



AGENDA NO: B-1

MEETING DATE: August 23, 2022

**AGENDA CORRESPONDENCE
AND STAFF PRESENTATION
RECEIVED BY THE CITY COUNCIL FOR
PUBLIC REVIEW PRIOR TO THE MEETING**

Good evening Mayor and City Council members: [Sandra Bean's response to Gene Doughty's comments](#)

My name is Gene Doughty, I have been an Architect and Engineering Contractor in the City of Morro Bay for over 35 years. In all these years of practicing my trade I have never seen so many variances and the massaging of the municipal code as seen in the Sandy Bean Proposal. [Gene is referring to 4 small negligible variances.](#)

[Gene designed a cute little home for this lot, which may have required multiple \(perhaps more significant\) variances.](#)

I spoke during the May Planning Commission Meeting about this proposal. I told the owner, Sandy Bean, that I would not come to the podium again but might respond to a appeal in writing.

I have a workshop directly below the proposed project. I am inherently aware of the numerous problems as presented to the Planning Commission that could occur in this location. There are at least four proposed variances and I can see many more will be required to allow this project to continue.

My reaction to the Planning Commission Meeting:

A major concern of the neighbors and the people in the adjacent marina is the inherent disregards to the safety imposed regarding the right-a-way to the Marina. There was absolutely no reply to this concern from the members of the Planning Commission. If this project is to continue then a condition of approval must be to never infringe the movement of traffic up and down this steep driveway, nor should any encroachment permit be allowed to use the right-a-way.

[This condition will be accepted. The project will not infringe on the movement of up-and-down traffic nor create an encroachment. There is a permanent historical easement in place.](#)

Additional concerns:

- At the top of the drive there is an existing overhead power pole, guy wire, and storm/sand trap box blocking the driveway. The only access to the drive and marina below is across the marina property to the north. For the proposed project to continue the power pole and support will need to be moved onto the storm drain. I see no requirement addressing this.
- The parking area and drive approach below needs to be reviewed. The municipal code requires a 20' clear drive in front of what would be a garage. There is no such provision here. Another variance would be required.
- The Municipal Code only allows a two turn maneuver to exit or enter a parking spot and a minimum of a turning radius of 20'. The proposed plans (sheet EX-1) does not show a 20' radius but shows only a 10' radius into the street in order to maneuver around, which is prohibited.

- The Owner's own car has a inside radius of over 14' requiring an additional variance or a deed restriction that the owner must own a smaller car.
- The proposed plan shows the parking lot projecting beyond the bluff-top into the W.F. Zone and about 10' beyond the existing bluff curb face. As no work is allowed in the bluff area, another variance is required.
- The drainage of the proposed residence excavates around 5' down. My concern is that to discharge the foundation drainage and street run-off the flow must either cascade down the bluff top, which would be disastrous if it should fail. Or a constructed drain line would be required to drain into the bay, such W.F. zone action would require the owner to provide lateral coastal access, or another variance. I see no attention paid to this detail.

The number of variances required for this project allow the owner special privileges that no others are entitled to. I don't see how this project could move forward without additional variances. I am in favor of tiny houses, however, this project just doesn't fit

here. No special privileges requested. Coastal Commission added a 20 ft setback. Neighbors got permits without. That's about 320 feet of buildable area lost, leaving apx.278 square-foot footprint TOTAL. Gene knows this.

Respectfully submitted with respect for both Sandy Bean and the Council,

Gene Doughty

After apx 28 years of architect/engineering experience, Gene drafted his little house design for this lot, knowing the concerns mentioned above are not accurate.

His design sat on the same Bluff line all other neighbors have recently obtained permits to build on, with a deck cantilevering on pylons. The footprint was about 600 ft.² total, including the garage. The garage would've required a 2 foot setback variance vs 1 foot pop outs on this Project. I don't know what would have been required for house or deck going over the bluff on pylons.

In Gene's letter, he tells us: 1) We are asking for too many variances. 2) Although this Project is less than 50% of the footprint he designed, Gene says the project doesn't fit here.

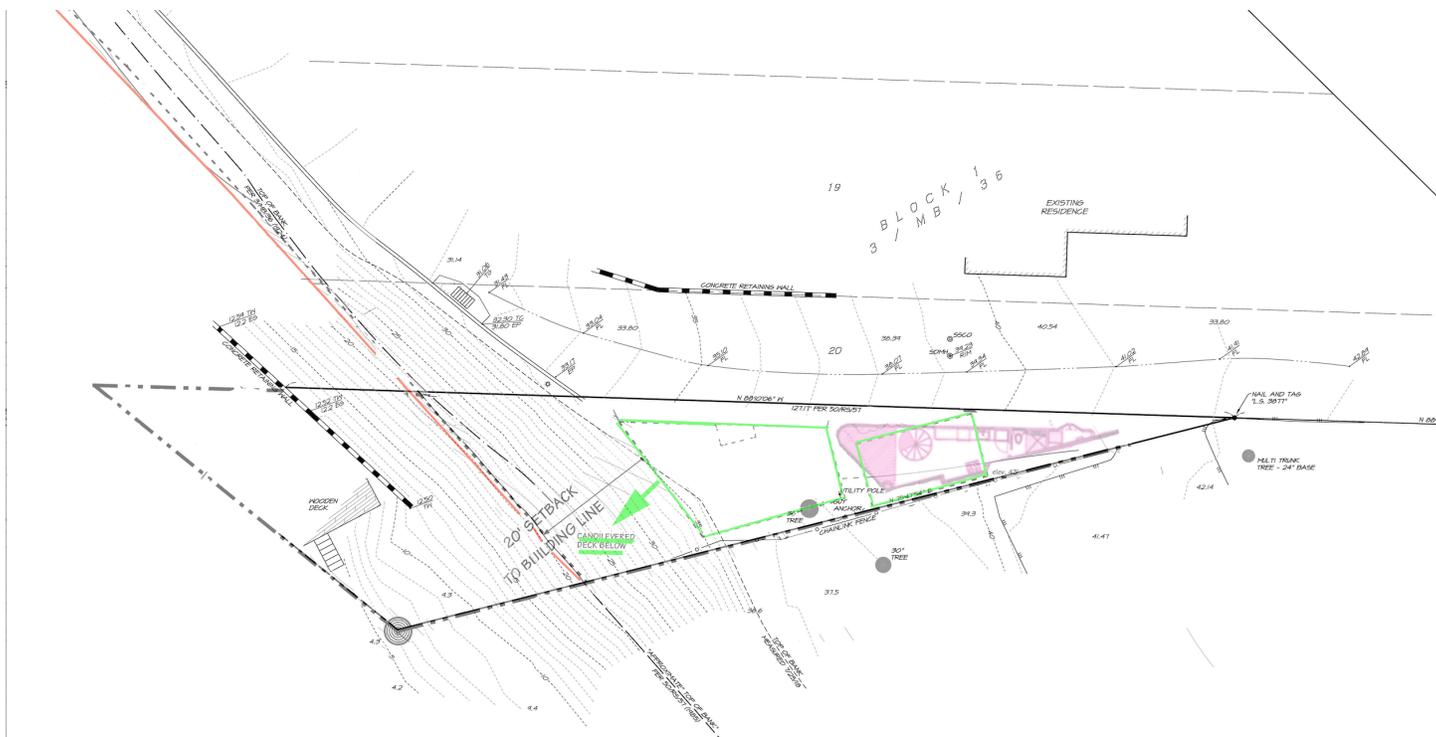
Gene doesn't approve anything built here by Bob Crizer. His previous attempts to stop Bob Crizer failed on this same block.

This Project is not asking for special privileges, and does fit on this property in spite of the most recent additional restrictions. We are asking for the opportunity to build a very small home, which will cover only 10% of a legal residential lot unusually restricted by governmental requirements.

As with all building permits, Professionals have been hired to inspect the site on all aspects, and Planning Staff is suggesting approval of the Permit, with variances as requested.

With all due respect Gene Doughty, a Permit for this property should not be denied due to any previous or current personal involvements, or unfair intent. Gene's entanglement with this property jeopardises his ability to be impartial or accurate with information.

Page 3 is an artistic rendering illustrating apx locations & sizes of Gene's design (green), Subject Project (Pink).



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Respectfully submitted with respect for both Sandy Bean and the Council,

Gene Doughty

From: [Krista Jeffries](#)
To: [Council](#)
Subject: Sandra Bean project and Zoning Proposal
Date: Tuesday, August 23, 2022 1:05:25 PM

CAUTION: This is an external email. Please take care when clicking links or opening attachments.

Good Afternoon Council Members,

My name is Krista Jeffries and I'm one of four lead organizers for SLO County YIMBY (Yes In My Backyard). We are a grassroots, pro-housing, pro-transit, advocacy group with members across the Central Coast, including a new lead in Morro Bay. She is unable to participate tonight so I am writing in her stead.

As I understand them, the proposed changes being reviewed tonight are moving in a very positive direction, and I applaud the urgency with which you are attending to the problem of housing scarcity and unaffordability in Morro Bay. As I'm sure you're aware, housing is "the everything crisis." From jobs, to good schools, to environmental impact, to the ability to fund your own infrastructure - abundant and affordable housing is the linchpin to every other city goal. The best laid plans will lie fallow without places for a variety of people to live at the various stages of their lives.

When it comes to specific policies we believe would be particularly suited for small, coastal communities like Morro Bay, we look to the "Strong Towns" philosophy. Some relevant key components of this are described below:

-Allow incremental intensification by-right; if the underlying zone is R-1 (single-family only) right now, allow R-2 or R-3 (duplexes or triplexes) by right. If the underlying zone is for R-2, allow R-3 or R-4, and so on. This allows neighborhoods to scale and change at a natural, organic pace that doesn't overwhelm neighbors, but also meets the city's needs for housing stock in real time. It also saves staff and council time and money on expensive rezoning and GP updates for small projects.

-Do not mandate more than one space of uncovered parking for any residential projects, and no more than 1/2 space for any multifamily projects. Land is the city's most precious commodity and it is very limited and expensive; dedicating this resource to machines instead of humans is the antithesis of all of your council goals. For comparison and inspiration, Grover Beach has decided to allow the space in front of a residence or business to count towards their parking requirements, and has a flexible density program that incentivizes smaller units in exchange for less parking.

-Densities that support 4-10 units per parcel. To facilitate walkable and affordable neighborhoods, the rezoning item needs to consider a higher density than what is currently proposed. [Missing Middle Housing](#), that term we're hearing so much lately, is often rendered impossible by today's density limits and minimum parking requirements, despite how incredibly popular and beautiful these homes are. MB's small lot sizes can lend themselves to more naturally occurring affordable housing, but only if the objective standards support it.

-Inclusionary ordinances should be the last policy considered in this matter. Not because it is not important, but because it is very easy to get it wrong when the rest of the development and zoning code are in the works. Relying too heavily on an IHO to produce deed-restricted housing is like building an ice cream sundae entirely out of cherries. Density bonuses, approval streamlining, and deferring impact fees would have a much more immediate effect in producing deed-restricted housing, including projects that are already in the pipeline. For more information on this, please see the relevant chapter in [The Affordable City by Shane Phillips](#).

Krista Jeffries

[SLO County YIMBY](#)

Lead Organizer

805.904.7325



From: [Deanna Sweeney](#)
To: [Nancy Hubbard](#); [Council](#)
Subject: CUP 19-20/CPO19-047/VAR 20-001
Date: Tuesday, August 23, 2022 11:43:29 AM

CAUTION: This is an external email. Please take care when clicking links or opening attachments.

Respectable Mayor and City Council members,

I am writing this communication in support of the issuance of the permit for Sandra Bean, CUP 19-20/CPO19-047/VAR 20-001.

I have lived in Morro Bay and Los Osos for many years, and have often visited the Project Site.

The Subject lot, due to its location, has been greatly affected by governmental restrictions.

A letter submitted by a Mr Doughty suggests this Project is asking for too many variances.

The variances requested are as follow:

- 1) The roof is below the height limit, but a different stylist requested. Due to unusual constraints in the home's size, the roof's style change approval adds usability to the home's interior, without affecting height ordinances.
- 2) Uncovered Parking. This is a very usual variance granted in Morro Bay.
- 3) Pop outs extending 1 foot into set back in two locations. This variance adds architectural interest to the exterior of the home and minimally increases the home's Architectural appeal.
- 4) Trellace. This variance hides the visibility of the home. It is intended more for the neighbors than the Owner.

Ms Bean's request for variances is reasonable. Coastal Commission Setback changes removed a 20 foot deep section of her property's buildable area. Other neighbors on the same block were issued Permits without this requirement.

The Permit requested is for a 278sq.ft. building footprint on the remaining legally buildable area. This project should be approved including the variances originally requested.

Sincerely,
Deanna Sweeney

From: [Randolph Watkins](#)
To: [Nancy Hubbard](#)
Cc: [Council](#)
Subject: Sandra Bean 8/23/22 city council meeting re permit #
Date: Tuesday, August 23, 2022 9:49:54 AM

CAUTION: This is an external email. Please take care when clicking links or opening attachments.

SUBJECT: CUP 19-20/CPO19-047/VAR Letter of support for Sandra Bean permit request: CUP 19-20/CPO19-047/VAR

Dear Respectable Mayor and City Council Members,

My name is Randolph Watkins. I am a retired engineer and architect.
I have lived here on the central coast, and have known Sandra Bean for over 5 years.
I have been involved in a consulting capacity with Sandra's little house on the hill project since its inception several years ago.
I am very familiar with the site plan and the house design.

I am writing this letter in support of the issuance of the above referenced permit that Sandra Bean has requested.

During your consideration of this request for permit approval, please keep in mind that a rather severe hardship was imposed on Ms Bean when her Bluff set-back requirement was changed from the current Bluff Datum to the Historical Bluff Datum.
It is my understanding that the Current Bluff Datum was the standard used for several houses along this same Bluff that were approved and constructed within the last 5 or 6 years.

Because of this newly imposed Historical Bluff Datum, Ms Bean has lost 20 feet of depth of the widest part of her previously usable Lot.
This is why she has been forced to request what i would consider very reasonable variances that do have some precedent of approval, and in my opinion little if any negative effect to anyone.

On a more personal note, i have followed Ms Bean through the trials and tribulations, delays and stress she has suffered through in the pursuit of this permit. Sandra Bean has been a productive tax paying member of the Morro Bay Community for over 3 decades.
She has patiently and honestly complied with every request made of her. She applied for this permit think 3 years ago and has spent tens of thousands of dollars on it so far.

I believe this latest letter of objection by Mr. Doughty is just vindictive and sour grapes, for reasons i will not go into at this time.
The Morro Bay City Planning staff has already recommended this permit application As Is for approval.

Please grant her this Permit...

Respectfully,
Randolph Watkins
ph: [REDACTED]



City Council

**APPEAL OF THE
PLANNING COMMISSION DENIAL
ON MAY 17, 2022
FOR A NEW HOME PROPOSED
ON THE RESIDENTIALLY ZONED PORTION
OF THE PROPERTY
AT 197 MAIN STREET**

AUGUST 23, 2022



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The Appeal

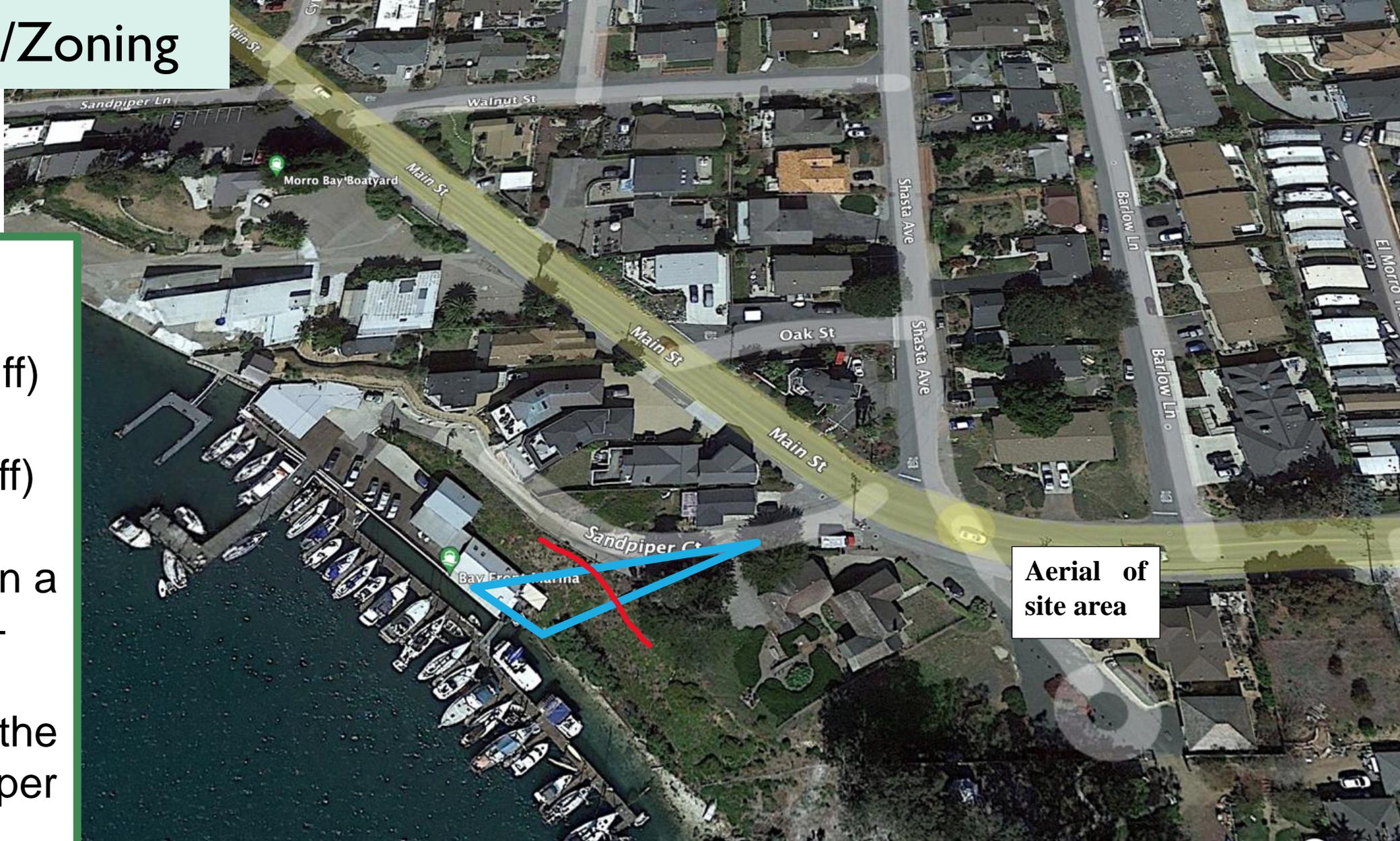
- An appeal was filed May 24, 2022 in response to PC's denial on May 17, 2022 of Conditional Use Permit (CUP19-20), Coastal Development Permit (CDP19-047) and Variance Request (VAR20-001). (vote of 3 denials, 1 abstain, 1 against denial)
- The appellant is requesting the project and the PC denial be reviewed by City Council. The appellant believes the project was being reviewed under different standards than other proposed single-family homes on residentially zoned property.



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Site Location/Zoning

- Dual zoning:
 - R-1/PD
(above bluff)
 - WF/PD
(below bluff)
- No frontage on a public street – access from easement on the north (Sandpiper Court)

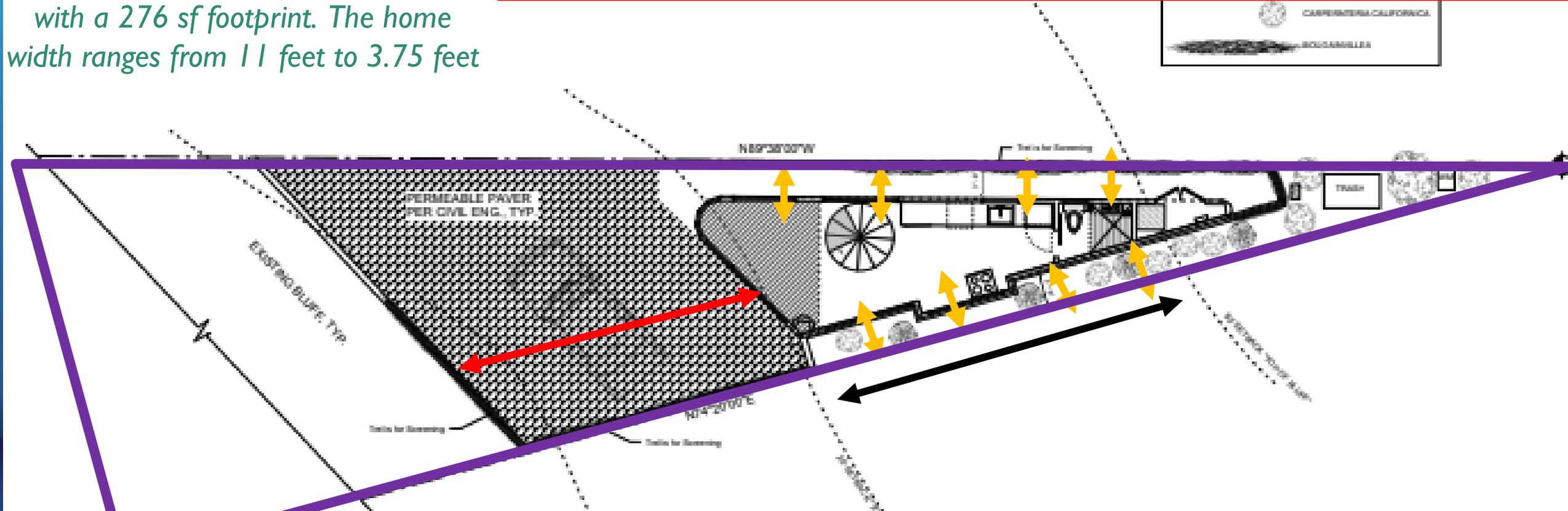


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Site Constraints

- 20 foot bluff setback – no structures allowed
- 14 foot height restriction between 20 ft and 50 ft bluff buffer setback
- 3 foot side yard setbacks

Proposed Project: 459 sf 2 story home with a 276 sf footprint. The home width ranges from 11 feet to 3.75 feet



MBMC Section 17.45.040, Development within the Bluff Buffer Areas: the bluff buffer may be reduced for existing parcels where said setback would render that parcel unusable for its designated use.



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Grounds for appeal:

- **The PC decided to defer the decision to CC rather than address a project they thought was not appropriate for this site.**

Staff response: Three planning commissioners were concerned with the exterior look of the home, compatibility with the neighborhood, potential detrimental effects on the bluff and the belief that this site should never have been a “building site”. These Commissioners indicated these issues could not be resolved by a redesign or changes in the conditions of approval and therefore the commission thought it more appropriate for City Council to make the decision.



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Grounds for appeal - #2:

- **The project was denied because PC did not think a home should be allowed on this parcel (zoned for residential)**

Staff response: The site has a residential land use designation and is zoned single family residential above the bluff where the home is proposed. The land use designation reflects the intent of the city for this parcel and adjacent similarly zoned parcels to be available for residential development. The proposed development does not interfere with or reduce the area or functionality of the adjacent 17 foot wide access easement that has existed since 1924.



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Grounds for appeal - #3:

- **The project was denied because it was not affordable, when affordability is not a requirement.**

Staff response: The project is a 459 sf 2 story home with a footprint of 276 sf proposed for occupancy by the property owner.

There was a PC discussion about the size of the home indicating that it was 'affordable by design' (i.e. the size would have a positive effect on affordability) but there is no provision in the city's existing or proposed zoning code that would require a single-family home to have affordability restrictions.



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Grounds for appeal - #4:

- **The project was denied because PC wanted to defer decision to CC rather than suggesting changes or modifications to the project.**

Staff response: The project includes a few deviations from the development standards that in staff's opinion resulted in a better design and lower impact on the site, neighbors, etc. The variances requested make a big difference to the livability of this small home, but very little, if any impact on any surrounding properties. Some of the commissioners did state that they preferred to send this project for City Council review because they did not feel the site should be developed.



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Appeal Requested Action or Relief

The appellant believes there was misinformation about the project in the PC hearing, and it was being reviewed under different standards and conditions than would be required of other recently approved homes also on the coastal bluff.

Staff Response:

- There did appear to be a lack of understanding or confusion by some commissioners about the project*
- The applicant was not provided any opportunity to modify the plans or accept changes to the conditions of approval to address the PC concerns*
- Three of the planning commissioners did not think a residential use was appropriate on the site and indicated that a reduction in the number or type of variances or change in architectural design would not be enough to gain their vote for approval.*



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Summary of the issues

- *The project is an allowable residential use in the land use plan and zoning district.*
- *The project did ask for minor variance requests, but most of the requests were not essential to the existence of a home on this site. The variances, if granted, allowed a better design and function and were not unlike variances granted to other residential projects with challenging site conditions.*
- *The applicant was provided no opportunity to reduce or modify the design to address PC concerns and would have been willing to modify the design to achieve approval.*



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City Council Options/Alternatives

1. Uphold the appeal and overturn the PC denial of the project
2. Deny the appeal and uphold the PC denial of the project
3. Remand the project back to PC for review.
4. Continue the appeal with direction to staff regarding desired action.

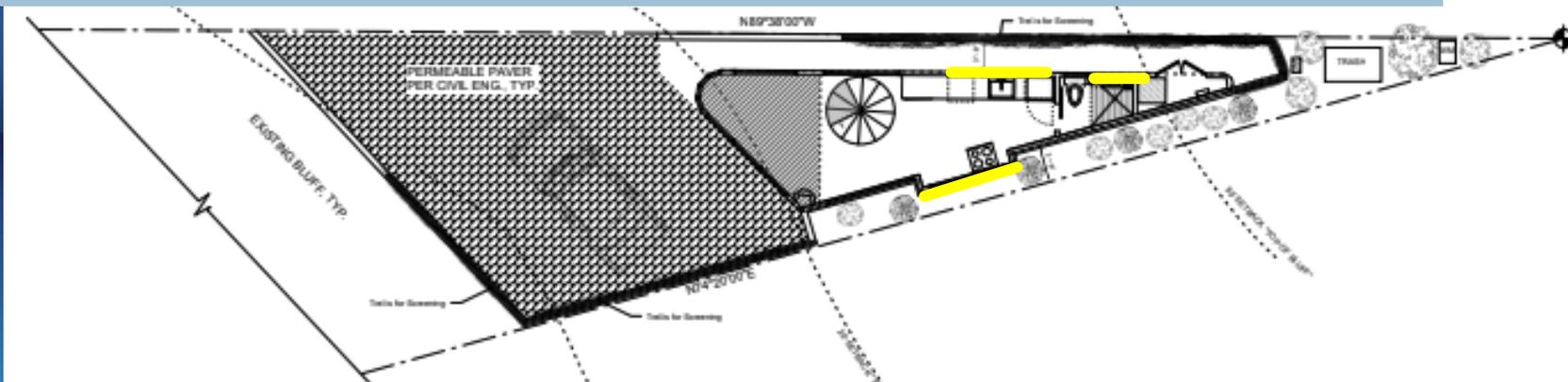


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1. One surface parking space (instead of any garage parking)

2. Slight reduction in the side yard setbacks (2 feet instead of 3 feet) for portions of the building with pop-outs (shown in yellow)

West View



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Variance Request – roof height in 20-50 foot bluff buffer area

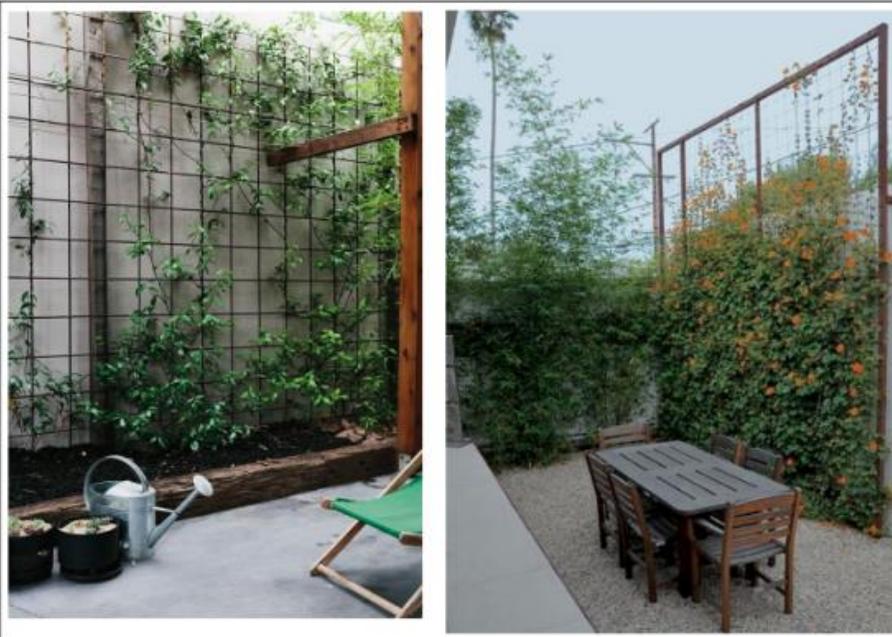


3. From 20 feet to 50 feet from the top of bluff (bluff buffer), roof heights are limited to 14 feet above ANG, *unless the roof design is 4/12 pitched roof, in which case a 17-foot height is allowed.* This project has a shed type roof which requires approval of a variance to allow a height greater than 14 feet.

Variance Requests – Screening trellis

4. Screening trellis structure located on the northerly property line for privacy and screening

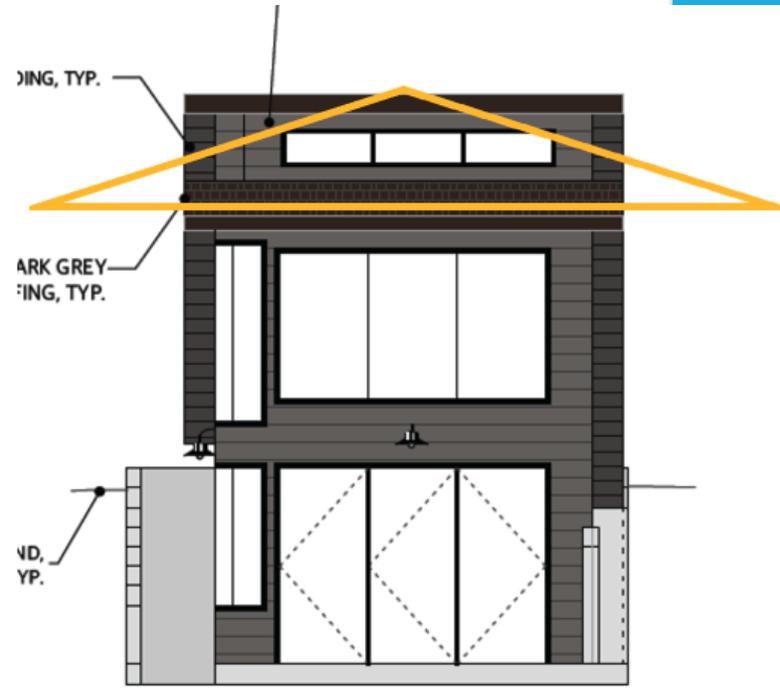
(P) PRIVACY TRELLIS CONCEPTS



NORTH ELEVATION



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SOUTH WEST ELEVATION

SCALE: 1/4" = 1'-0"



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AGENDA NO: C-1

MEETING DATE: August 23, 2022

**AGENDA CORRESPONDENCE AND
STAFF PRESENTATION RECEIVED BY
THE CITY COUNCIL FOR PUBLIC
REVIEW PRIOR TO THE MEETING**



August 22, 2022

RE: Agenda Item C-1

Honorable Mayor and City Council,

The Morro Bay Chamber is composed of 309 businesses that collectively supply over 3.2k local jobs. Our organization follows a deliberative process to arrive at policy positions. This process includes research into issues facing our members and the business community through our Governmental Affairs Committee, then deliberation and ultimate adoption of policy positions by our Board of Directors who are elected by the Chamber membership each Fall.

Item C-1 on your agenda speaks directly to one of the Chamber's adopted policy positions which is, simply put, that more housing is good business. The current lack of housing creates high business costs, is bad for the environment, and is not sustainable.

Service jobs make up the majority of our local labor market. This is unlikely to change in the near term for fundamental reasons beyond the scope of local planning policy. The number one pain point for businesses in Morro Bay is a lack of housing. We hear it every day. People that work or own businesses here often can't find a place to live in our city. They are forced to find jobs elsewhere or start a business elsewhere. This hurts the economic vitality of our city, our environment, and our desire for equity and inclusion.

The Chamber appreciates the challenge of considering this significant amendment to Plan Morro Bay just a year after adoption and certification. We recognize that this amendment is guided by the City Council's own short-term goals related to housing and we applaud this Council and City staff for addressing housing issues. Not only by elevating housing to the level of a City Council Goal but also by considering the land use designation before you with this item. These are not small issues or steps and we thank the Council and staff for bringing housing, the number one concern for business owners/operators in your community, into the public dialogue.

We support the staff recommendation to Council to change this land use and zoning designation for higher-density housing. But, changing the color on the zoning map for this property will not solve the community's housing problem. We encourage the City Council to go further and do master planning of the properties and do a programmatic (non-project) CEQA study.

What would a master plan look like for this large area with multiple property owners?

The City is the appropriate convener, and arbiter, for leading any master planning effort, especially one involving multiple property owners. It is the only one legally empowered to do so and is responsible for determining what is in the public interest and benefits everyone. We simply cannot trust that partnering with property owners on environmental and technical studies will result in a comprehensive, community-minded vision for the balance of both of these properties. But the City can lead an effort like that, and we think it should.

One of the Chamber's guiding principles is to fix problems, and not to fix blame. We had hoped that the Chevron and Morro Elementary properties may have moved further along by now, years after the Housing Element was certified. That they haven't can't be placed at the foot of any one person or entity, but it does demonstrate that piecemealing a path out of housing issues is not going to work.

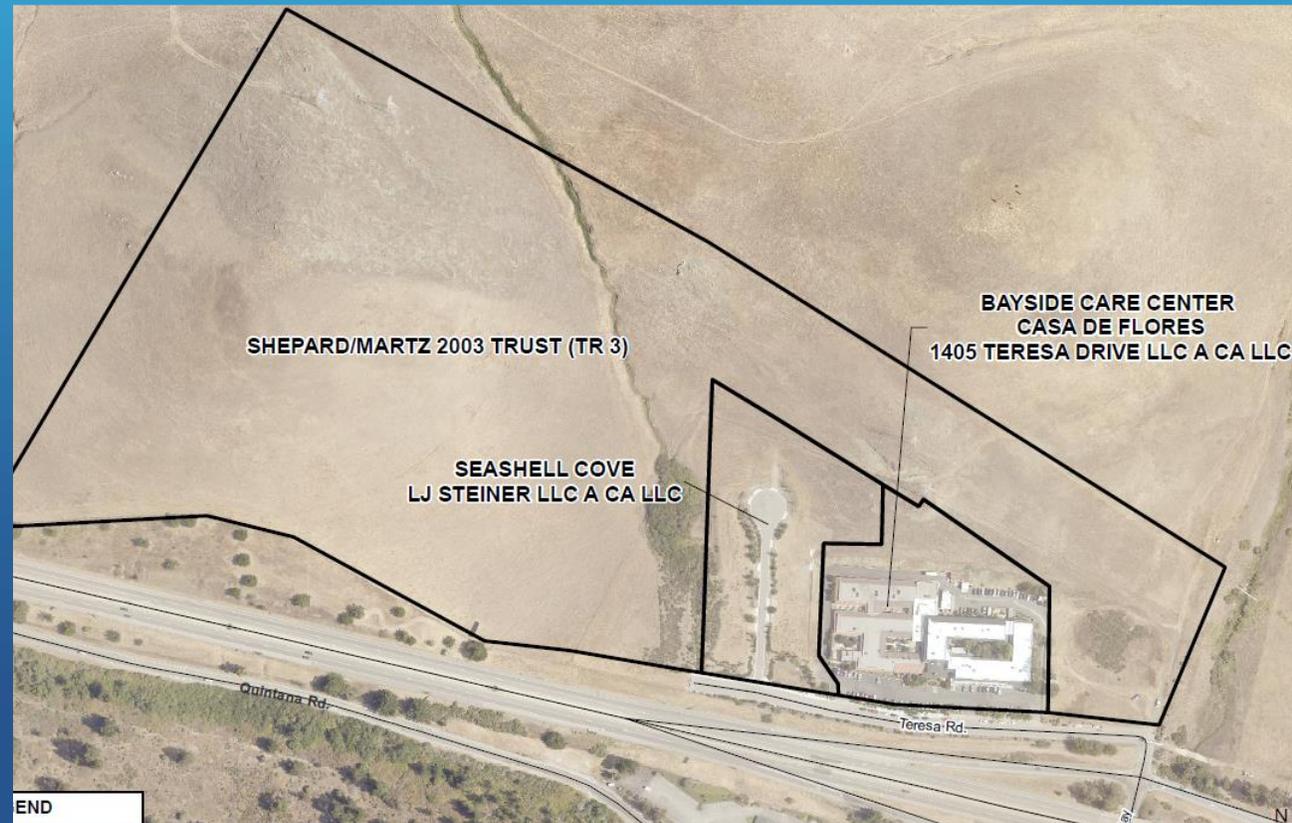
We encourage the City Council to take this opportunity to meaningfully address higher density housing needs and to take the lead in visioning and master planning a livable community for all income levels in this area of Morro Bay.

Thank you,

A handwritten signature in black ink, appearing to read 'Erica Crawford', written in a cursive style.

Erica Crawford
President/CEO
Morro Bay Chamber

C-I Land Use and Zoning Map Authorization

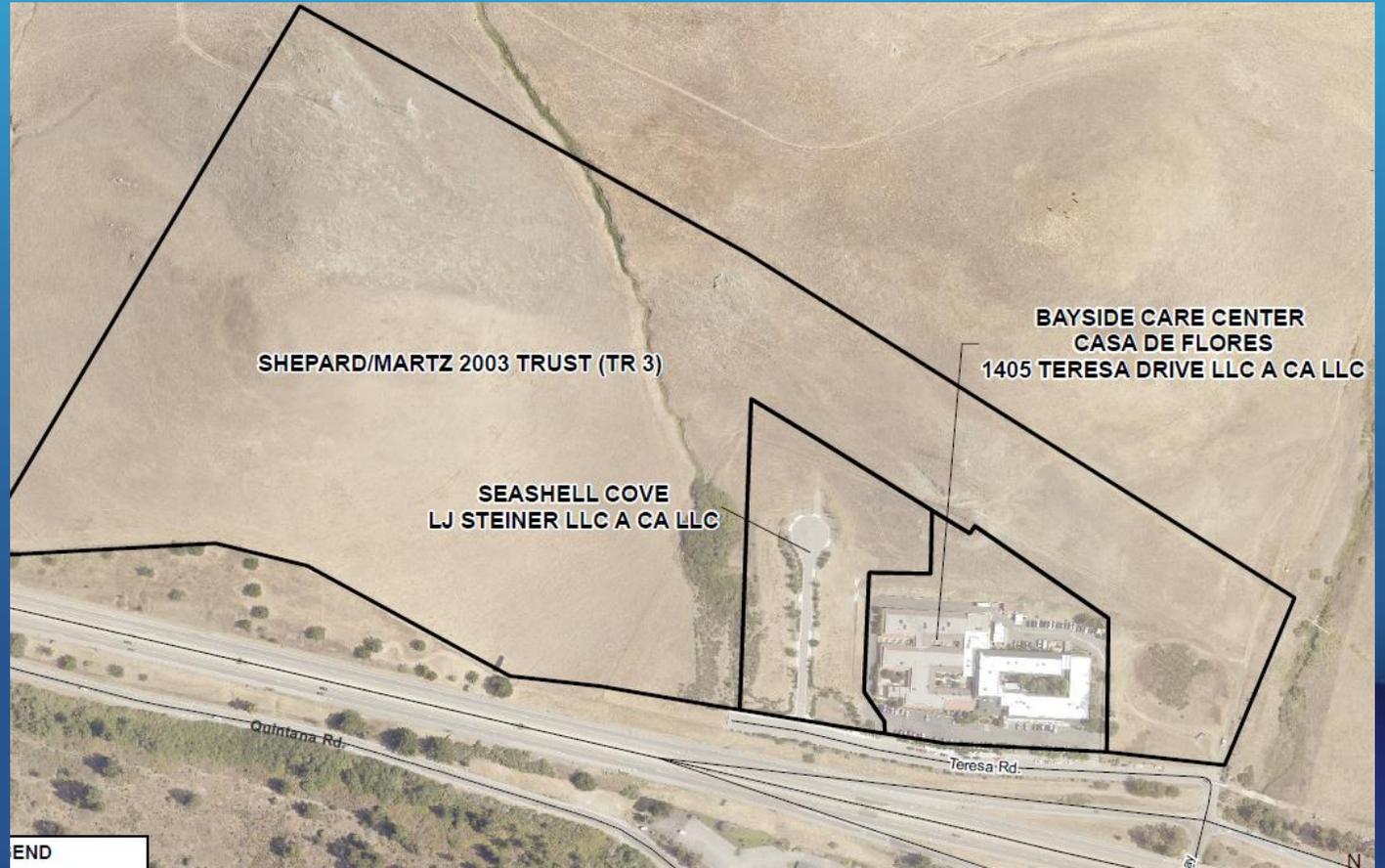


Scot Graham
Community Development Director
City of Morro Bay

Background cont.

Properties include:

- Shepard/Martz property: 45 acres
- Seashell Cove: 10 existing lots, 4.7 acres. Owned by LJ Steiner LLC
- Bayside Care Center/Casa De Flores: 5.3 acres



Background Land Use/Housing

- May 25, 2021; Council adopts GP/LCP
- August 12, 2021; Coastal Commission Certifies GP/LCP
- Current Land Use Map designates property Low Density Residential 0 – 4 units per acre
- Previous GP/LCP had Land Use at Low Density Residential. No change.
- Late 2021 City Council adopts Goals: Housing Goal Statement includes: *“identify the opportunities for additional housing options and /or explore partnerships to support these efforts”*



Background Cont.

- **Housing Goal Short-Term Action Item:** *“bring a land use amendment forward for the Seashell estates property to increase density to 7 – 15 units per acre for a future multifamily housing project.”*
- **June 7, 2022;** staff brought forward to PC an application by LJ Steiner to change Land Use Map from low density to high density residential
- PC did indicate that they support housing, but they preferred to consider the land use change with a project. Issue centered on concern with giving up potential project benefits and discretionary permitting authority if land use changed without having associated project.



Shepard/Martz Property Opportunity

- The Shepard/Martz family has expressed interest, going back several years, in changing the land use of the surrounding 45 acre property to medium or high density residential.
- Shepard/Martz is working on the necessary supporting environmental documents for the change.
- Opportunity to “partner” with Shepard/Martz on land use and zoning change and to support current City housing goals by taking lead on the Land Use and Zoning Change.



Site Constraints

- The properties can currently be developed at up to 4-units per acre
- Medium Density = up to 15 units per acre
- High Density = up to 27 units per acre
- There are several site constraints present on the properties including: ESHA, PG&E easement, drainage easements that significantly constrain development.
- Development is based on “net buildable area”
- Won’t know exact # of units until environmental studies are complete.
- 10% of the units are required to be affordable



Environmental Work

- Seashell Cove owner has completed the environmental work resulting in preparation of a Mitigated Negative Declaration (MND). Presented to PC on June 7, 2022, but not recommended for approval to City Council.
- SWCA prepared the Seashell Cove MND and staff requested a proposal for the Shepard/Martz environmental document.
- SWCA MND proposal = \$13,842. This represents the cost to the City to process a City initiated amendment to Land Use and Zoning on the Shepard/Martz property. Shepard/Martz to cover cost of associated environmental studies



Next Steps

If Council Initiates the Land Use and Zoning Map amendments:

1. Staff will work with Shepard/Martz and SWCA to complete environmental work and bring Land Use/Zoning change to PC and CC in early 2023
2. The MND is complete for Seashell Cove allowing those Land Use and Zoning amendments to come forward more quickly. Once the amendments for Seashell Cove are complete the owner has indicated they are prepared to submit an application for multifamily development of the property



Why Should City Initiate Amendments

1. Supports one of the City's major goals...Housing
2. It would make a positive statement that the City supports multifamily housing
3. Housing is good business



Questions



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AGENDA NO: C-2

MEETING DATE: August 23, 2022

**STAFF PRESENTATION RECEIVED
BY THE CITY COUNCIL FOR PUBLIC
REVIEW PRIOR TO THE MEETING**

Morro Bay Water Reclamation Facility Project (WRF)

Morro Bay City Council Meeting
August 23, 2022

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OUR WATER
RELIABLE. CLEAN. FOR LIFE.

Presentation Overview

- Construction Update
- Quarterly Report Update
- WRF Program Contract Amendments
 - Waterworks Engineers No. 4
 - Carollo Engineers, Inc. No. 7
 - Kevin Merk Associates No. 2
 - Anvil Builders, Inc. No. 5
 - Filanc, Black & Veatch No. 7



Conveyance Facilities Update

Pump Stations A & B



Pump Station A



Pump Station B

Conveyance Facilities Update



North and South Abutment at Morro Creek (along bike path)



IPR Installation along Quintana Road

Conveyance Facilities Update



WRF Construction Update



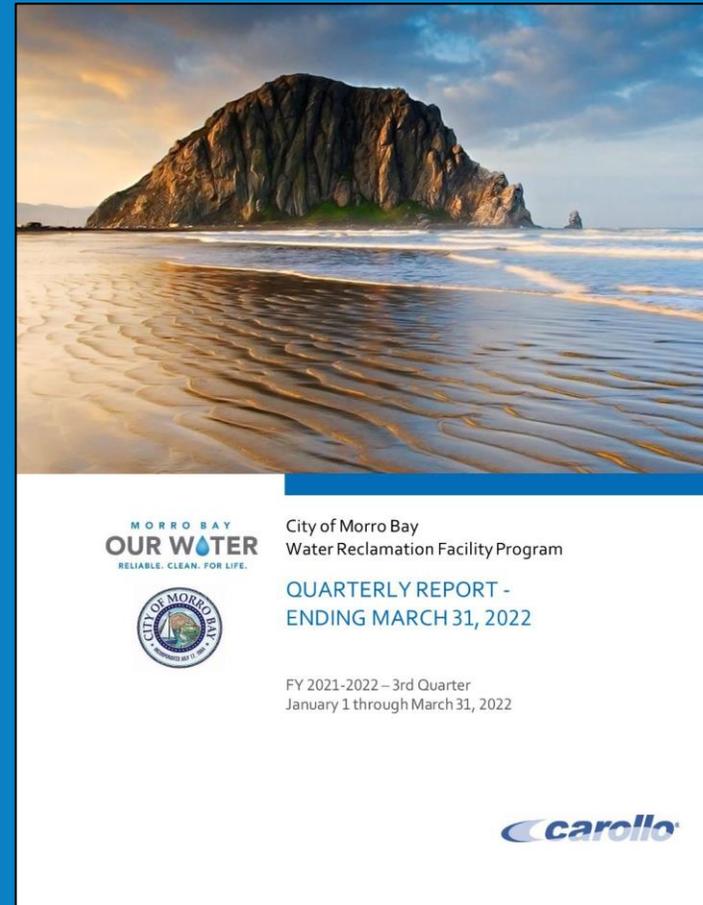
WRF Project Overview



Operations Building

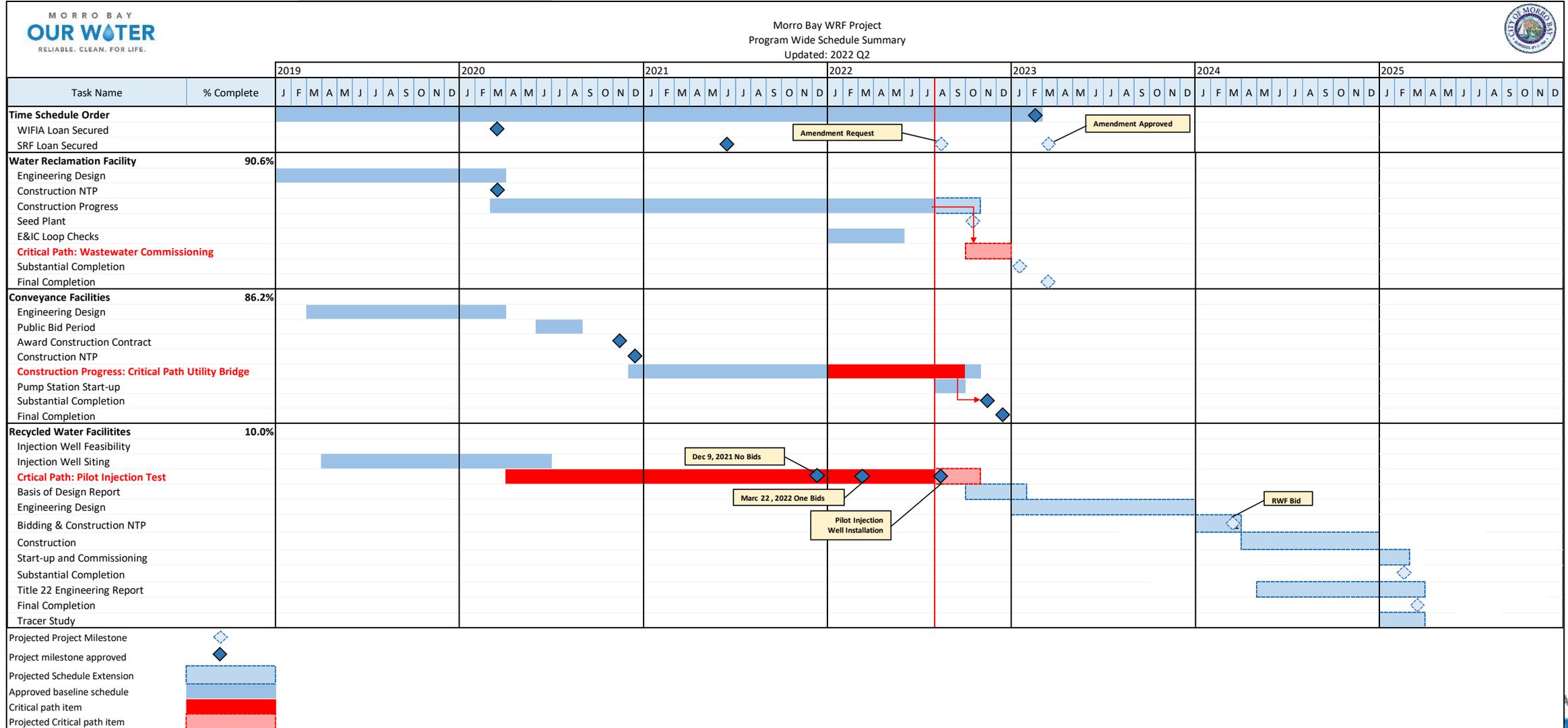
City Council Quarterly Report Update

- Submitted to the City on August 3rd, 2022.
- WRF Program Budget adopted by City Council on June 28th, 2022 of \$159.48M
- Total Spending through Q4 FY2022 \$111.34M.
- Presented accomplishments, challenges, and upcoming activities.



WRF Program Schedule Overview

(As presented in latest Quarterly Report)



Contract Amendments – Consultants

- Waterworks Engineers - \$108,706
- Carollo Engineers, Inc. - \$1,700,000
- Kevin Merk Associates - \$15,000

Contract Amendments – Anvil Builders

PCO #	DESCRIPTION	Amount
13	Utility Bridge Abutment Changes	\$500,000
17	Add Tracer Wire, Ground Rods, Terminal Stations	\$108,521
25	Construction Cost Escalation	\$292,000
50	DSC at South Bay & Teresa (Utilities & Bedrock)	\$210,000
52	High Level Switch Alarm Termination at Utility Bridge	\$8,743
61	City Sales Tax Increase During Project	\$134,403
	Total	\$1,253,667

Contract Amendments – FBV

PCO #	DESCRIPTION	Amount
98	Materials Testing & Inspection (3rd Party)	\$143,120
100	Add Thin-Client Licenses and Maint Bldg Work Station	\$17,229
101	COVID-19 Related Material Cost Escalation Claim	\$48,744
102	City Requested SCADA Screen Revisions	\$60,000
103	SRF Reimbursement Request Requirements	\$119,319
105	WRF Monument Entry Sign Modifications	\$23,738
106	DC-33 Add Wash Rack Grease and Sand Interceptor	\$35,287
107	DC-34 Vactor Unloading Facility Revisions	\$38,880
109	Procurement of Teletruck for City Operations Staff	\$74,562
110	Chem Facility Fencing Revisions	\$24,767
113	Modify H2O SCADA Screen for RO System	\$13,264
114	RO/UV Building Wall & Ceiling Insulation	\$32,025
117	Water Main Connection on Teresa Road	\$37,503
118	Fine Screen LOTO Capability	\$26,905
119	Credit for Chemicals Supplied by City	\$(141,972)
	Total	\$553,371



AGENDA NO: C-3

MEETING DATE: August 23, 2022

**STAFF PRESENTATION RECEIVED
BY THE CITY COUNCIL FOR PUBLIC
REVIEW PRIOR TO THE MEETING**



WRF Project Background

Project Status:

- 2 of 3 project components are 90% complete (WRF Facility and Conveyance)
- 3rd component will start design this year and be complete in 2025 (Recycled Water)

Project Budget:

- Increased from \$144.7M to \$159.8M in FY 22-23 Budget
- Regulatory timelines, cultural/archaeological deposits, soil slips, inflation, COVID-19 pandemic
- Council discussion on Aug. 23rd

Historical Budget Changes

**Breakdown of \$33.9 Million
Increase of Estimate at
Completion**

Historical Budget Changes

Regulatory Requirements (\$9,708,000)

- Change orders for notice to proceed delays due to environmental regulations
- Delays due to archeological and cultural requirements
- Associated modifications in construction approaches and techniques
- Associated administrative and professional services costs due to these changes

Historical Budget Changes

Negotiated Scope Changes (\$7,657,000)

- City requests for building and facilities revisions
- City infrastructure improvements
- Process/operational enhancements
- Associated administrative and professional services costs due to these changes

Historical Budget Changes

Differing Site Conditions (\$3,075,000)

- Soil slip
- Incorrect documentation of utility alignments and locations
- Differing geological conditions during construction
- Associated administrative and professional services costs due to these changes

Historical Budget Changes

Use of Risk Smart Budgeting Practices (\$11,719,000)

- Inclusion of full contract amounts as part of the overall contract budget
- Replenishment of various project contingencies
- Coverage of anticipated extended overhead claims
- Legacy charges that include professional services rendered during the planning and pre-design phases
- Associated administrative and professional services costs due to these changes

Historical Budget Changes

Recycled Water Add'l Prof. Services (\$1,741,000)

- Injection well design
- Additional modeling of the Morro Basin to optimize injection well placement to maximize water output of the recycled water facilities
- Peer review the hydrogeological study
- Associated administrative and professional services costs due to these changes

Historical Budget Changes

Category	Amount
Regulatory-Caused Impacts or Scope Changes	9,708,000
Negotiated Scope Changes	7,657,000
Differing Site Conditions/Unknown Utilities	3,075,000
Use of Risk-Smart Budgeting Practices	11,719,000
Recycled Water Additional Professional Services	1,741,000
Total Budget Increase	33,900,000



WRF Financing – Prior Budget

	Total	Water (29%)	Wastewater (71%)
WRF Total Project Costs	\$144,726,000	\$43,416,000	\$101,310,000
Projected Funding Sources			
WIFIA Financing	61,700,000	36,516,000	25,184,000
SRF Loan (Wastewater)	61,605,000	6,837,000	54,768,000
SRF Grant (Principal Forgiveness)	5,000,000	0	5,000,000
SRF Planning Loan	10,300,000	0	10,300,000
USBR Title XVI Grant	0	0	0
Prop 13 Planning Grant	63,000	63,000	0
Cash Funding	<u>6,006,877</u>	<u>0</u>	<u>6,006,877</u>
Total	\$144,674,877	43,416,000	101,258,877

- 93% low-interest debt financing
 - WIFIA – 0.83%
 - SRF – 0.9%
- 3% principal loan forgiveness
- 4% cash

\$54-91M debt service savings vs. 3-4% interest debt





WRF Financing Approach

Grants

Continue to apply for grant funding where eligible.

Low-Interest Loans

Maximize the use of low-interest financing through federal and state programs while maintaining required debt coverage.

Cash Reserves

Use cash reserves only where financing options are insufficient, (e.g. ineligible project expenses / limitations on debt capacity).

Rate Structure

Evaluate future CPI rate increases for all sewer and water operational and capital needs; no immediate increases.



WRF Financing - Grants

- Continue to apply for grant funding where eligible.

Funding Agency	Grant	Grant Scope	Grant Request	Grant Match Requirement	Status
CA SWRCB	Recycled Water Planning Grant	Recycled Water Planning	\$75,000	50%	Approved
CA SWRCB	Urban and Multi-benefit Drought Relief Grant	Recycled Water Facility Project	\$10,750,000	0%	Not Selected
USBR	Title XVI WIIN Grant	Indirect Potable Reuse Facilities*	\$9,310,095	75%	Awarded
CA DWR	IRWM Implementation Grant	Indirect Potable Reuse Facilities	\$2,612,915	50%	Application Under Review

*PM Team currently evaluating project scope for eligibility



WRF Financing – Low-Interest Financing

- WIFIA debt cannot be increased.
- SRF Planning Loan cannot be increased.
- Recommend increasing SRF construction loan to cover previously cash-funded amount plus budget increase amount (\$21.2M loan increase).
 - Can do so and maintain debt coverage ratios required.
 - Savings of appx \$12M in debt service vs. a 4% bond.
 - Lengthy and significant review process with SRF; not guaranteed.



WRF Financing – Use of Reserves

- Free money **first** (grants).
- Cheap money **second** (federal/state loan programs for this purpose).
- Use of cash reserves **third**.
- Preserves cash reserves for One Water projects, debt coverage reserves, fund reserves, rising operating costs, and unanticipated needs.
 - Working capital balances (near-term assets minus near-term liabilities) as of 6/30/21
 - Sewer Fund - approximately \$14.8 million
 - Water Fund - approximately \$14.3 million



WRF Financing – Rate Structure

- Evaluate future CPI rate increases; no immediate increases.
- Routine rate increases in alignment with the Consumer Price Index (CPI) are a best practice in ensuring effective utility service delivery.
- Common practice among water and sewer agencies.
- Avoids large increases after long periods with no increases.
- Keeps pace with inflation.
- Addresses aging infrastructure.



WRF Financing – Proposed

	Total	Water (29%)	Wastewater (71%)
WRF Total Project Costs	\$159,840,000	\$46,295,000	\$113,545,000
Projected Funding Sources			
WIFIA Financing	61,700,000	36,516,000	25,184,000
SRF Loan (Wastewater)	61,605,000	9,716,000	51,889,000
SRF Grant (Principal Forgiveness)	5,000,000	0	5,000,000
SRF Planning Loan	10,300,000	0	10,300,000
USBR Title XVI Grant	0	0	0
Prop 13 Planning Grant	63,000	63,000	0
Add'l SRF Loan Funding	21,172,000	0	21,172,000
Cash Funding	0	0	0

- 97% low-interest debt financing
 - WIFIA – 0.83%
 - SRF – 0.9%
- 3% principal loan forgiveness
- 0% cash

\$64-103M in debt service savings vs. 3-4% interest debt

MORRO BAY





Next Steps



City Council August 23rd approval of up to \$87.8M in SRF construction loans instead of \$85M.



Submit application to SRF in September.



SRF review takes up to one year.



Continue to seek grant funding where possible.



Recommendation

Staff recommends the City Council adopt Resolutions Nos. 80-22 and 81-22 to support an application for a State Revolving Fund construction loan amendment in the amount of \$21,172,000 to cover the full Water Reclamation Facility program cost and authorize a maximum SRF construction loan amount of \$87,770,000.



AGENDA NO: C-4

MEETING DATE: August 23, 2022

**STAFF PRESENTATION RECEIVED
BY THE CITY COUNCIL FOR PUBLIC
REVIEW PRIOR TO THE MEETING**

Item C-4: Approval of Water Reclamation Facility Indirect Potable Reuse Program Update and Authorization of a Contract Amendment with Confluence Engineering Solutions

City Council Meeting
August 23th, 2022

MORRO BAY
OUR WATER
RELIABLE. CLEAN. FOR LIFE.

Indirect Potable Reuse (IPR) Program

- Creates a new, sustainable water supply
- Provides up to 825 AFY of Advanced Purified Water for injection into the Morro Basin
- Enhanced recharge protects against seawater intrusion, improves water quality and increases supply available
 - Reduces TDS and Nitrate concentrations
- Local, drought resistant and resilient source of supply
 - Meets up to 80% of City's water demand (approximately 900 AFY)
- Reduces City's reliance on imported Sacramento/San Joaquin Delta SWP Supplies

IPR Program Overview



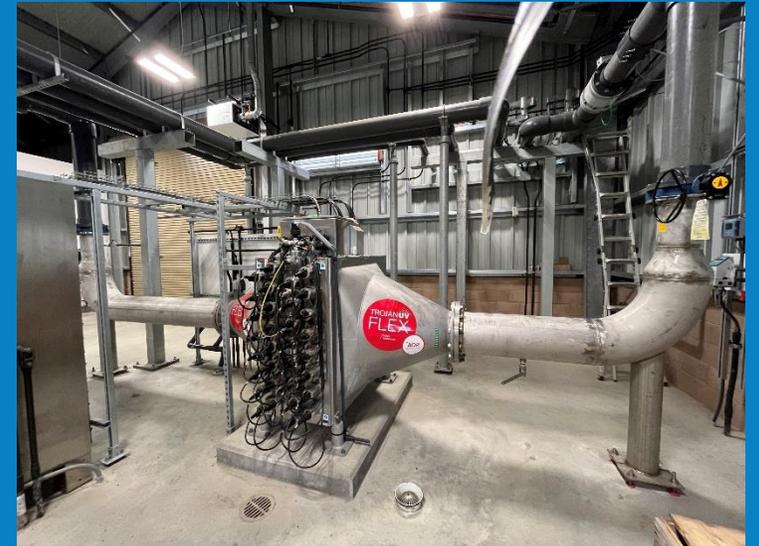
IPR Advanced Treatment Facilities



Primary, Secondary and
Tertiary Treatment (MBR)



Reverse Osmosis (RO)



Ultraviolet Disinfection
w/ Advanced Oxidation
(UV/AOP)

IPR Injection Facilities



Advanced Purified Water Pump Station



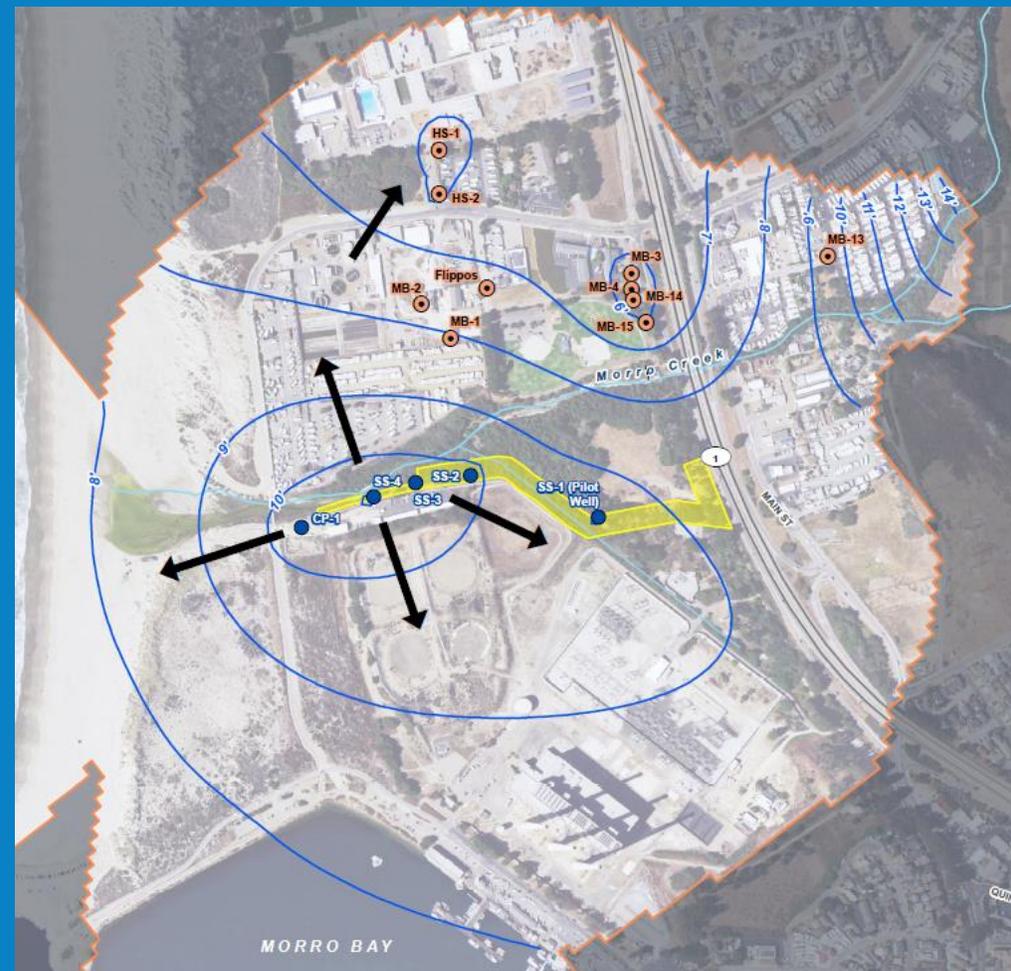
Injection Wells



Extraction Wells/Brackish Water Reverse Osmosis (BWRO) Facility

Hydrogeologic Evaluation

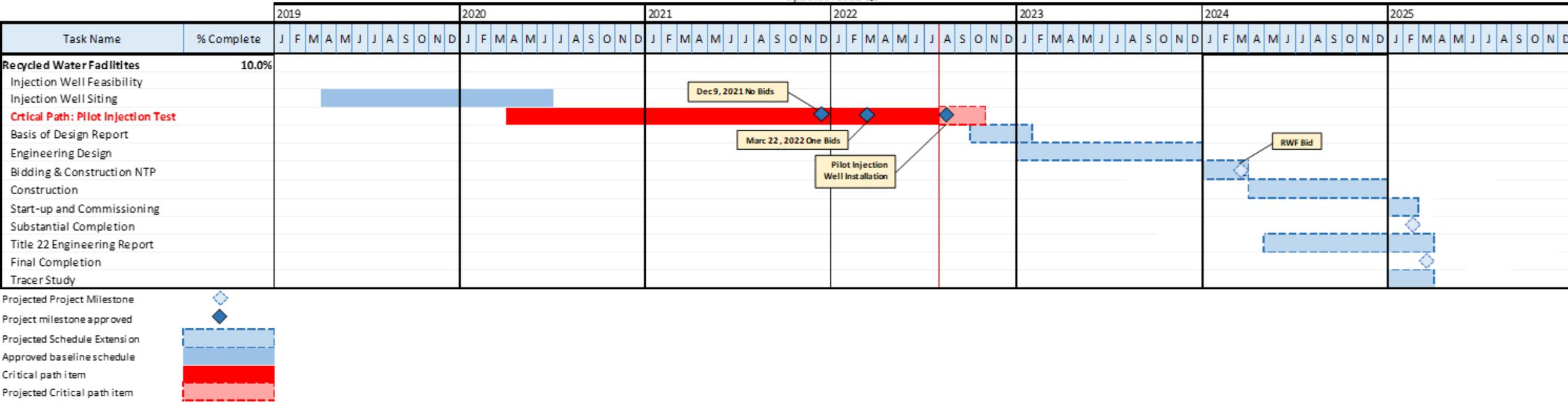
- Supplemental Groundwater Modeling
- Injection Well No. 1
- Basin of Design Report
- Hydrogeologic Peer Review



IPR Facilities Permitting & Design

- IPR Facilities Design
- Landuse Permitting
- Resource Regulatory Permitting
- RWQCB/DDW Permitting





IPR Program Schedule

Confluence Engineering Solution, Inc.
FY 22/23 IPR PM, WRF and
Engineering Support
Contract Amendment



IPR Program Management & Controls

- Program Management
 - IPR Program Coordination
 - IPR Coordination Meetings
 - WRF/City Coordination Meetings
 - Public Meetings
 - IPR Consultant Support
 - Public Outreach Support
 - WRF Start-Up Support
 - WRF Conveyance Support
- IPR Program Controls
 - IPR Program Budget (2/1/23 – 6/30/23)
 - IPR Program Schedule
 - Quarterly Reports (2/1/23 – 6/30/23)

IPR Program Design

- Hydrogeologic Evaluation
 - Injection Test Coordination
 - Groundwater Modeling Coordination
 - Geochemical Analysis Support
- Design Management
 - IPR Design Coordination
 - IPR Design Review

Environmental & Permitting Support

- Environmental & Permitting Support
 - IPR Coastal Development Permit Support
 - IPR EIR Support
 - IPR Environmental Permitting Support
 - Permitting Agency Coordination Meetings
 - CDP Special Condition Reports
 - Outfall Assessment Support
- RWQCB/DDW Permitting Support
 - ESCP Support
 - ROWD Support
 - Engineering Report Support
 - RWQCB/DDW Meetings

Funding/Financing Support

- Funding/Financing Support
 - CWSRF Amendment
 - FY 22/23 USBR Title XVI WIIN Grant Agreement Support
 - FY 23/24 USBR Title XVI WIIN Grant Application Support
 - FY 22/23 USBR Drought Response Grant Agreement Support
 - FY 23/24 USBR Drought Response Grant Application Support
 - Prop 1 Round 2 IRWM Implementation Grant Agreement
 - Funding Opportunities Evaluation

Engineering Support Services

- Water/Wastewater System Support
 - General Engineering Support
 - General Operations Support
- Long-Term Water Supply Evaluation
 - Operations Model Update
 - Water Supply Scenario Development
 - Water Supply Scenario Analysis
 - OneWater Plan Water Supply Section Update

Fee Estimate

IPR PM & WRF Program Elements

IPR Program Management	\$202,657
IPR Program Controls	\$26,462
Hydrogeologic Evaluation	\$20,200
Design Management	\$55,550
Environmental & Permitting Support	\$122,210
RWQCB/DDW Permitting Support	\$14,847
Funding/Financing Support	\$45,955
IPR PM & WRF Subtotal	\$487,881

Engineering Support

General Engineering Support	\$15,150
General Operations Support	\$15,150
Long-Term Water Supply Evaluation	\$64,438
Engineering Support Subtotal	\$94,738

FY22/23 IPR PM & Engineering Support Total **\$582,619**