

Finance & Budget Ad-Hoc Committee

This is a standing committee report agenda item.

Harbor Infrastructure Funding

Harbor infrastructure has historically been accomplished with monies from the Harbor Accumulation Fund, the fund that excess annual operating revenues are accrued. In recent years, however, the Accumulation Fund has not kept pace with funding infrastructure and other needs, and this fiscal year if all approved projects are completed, will be spent down to five figures. This is due chiefly to three primary reasons; 1) rapidly rising costs of doing business, 2) fees that have not kept pace with the costs to provides the services they are for, and 3) loss of the \$275,000 annual power plant outfall lease following the closure of the plant in 2013.

To bridge the gap, as the Harbor Advisory Board (HAB) well knows, additional and/or enhanced revenue sources may need to be identified, supplies and services cut or some combination of the two be employed.

Coleman Restroom and Castle Winds Community Benefit Agreement Payment

The Coleman Park/Beach public restroom, built likely in the 1960's and possibly earlier, was recently found to have significant structural issues, and was red-tagged from further use until the problem is repaired. It is, however, likely more cost effective to simply demolish the existing structure and build anew. Staff are currently evaluating what to replace the structure with, and how to fund it. The City has applied for a \$200,000 State Parks grant (through Prop. 68) that could be applied to the Coleman Restroom project, which grant has a 20% matching component requirement of the City.

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____

In November, 2018, the City executed a Community Benefit Agreement (CBA) with Castle Winds for, among other things, a future exclusive use agreement for the disused power plant outfall conduit should Castle be successful in securing an offshore Federal lease for their proposed wind power energy generation project. With that agreement came a \$250,000 payment from Castle to the City, which payment current resides in a holding account awaiting disposition.

DISCUSSION & CONCLUSION

Finance & Budget Ad-Hoc Committee

The Finance & Budget Ad-Hoc Committee will be presenting an oral update on their activities, if any.

Harbor Infrastructure Funding

If additional or excess revenues were identified and made available to fund Harbor infrastructure in general, considering the Harbor Department's assessment of infrastructure priorities, and current state, importance and frequency of use of the waterfront's various aging infrastructure, what would the HAB's view on the level of importance, urgency and priority for focusing additionally-identified funding for the below list of needs on a macro level be?

- Maintaining existing general public-serving landside waterfront infrastructure such as public restrooms, observation piers, parking lots, sidewalks and the like.
- Maintaining existing general boating public-serving infrastructure such as day use docks, the launch ramp and miscellaneous items.
- Maintaining existing commercial fishing-serving infrastructure such as the City's 50 slips and two t-piers, ice machine and miscellaneous items.
- Existing Harbor Department infrastructure and capital needs such as the Harbor Office, storage/work yard and patrol boat replacement.

Coleman Restroom and Castle Winds Community Benefit Agreement Payment

Due to the Coleman Restroom's age and condition, including its lack of ADA-accessibility and lack of capacity to meet current needs, as previously stated it is likely more cost effective to simply demolish it and build anew so that it is sized appropriately and meets all current codes and standards.

The question for consideration for the HAB is, is the CBA fund an appropriate and recommended source of the City's 20% grant funding-match requirement?

HAB input from these two items will be considered in future decision-making by staff and the City Council. Staff intends to bring forward a discussion to the City Council on the Coleman Restroom project idea and priority use of the CBA fund in early 2020.



AGENDA NO: B-3

MEETING DATE: December 5, 2019

Staff Report

TO: Harbor Advisory Board

DATE: November 21, 2019

FROM: Eric Endersby, Harbor Director

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

RECOMMENDATION

Receive and file committee report.

BACKGROUND, DISCUSSION & CONCLUSION

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: December 5, 2019

Staff Report

TO: Harbor Advisory Board

DATE: November 25, 2019

FROM: Eric Endersby, Harbor Director

SUBJECT: Update on Harbor Department Lease Management Policy Update Process, and Harbor Advisory Board Review and Input on Draft Policy Document

RECOMMENDATION

Receive and file report on update process, and provide input on draft Lease Management Policy document to-date.

BACKGROUND

The Harbor Advisory Board (HAB) representatives to the Lease Management Policy Update Group ("Update Group") will be presenting an oral update on their activities. This is a standing report agenda item.

In addition, the draft-to-date of the Policy is being presented for general HAB review and input.

Since last December the Update Group has met approximately every two to three weeks, starting with the existing policy document. Documents from other agencies were obtained, and the Update Group began a section-by-section review and updating process.

The Update Group is being facilitated by former Interim City Manager Marty Lomeli, and staffed by the Harbor Director and Harbor Business Coordinator. Initial Group members and their representation were:

Mark Blackford, HAB
Erica Crawford, Morro Bay Chamber of Commerce
Bob Fowler, waterfront leaseholder (Morro Bay Landing)
Cherise Hansson, HAB
Smith Held, waterfront leaseholder (The Harbor Center)
Joan Solu, citizen and former hotelier

During the summer, for personal reasons Mr. Blackford and Mr. Held elected to resign from the group, and in Mr. Blackford's place the HAB approved HAB Chairman Ron Reisner to replace him. Since Ms. Hansson is also a waterfront lessee and the process was fairly far along, it was decided it was not necessary to replace Mr. Held.

DISCUSSION & CONCLUSION

Since the existing lease policy document was lacking in many regards, in many instances all new sections or topics were added. While not in its final draft form, staff and the Update Group believe it

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____

is at a point of warranting HAB review and input before a final draft is prepared for City Council approval, which would come early next year. Staff, therefore, are seeking general HAB review and input on the document in the following regards:

1. Is the document clear?
2. Is the format logical?
3. Are any topics or areas missing?
4. Are topics addressed with adequate, too much or too little detail?

HAB input and suggestions will be brought back to the Update Group for consideration at its next meeting following the HAB meeting.

ATTACHMENTS

1. Draft new Harbor Department Lease Management Policy document, 11/26/19 version.
2. Current Harbor Department Lease Management Policy document.

CITY OF MORRO BAY
HARBOR DEPARTMENT LEASE MANAGEMENT POLICY
Updated 11/26/19

1. VISION STATEMENT

The long-term vision of the City of Morro Bay is to manage and maintain the Embarcadero Tidelands lease sites as a vibrant working waterfront, incorporating tourism and various commercial and recreational uses. Positive cash flow to the Harbor Department is crucial to maintain the integrity of the Embarcadero and environmental health of the bay and its resources. In order to provide a quality experience for the public, tourism and other recreational uses of the Embarcadero are encouraged and considered in lease management decisions. The Embarcadero will be pedestrian-friendly with ample access and view corridors to coastal resources.

The principal tenets in the State Tidelands Grant will be followed and future development or redevelopment of the Embarcadero will conform with the City's General Plan, Downtown and Waterfront Master Plan, Local Coastal Program and the voter-approved initiative known as Measure D that protects commercial and recreational fishing uses, while remaining true to the historic fishing heritage of the harbor and community.

This document is intended as an advisory tool to provide guidance for future lease site management, development, and redevelopment decisions considered by the City, with the ultimate dual goals of maintaining the vitality of the City's waterfront and fiscal health of the department charged with managing it.

This policy will follow guiding principles that are designed to serve as a bridge between the Harbor's goals, purpose, and regulatory environment, and management and leasing needs. These guiding principles are:

1. The City shall foster a spirit of partnership with its tenants in the application of the leasing policy, while fulfilling its duties as a steward of vital public enterprise, assets and resources.
2. The City shall make Tidelands Trust lands available on fair and reasonable terms without discrimination.
3. The City, in its role as a tidelands trustee, must take into account more than just the maximum revenue that can be generated by a new lease. The City will also consider what is in the best interest of the State of California, and the City of Morro Bay including the essential role all parties and businesses play in maintaining growth and job creation, and the need to maintain a diversified mix of water dependent uses.
4. The City shall retain effective management controls over the use of Tidelands assets and will structure management controls in all leases and rental agreements in order to:
 - a) Achieve highest and best use of Tidelands property assets;
 - b) Ensure timely development as-needed; and
 - c) Foster open and competitive access for new entrant and incumbent Tidelands tenants.
5. The City shall establish and maintain a level and structure of rents, fees, and charges

that are fair and equitable for all tenants, and which are based on current appraised lease site values.

6. The City Shall establish minimum operational maintenance standards for users of lease site in order to promote safety, maintain appropriate levels and quality of service.
7. The City shall establish environmental provisions for users of the Lease site to implement the City's environmental policies and requirements and to achieve required reductions in environmental impacts.
8. The City shall actively monitor compliance with provisions of lease agreements, shall file timely notice of non-compliance, shall employ available remedies to enforce compliance when appropriate.
9. The City shall be open and transparent in its selection of new tenants and in lease negotiations per state law, including exercising the City right to negotiate confidentially under Government Code Section 54956.8.

2. TABLE OF CONTENTS (TBD)

3. GENERAL POLICY, PURPOSE AND BENEFITS

The City of Morro Bay shall manage the Tidelands to provide, support and enhance harbor facilities, and in accordance with the stipulations of the Tidelands Grant and granting statutes as-interpreted and managed by the State Lands Commission, the primary goal of the City of Morro Bay Harbor Department Lease Management Policy shall be to maximize the City's financial return from valuable public real estate assets in a manner which:

1. Is consistent with the City's General Plan, Local Coastal Program, Downtown and Waterfront Strategic Plan, zoning ordinances and all other adopted plans and policies consistent with the City's goals of maintaining a small commercial and recreational fishing harbor, working waterfront and visitor-serving environment;
2. Provides for, supports and enhances harbor facilities and services in a manner which its residents can be proud;
3. Protects and enhances the environment, while serving the broader economic and recreational needs of the community;
4. Allows Leaseholders to earn a fair return on their investments in a predictable business climate;
5. Appropriately accounts for Tidelands revenues and expenses in compliance with state law and the Tidelands Grant.
6. Promotes and enhances economic development to serve the community's present and future generations.

4. BACKGROUND

A. History

Tracing back to English Common Law, the Public Trust Doctrine establishes that navigable water or lands subject to tidal influence are "sovereign," held open to the public for commerce, fisheries or navigation. As sited in the Doctrine, "by the law of nature these

things are common to mankind, the air, running water, the sea, and consequently the shores of the sea.”

In order to establish a Navy amphibious training base to aid the war effort, in 1942-44 the federal government constructed a revetment along the Morro Bay waterfront and filled most of the area now known as the commercial strip along the Embarcadero. After the war, the State of California claimed ownership of the newly created land as at least a portion of it had previously been below the high tide line. In 1947, the State of California granted those public trust lands in Morro Bay to the County of San Luis Obispo (Chapter 1076 of the California Statutes of 1947, and amended by Chapter 1874 of the California Statutes of 1957). After many years of dispute with private property owners, who also claimed an interest in the land, most title issues were settled in the 1950s-1960s by designating those lands west of Embarcadero Road as public trust lands owned by the State, and those lands east of Embarcadero Road as privately owned. The City of Morro Bay assumed trusteeship of the granted lands upon incorporation in 1964-1965. The Tidelands Grant in Morro Bay is in perpetuity, provided the City conforms to the terms of the legislative grant. Exhibit B is a map of the Tidelands Grant in Morro Bay.

The granted lands must be used for commerce, fisheries, navigation, recreational purposes, parklands, public access, public parking and environmental protection or enhancement. Residential use of these public lands is specifically prohibited. The City may lease out these lands to private businesses for a period up to 50 years and all revenues from such leases must be expended within the area of the granted lands for the purposes of the public trust.

Over the years, the City has changed its leasing practices and policies to better protect the public interest by adopting modern lease formats and standards for fair market rent and periodic rental adjustments. Prior to the mid 1980's, the City's leasing process included the active participation of a ten-member Harbor Commission. In addition to leasing activity, the Commission set policies and had an active role in managing the business of the harbor. In 1985, the City created the Harbor Department to focus property management efforts in the tidelands and to assure the State that tidelands revenues were properly accounted for, and in 1987 the City Council reorganized the Harbor Commission into a seven-member Harbor Advisory Board whose role became advisory-only in nature. The result of these changes were a streamlined process, more responsive to the business environment and improved lease management because Harbor Department familiarity on each lease site's history, operator and lease terms allows for smoother lease negotiations and hastened resolution on contract interpretation and other issues. The Harbor Department has multiple, and often competing, roles in both aiding in the success of its leaseholders, while at the same time carrying out the policies, planning, zoning, land use, legal and insurance issues of the City. As the most informed entity the Harbor Department must take all these factors into account when managing the City's waterfront leases.

The Harbor Department is operated through a City enterprise fund known as the Harbor Fund. Similar to the Water and Wastewater enterprise funds, all Harbor services are funded with either user fees or property management income (no tax revenues). The Harbor Fund is the sole-source for management of the Tidelands Grant leases, Harbor Patrol and various public and other facility management including maintenance, repair and capital improvements. (in depth Trust with links to SLC & Trust Law)

B. General Lease Management

Under the supervision of the Harbor Director, the Harbor Department is responsible for the negotiation of leases, the Request for Proposals (RFP) process for lease site development

and redevelopment and for the day-to-day administration of the leases under this policy. The Harbor Director shall have the authority to interpret the provisions of the Leases and Subleases and where appropriate, in the Harbor Director's discretion, to seek counsel from the City Attorney, City Manager or the City Council.

The Harbor Department is also tasked with the collection of rents and fees, property inspections and audits along with communications with the Master Lessees and subtenants and coordinating lease activity with the City administrative, community development, legal and governance (City Council) functions of the City.

The Harbor Director, with oversight by the City Manager and guidance/direction from the City Council, will conduct negotiations with Master Lessees for new and existing leases, lease extensions and shall manage the RFP process for marketing vacant lease sites and sites subject to redevelopment. The terms and conditions of the leases and/or the processes for negotiation as adopted in this Policy shall be observed and applied consistently throughout the Tidelands area. All leases, extensions and RFPs shall be approved by a majority vote of the City Council, and the Harbor Director shall keep the City Manager and/or the City Council informed of progress as well as to seek direction from them on specific lease issues. In the event of a dispute between the leaseholder and the Harbor Director as to the application of policies and procedures, the parties shall submit the dispute to the City Manager and/or City Council for resolution.

The Harbor Director shall confer and coordinate with the Community Development Department on specific development, permitting, land use and zoning issues concerning the development, redevelopment or management of lease sites subject to this policy. Master Lessees shall work directly with the Community Development Department for use permit applications for development or redevelopment. The Harbor Director shall coordinate insurance issues with the City's Risk Manager, and legal issues with the City Attorney.

The Harbor Director approves subleases under the Consent to Sublease process providing subleases conform to the terms and conditions of the Master Lease under which they are being approved, and including compliance with the uses allowed in the site's Conditional Use and other permits, as-applicable.

C. Leasing Areas

The City recognizes there are three distinct zoning areas on the waterfront that require different considerations in leasing and lease issues, and in managing waterfront development and redevelopment, the City's leasing practices will recognize and implement the City's vision for the leased properties as reflected in the City's General Plan, Local Coastal Program, Zoning Code and applicable Master Plans. The three areas from north to south are as follows:

1. Embarcadero from Beach Street north. This area is designated with specific voter-approved zoning known as "Measure D" to preserve commercial and recreational fishing-dependent uses. Measure D stipulates that all Tidelands subject to City lease between Beach Street and Target Rock be primarily for the purposes of serving or facilitating licensed commercial fishing activities, or non-commercial recreational fishing activities, or is clearly incidental thereto. Measure D further stipulates that existing non-conforming restaurants or retail uses are allowed, but cannot be expanded or enlarged. The City will strongly encourage Master Lessees who propose enhancements of commercial fishing uses or marine dependent uses by considering new long-term leases that facilitate those types of projects. Leases for existing restaurant/retail sites may be

extended or renewed if the Master Lessee can develop plans to maintain the lease site and to improve public benefits and access, enhancing the Embarcadero general business environment and marine-related uses. Within the general outlines of this policy the City Council will provide specific direction to the City's designated negotiator on the Morro Bay Power Plant outfall lease.

2. Embarcadero from Beach Street to Tidelands Park/Public Boat Launch. In this core commercial area of the waterfront, the City controls and manages the public property on the west side of the Embarcadero, where land and water area leases exist for commercial development. In this area Master Lessees are encouraged to propose redevelopments of lease sites to improve public benefits, enhance the Embarcadero business and working waterfront environment and renegotiate leases to modern terms.
3. Tidelands Park south water area only leases. In this area the City leases only the water areas as the upland property and access to the water is owned and controlled by private parties. The City will encourage continuation/enhancement of marine dependent uses such as boat slips and boat repair facilities where feasible, however, this area is not suitable for large redevelopment projects.

5. LEASE ADMINISTRATION

A. Master Lease Format

The City has developed a master lease format based on modern leasing practices and similar formats used by other public agencies. The Master Lease Template attached to this policy in Exhibit F, shall be the template for all future master leases, until such time as modified by the City Council. Terms such as rental amount, term of the lease and other data particular to an individual lease shall be altered within the text of the Master Lease Template to suit that particular leasing situation. Section 13 of the Master Lease Template shall be for special provisions peculiar to a particular lease such as redevelopment or improvement provisions, special circumstances or other provisions not common to all Master Leases.

B. License Agreements

The City may use a License Agreement format for temporary, interim or non-exclusive use of property when appropriate, or for regulating non lease site-based businesses operating in the Tidelands Trust areas.

C. Building Leases

Recognizing there is a potential conflict of interest if the City is both landlord to Master Lessees and a building lease landlord competing with Master Lessees to fill vacancies on the waterfront, should a City lease site revert to City ownership for any reason, the City will only enter into building leases for these sites under the following circumstances:

- I. When it becomes absolutely necessary.
- II. To maintain the improvements.
- III. For business continuity.
- IV. To take advantage of an unusual opportunity.

Such building leases shall be only on a short-term basis (generally three years or less), under fair market value terms and conditions and in compliance with the Tidelands Trust Act.

D. Approved Uses

Only those uses as-described in Article 3 Use of Premises section of the master lease and/or as-provided for in the Conditional Use Permit or other entitlements for the lease site, and in

conformance with the Tidelands Trust, shall be allowed. Those uses shall conform with the City's planning, zoning and land use policies, ordinances and codes in effect at the time. Master Lessees proposing new uses for a site will be referred to the Community Development Department of the City for review and approval, and upon such approval the new permitted uses of the subject lease shall be incorporated into the lease by amendment.

E. Fair Market Rent

State Law requires that fair market rent be charged for use of the granted tidelands and City leases and licenses thereon. Rental shall be determined through the use of an independent appraiser to appraise the fair market value of the leased property, and the City will set an annual rent minimum of 8% of the appraised value of the land and/or improvements if the improvements have reverted to the City. The lease will be structured to provide for a minimum annual fair market rent or a percentage of gross sales rent, whichever is greater, per the City's adopted percent gross rent schedules included in Exhibit D.

In cases where the Master Lessee is proposing complete redevelopment or other significant improvement project of a site at significant private investment, the City may allow both temporary reductions in the outlined minimum rent to offset the Master Lessees period of reduced revenues during construction, as well as a reduction in the standard percentage of gross sales requirements as negotiated with the Master Lessee on a case-by-case.

I. Non-Profits/Public Benefit

It is recognized that both community-based non-profit organizations and government entities, because of their purpose and function, provide intrinsic benefits to the City at large. These organizations, however, should pay market lease rates on all operations/uses to provide needed revenue for the Harbor Department, unless they provide direct or indirect benefits to the Tidelands leased areas, waterfront, or harbor community which may justify a reduction in rent, based on the following criteria;

- a) An independent fiscal and/or cost-benefit analysis is conducted, at the cost of the non-profit or government organization, to quantify the direct or indirect economic or other impacts (positive and/or negative) to the Tidelands other businesses on the Embarcadero and determine if there are other (positive and/or negative) fiscal or other impacts associated with the use, including those of potential unfair competitive advantages over the private sector. Lease rates can be negotiated at less than market rate if it is determined other quantifiable direct or indirect benefits, including financial ones, are provided to the City.
- b) Other revenue options can be considered in establishing leases with revenue-generating non-profit entities such as an admission tax or fee, a lease payment based on a percentage of membership fees or dues, an in-lieu sales tax fee or any other alternative measures developed through negotiation with the City.

II. Government

Government Master Lessees that provide coastal or marine-dependent services to the City, the bay or boating community, and enhance the quality of life of in the City should be allowed to lease space on the Embarcadero. Governmental uses may pay reduced rent based upon the limitations and restrictions of the agency and the services provided by it to the City.

F. Lease Term (duration)

The appropriate term for a new lease will be determined by the size of lease site and the level of private investment proposed for the public property. The City shall negotiate the term of the lease with the duration of the lease being related to the dollar amount of the investment that a Leaseholder is obligated to make for improvements to the leasehold or other contributions made that benefit the Tidelands Trust. Because of the differing values and revenue-generating potentials of the different leaseholds, the relationship of the investment to the term of the lease can be difficult to define in a numerical formula.

Investment can take the form of purchase of leasehold interest and improvements, cost of remodeling and refurbishing existing improvements, the cost of new improvements/site redevelopment or the cost of public benefits or other public improvements. Personal property and Tenant Improvements (or "TI's") do not qualify as investment toward measuring lease term.

In negotiating the lease term, the City may take into consideration past negotiations as examples of appropriate term to investment ratios, and may also consider other factors such as the desirability of the leasehold in question, challenges or other limitations inherent in a particular leasehold such as zoning limitations or physical conditions or obstacles to development, in arriving at a recommended term of the lease.

G. Lease Negotiation

It is the policy of the City of Morro Bay that negotiations relative to leasing public tidelands shall commence and remain at the appropriate staff levels and follow appropriate chains of command, with the Harbor Director serving as the main point of contact with the prospective Master Lessee. Participation from the Administration, Community Development, Legal or Public Works departments may be necessary when issues relative to their respective departments arise. The City Council will exercise its authority under California Government Code Section 54956.8 to meet in Closed Session to give instructions to the City's negotiator(s) regarding negotiations for lease of real property. Upon conclusion of the Closed Session, the City's negotiators will be properly instructed and authorized to finalize negotiations and the lease with the prospective Master Lessee/Subtenant. Negotiations are to be conducted to the maximum extent possible in private at the staff level, prior to City Council consideration of the lease in regular open session, to avoid negotiating a lease by the City Council in public.

In some cases, parties who are considering buying a Tidelands Master leasehold interest may desire to renegotiate portions of the existing lease prior to completing the sale/assignment of the lease. Normally, City staff will not negotiate with prospective Master Lessees due to the fact they are not yet Master Lessees, and the potential impact on the "sale" price of a lease. Prospective buyers of leasehold interest are buying the existing lease agreement only.

All lease sites eventually need to be reconstructed or significantly remodeled. In general, the City desires such reconstruction to bring improvements up to modern building codes, design criteria, and market conditions. The City acknowledges that Leaseholders will need

to renegotiate leases in these instances. The normal stage for lease negotiation to commence in a reconstruction redevelopment situation is when the Master Lessee has received City Council approval of a Concept Plan for a Conditional Use Permit (CUP) for the site. The project will therefore be at a stage when the CUP can be attached to a lease and the Master Lessee can be required to construct the improvements in compliance with the CUP in a given period of time.

Upon execution of any new Master Lease, as a matter of course a Memorandum of Lease shall be recorded with the County Clerk-Recorder for the leased property to ensure the public and any interested parties can be made aware of the existence of the lease.

H. Lease Amendment, Renewal and Extension

I. Amendment

Lease amendments may be used for various functions where the existing lease agreement is retained and including the addition of time to the lease term. Master Lessee-desired amendments may be contingent on updating other sections of the lease or a rent adjustment desired by the City, depending on the nature of the Master Lessee amendment.

Lease amendments will be consistent with the City's planning, zoning and vision for the site, and should conform to current standard lease language in effect at the time and will only be made with Master Lessees in Good Standing, as-defined herein.

A lease amendment process flow chart is included in Exhibit A.

II. Renewal

Leases shall not be renewed, as-defined, because automatically renewing a lease with an existing Master Lessee can lead to a false sense of private ownership of the lease site, with the consequence some Master Lessees may not maintain or reconstruct the improvements prior to the expiration of a given lease term.

III. Extension

Leases shall not be extended, as-defined. Any additional lease term (duration) to a lease shall be by lease amendment, and generally only in exchange for additional consideration from the Master Lessee. Lease "extension" is not to be confused with lease "holdover," as defined in the individual lease agreements.

I. Lease Expiration and Termination

Lease expiration dates may be encouraged to coincide where adjoining sites may have mutual planning benefits, and in some cases the City may not renew a lease, either for the purpose of consolidating sites or to pursue other extenuating public benefit.

In general, there are three options for leases that are nearing their expiration or are terminated:

1. Put the lease site out to public bid in a Request for Proposals (RFP) process. The RFP process is addressed in Section J.
2. Keep the site in a short-term interim lease arrangement until the lease site's future is determined.
3. Work with the existing Master Lessee on a new, replacement lease.

Where an existing Master Lessee proposes to continue occupancy of a lease site, they must make such intentions known to the City and provide an initial proposal no less than five years prior to the expiration of their existing lease. In the absence of such a proposal, or if such a proposal is rejected by the City, the City may solicit competitive proposals (bids) in a RFP process, initiated no less than four years prior to the expiration of the existing lease.

Existing Master Lessees may request a new lease when their lease is expiring and they desire to make additional capital improvements and amortize the investment over a longer period of time. For a new lease not involving significant new investment, other consideration may be employed such as higher rents to the City or additional public benefits. Additionally, the City may, with the assistance of professional property inspectors and/or the City's Building Inspector, Fire Marshall and Code Enforcement Officer, evaluate existing facility conditions and propose additional site investments that would justify a new lease with an existing Master Lessee.

Proposals for a new lease will be evaluated on a case-by-case basis upon, but not necessarily limited to, the following:

1. Master Lessee is in Good Standing, as-defined herein.
2. The City desires to continue a proven, mutually-beneficial leasing relationship.
3. Master Lessee's proposal is desirable, and plan is acceptable, matches the City's vision and plan for the site, and is in compliance with the City's General Plan, Local Coastal Program, Zoning Code and applicable master plans, and the Master Lessee has an acceptable plan.
4. Proposed capital or other improvements (including public benefits) justify amortizing the Master Lessee's investment over a longer period of time than is available in the existing lease.
5. An older lease is to be replaced with a new lease incorporating modern leasing terms and fair market rates.
6. Proposed lease terms.

A new lease establishment process (with an existing Master Lessee) flow chart is included in Exhibit A.

J. Rent Collection

Master Lessee shall pay to the City minimum guaranteed annual rent payable in advance on the first day the month it is due during the term of the lease, unless specified differently pursuant to the lease.

Additional percentage rents are due by July 31 for the prior fiscal year.

Acceptable payment methods are to be made by check, money order, cashier's check, credit card or cash, received by mail or hand delivered to the Harbor Department.

Receipts will be available if payment is hand delivered to the Harbor Department.

If rent is not received within ten days following the date on which the rent first become due, then Master Lessee shall pay a late fee of ten percent of the amount of the rent, or as stipulated in the lease agreement, as well as the full rental amount due. In addition to the

late fee, Master Lessee shall pay interest at the rate of one percent per month or fraction thereof or the maximum amount permitted by law as of the date the lease is signed, whichever is greater, on the amount of the rent, exclusive of the late fee, from the date on which rent first became delinquent until paid.

Returned checks will be handle by the terms of the City's current Return Check Policy.

K. Putting Lease Sites up for RFP/Public Bid

Where it is desired to solicit competitive proposals (bids) from the public for a given lease site, a Request for Proposals (RFP) process shall be employed. This process can be done "in-house" with City staff or be done in conjunction with or by a real estate development broker or other qualified private party. In general, putting a site out to public bid shall have these top three priorities:

1. Redeveloping or upgrading lease site improvements to modern designs, codes, market conditions and/or plans and vision of the City.
2. Enhance revenues to the City.
3. Improved public benefits.

A lease site RFP process flow chart is included in Exhibit A.

L. Lease Site Redevelopment and Coordination with Community Development Department

When lease site remodels or redevelopments are being considered, close coordination with the Community Development Department is necessary to ensure consistency with the City's policies, plans, zoning and economic development goals and objectives, especially where multiple site consolidation is under consideration.

In addition, past land use entitlements and history on a given site must be consistently interpreted and applied to future development and use, which can only be established with close inter-departmental coordination.

M. Lease Site Consolidation

Lease site consolidation may be considered in instances where there exist opportunities for financial economies of scale not otherwise achievable with smaller sites, achieving long-term planning goals as identified in the City's General Plan, Local Coastal Program and various master plans, policy implementation or realizing desired public amenities or benefits.

N. Lease Site Monitoring, Inspection and Maintenance

I. Lease Site Monitoring and Inspection

The City has a paramount interest in ensuring the improvements on the City's lease sites are being properly maintained and are in a safe and secure condition. The City shall have the lease sites inspected and a report made on such inspections at least every five years, with approximately one-fifth of the lease sites inspected every year on a rotating basis. A checklist for lease site criteria is included in this policy under Exhibit G. In conducting lease site inspections, the City may utilize any or all of the following:

- a. Harbor Department staff
- b. Fire Marshall
- c. Building Inspectors
- d. Code Enforcement Officers, including reports from agencies such as County Health and others.
- e. Private Contractors

City staff will require deficiencies noted in the lease site inspection reports to be repaired or cured by Master Lessees in a timely manner, depending on the nature and urgency of the deficiencies identified. Any deficiencies that pose, in the sole determination of the City, a public or life-safety issue shall be cured immediately. Ultimate disposition of uncured deficiencies will be handled according to the provisions in the individual lease agreements.

As long-term leases draw close to expiration, there can be a tendency for maintenance being deferred and the City must carefully monitor and strictly enforce lease maintenance provisions to protect the reversionary interest in the lease site improvements. Site inspections shall be conducted with appropriate and reasonable advanced notification.

II. Maintenance of Improvements and Leased Premises

Unless otherwise provided-for in individual lease agreements, Master Lessees are solely responsible for the upkeep and maintenance of the leased premises and improvements, and shall, at Master Lessee's sole cost and expense, repair, replace, restore and otherwise maintain the leased premises and all improvements thereon in a fully functional, safe and secure condition per the terms of their leases.

In addition, Master Lessees shall at all times during the term of their leases repair, keep and maintain the interior and exterior appearance of their premises and improvements in good, clean, vermin-free and sanitary order. Such repair and maintenance shall include, but not necessarily be limited to, removing all obstructions, trash, debris and refuse, and maintaining improvement appearance and landscaping in an attractive manner.

For all maintenance and repair performed under the provisions of a lease agreement, Master Lessees shall comply with all applicable laws, codes, ordinances, regulations and requirements of any governmental agency having jurisdiction over the leased premises. Ultimate disposition of uncured deficiencies will be handled according to the provisions in the individual lease agreements.

III. Maintenance of Public Spaces, Common Areas, Rights of Way and Sidewalks

Public spaces, common areas, rights of way, sidewalks and other areas or spaces not necessarily on a given lease site's premises, but utilized as part of a lease site's business operations (the path of travel for a site's dumpsters to the roadway for collection, for example) shall be cleaned and kept free of litter, debris and contamination, and maintained in a "broom clean" condition at all times by the Master Lessee utilizing those areas.

O. Environmental Considerations

Lease negotiations shall be consistent with the City of Morro Bay's intent to be protective of natural and human resources in and around Morro Bay Harbor. Leases should specifically include or incorporate by reference applicable environmental regulations that may include, but not be limited to boater and/or marina Best Management Practices, the Clean Marina Program or similar programs and initiatives of the Morro Bay National Estuary Program.

P. Lease Terms and Site Entitlement Compliance

The City shall monitor compliance with, inspect for and ensure compliance with all lease terms, conditions and provisions on an ongoing basis. In addition, as part of the five-year

site inspections, the City shall inspect for and ensure compliance with Master Lessee adherence to all entitlements (permits and permit conditions, including sign permits) associated with the premises and improvements.

Deficiencies noted in the lease terms or entitlements shall be repaired or cured by Master Lessees in a timely manner, depending on the nature and urgency of the deficiencies identified. Ultimate disposition of uncured deficiencies will be handled according to the provisions in the individual lease agreements.

Q. Percentage of Gross Sales Audits

Where Master Lessees are subject to percentage of gross sales rent, the City will audit the Master Lessee-submitted annual gross receipts reporting as-follows, with the disposition of any amounts owed or owing handled in accordance with the terms in the individual leases themselves:

1. All lease sites that produce sales tax will be “spot-audited” annually for percent gross reporting against sale tax reporting as-obtained from the State of California.
 - a. Discrepancies that constitute differences in gross receipt reporting versus sales tax reporting of less than 5% will result in no further auditing action.
 - b. Discrepancies that constitute differences in gross receipt reporting versus sales tax reporting of between 5% but less than 10% will result in City taking whatever further auditing action is necessary to satisfy City the amounts reported are correct.
 - c. Discrepancies that constitute differences in gross receipt reporting versus sales tax reporting of 10% or more shall result in City conducting a full financial audit of the Leaseholder.
 - d. For lease sites that do not produce any sales taxable revenues, the annual “spot audit” will consist of a “look-back” at the previous years’ revenue and use as it relates to what took place with inflation and similar sales trends in the City and waterfront during the same period. Discrepancies will be handled in the same general manner as with discrepancies above.
2. All lease sites will receive a full financial audit every five years as-follows.
 - a. One-fifth of the lease sites will be audited each year on a rotating basis, with sites chosen to reflect approximately one-fifth of the total lease site-based individual businesses.
 - b. Each audit will select any one or more of the past three years to review to impart a degree of randomness to the process.

R. Lease Sale, Assignment and Assumption

All City leases require City Council approval of the sale or assignment of a lease agreement. Any Master Lessee requesting such approval will be required to:

1. Pay the appropriate fees noted in the City’s Master Fee Schedule.
2. Complete the appropriate forms.
3. Submit financial and other documentation to indicate the qualifications and experience of the proposed Leaseholder to the satisfaction of the Finance Director, Harbor Director and City Attorney.
4. Be a Master Lessee in Good Standing, as defined herein, in full compliance with the terms and conditions of their lease agreement.
5. Provide proof of proposed Master Lessee’s City of Morro Bay business license and general liability insurance.

If the proposed assignment or sale includes a change in use of the site, then the change in use will be reviewed by the Community Development Department for conformance with planning and zoning regulations. Proposed changes in uses for lease sites must comply with City planning and zoning ordinances, the City's adopted General Plan, Local Coastal Program and Measure D limitations for properties north of Beach Street. Where zoning allows a variety of uses, preference will be given to coastal-related uses whenever possible.

S. Sublease Approval

All leases require City approval of subtenant/sublease agreements. Any Master Lessee requesting subtenant approval will be required to:

1. Pay the appropriate fees noted in the City's Master Fee Schedule.
2. Complete the appropriate forms.
3. Submit documentation to indicate the qualifications and experience of the proposed subtenant to the satisfaction of the Harbor Director.
4. Submit a properly executed copy of the City's standard Consent to Sublease/ Subtenant Agreement.
5. Submit a copy of the proposed subtenant/sublease agreement between the Master Lessee and subtenant.
6. Obtain proposed subtenant's City of Morro Bay business license and general liability insurance.

T. Financial Criteria and Financing Considerations

In making a determination of whether or not a Master Lessee or proposed Master Lessee or Subtenant is a financially acceptable partner the City wishes to do business with, the City may use any or all of the following criteria:

1. Experience and history in commercial leasing, property management and development/redevelopment.
2. Demonstrated financial capacity and capitalization.
3. Financial strength and current relationships with financing sources, including credit scores.
4. History, if any, of defaults, bankruptcies or litigation that indicates a bad partnership risk.
5. Properly and professionally-prepared business plans and/or financial proformas with industry-standard elements expected of such documents.

While there is the need to foster financing, refinancing and investment on the waterfront, while protecting the City's interests and fiduciary responsibility, the City will not approve financing related to or using the lease site, or leasehold interest as collateral unless such financing is for sole investment upon the lease site or for City-requested public improvements or benefits on the waterfront.

6. Exhibits to Policy

A. EXHIBIT A

Definitions and Acronyms (UNDER CONSTRUCTION)

1. City Council, Departments and Staff: all references in this document to City Council, Departments or Staff refer to the Council, Departments and Staff of the City of Morro Bay, California.
2. Fair Market Rent
3. Holdover: occupancy of the leased premises after the lease term has expired, in accordance with the terms of the individual lease agreements.
4. Interim Lease: a short-term lease, typically five years or less, executed for an

intervening period of time while a lease site's future is being contemplated or developed.

5. Lease Amendment: any formal revision or change to an existing lease by adding, deleting or changing a provision, or by modifying the wording.
6. Lease Extension: the continuation of an existing lease with no changes in its terms and conditions other than providing a longer period of time (term) for which the lease is valid. "Extension" is not to be confused with nor affect lease "holdover," as defined in individual leases.
7. Lease Renewal: the exact re-creation of an existing lease that is expiring with no changes to that lease, including duplication of the original term.
8. License Agreement:
9. Master Lessee
10. Subtenant
11. Master Lessee in Good Standing: The Master Lessee has a good history of performance and lease compliance and the improvements on the site are well maintained. Example standards for determining "good history" of Master Lessee performance are:
 - a. The Master Lessee's record with respect to the prompt and accurate payment of rent and related fees due the City, and cures any audit discrepancies in a timely and appropriate manner;
 - b. Master Lessee maintains accurate and complete financial records in accordance with the lease agreement that are made accessible to the City and/or City's auditors when requested;
 - c. The Master Lessee's record of compliance with existing lease conditions, and corrective measures for any non-compliance issues taken in a timely manner;
 - d. The appropriateness of the proposed Master Lessee business and/or subtenants with respect to the long-term planning and vision goals of the City;
 - e. The Master Lessee's financial and personal investment in the leasehold improvements, Master Lessee business and overall management of the site;
 - f. Master Lessee has proven investment and maintained accurate financial records for the amounts committed in the lease for redevelopment, remodeling and/or improvements;
 - g. The contribution to the surrounding business community made by the Master Lessee's business;
 - h. The quality and value of goods and services provided to the public by the Master Lessee, their tenant and/or its subtenant(s);
 - i. The Master Lessee has obtained, maintained and remained in compliance with all required permits and entitlements;
 - j. The total financial return (revenue) to City from the leasehold is maximized and within industry norms;
 - k. Other pertinent considerations as may be appropriate as determined by the City Council.

B. Flow Charts

- I. RFP Process
- II. Development/Redevelopment/Lease Extension
- III. Assignment and Assumption (lease sale)
- IV. Lease Amendment

C. Maps/Surveys

D. Zoning Chart

intervening period of time while a lease site's future is being contemplated or developed.

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9. Master Lessee
10. Subtenant
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 - a. The Master Lessee's record with respect to the prompt and accurate payment of rent and related fees due the City, and cures any audit discrepancies in a timely and appropriate manner;
 - b. Master Lessee maintains accurate and complete financial records in accordance with the lease agreement that are made accessible to the City and/or City's auditors when requested;
 - c. The Master Lessee's record of compliance with existing lease conditions, and corrective measures for any non-compliance issues taken in a timely manner;
 - d. The appropriateness of the proposed Master Lessee business and/or subtenants with respect to the long-term planning and vision goals of the City;
 - e. The Master Lessee's financial and personal investment in the leasehold improvements, Master Lessee business and overall management of the site;
 - f. Master Lessee has proven investment and maintained accurate financial records for the amounts committed in the lease for redevelopment, remodeling and/or improvements;
 - g. The contribution to the surrounding business community made by the Master Lessee's business;
 - h. The quality and value of goods and services provided to the public by the Master Lessee, their tenant and/or its subtenant(s);
 - i. The Master Lessee has obtained, maintained and remained in compliance with all required permits and entitlements;
 - j. The total financial return (revenue) to City from the leasehold is maximized and within industry norms;
 - k. Other pertinent considerations as may be appropriate as determined by the City Council.

B. Flow Charts

- I. RFP Process
- II. Development/Redevelopment/Lease Extension
- III. Assignment and Assumption (lease sale)
- IV. Lease Amendment

C. Maps/Surveys

D. Zoning Chart

- E. Percent Gross Schedules
 - I. Ground Leases
 - II. Building Leases
- F. Master Lease Template
- G. Forms
 - I. Subleasing
 - II. Assignment and Assumption
 - III. Insurance Requirements
 - IV. Lease Amendment
- H. Lease Site Inspection Checklists

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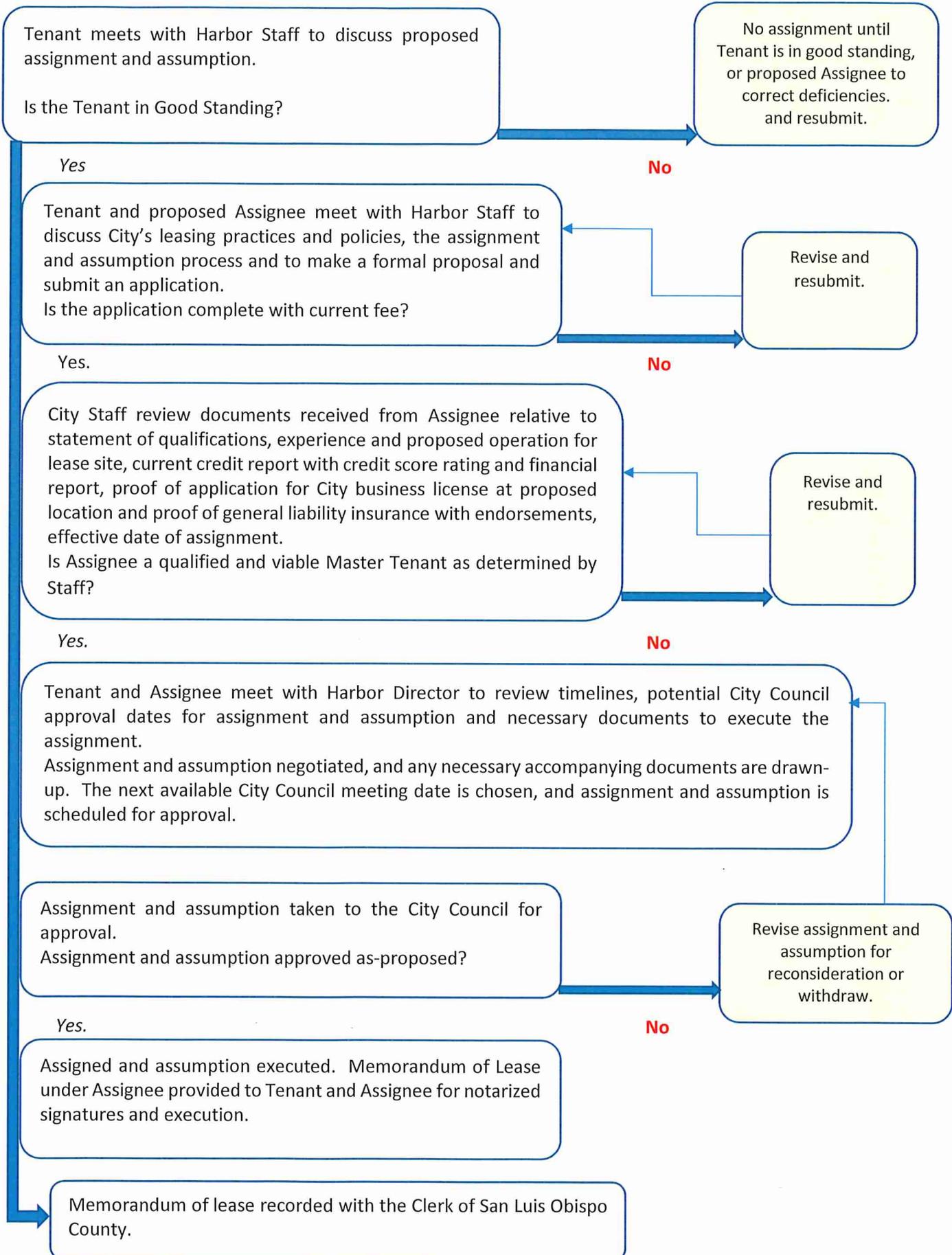
EXHIBIT B

PROCESS FLOW CHARTS

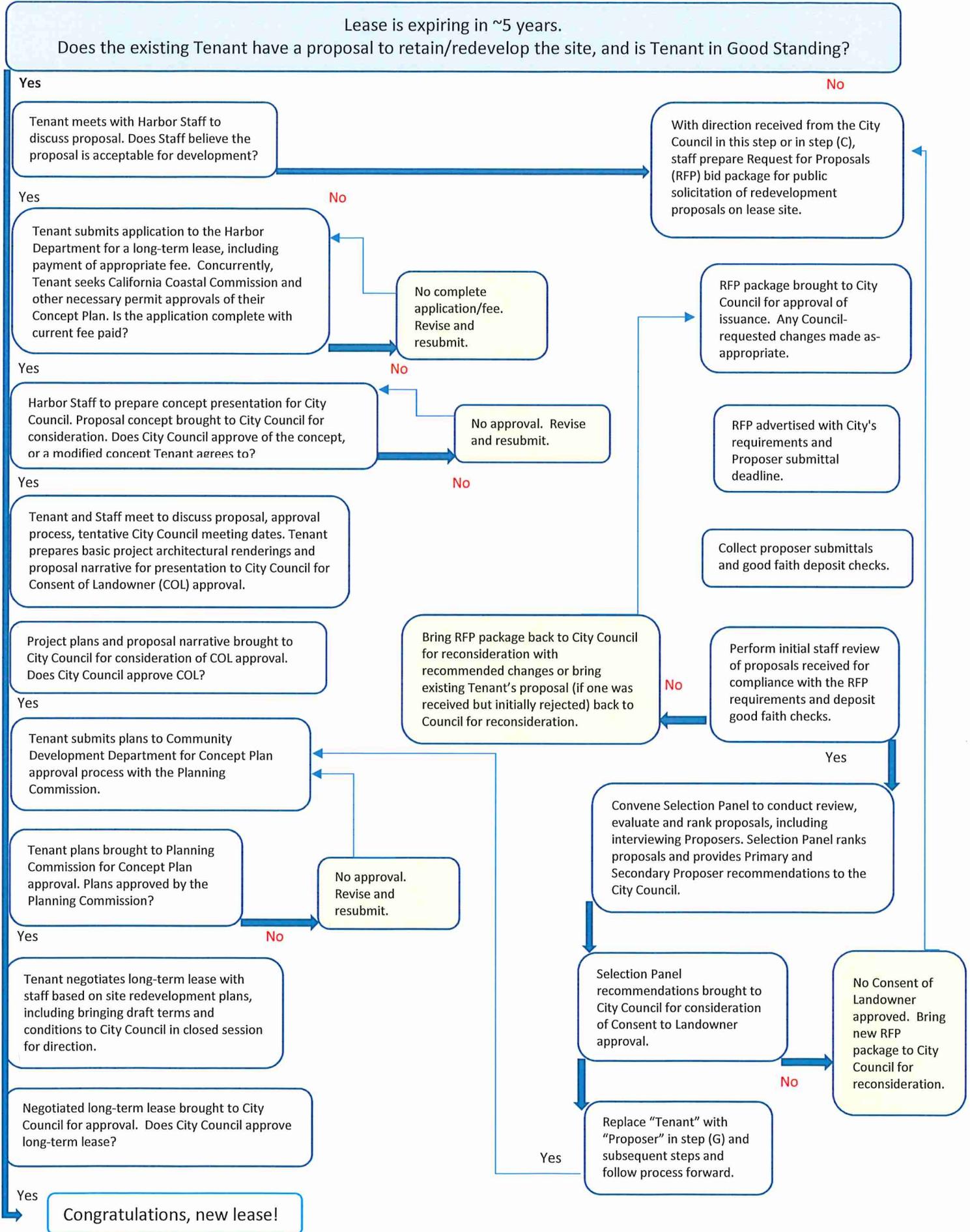
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Assignment and Assumption – Flow Chart



Expiring Lease/Lease Site Redevelopment – Flow Chart



New Master Lease – Flow Chart

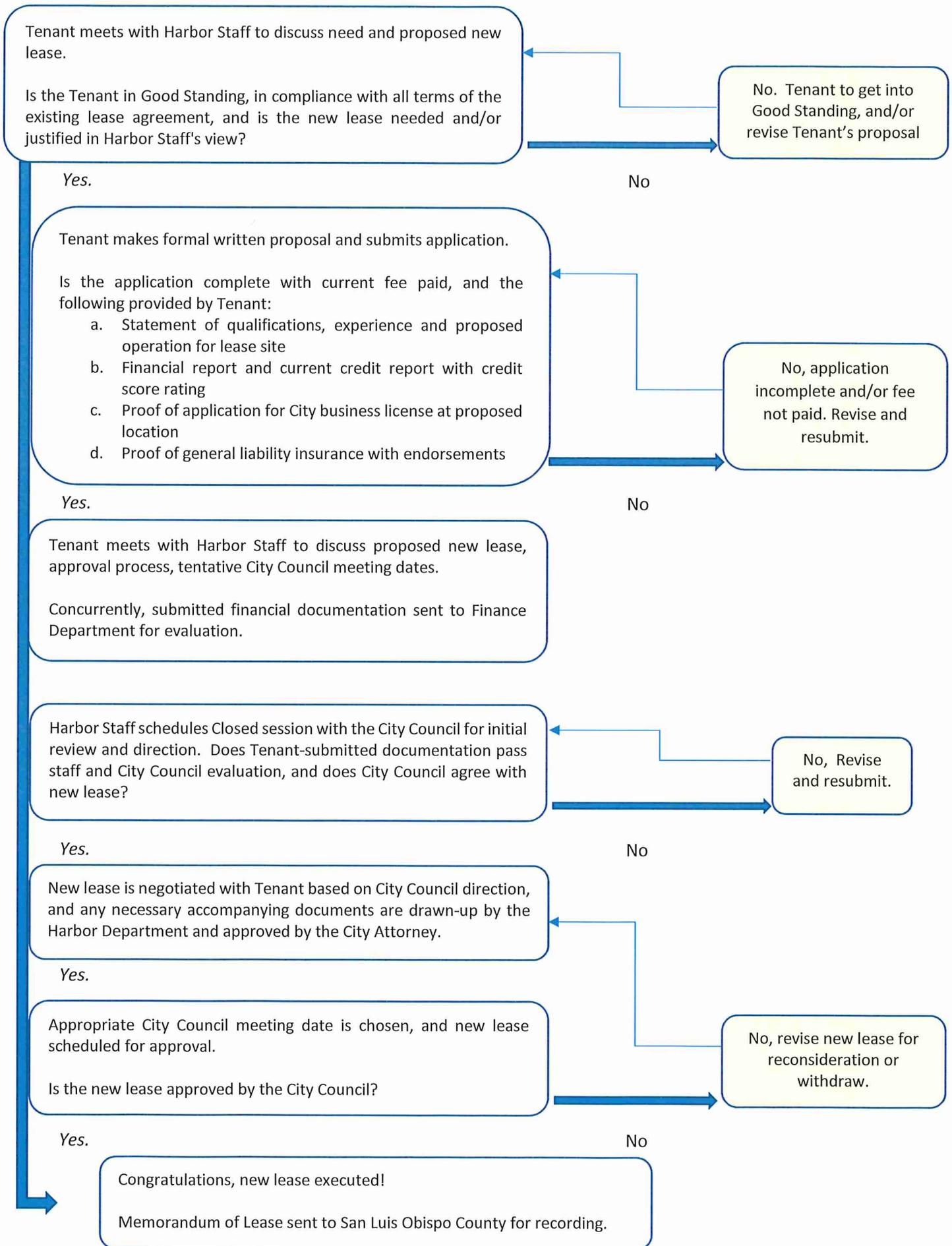


EXHIBIT C

MAPS/SURVEYS

(UNDER CONSTRUCTION)

DRAFT

EXHIBIT D

ZONING CHART

(UNDER CONSTRUCTION)

DRAFT

EXHIBIT E

PERCENT GROSS SCHEDULES

(IMMEDIATELY FOLLOWING THIS PAGE)

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SCHEDULE A

PERCENTAGE RENT FOR GROUND LEASES

		% GROSS
SALES		
FOOD SERVICE:	Restaurant, Dining Room	3
	Snack Bar, Delicatessen,	5
	Fast Food, Convenience Food	5
	Bar/Lounge, Beer & Wine Sales	5
RETAIL SALES & SERVICE:	Tenant	3-5
FISH & SEAFOOD:	Retail Sales	0
	Wholesale Sales	0
MOORINGS, TIES & SLIPS:	Pier/Fixed Piles	10
	Pier/Floating	10
BOAT REPAIR & SALES:	Boat & Marine Repair	3
	New Boat Sales	1
	Used Boat Sales	2
FUEL:	Gasoline	\$0.02/gal.
	Diesel	\$0.015/gal.
MOTEL:		5
ALL OTHER USES:		5

Percentage Rental is to be based on the gross amount received from any and all sources of income derived from the lease site.

SCHEDULE B

PERCENTAGE RENT FOR BUILDING LEASES

		% GROSS
SALES		
FOOD SERVICE:	Restaurant, Dining Room	5
	Snack Bar, Delicatessen,	7
	Fast Food, Convenience Food	7
	Bar/Lounge, Beer & Wine Sales	10
RETAIL SALES & SERVICE:	Tenant	7
	Subleasee	7
FISH & SEAFOOD:	Retail Sales	5
	Wholesale Sales	0.5
MOORINGS, TIES & SLIPS:	Pier/Fixed Piles	20
	Pier/Floating	20
BOAT REPAIR & SALES:	Boat & Marine Repair	5
	New & Used Boat Sales	2
FUEL:	Gasoline	.02/gal.
	Diesel	\$0.015/gal.
MOTEL:		10
RV PARK:		25
ALL OTHER USES:		10

Percentage Rental is to be based on the gross amount received from any and all sources of income derived from the lease site.

EXHIBIT F

MASTER LEASE TEMPLATE

(UNDER CONSTRUCTION)

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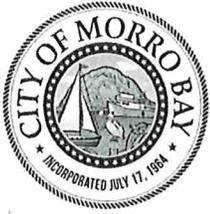
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EXHIBIT G

FORMS

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City of Morro Bay

Harbor Department
1275 Embarcadero
Morro Bay, CA 93442
Phone: 805-772-6254
Fax: 805-772-6258

Fee:
Check #:
Date:

APPLICATION

FOR SUBLEASE APPROVAL TO A LEASE SITE.

To be completed and returned to the Harbor Office for processing. Please print or type.

Lease Site Number

Physical Address with Sublease Suite #

Proposed Sublease Date

Current Master Lessee Name

Subtenant Name

Business/Corporation Name

Business/Corporation Name

Mailing Address

Mailing Address

City, State Zip

City, State Zip

Telephone / Email Address

Telephone / Email Address

Current Master Lessee Name

Subtenant Name

Business/Corporation Name

Business/Corporation Name

Mailing Address

Mailing Address

City, State Zip

City, State Zip

Telephone / Email Address

Telephone / Email Address

Master Lessee/Representative Signature

Date

Master Lessee/Representative Signature

Date

Subtenant's Signature

Date

Subtenant's Signature

Date

SEE REVERSE



City of Morro Bay

Harbor Department
1275 Embarcadero
Morro Bay, CA 93442
Phone: 805-772-6254
Fax: 805-772-6258

Fee:
Check #:
Date:

APPLICATION

FOR ADMENDMENT OF A CITY MASTER LEASE AGREEMENT

To be completed and returned to the Harbor Office for processing. Please print or type.

Lease Site Number Physical Address Proposed Amendment Date

Current Master Lessee Name

Business/Corporation Name

Mailing Address

City, State Zip

Telephone / Email Address

Current Master Lessee Name

Business/Corporation Name

Mailing Address

City, State Zip

Telephone / Email Address

Master Lessee/Representative Signature Date

Master Lessee/Representative Signature Date

SEE REVERSE



City of Morro Bay

Harbor Department
1275 Embarcadero
Morro Bay, CA 93442
Phone: 805-772-6254
Fax: 805-772-6258

Fee: Check #: Date:

APPLICATION

FOR ASSIGNMENT OF A CITY MASTER LEASE AGREEMENT

To be completed and returned to the Harbor Office for processing. Please print or type.

Lease Site Number **Physical Address** **Proposed Assignment Date**

Current Master Lessee Name

Business/Corporation Name

Mailing Address

City, State Zip

Telephone / Email Address

Assignee Name

Business/Corporation Name

Mailing Address

City, State Zip

Telephone / Email Address

Current Master Lessee Name

Business/Corporation Name

Mailing Address

City, State Zip

Telephone / Email Address

Assignee Name

Business/Corporation Name

Mailing Address

City, State Zip

Telephone / Email Address

Master Lessee/Representative Signature

Date

Master Lessee/Representative Signature

Date

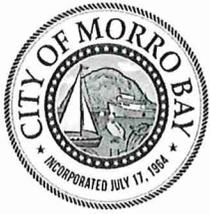
Assignee's Signature

Date

Assignee's Signature

Date

SEE REVERSE



City of Morro Bay

Harbor Department
1275 Embarcadero
Morro Bay, CA 93442
Phone: 805-772-6254
Fax: 805-772-6258

Fee:
Check #:
Date:

APPLICATION

FOR A CITY MASTER LEASE AGREEMENT

To be completed and returned to the Harbor Office for processing. Please print or type.

Lease Site Number Physical Address Proposed Lease Date

Master Lessee Name

Business/Corporation Name

Mailing Address

City, State Zip

Telephone / Email Address

Master Lessee Name

Business/Corporation Name

Mailing Address

City, State Zip

Telephone / Email Address

Master Lessee/Representative Signature Date

Master Lessee/Representative Signature Date

SEE REVERSE

EXHIBIT H

LEASE SITE INSPECTION CHECKLISTS

(IMMEDIATELY FOLLOWING THIS PAGE)

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LEASE SITE INSPECTION CHECKLISTS

Annual

Building and Site Exteriors

General building condition, cleanliness.
Condition and cleanliness of walkways, curbs, hardscaping, features.
Landscaping trimmed, cleaned and weeded.
Walkways clear with no obstructions, including trip, slip and fall hazards.
Trash, storage areas neat, clean and secured.
Informational and warning signage in-place, current and legible.
Address and building identification clear.
Lighting operation.
Condition and presence of cover plates, grates, mechanical protection.
Condition of stairs, railings and handrails.
Proper implementation of needed pest control measures.
Access to electrical panels, service centers.
Condition of under-wharf/pier plumbing and electrical.

Building Interiors

Suites/Units clearly identified.
Condition of tenant finish items, walls, floors, ceilings.
Pathways clear with no obstructions, including trip, slip and fall hazards.
Restrooms clean and stocked.
Lighting operation.
Adequate housekeeping and trash removal.
Presence of fire extinguishers, current inspection tags.
Exit signs in place.
Access to circuit breaker and electrical panels.
Elevators and lifts serviceable, currently inspected.

Slips/Docks/Piers/Wharves

General condition of gangways, head floats, fenders, decking.
Docks clear with no obstructions and minimally-stored items.
No hazardous materials present.
Power pedestals and shore power cords adequate and legal.
Cleats, pile rings, dock hardware adequate and serviceable.
Vessel tie-up lines adequate and serviceable.
Lighting operation.

Administrative

Site/Operation in compliance with applicable Conditional Use, Minor Use, Temporary Use and Coastal Development permits.
Site in compliance with applicable sign permit.

Every Five Years

Building and Site Exteriors

Annual inspection items, in addition to:

Evidence of termites, rain leakage.

Check roof and rain gutters.

Operation and integrity of irrigation systems.

Condition, integrity of roof vents, appurtenances.

Building Interiors

Check attic, basement areas.

Inspect circuit breaker and electrical panels for condition, issues.

Condition, operation of HVAC systems, filter replacement.

Water heater and exposed plumbing for condition, leakage.

Janitor, electrical and service closets clean and free of clutter.

Operation of exit/emergency signs and lighting.

Slips/Docks/Piers/Wharves

Administrative

Current Health Department certificate for food service establishments.

Current ABC licenses for alcohol-serving establishments.

Evidence of periodic grease trap servicing.

CITY OF MORRO BAY HARBOR DEPARTMENT LEASE MANAGEMENT POLICY

BACKGROUND

Tracing back to English Common law the Public Trust Doctrine establishes that navigable water or lands subject to tidal influence are “sovereign”, held open to the public for commerce, fisheries or navigation. In 1942-44, the federal government constructed a revetment along the Morro Bay waterfront and filled most of the area now known as the commercial strip along the Embarcadero. The State of California claimed ownership of the newly created land as at least a portion of it had previously been below the high tide line. After many years of dispute with private property owners, who also claimed an interest in the land, most title issues were settled in the 1950s-1960s by designating those lands west of Embarcadero Road as public trust lands owned by the State, and those lands east of Embarcadero Road as privately owned. Attached is a map of the tidelands grant in Morro Bay.

In 1947, the State of California granted those public trust lands in Morro Bay to the County of San Luis Obispo. The City of Morro Bay assumed trusteeship of the granted lands upon incorporation in 1964-1965. The tidelands grant in Morro Bay is in perpetuity, provided the City conforms to the terms of the legislative grant. The granted lands must be used for commerce, fisheries, navigation, recreational purposes, parklands, public access, public parking and environmental protection or enhancement. Residential use of these public lands is specifically prohibited. The City may lease out these lands to private businesses for a period up to 50 years and all revenues from such leases must be expended within the area of the granted lands for the purposes of the public trust. Much of the granted lands were leased to established businesses in the 1960s on long-term leases that provided low rental rates in exchange for tenant investment in the business on the sites or settlement of previous land ownership or county lease disputes. Some of these old long-term leases have accrued significant “bonus” value to the benefit of the private party because waterfront property values have increased far in excess of the contractual rental return to the City.

Over the years, the City has changed its leasing practices and policies to better protect the public interest by adopting modern lease formats and standards for fair market rent and periodic rental adjustments. There has been some resistance on the part of existing tenants to changes in the City's leasing practices and many issues regarding granted land use and City policy have been difficult to make clear to the general public because of their complexity. In 1985, the City created the Harbor Department to focus property management efforts in the tidelands and to assure the State that tidelands revenues were properly accounted for. The Harbor Department is operated through a City enterprise fund known as the Harbor Fund. Similar to the Water and Wastewater enterprise funds, all Harbor services are funded with either users fees or property management income (no tax revenues). In FY88-89 Harbor Fund lease revenues were \$427,634 increasing to \$777,784 in lease revenues in FY98-99. The aggressive modernization of the City's property management practices over the last 15 years have allowed the Harbor Department to expand services to the boating public and improve existing harbor/park facilities.

While many coastal cities in California manage tidelands grants similar to that in Morro Bay, such a property management role is not necessarily a natural fit for local government. Familiarity with the history and terms of the various contract forms allows for resolution on contract interpretation issues before they become problems.

The Harbor Department routinely handles five to ten lease “questions” a week. If these questions were put through a political or bureaucratic process, the result would replicate the situation in Morro Bay in the mid-1980s when the Harbor Commission reviewed all lease actions. The City Council reorganized the Harbor Commission into the current Harbor Advisory Board and took lease management issues out of the Board’s purview to streamline City responsiveness and improve lease management. Inability to answer contract interpretation questions, or to process City required contractual approvals in a timely manner could cripple tenants’ ability to succeed on the tidelands lease sites.

On the one hand, the purpose of the tidelands grant is to develop harbor facilities and with percentage rents, the City is essentially a partner with the lessees along the tidelands. On the other hand, facility development and the desire to increase harbor lease revenues through tidelands lease improvement and business success must be balanced with City planning and land use policies requiring public benefit on sites and good community projects. In the 1990s the City demonstrated it can successfully achieve that balance by working cooperatively with tenants to renegotiate long-term leases (with increased rental revenues) for commercial redevelopment.

The City Manager coordinates the various interests by delegating lease management to the Harbor Director with the understanding that planning, zoning and land use issues shall be determined in accordance with adopted City Plans and Policies administered by the City Planning Staff, legal issues by the City Attorney and insurance issues by the City Risk Manager. The City has previously adopted a lease negotiation policy and a master lease format as policy but has never attempted a more comprehensive statement of management policy. The purpose of this document is an attempt to integrate existing policy with broader statement of public leasing policy to enhance public understanding and provide a framework for future actions.

The City of Morro Bay will use the following policy guidelines in management of the tidelands and Harbor Fee leases in the Harbor Department lease management program.

GENERAL POLICY

The City will manage the tidelands leases to provide and support harbor facilities and enhancement.

The City shall appropriately account for tidelands revenues and expenses in compliance the state law and the tidelands grant.

The Harbor Department will actively work with and attempt to enhance marine dependent or marine related uses in compliance with the adopted City Plans and Policies, and the City’s goals of maintaining a small commercial fishing harbor and working waterfront.

The City shall at all times be governed in its management of the tidelands properties by the granting statutes as interpreted and managed by the State Lands Commission.

The Harbor Department will manage leases in a way that will strive to support tidelands visitor serving lease businesses to increase revenues consistent with adopted City Plans and Policies, and coordinated with City planning and land use policies.

Many property management functions of the City such as: lease assignment, sublease approval, lease renewal, extension or renegotiations contractually require City Council review and approval. The City Council approval process can sometimes be misconstrued by the public or the lessees to mean the City Council approves other issues, required permits or plans for the site. The Harbor Department will process lease contract administration issues requiring City Council approval in a timely fashion so lessees are not unduly burdened in their business operations. Any such approval shall not waive any and all other permits, approvals or governmental regulations such as planning and land use permits, building permits, etc.

SPECIFIC POLICIES FOR CONTRACT ADMINISTRATION

Master Lease Format: The City has developed a master lease format based on modern leasing practices and similar formats used by other public agencies. The City master lease format adopted in 1986 is hereby amended and attached to this policy statement. Any lease agreements in the future will be in the approved master lease format. The City may use a license agreement for temporary, interim or non-exclusive use of property when appropriate.

Approved Uses: Uses on the lease sites shall be in conformance with the Tidelands Trust and the City Conditional Use Permit for the site. Proposed new uses for lease sites must be in conformance with the then planning, zoning and land use policies of the City. Lessees proposing or considering new uses for a site will be referred to the Planning Division or Department of the City for review and approval.

Negotiation: Following is the lease negotiation policy adopted by the City Council July 10, 1987:

“It is the policy of the City Council of the City of Morro Bay that negotiations relative to leasing public tidelands shall commence and remain at the appropriate staff level, as managed by the City Administrator. The City Administrator is to serve as the initial level of negotiation appeal, with the City Attorney participating when legal issues arise. Differences of opinion shall be resolved to the maximum extent possible between the parties at the staff level, *prior* to any City Council consideration of the lease.

In the event certain lease issues remain unresolved upon exhaustion of administrative review, the lessee (tenant) may submit a written document to the City Council outlining their points and perspectives concerning the outstanding lease issues. Upon City receipt of the written report, the City Clerk shall cause the item to be placed on the City Council agenda, and the lessee or his/her representative may provide a brief verbal summary of their perspectives to the City Council during a public meeting. It is the policy of the City Council to receive under advisement any written or verbal report at that time, but not to comment on or negotiate in public.

Following receipt of this input from the lessee, the City Council will exercise its authority under California Government Code Section 54956.8, to meet in Closed Session to give instructions to the City’s negotiator(s) regarding negotiations for lease of real property (public tidelands). Upon conclusion of the Closed Session considering the points submitted by the tenant, the City’s negotiators will be properly instructed and authorized to finalize negotiations and the lease with the tenant.”

The following two sub paragraphs are added for clarification on the negotiation process:

- A. In many cases parties who are considering buying a tidelands leasehold interest desire to renegotiate the lease (to extend the term, change rent or uses) prior to completing the sale/assignment of the lease. Normally, City staff will not negotiate with prospective tenants due to limited staff time and the potential impact on the “sale” price of a lease. **Prospective buyers of leasehold interest are buying the existing lease agreement only.**

- B. All lease sites eventually need to be reconstructed or significantly remodeled. In general, the City desires such reconstruction to bring improvements up to modern building codes, design criteria, and market conditions. The City acknowledges that tenants will need to renegotiate leases to new longer terms to amortize and collateralize their investment on the public property. The normal stage for lease negotiation to commence in a reconstruction redevelopment situation is when the tenant has received Planning Commission and/or City Council approval of a Concept Plan for a Conditional Use Permit to redevelop the site. The project will therefore be at a stage when the CUP can be attached to a new lease and the tenant can be required to construct improvements in compliance with the CUP in a given period of time. The appropriate term for the new lease will be determined by the size of the lease site and the level of private investment proposed for the public property.

Lease Renewal: The practice of the City in the past has been to automatically renew or renegotiate a lease with an existing tenant. This has led to a false sense of private ownership of the lease site and sometimes leads to tenants not maintaining lease or reconstructing prior to the expiration of a given lease term. The City should set some standards for renewing a lease. Lease expiration dates should be encouraged to coincide where adjoining sites may have mutual planning benefits. In some cases, the City should not renew a lease, either for the purpose of consolidating sites or to pursue other extenuating public benefit.

The City will use the following standards for determining whether it should negotiate a new lease with a tenant:

- A. The tenant has a good history of performance and lease compliance and the improvements on the site are well maintained. Example standards for determining “good history” of lessee performance are:
 - 1. The tenant’s record with respect to the prompt and accurate payment of rent due the City;
 - 2. The tenant’s record of compliance with existing lease conditions;
 - 3. The appropriateness of the proposed tenant business with respect to the total mix of uses and services available to the public and with respect to the long-term planning goals of the City;
 - 4. The tenant’s financial and personal investment in tenant business and the leasehold improvements;
 - 5. The contribution to the surrounding business community made by the tenant’s business;
 - 6. The quality of direct services to the public provided by the tenant and its business;
 - 7. The value received by the public in goods or services.
 - 8. The total financial return to City from the leasehold;
 - 9. Other pertinent considerations as may be appropriate as determined by the City Council.

B. In addition to the above, the City recognizes that there are three distinct zoning areas on the waterfront that require different considerations in lease renewals issues. As follows:

1. Tidelands Park south water area only leases. In this area the City leases only the water areas as the upland property and access to the water areas is owned and controlled by private parties. The City will encourage continuation/enhancement of marine dependent uses such as boats slips and boat repair facilities where feasible. However, this area is not suitable for large redevelopment projects and in most cases the City will negotiate a new 10 to 30 year lease extension with existing tenants when they meet the above criteria.
2. Embarcadero from Beach Street to Tidelands Park. In this area, the City controls land and water areas. In this area tenants are encouraged to propose redevelopments of lease sites to improve public benefits on these sites, enhance the Embarcadero business environment, and renegotiate leases to modern terms. To help accomplish this, and to provide tenants motivation not to let long-term leases run to the very end of their terms with degraded building/improvements, and under market lease terms, the City will generally not renew leases with existing tenants in this area if they allow their leases to run to a term of less than five years remaining.
3. Embarcadero from Beach Street north. This area is designated with zoning to preserve commercial fishing/marine dependent uses. In addition, existing restaurants or retail uses are grandfathered in. The City will strongly encourage tenants who propose enhancement of commercial fishing uses or marine dependent uses by considering new long-term leases that facilitate these types of projects. Existing restaurant/retail sites shall be extended or renewed if the tenant can develop plans for enhancement of the site within the constraints of CF District zoning. Within the general outlines of this policy the City Council will provide specific direction to the City's designated negotiator on the Morro Bay Power Plant outfall lease.

In general, leases that are not renewed should be put out to public bid or kept in short-term interim lease arrangements until adjacent sites become available for consolidation. In addition, the City has many long-term ground leases (known as the County or Pipkin leases), which provide low rent in exchange for tenant investment or settlement of previous disputes. These long-term leases provide that the tenant-constructed improvements revert to City ownership upon lease termination and this was a critical part of the consideration in allowing the tenant such a long-term lease at the specified rents. The County and Pipkin leases were 50-year leases (the maximum term set by the tidelands grant) and may not be extended or renewed. The City shall encourage tenants to renegotiate these leases into the new City master lease format well before the termination date of that lease.

In the CF District the City should attempt to consolidate leases in the area between the T-Piers to facilitate marine dependent redevelopment such as a seafood processing plant.

Fair Market Rent: State Law requires that fair market rent be charged for use of the granted tidelands. Fair market rental shall be determined through the use of an independent appraiser to appraise the fair market value of the property and the City will set a minimum annual rent equal to 8% of the appraised value of the land or improvements if the improvements have reverted to the City. The lease rent will be structured to provide for a minimum annual rent as outlined above or a percentage of gross sales rent as shown on the attached Schedules entitled Standard City percentage of gross sales rent.

In cases where the tenant is proposing complete redevelopment of a site to eminent modern design criteria at significant private investment the City may allow both temporary reductions in the outlined minimum rent to offset tenants period of reduced revenues during construction and reduction in the standard retail percentage of gross sales to 3% for the first 10 years of a new long-term lease agreement.

Maintenance of Improvements: The City has a paramount interest in ensuring that the improvements on the lease site are being properly maintained and are in a safe and secure condition. The City shall contract to have the lease sites inspected and a report made on such inspections every five years. City staff will require significant deficiencies noted in the lease site inspection reports to be repaired or cured by the tenants. As long-term leases draw close to expiration tenants tend to defer maintenance and the City must carefully monitor and strictly enforce lease maintenance provisions to protect the reversionary interest in the lease site improvements.

Percentage of Gross Sales Audits: Where tenants are subject to percentage of gross sales rent, the City will contract to have the business accounting records examined for lease compliance at least every five years. City staff will require tenants to comply with or cure any deficiencies noted in the accounting records examinations.

Lease Assignment/Sale: All City leases require City Council approval of the sale or assignment of a lease agreement. Any tenant requesting such approval will be required to pay fees noted in the master fee schedule, to submit financial documentation to indicate qualifications to the satisfaction of the Finance Director, and be in full compliance with the terms and conditions of their lease agreement. If the proposed assignment or sale includes a change in use of the site, then the change in use will be reviewed by the Public Services Department of the City for conformance with planning and zoning regulations. Proposed changes in uses for lease sites must comply with City planning and zoning ordinances, the City's adopted Local Coastal Plan and Measure D limitations for properties north of Beach Street. Where zoning allows a variety of uses, preference will be given to coastal related uses whenever possible.

Sublease Approval: All leases require City approval of sublease agreements. Prior to approval of the sublease, the tenant shall pay any fees noted in the master fee schedule; submit a properly executed copy of the City standard Consent to Sublease form and a copy of the Sublease Agreement. Future lease agreements may provide for the City Manager or designee to approve sublease agreements which meet the stated qualifications for approval and which comply with the terms and conditions of the lease agreements.

Financing: The City will not approve financing related to or using the lease site, or leasehold interest as collateral unless such financing is for sole investment upon the lease site or for City requested public improvements.

SCHEDULE A

PERCENTAGE RENT FOR GROUND LEASES

		% GROSS SALES
FOOD SERVICE:	Restaurant, Dining Room	3
	Snack Bar, Delicatessen,	5
	Fast Food, Convenience Food	5
	Bar/Lounge, Beer & Wine Sales	5
RETAIL SALES & SERVICE:	Tenant	3-5
FISH & SEAFOOD:	Retail Sales	3-5
	Wholesale Sales	0
MOORINGS, TIES & SLIPS:	Pier/Fixed Piles	10
	Pier/Floating	10
BOAT REPAIR & SALES:	Boat & Marine Repair	3
	New Boat Sales	1
	Used Boat Sales	2
FUEL:	Gasoline	\$0.02/gal.
	Diesel	\$0.015/gal.
MOTEL:		5
ALL OTHER USES:		5

Percentage Rental is to be based on the gross amount received from any and all sources of income derived from the lease site.

SCHEDULE B

PERCENTAGE RENT FOR BUILDING LEASES

		% GROSS SALES
FOOD SERVICE:	Restaurant, Dining Room	5
	Snack Bar, Delicatessen,	7
	Fast Food, Convenience Food	7
	Bar/Lounge, Beer & Wine Sales	10
RETAIL SALES & SERVICE:	Tenant	7
	Sublease	7
FISH & SEAFOOD:	Retail Sales	5
	Wholesale Sales	0.5
MOORINGS, TIES & SLIPS:	Pier/Fixed Piles	20
	Pier/Floating	20
BOAT REPAIR & SALES:	Boat & Marine Repair	5
	New & Used Boat Sales	2
FUEL:	Gasoline	.02/gal.
	Diesel	\$0.015/gal.
MOTEL:		10
RV PARK:		25
ALL OTHER USES:		10

Percentage Rental is to be based on the gross amount received from any and all sources of income derived from the lease site.



AGENDA NO: B-5

MEETING DATE: December 5, 2019

Staff Report

TO: Harbor Advisory Board **DATE:** November 25, 2019

FROM: Eric Endersby, Harbor Director

SUBJECT: Discussion and Prioritization of Results of Harbor Department Strengths, Weaknesses, Opportunities and Threats (“SWOT”) Analysis as Discussed by the Harbor Advisory Board on November 7, 2019

RECOMMENDATION

Discuss and provide input and prioritization regarding the two most important elements for each of the Harbor-related Strengths, Weaknesses, Opportunities and Threats (“SWOT”) identified by the Harbor Advisory Board during its “SWOT” analysis conducted during its regular November 7, 2019 meeting (agenda item B-5).

BACKGROUND

During the Harbor Advisory Board’s (HAB) November 7, 2019 regular meeting, the board analyzed the Morro Bay Harbor using a “SWOT” analysis format in terms of its current Strengths, Weaknesses, Opportunities and Threats. The SWOT analysis followed the City Council’s approved Goals and Objectives for FY 2019/2020, which feature four macro goals:

1. Achieve Economic and Fiscal Sustainability
2. Improve Public Infrastructure
3. Complete Updates to the City Land Use Plans and Zoning Policies and Address Affordable Housing Issues
4. Improve Communication and Engagement with Community

The intent of this analysis was to guide current and future work on the HAB’s work plans as they relate to the Council/HAB goal and objective-setting and execution processes.

DISCUSSION & CONCLUSION

Results of the HAB’s November 7, 2019 Harbor related SWOT analysis are attached. In order to best focus the SWOT results into a useable format, staff are requesting the HAB to identify what it determines to be the two most important Harbor-related items for each Harbor related SWOT analysis element, as they relate to each of the four Council goals noted above.

Results of this prioritization will be provided the City Council as-appropriate.

ATTACHMENT

Bullet-point summation of the HAB November 7, 2019 SWOT analysis.

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____

November 7, 2019 HAB Meeting
Agenda Item B-5 – Harbor SWOT

Council Goal No. 1 – Achieve Economic and Fiscal Sustainability

Strengths:

- The natural resources of the Harbor and the Bay as a public attraction.
- A protected and navigable harbor.
- An active commercial and recreational fisheries port.
- Tidelands Trust lease sites, and the Tidelands Trust Act requirement that revenues derived from Tidelands Trust lands go to the Harbor Fund.
- The City's historic image as a quaint fishing village, and the continued presence of a commercial fishing small boat fleet.
- The presence of the Morro Bay National Estuary Program.

Weaknesses:

- Lack of a strategic long-term plan, including its capital component, relative to maintaining and augmenting existing sources of Harbor revenue.
- Insufficient partnering with leasees and waterfront business to enhance/optimize Harbor revenue.
- Insufficient budget to pursue and maximize Harbor related economic opportunities for the Harbor Fund.
- The City not effectively marketing Harbor lease site opportunities.
- Not actively pursuing beach and water-based business revenue via licensing, permitting, etc.
- Staff manpower and business expertise.
- Morro Bay's aging commercial fishing fleet in terms of its operators, as well as increasing limitations on West Coast commercial fishing opportunities.

Opportunities:

- To implement a long-term strategic plan for the Harbor, which would include planning for national and/or regional economic downturns.
- Improve the Harbor related visitor serving strategy with San Luis Obispo County.
- Improve and enhance the City's efforts to market Harbor lease site opportunities.
- Provide a range of waterfront services that optimizes local and visitor interest and utilization.

- Improved partnering with existing lessees and other businesses to enhance Harbor revenue.
- Convene an annual economic status and development summit with elected officials, the Morro Bay Chamber of Commerce, private sector waterfront businesses and other involved and interested groups to assess and recommend solutions to economic challenges.
- Pursue beach and water-based business revenue via licensing, permitting, etc. for boating activities, sport fishing, sightseeing and such.
- Collaborate with the Morro Bay yacht Club, maritime non-profits, and the waterfront businesses to attract boating related events and maritime educational activities.
- Utilization of all Tidelands Trust lease sites for generation of Harbor Fund revenues.
- Facilitate long-term storage for commercial fishing products (cold storage facility).
- Develop a marine services facility (boat yard, etc.)
- Potential revenue from a regional off-shore wind farm.

Threats:

- Regional and/or national economic downturns.
- Not understanding who our Harbor visitors are, and not attracting the optimal market sectors.
- Entering into Tidelands Trust lease agreements that do not optimally contribute to the Harbor Fund.
- The Harbor and significant portions of the Bay being dependent upon continued dredging.
- CALPERS impacts.
- The General Fund extracting funds from the Harbor Fund.
- Political considerations.
- Potential community resistance to additional revenue activities.
- Losing sight of small town Morro Bay, and becoming a Pismo Beach in a desire for revenue and profits.

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Council Goal No. 2 – Improve Public Infrastructure

Strengths:

- The majority of Harbor related infrastructure exists.
- The City’s knowledge of the history and needs of Harbor infrastructure.
- The ongoing capital needs projections for Harbor infrastructure as generated by the Harbor Department.

Weaknesses:

- A lack of programmed professional assessment of Harbor infrastructure physical conditions.
- A lack of dedicated funding for Harbor infrastructure maintenance, repair and replacement (the City’s waterfront bathrooms being widely criticized, etc.).
- A lack of effective and consistent coordination between the Harbor Department and Public Works, as it relates to Harbor infrastructure maintenance, repair and replacement.
- Parking issues – a sufficiency of parking, and whether some parking should be paid or not paid.

Opportunities:

- Accurately and consistently identifying and defining Harbor related infrastructure needs and requirements.
- Establishing a defined process for City departments to execute Harbor related infrastructure projects.
- Establishing a City staff resource whose sole responsibility is to pursue public and private funding for Harbor infrastructure maintenance, repair and improvement – including rehabilitation of the Harbor Office.
- Developing a marine services facility (boat yard, etc.)

Threats:

- Aging useful life of Harbor infrastructure elements, as identified in the Harbor Department’s capital projections.
- The inability to generate excess Tidelands Trust lands revenue for contribution to the Harbor accumulation fund.
- Lack of effective City action regarding infrastructure needs.

- A marine environment hostile to Harbor infrastructure.
- The inevitable silting of the Harbor and its navigation areas.

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Council Goal No. 3 – Complete Updates to City Land Use Plans and Zoning Policies, and Address Affordable Housing Issues

Strengths:

- An engaged and passionate citizenry.
- The City's current commitment to updating the General Plan and Local Coastal Plan.

Weaknesses:

- Overly complicated City codes, requirements and regulations.
- Moving targets in terms of City development and construction – planning and guidelines being reactionary, rather than proactive.
- The high cost of construction as it relates to affordable housing.
- Lack of an effective eelgrass mitigation program.

Opportunities:

- Pursuing the betterment of an effective and relevant Working Waterfront through the GP/LCP update.
- Zoning and waterfront development guidelines being more flexible regarding alternative designs.
- Achieving Measure D clarity.
- The City committing to an effective eelgrass mitigation program.
- The City incentivizing affordable housing.
- Effectively channeling and utilizing the engaged and passionate citizenry.

Threats:

- Ineffective City bureaucracy.
- City inaction concerning the needs of the Harbor, and the opportunities it affords.
- Continued Measure D ambiguities.
- The lack of an effective City eelgrass mitigation program.

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Council Goal No. 4 – Improve Communication and Engagement with Community

Strengths:

- An engaged and passionate citizenry.
- The Harbor Department’s practice of being open to public engagement.
- The Harbor Department staff’s knowledge of and experience with Harbor related matters and concerns.

Weaknesses:

- The City Council not focusing on Harbor related issues.
- A lack of effective City initiative in engaging waterfront leasees and businesses to improve the City’s understanding of the needs and concerns of those leasees and businesses.
- A disconnect between public expectations regarding the Harbor versus available revenues and funding.
- A lack of effective City initiative in engaging locals and visitors concerning their Harbor experiences, and their Harbor related needs and desires.

Opportunities:

- Train and actively utilize Harbor Patrol personnel as good will ambassadors for Morro Bay and for the Harbor.
- Utilizing social media and other electronic media as an effective tool in communicating with waterfront leasees and businesses.
- Utilizing social media and other electronic media as an effective tool in promoting the Harbor.
- Improving and enhancing Council’s utilization of the Harbor Advisory Board as a means to: provide public input regarding Harbor related matters; assess Harbor related environmental issues; serve as a sounding board relative to potential new Harbor initiatives and business ventures; annually review and report on the state of the Harbor.

Threats:

- Council, City staff and/or citizenry unwillingness to consider options, opinions and viewpoints as expressed by others, which effectively shuts down thoughtful engagement regarding the Harbor.

- A lack of meaningful City and public dialogue concerning what is working for the Harbor, and what is not.
- Harbor Patrol personnel not being recognized as good will ambassadors for Morro Bay and the Harbor.