

City of Morro Bay

City Council Agenda

Mission Statement

The City of Morro Bay is dedicated to the preservation and enhancement of the quality of life. The City shall be committed to this purpose and will provide a level of municipal service and safety consistent with and responsive to the needs of the public.

**REGULAR MEETING
TUESDAY, JUNE 23, 2015
VETERANS MEMORIAL HALL - 6:00 P.M.
209 SURF ST., MORRO BAY, CA**

ESTABLISH QUORUM AND CALL TO ORDER

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

MAYOR & COUNCILMEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS

PUBLIC PRESENTATIONS – Morro Bay Police Officer Certificates of Appreciation
Morro Bay Car Show Update

PUBLIC COMMENT - Members of the audience wishing to address the Council 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 Council at this time.

To increase the effectiveness of the Public Comment Period, the following rules shall be followed:

- When recognized by the Mayor, please come forward to the podium and state your name and address for the record. Comments are to be limited to three minutes.
- All remarks shall be addressed to Council, as a whole, and not to any individual member thereof.
- The Council 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 City Council to carry out its meeting will not be permitted and offenders will be requested to leave the meeting.
- Your participation in City Council meetings is welcome and your courtesy will be appreciated.

A. CONSENT AGENDA

Unless an item is pulled for separate action by the City Council, the following actions are approved without discussion.

A-1 APPROVAL OF MINUTES FOR THE SPECIAL CLOSED SESSION CITY COUNCIL MEETING HELD ON JUNE 9, 2015; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-2 APPROVAL OF MINUTES FOR THE CITY COUNCIL MEETING HELD ON JUNE 9, 2015; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-3 RESOLUTION NO. 41-15 AUTHORIZING SAN LUIS OBISPO COUNTY ASSESSOR TO ASSESS AMOUNTS DUE ON DELINQUENT SOLID WASTE COLLECTION ACCOUNTS AS TAX LIENS AGAINST THE PROPERTIES; (PUBLIC WORKS)

RECOMMENDATION: Adopt Resolution No. 41-15.

A-4 RESOLUTION NO. 42-15 APPROVING AMENDMENT OF THE GARBAGE, RECYCLING AND GREEN WASTE AGREEMENT WITH MORRO BAY GARBAGE SERVICE REGARDING SECURITY FUND; (PUBLIC WORKS)

RECOMMENDATION: Adopt Resolution No. 42-15.

A-5 APPOINTMENT OF VOTING DELEGATE(S) TO THE CALIFORNIA JOINT POWERS INSURANCE AUTHORITY; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-6 RESOLUTION NO. 44-15 ESTABLISHING THE ANNUAL PROPOSITION 4 APPROPRIATIONS LIMIT FOR THE FISCAL YEAR 2015/16; (ADMINISTRATIVE SERVICES)

RECOMMENDATION: Adopt Resolution No. 44-15.

A-7 RESOLUTION NO. 45-15 TO REAFFIRM INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND (LAIF) AND DESIGNATE TRANSACTION OFFICERS; (ADMINISTRATIVE SERVICES)

RECOMMENDATION: Adopt Resolution No. 45-15.

A-8 RESOLUTION NO. 46-15 APPROVING A TEN YEAR LEASE AGREEMENT FOR MOORING AREA A1-4 BETWEEN THE CITY OF MORRO BAY AND MORRO BAY MARINA (STAN TRAPP); (HARBOR)

RECOMMENDATION: Adopt Resolution No. 46-15.

A-9 ACCEPTANCE OF AN OFFER OF DEDICATION OF PUBLIC PEDESTRIAN EASEMENT FOR SIDEWALK PURPOSES ON PINEY WAY (371 PINEY WAY); (PUBLIC WORKS)

RECOMMENDATION: Adopt Resolution No. 47-15 accepting the Offer of Dedication.

B. PUBLIC HEARINGS

B-1 **CONDITIONAL USE PERMIT UP0-058 – REVISED CONCEPT PLAN/ PRECISE PLAN** APPROVAL FOR LANDSIDE IMPROVEMENTS (PHASE 2) ASSOCIATED WITH THE PREVIOUSLY APPROVED CONCEPT PLAN FOR HARBOR HUT, GREAT AMERICAN FISH COMPANY (GAFCO) AND MORRO BAY LANDINGS (FORMERLY KNOWN AS VIRG’S) REDEVELOPMENT PROJECT. PHASE 2 IMPROVEMENTS WILL INCLUDE DEMOLITION OF EXISTING MORRO BAY LANDING (VIRG’S) BUILDINGS AND EXISTING DOCKSIDE 3 RESTAURANT BUILDING WITH NEW CONSTRUCTION OF A 2-STORY COMMERCIAL VISITOR-SERVING BUILDING ALONG WITH OBSERVATION DECK, OUTDOOR SEATING AREA, PUBLIC ACCESS IMPROVEMENTS, AS WELL AS PARKING/ DRIVEWAY IMPROVEMENTS, AND 568SF POCKET PARK; (COMMUNITY DEVELOPMENT)

RECOMMENDATION: Accept public testimony and continue the public hearing to the August 24, 2015 City Council Meeting.

B-2 RESOLUTION NO. 49-15 DIRECTING THE LEVY OF THE ANNUAL ASSESSMENT FOR THE CLOISTERS LANDSCAPING AND LIGHTING MAINTENANCE ASSESSMENT DISTRICT; (PUBLIC WORKS)

RECOMMENDATION: Adopt Resolution No. 49-15.

B-3 RESOLUTION NO. 50-15 DIRECTING THE LEVY OF THE ANNUAL ASSESSMENT FOR THE NORTH POINT NATURAL AREA LANDSCAPING AND LIGHTING MAINTENANCE ASSESSMENT DISTRICT; (PUBLIC WORKS)

RECOMMENDATION: Adopt Resolution No. 50-15.

C. UNFINISHED BUSINESS / SECOND READING AND ADOPTION OF ORDINANCES

C-1 REVIEW AND DISCUSSION OF HARBOR ADVISORY BOARD AND HARBOR ADVISORY BOARD MARINE FACILITIES RECOMMENDATIONS ON PROPOSED BOATYARD/MARINE SERVICES FACILITY IN MORRO BAY; (HARBOR)

RECOMMEDATION: Discuss Harbor Advisory Board Recommendations and direct staff accordingly.

D. NEW BUSINESS

D-1 DISCUSSION AND DIRECTION ON STREET REPAIR FUNDING OPTIONS; (PUBLIC WORKS)

RECOMMENDATION: Discuss options and direct staff accordingly.

D-2 REQUEST TO UTILIZE \$50,000 OF THE AFFORDABLE HOUSING IN-LIEU FUNDS FOR THE OCEAN VIEW MANOR APARTMENTS SENIOR HOUSING DEVELOPMENT AT 456 ELENA STREET; (COMMUNITY DEVELOPMENT)

RECOMMENDATION: Adopt Resolution No. 51-15 authorizing a grant of \$50,000 of Affordable Housing In-Lieu Funds for the Ocean View Manor Apartments senior housing development.

E. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

F. ADJOURNMENT

The next Regular Meeting will be held on Tuesday, July 14, 2015 at 6:00 pm at the Veteran's Memorial Hall located at 209 Surf Street, Morro Bay, California.

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

MATERIALS RELATED TO AN ITEM ON THIS AGENDA SUBMITTED TO THE CITY COUNCIL AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC INSPECTION AT CITY HALL LOCATED AT 595 HARBOR STREET; MORRO BAY LIBRARY LOCATED AT 625 HARBOR STREET; AND MILL'S COPY CENTER LOCATED AT 495 MORRO BAY BOULEVARD DURING NORMAL BUSINESS HOURS.

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

MINUTES – MORRO BAY CITY COUNCIL
SPECIAL CLOSED SESSION MEETING –
JUNE 9, 2015
CITY HALL CONFERENCE ROOM – 5:00 P.M.

AGENDA NO: A-1
MEETING DATE: June 23, 2015

PRESENT:	Jamie Irons	Mayor
	John Headding	Councilmember
	Christine Johnson	Councilmember
	Matt Makowetski	Councilmember
	Noah Smukler	Councilmember
STAFF:	David Buckingham	City Manager
	Joe Pannone	City Attorney
	Rob Livick	Public Works Director

ESTABLISH QUORUM AND CALL TO ORDER

SUMMARY OF CLOSED SESSION ITEMS - The Mayor read a summary of Closed Session items.

CLOSED SESSION PUBLIC COMMENTS - Mayor Irons opened the meeting for public comments for items only on the agenda; seeing none, the public comment period was closed.

The City Council moved to Closed Session and heard the following items:

CS-1 CONFERENCE WITH LEGAL COUNSEL – PENDING LITIGATION
PURSUANT TO GOVERNMENT CODE 54956.9(d)(1)
Medina v. City of Morro Bay, San Luis Obispo Superior Court Case #14CV0214

The City Council reconvened to Open Session.

The City Attorney reported that with regards to the Closed Session Items, the Council did not take any reportable action pursuant to the Brown Act.

ADJOURNMENT

The meeting adjourned at 5.28 p.m.

Recorded by:

Sam Taylor, CMC
Deputy City Manager

MINUTES - MORRO BAY CITY COUNCIL
REGULAR MEETING – JUNE 9, 2015
VETERAN’S MEMORIAL HALL – 6:00P.M.

PRESENT:	Jamie Irons	Mayor
	Noah Smukler	Councilmember
	John Heading	Councilmember
	Christine Johnson	Councilmember
	Matt Makowetski	Councilmember
STAFF:	David Buckingham	City Manager
	Joe Pannone	City Attorney
	Sam Taylor	Deputy City Manager
	Susan Slayton	Administrative Services Director
	Rob Livick	Public Works Director
	Scot Graham	Community Development Manager
	Eric Endersby	Harbor Director
	Amy Christey	Police Chief
	Steve Knuckles	Fire Chief

ESTABLISH QUORUM AND CALL TO ORDER

The meeting was called to order at 6:00 p.m.

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

MAYOR AND COUNCILMEMBERS’ REPORTS, ANNOUNCEMENTS & PRESENTATIONS

Councilmember Makowetski complimented Harbor Department Director Eric Endersby for getting him and Deputy City Manager Sam Taylor tours on the Dredge Yaquina. The council member noted Taylor had created a video posted on the City’s YouTube page for the public to see the dredge and the tour. He inquired when the dredge would be finished with its annual work. Endersby said they were likely finished around July 14 or July 15.

Councilmember Johnson shared work related as liaison to the Homeless Services Oversight Council in which the organization is working to place homeless people in housing in the county. She also said the Economic Vitality Corporation recently heard from Grover Beach on its economic development strategy. She encouraged the public to review Grover Beach’s work and the economic development strategic plan that City has had for some years.

Mayor Irons welcomed new Deputy City Manager Sam Taylor.

City Manager David Buckingham welcomed Taylor to the City and shared his various duties related to Recreation Services, Information Technology, Economic Development and more.

Taylor thanked the council and Mr. Buckingham for their support and bringing his family to Morro Bay.

PUBLIC PRESENTATIONS

https://youtu.be/fLOvdeh_5-k?t=12m46s

MOTION: Mayor Irons moved to remove from consent a proclamation and presentation related to living with Type 1 diabetes and placing it on the regular meeting agenda. The motion was seconded by Councilmember Makowetski and carried unanimously, 5-0.

Living with Type 1 Diabetes Presentation

Fifth grader Claire Haslett shared her experience of being diabetic and the importance of research related to juvenile diabetes and Type 1 diabetes.

Presentation of Proclamation

Mayor Irons presented the proclamation related to the work of the Juvenile Diabetes Research Foundation International to find a cure for Type 1 diabetes to local fifth grader Claire Haslett.

PUBLIC COMMENT

https://youtu.be/fLOvdeh_5-k?t=29m2s

John Elling, owner of Mike's Barbershop and Tiny Mike's Barbershop, provided business spot. He announced the opening of the new location at 2300 N. Main St. He also noted that with Mike's Barbershop celebrating its 75th anniversary in 2016 that the business has been converted into an eco-friendly establishment with solar power. The community can learn more at the business's website. He also noted that he hosts a radio show giving haircut tips and playing music.

Linna Thomas, business owner, submitted additional signed pages of a parklet petition asking that the facility be removed from Main Street. She requested that the council consider the concerns of Main Street businesses regarding the parklet.

Barry Brannin encouraged the City to hire the code enforcement position soon. He said there are current concerns that need to be addressed now, perhaps through the fire department.

The public comment period was closed.

A. CONSENT AGENDA

https://youtu.be/fLOvdeh_5-k?t=38m38s

Unless an item is pulled for separate action by the City Council, the following actions are approved without discussion.

The public comment period for the Consent Agenda was opened; seeing none the public comment period was closed.

A-1 APPROVAL OF MINUTES FOR THE SPECIAL CITY COUNCIL MEETING HELD ON MAY 18, 2015; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-2 APPROVAL OF MINUTES FOR THE SPECIAL CITY COUNCIL MEETING HELD ON MAY 20, 2015; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted

A-3 APPROVAL OF MINUTES FOR THE SPECIAL CITY COUNCIL MEETING HELD ON MAY 26, 2015; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted

A-4 APPROVAL OF MINUTES FOR THE CITY COUNCIL MEETING HELD ON MAY 26, 2015; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

A-5 STATUS REPORT OF A MAJOR MAINTENANCE & REPAIR PLAN (MMRP) FOR THE EXISTING WASTEWATER TREATMENT PLANT; (PUBLIC WORKS)

RECOMMENDATION: Receive and file.

A-6 WATER RECLAMATION FACILITY (WRF) PROJECT UPDATE; (PUBLIC WORKS)

RECOMMENDATION: Receive and file.

A-7 RESOLUTION NO. 35-15 APPROVING THE SAN LUIS OBISPO REGIONAL HAZARDOUS MATERIALS (HAZMAT) COOPERATIVE AGREEMENT; (FIRE)

RECOMMENDATION: Adopt Resolution No. 35-15 and authorize the Mayor to sign the agreement on behalf of the City.

A-8 RESOLUTION NO. 36-15 AFFIRMING COMPENSATION POLICIES FOR FIRE PERSONNEL AS REQUIRED BY THE CALIFORNIA FIRE SERVICE AGREEMENT (CFAA) REIMBURSEMENT PLAN; (FIRE)

RECOMMENDATION: Adopt Resolution No. 36-15.

A-9 APPROVAL OF RESOLUTION NO. 37-15 FOR A LEASE AGREEMENT WITH STATE OF CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE FOR EXCLUSIVE TIE-UP SPACE ON THE NORTH T-PIER FOR A PATROL VESSEL ACCOMMODATION DOCK; (HARBOR)

RECOMMENDATION: Approve Resolution No. 37-15.

A-10 APPROVAL OF AMENDMENT NO. 2 TO CONTRACT SERVICES AGREEMENT WITH ALESHIRE & WYNDER, LLP FOR CITY ATTORNEY SERVICES; (ADMINISTRATION)

RECOMMENDATION: Approve Amendment No. 2, as presented.

A-11 RESOLUTION NO. 38-15 AUTHORIZING AND DIRECTING THE INSTALLATION OF ALL WAY STOP SIGNS ON MAIN STREET AT PACIFIC STREET; (PUBLIC WORKS)

RECOMMENDATION: Approve Resolution No. 38-15

A-12 APPROVAL OF FACILITY USE AGREEMENT WITH THE SENIOR NUTRITION PROGRAM OF SAN LUIS OBISPO COUNTY FOR PROVIDING MEAL SERVICE TO ELDERLY CITIZENS OF MORRO BAY; (RECREATION)

RECOMMENDATION: Approve Facility Use Agreement with the Senior Nutrition Program.

A-13 RESOLUTION NO. 39-15 AUTHORIZING FORMATION OF A GENERAL PLAN/LOCAL COASTAL PROGRAM ADVISORY COMMITTEE (GPAC); (ADMINISTRATION)

RECOMMENDATION: Approve Resolution No. 39-15

A-14 PROCLAMATION SUPPORTING JDFR'S MISSION TO FIND A CURE FOR TYPE 1 DIABETES

RECOMMENDATION: Approve as submitted.

Mayor Irons opened the public comment period for the Consent Agenda; seeing none, the public comment period was closed.

Mayor Irons requested that Item A-11 be removed from consent and placed on the regular meeting agenda.

Councilmember Smukler requested that Item A-6 be removed from consent and placed on the regular meeting agenda.

Councilmember Makowetski requested that Item A-5 be removed from consent and placed on the regular meeting agenda.

MOTION: Councilmember Headding moved the Council approve the Consent Agenda as amended. The motion was seconded by Councilmember Johnson and carried unanimously, 5-0.

A-5 STATUS REPORT OF A MAJOR MAINTENANCE & REPAIR PLAN (MMRP) FOR THE EXISTING WASTEWATER TREATMENT PLANT; (PUBLIC WORKS)
https://youtu.be/fLOvdeh_5-k?t=39m39s

Councilmember Makowetski requested additional detail related to maintenance projects.

Public Works Director Rob Livick provided detail related to various maintenance projects. He noted that the flood wall project was required by the City's federal National Pollution Discharge Elimination System permit.

Mayor Irons complimented the work of staff related to maintenance projects.

MOTION: Councilmember Makowestki moved approval of item A-5. The motion was seconded by Councilmember Smukler and carried unanimously, 5-0.

A-6 WATER RECLAMATION FACILITY (WRF) PROJECT UPDATE; (PUBLIC WORKS)
https://youtu.be/fLOvdeh_5-k?t=45m1s

Director Livick provided an update on the Water Reclamation Facility project. Community members can review information on the project on the City's website, he shared.

MOTION: Councilmember Smukler moved approval of item A-6. The motion was seconded by Councilmember Headding and carried unanimously, 5-0.

A-11 RESOLUTION NO. 38-15 AUTHORIZING AND DIRECTING THE INSTALLATION OF ALL WAY STOP SIGNS ON MAIN STREET AT PACIFIC STREET; (PUBLIC WORKS)
https://youtu.be/fLOvdeh_5-k?t=51m29s

Mayor Irons noted the City will be authoring a Downtown Specific Plan and that will include information related to intersections. With that in mind, he asked council to withhold approval of the four-way stop at this time.

Community Development Director Scot Graham said he would likely not be addressing traffic issues in the Downtown Specific Plan as that would be addressed in the Circulation Element of the General Plan when that document is updated.

Councilmember Smukler pointed out the council had a significant debate on this issue and a citizen petition with many neighbors in the area of the intersection caught his eye. While a stop sign may not be the best solution, he suggested citizens who signed the petition may at this point be expecting the resolution to be approved.

Councilmember Makowestki agreed a stop sign may not be the best solution, but he also recognized the debate that occurred and support from neighbors of the petition.

Councilmember Johnson agreed that while data may not support the stop signs at the intersection, she supported the resolution due to concerns from the public.

Councilmember Heading recalled the vocal outcry of citizens who were concerned about safety of the intersection. He supported the traffic calming after hearing from citizens, but in thinking of the issue now, he wondered if a pattern was being set where the “squeaky wheel” in the community gets approval of items without having normal, appropriate and routine study.

Mayor Irons said he recognized the support for the petition but he thought it would be important to consider the issue holistically through a planning process.

MOTION: Councilmember Smukler moved approval of item A-11. The motion was seconded by Councilmember Makowetski and carried 3-2, Mayor Irons and Councilmember Heading opposed.

B. PUBLIC HEARINGS - NONE

C. UNFINISHED BUSINESS / SECOND READING AND ADOPTION OF ORDINANCES

Mayor Irons opened items C-1, C-2, C-3 and C-4 all at once.

https://youtu.be/fLOvdeh_5-k?t=1h5m31s

C-1 RESOLUTION NO. 31-15 ADOPTING THE FISCAL YEAR 2015/16 OPERATING BUDGETS; (ADMINISTRATIVE SERVICES)

C-2 RESOLUTION NO. 32-15 RESCINDING RESOLUTION NO. 13-10, AND ESTABLISHING THE RISK MANAGEMENT INTERNAL SERVICE FUND, AND COMMITTED FUND BALANCE; (ADMINISTRATIVE SERVICES)

C-3 RESOLUTION NO. 33-15 RESCINDING SECTION 5 OF RESOLUTION NO. 55-93, RESCINDING RESOLUTIONS NO. 27-10 AND 42-11 IN THEIR ENTIRETY, AND ESTABLISHING THE GENERAL FUND EMERGENCY RESERVE FUND POLICY AND ACCEPTING THE MANAGEMENT PARTNERS’ FINANCIAL FORECAST ASSUMPTIONS; (ADMINISTRATIVE SERVICES)

C-4 RESOLUTION NO. 34-15 ESTABLISHING THE STRATEGIC INVESTMENT SPENDING PLAN; (ADMINISTRATIVE SERVICES)

City Manager Buckingham presented on the adoption of the budget and the various resolutions related to budget adoption and responded to Council inquiries.

The public comment period for Items C-1 through C-4 was opened.

Dawn Beatty, resident, noted prior councils had a 27.5% General Fund reserve and now there is discussion about going to a 16.5% reserve. She wondered why previous councils thought a higher reserve was appropriate because the change is substantial.

The public comment period for Items C-1 through C-4 was closed.

City Manager Buckingham said the resolution will affirm the reserve goal at 27.5%. The City will allow itself to drop to the 16.5% rate for a specific amount of time to deal with upcoming fiscal constraints in order to avoid the reduction in community services.

Councilmember Smukler noted the council will revisit the reserves forecast annually and at this point the City is adding to its reserves. That is a good direction to go.

Councilmember Headding thanked staff for the outstanding presentations over time related to the budget. The purpose and rationale for how the budget is approached is very clear and in the past it wasn't as clear. He said that was not disparagement, but wanted to recognize that the process utilized this year allowed for a significant amount of input not only from the council but also staff and the public. There were multiple public opportunities to come forward and receive all presentations and information the council received. Councilmember Headding also applauded the prioritization of spending, which is critical. He advocated for a City dashboard in the future to track goals and metrics that are set out.

Councilmember Makowetski thanked staff for the work on the budget and how easy it was to understand the documents. The process and documents will really help the community understand the budget.

Councilmember Johnson said the proposed budget was based on a 10-year budget forecast – a new tool for the City – and this is a methodical, thought-out, data driven plan. She also supported the proposed modifications to the General Fund reserves with the requirement that the council will have an annual review of reserves. She also supported modifications of the Risk Management Fund with the thought that the City is covered for emergencies and Morro Bay is covered by a risk management pool. The one-time use of those funds is very transparent and will make it easy for the council to explain to residents how the money is spent.

Mayor Irons thanked staff for working so hard on the budget. He wanted to recognize staff for continuing to be flexible in authoring the budget, highlighting the fact that they went and reduced proposed expenditures by an additional 1 percent, which is a lot for the City. He thanked Councilmember Johnson for advocating for strategic, one-time investments in the budget during work sessions.

MOTION: Mayor Irons moved the Council approve Items C-1 through C-4 as amended. The motion was seconded by Councilmember Makowetski and carried unanimously, 5-0.

D. NEW BUSINESS

D-1 RESOLUTION NO. 40-15 ADOPTING A PAID SICK LEAVE POLICY PURSUANT TO THE HEALTHY WORKPLACE HEALTHY FAMILY ACT OF 2014 FOR UNREPRESENTED, UNBENEFITED, PART-TIME EMPLOYEES; (ADMINISTRATIVE SERVICES)
https://youtu.be/fLOvdeh_5-k?t=3h16m41s

Administrative Services Director Slayton presented the report and responded to Council inquiries.

The public comment period for Item D-1 was opened.

No members of the public spoke during public comment.

The public comment period for Item D-1 was closed.

Councilmember Headding noted the policy was required and was another unfunded mandate from the state.

MOTION: Councilmember Johnson moved the Council adopt Resolution 40-15. The motion was seconded by Mayor Irons and carried unanimously, 5-0.

E. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS
No future agenda items were discussed.

ADJOURNMENT

The meeting adjourned at 9:20 p.m.

Recorded by:

Sam Taylor, CMC
Deputy City Manager



AGENDA NO: A-3

MEETING DATE: June 23, 2015

Staff Report

TO: Honorable Mayor and City Council

DATE: June 3, 2015

FROM: Janeen Burlingame – Management Analyst

SUBJECT: Resolution No. 41-15 Authorizing San Luis Obispo County Assessor to Assess Amounts Due on Delinquent Solid Waste Collection Accounts as Tax Liens Against the Properties

RECOMMENDATION

Adopt Resolution No. 41-15.

ALTERNATIVES

There is no alternative available to adopting Resolution No. 41-15 as not to do so would result in not complying with the Morro Bay Municipal Code (MBMC) pertaining to delinquent solid waste accounts.

FISCAL IMPACT

The City will receive the 10% franchise fee on all liens paid in addition to a 2% administrative fee for costs associated with the processing of the liens with the San Luis Obispo County Assessor. Total revenue to be received will be \$52.18.

SUMMARY

MBMC Chapter 8.16 addresses delinquent solid waste accounts held by the City's franchisee, and the methodology related to collecting those debts. Morro Bay Garbage Service has followed the appropriate steps per the MBMC, and staff is requesting permission to file tax liens on the remaining delinquent debtors.

BACKGROUND

MBMC §8.16.170 and §8.16.375 establish all places and premises in the City in or on which solid waste is created, accumulated or produced must use the solid waste collection and disposal service provided by the City's franchisee and the franchisee is responsible for collecting fees for the service.

01181.0001/256357.1 Prepared By: JB

City Manager Review: _____

City Attorney Review: JWP

MBMC §8.16.170 also states, for the purposes of establishing responsibility for the payment of fees and charges, the person who has applied for water service within the City is responsible for paying for the solid waste service. In addition, the owner of the property, which is furnished solid waste service, if different from that water customer, is jointly responsible for the payment of all solid waste rates, charges and fees, including penalties. Any unpaid obligations shall run with the land and lead to delinquency for the property involved.

DISCUSSION

MBMC §8.16.385 provides a method by which the franchisee may take actions to collect fees from the owners of developed properties involved in delinquent solid waste collection and disposal accounts. Morro Bay Garbage Services has taken the actions prescribed within the MBMC to collect delinquent solid waste collection and disposal accounts, which are:

- 1) Present to the City a list of property owners whose accounts are more than 120 days past due,
- 2) Send certified letters to those property owners requesting payment within 45 calendar days, and
- 3) Present to the City a list of property owners that have failed to make the requested payment.

CONCLUSION

Morro Bay Garbage Service has gone through the process outlined in the MBMC and has submitted the final list of property owners that failed to make the requested payment by the due date. The next step is for the City to authorize the County to process liens against those delinquent accounts. Staff recommends adopting Resolution No. 41-15 to accomplish the task.

RESOLUTION NO. 41-15

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
AUTHORIZING THE SAN LUIS OBISPO COUNTY ASSESSOR
TO ASSESS AMOUNTS DUE ON DELINQUENT
SOLID WASTE COLLECTION AND DISPOSAL ACCOUNTS AS
TAX LIENS AGAINST THE PROPERTIES**

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

WHEREAS, Sections 8.16.170 and 8.16.375 of the Morro Bay Municipal Code (MBMC) establish all places and premises in the City in or on which solid waste is created, accumulated or produced must use the solid waste collection and disposal service provided by the City's franchisee and the franchisee is responsible for collecting fees for the service; and

WHEREAS, Subsections 8.16.170 C and D of the MBMC states, for the purposes of establishing responsibility for the payment of fees and charges, the customer, who has applied for water service within the City and the owner of the property, which is furnished solid waste service, if different from that customer, shall jointly be responsible for the payment of all rates, charges and fees including penalties and unpaid obligations shall run with the land and shall lead to delinquency for the property involved; and

WHEREAS, Section 8.16.385 of the MBMC further provides a method by which the franchisee may take actions to collect fees from the owners of properties involved in delinquent solid waste collection and disposal accounts which includes requesting the City to file a tax lien; and

WHEREAS, the franchisee, Morro Bay Garbage Service, has taken the actions required within the MBMC to collect fees from delinquent accounts as certified by franchisee and incorporated herein, and has provided the required list of debtors whose account is still delinquent.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay the San Luis Obispo County Assessor is hereby authorized to assess the amounts due on delinquent accounts as established and certified by the franchisee Morro Bay Garbage Service as liens against the properties listed below:

Parcel Number	Total Amount
068-291-009	\$202.00
065-053-013	\$189.06
068-164-011	\$52.49

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 23rd day of June 2015 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk

Historically, the City has never had any issues regarding performance of the contract with MBGS either when the contract was just for garbage collection or since all services was combined into one contract. Also, in 2009 the Council approved amending the agreement to extend the term an additional 15 years for to operate through 2023 due to a request from MBGS in relation to a project to expand disposal capacity at the landfill.

The City receives a copy of MBGS's financial audit every three years during the process to adjust the base rates for service that the Administrative Services Director reviews and there have been no concern over time as to the financial stability of MBGS in these reviews.

As such, Staff feels the request to change the security fund requirement in Article 10.5 to a performance bond is reasonable. The only question was if the \$250,000 amount would be adequate since this amount was derived in 2001 from what it would cost to provide three months of service while a new contractor could be put in place should MBGS fail to perform. Using the financial information provided by MBGS during last year's rate adjustment application on the cost to operation the collection services, a new security fund amount was calculated and staff is recommending the performance bond be in the amount of \$350,000.

CONCLUSION

Staff believes the request from MBGS to change the security fund from a cash deposit to a performance bond is reasonable and recommends the Council adopt Resolution No. 42-15.

RESOLUTION NO. 42-15

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
APPROVING THE SECOND AMENDMENT TO THE GARBAGE,
RECYCLING AND GREENWASTE SERVICES FRANCHISE AGREEMENT WITH
MORRO BAY GARBAGE SERVICE TO MODIFY THE SECURITY REQUIREMENT**

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

WHEREAS, the City Council adopted Resolution No. 48-01 approving the Garbage, Recycling and Greenwaste Services Franchise Agreement with Morro Bay Garbage Service (MBGS) for collection services effective January 1, 2002 and setting the initial rates for collection for residential and commercial customers (the "Agreement"); and

WHEREAS, on May 27, 2008, by Resolution No. 24-08, the Agreement was extended by an amendment to the Agreement (the "Amendment"); and

WHEREAS, the Agreement and Amendment are herein referred to as the "Amended Agreement;" and

WHEREAS, MBGS has requested a modification to the form of security required in the Amended Agreement.

NOW THEREFORE BE IT RESOLVED, by the City Council of the City of Morro Bay approves the Second Amendment to the Amended Agreement, attached hereto.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 23rd day of June, 2015 by the following vote:

AYES:
NOES:
ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk

Exhibit A

Second Amendment to MBGS Amended Agreement

(Immediately behind this page)

**CITY OF MORRO BAY
SECOND AMENDMENT TO CONTRACT FOR SOLID WASTE SERVICES**

This Amendment No. 2 to that certain agreement for solid waste services (“this Amendment) is made and entered into this 23rd day of June, 2015 by and between the City of Morro Bay, a municipal corporation (“City”) and Morro Bay Garbage Service, a California corporation (“MBGS”) (sometimes collectively the “Parties”).

RECITALS

- A. Effective January 1, 2002, the Parties entered into an agreement for MBGS to provide solid waste services for City (the “Agreement”) that was amended effective May 27, 2008, by that certain letter amendment dated August 5, 2009, and signed on behalf of MBGS on September 1, 2009, that extended that term of the Agreement through December 31, 2023 and added section 5.2.1 to and amended section 7.2 of the Agreement (collectively the “Amended Agreement”).
- B. The Amended Agreement requires MBGS to provide a cash security of \$250,000 (the “Security”) as the guarantee MBGS will satisfactorily perform its obligations pursuant to the Amended Agreement,
- C. MBGS has requested City to substitute a performance bond for the Security MBGS has already provided.
- D. The Parties desire to amend the Amended Agreement to allow MBGS to replace the Security with a performance bond.

Now, therefore, the Parties agree as follows:

- 1. Section 10.5 of the Amended Agreement shall be amended in its entirety to read as follows:

10.5 SECURITY

At any time, Contractor may provide file with the City a performance bond, as approved by the City Attorney, in an amount of not less than \$350,000 to replace the cash deposit of \$250,000 (the “Cash Deposit”) Contractor previously provided to the City as security for Contractor’s performance pursuant to this Agreement. If a satisfactory performance bond is provided by Contractor, then the City, within 30 days after approval of that performance bond shall return to Contractor the Cash Deposit. The performance bond shall remain in effect for the term of this Agreement, as may be extended and until 90 days after the termination of this Agreement. If this Agreement refers to a security fund or something similar, then it shall be deemed to mean the performance bond provided pursuant to this section.

- 2. Except as specifically provided herein, all provisions of the Amended Agreement shall continue in full force and effect.
- 3. The effective date of this Amendment No. 2 shall be July 1, 2015.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment No. 2 to be executed.

CITY OF MORRO BAY

MBGS

By: _____
Jamie L. Irons, Mayor

By: _____
Michael Dean, Division Vice President

Attest:

Dana Swanson, City Clerk



AGENDA NO: A-5

MEETING DATE: June 23, 2015

Staff Report

TO: Honorable Mayor and City Council

DATE: June 15, 2015

FROM: David Buckingham, City Manager

SUBJECT: Appointment of Voting Delegate(s) to the California Joint Powers Insurance Authority

RECOMMENDATION

Staff recommends the City Council appoint Mayor Irons as the official representative of the City of Morro Bay on the California Joint Powers Insurance Authority (CJPIA) Board of Directors. It is also recommended that City Manager, David Buckingham is appointed as the first alternate and Risk Manager, Dana Swanson as second alternate.

ALTERNATIVES

1. The City Council can appoint a Councilmember or other staff member(s) to serve as the City's representative and/or alternate(s) to the CJPIA Board of Directors.

FISCAL IMPACT

There is no fiscal impact to this decision.

DISCUSSION

On June 23, 2003, the City Council adopted Resolution 38-03 approving the City's membership in CJPIA. The rules of this Joint Powers Agency call for each member agency to appoint a member of its governing board to serve as a representative to the CJPIA Board of Directors. The CJPIA also allows for member agency staff to serve as alternates. The full Board of Directors meets once a year in July, this year the meeting is being held on Wednesday, July 15th at the CJPIA office in La Palma, to elect officers and review claims history. Historically, the City has appointed the Mayor to fulfill the duties as the official representative on the CJPIA Board of Directors.

CONCLUSION

It is staff's recommendation the Council appoint Mayor Irons as the official representative to the CJPIA Board of Directors as well as City Manager, David Buckingham as the first alternate and Risk Manager, Dana Swanson as second alternate.

Prepared By: DS

Dept Review: _____

City Manager Review: _____

City Attorney Review: _____



AGENDA NO: A-6

MEETING DATE: June 23, 2015

Staff Report

TO: Honorable Mayor and City Council **DATE:** June 15, 2015
FROM: Susan Slayton, Administrative Services Director
SUBJECT: Resolution No. 44-15 Establishing the Annual Proposition 4 Appropriations
Limit for the Fiscal Year 2015/16

RECOMMENDATION

Adopt Resolution No. 44-15.

ALTERNATIVES

The City Council may elect the population change for Morro Bay, which is 0.29%, rather than using the County rate of change, which is 0.78%. Using the Morro Bay figure, the appropriations limit calculates at \$23,286,172, a net change to the Proceeds of Taxes under the Appropriation Limit of \$113,772. If chosen, the Resolution would be amended prior to the Mayor's signing.

FISCAL IMPACT

None

SUMMARY

State law requires the adoption of an annual appropriations limit, which restricts the growth of tax-funded programs and services by limiting the appropriation of proceeds of taxes. As permitted by law, the City has chosen to use the most advantageous factor in calculating this limit for the City of Morro Bay, which is the County of San Luis Obispo population growth combined with the CPCPI. For the fiscal year 2015/16, the City of Morro Bay continues to remain well under its appropriations limit.

BACKGROUND

Proposition 4, more commonly known as the Gann Initiative, was approved by the California electorate in November 1979. It is intended to restrict growth of tax-funded programs and services by limiting the appropriation of the proceeds of taxes to the 1978/79 base year limit, as adjusted annually for changes in population and inflation. Proceeds of taxes in excess of the appropriations limit, with some exceptions, must be returned to the taxpayers by refund or reduction in tax rates unless an extension of the limit is approved by majority popular vote. Proceeds of taxes include tax revenues and investment earnings related to those tax revenues, proceeds from licenses and users/charges to the extent that they exceed the cost to cover those services, and discretionary tax

Prepared By: SS

Dept Review: _____

City Manager Review: _____

City Attorney Review: _____

funds used for contingency, emergency, unemployment, reserve and retirement sinking funds, trust, or similar funds.

In June 1990, the California voters approved Proposition 111, amending the Gann Initiative to provide local agencies with the option of using either the city or county population change percentage (whichever is greater). Another provision of the amendment states that the Gann limit would be triggered only if tax proceeds exceed the limit for two consecutive fiscal years. Additionally, the proposition requires an annual review of the appropriations limit calculation by a qualified independent auditor in conjunction with the annual financial audit.

Government Code Section 7910(a) states: "Each year, the governing body of each local jurisdiction shall, by resolution, establish its appropriations limit and make other necessary determinations for the following fiscal year, pursuant to Article XIII B of the California Constitution, at a regularly scheduled meeting or noticed special meeting. Fifteen days prior to the meeting, documentation used in the determination of the appropriations limit and other necessary determinations shall be available to the public. The determinations made pursuant to this section are legislative acts."

Staff prepared the documentation on June 15, 2015, and it is available at City Hall, upon request.

DISCUSSION

According to the estimates received from the California State Controller's office, the population of Morro Bay increased by 0.29 percent between January 1, 2014 and January 1, 2015, while the San Luis Obispo County population increased by 0.78 percent for that same time period. It is most advantageous for the City to use the larger of the two percentages, which is the County population growth factor this year. The California Per Capita Personal Income (CPCPI) increased by 3.82 percent. Applying these factors results in:

Prior year limit		\$22,364,513
Multiply by CPCPI change (1.00 + 3.82)	x	1.0382
Multiply by SLO County change in population	x	<u>1.0078</u>
Equals	=	<u>\$22,399,944</u>

The fiscal year 2015/16 budget estimate of revenues from the proceeds of taxes is \$11,120,140, which is well below the appropriations limit by \$12,279,804.

The calculation of estimated proceeds of taxes for FY 2015/16 is shown in detail in Attachment A.

The calculation of FY 2015/16 Appropriations Limit is shown in Attachment B, along with a historical listing of prior year limits.

Attachment C is a copy of the State Controller's change in population estimates between January 1, 2014 and January 1, 2015.

Attachment D is a copy of the State Controller's published CPCPI price factor with the cover letter.

RESOLUTION NO. 44-15

**RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF MORRO BAY, CALIFORNIA,
ESTABLISHING THE ANNUAL PROPOSITION 4
APPROPRIATIONS LIMIT FOR THE FISCAL YEAR 2015/16**

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

WHEREAS, Article XIII B of the California Constitution restricts the appropriation of tax proceeds that the City receives in any given fiscal year; and

WHEREAS, the City has calculated the 2015/16 appropriations limit in accordance with the provisions of Article XIII B of the California Constitution; and

WHEREAS, Proposition 111 of June 1990 requires an annual election of the methodology used in the calculation of the current year appropriations limit.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California, to accept the calculation as prepared by the Finance Department, and establish the fiscal year 2015/16 appropriations limit at \$23,399,944.

PASSED AND ADOPTED by the City Council of the City of Morro Bay, at a regular meeting thereof, held on the 23rd day of June 2015, by the following vote:

AYES:

NOES:

ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk

CITY OF MORRO BAY
 APPROPRIATION LIMIT DOCUMENTATION
 FISCAL YEAR 2015/16

	General	District Trans Tax	MBTBID	CTMD	GFER	GF Fac Maint	Special Gas Tax	Lower Cost Visitors	Traffic Safety	SLESF COPS	Parking In-Lieu	Transit	Bikepaths	Water Ops
Property taxes	3,759,133	-	-	-	-	-	-	-	-	-	-	-	-	-
Other taxes:														
Sales tax	1,583,313	923,360	-	-	-	-	-	-	-	-	-	-	-	-
Franchises fees	507,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	2,932,453	-	775,406	287,125	-	-	-	-	-	-	-	-	-	-
Licenses/permits	617,500	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue from other agencies:														
State	40,035	-	-	-	-	-	230,562	-	-	100,000	-	293,716	7,907	-
State/County grants	-	-	-	-	-	-	-	-	-	-	-	77,261	-	-
Federal grants	3,400	-	-	-	-	-	-	-	-	-	-	-	-	-
Use of money and property:														
Interest	-	-	-	-	16,927	61,898	-	-	-	-	732	-	-	-
Rent	292,400	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines/Forfeitures	12,000	-	-	-	-	-	-	-	20,000	-	-	-	-	-
Charges for services	1,120,031	-	-	-	-	-	-	-	-	-	-	41,500	-	4,595,000
Other revenues	7,000	-	-	-	-	37,491	-	-	-	-	5,409	-	-	-
	<u>10,874,265</u>	<u>923,360</u>	<u>775,406</u>	<u>287,125</u>	<u>16,927</u>	<u>99,389</u>	<u>230,562</u>	<u>-</u>	<u>20,000</u>	<u>100,000</u>	<u>6,141</u>	<u>412,477</u>	<u>7,907</u>	<u>4,595,000</u>

	Sewer Ops	Harbor Ops	Risk Management	Special Assessmt LMD	Special Assessmt LMD Cloisters	MB/CSD WWTF	Gov Impact	Park In-Lieu	State Park Marina	Housing In-Lieu	Water Accum	Sewer Accum	Harbor Accum	TOTAL ESTIMATED REVENUES
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	3,759,133
Other taxes:														
Sales tax	-	-	-	-	-	-	-	-	-	-	-	-	-	2,506,673
Franchises fees	-	-	-	-	-	-	-	-	-	-	-	-	-	507,000
Other	-	-	-	8,477	148,944	-	-	-	-	-	-	-	-	4,152,405
Licenses/permits	-	-	-	-	-	-	-	-	-	-	-	-	-	617,500
Revenue from other agencies:														
State	-	-	-	-	-	-	-	-	-	-	-	-	-	672,220
State/County grants	-	-	-	-	-	-	-	-	-	-	-	-	-	77,261
Federal grants	-	-	-	-	-	-	-	-	-	-	-	-	-	3,400
Use of money and property:														
Interest	-	-	5,000	-	-	-	-	-	-	-	-	-	-	84,557
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	292,400
Fines/Forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-	32,000
Charges for services	4,966,000	1,896,855	1,092,869	-	-	4,937,063	86,500	-	70,000	10,000	30,000	50,000	-	18,895,818
Other revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	49,900
	<u>4,966,000</u>	<u>1,896,855</u>	<u>1,097,869</u>	<u>8,477</u>	<u>148,944</u>	<u>4,937,063</u>	<u>86,500</u>	<u>-</u>	<u>70,000</u>	<u>10,000</u>	<u>30,000</u>	<u>50,000</u>	<u>-</u>	<u>31,650,267</u>

**CITY OF MORRO BAY
APPROPRIATION LIMIT DOCUMENTATION
FISCAL YEAR 2015/16**

PROCEEDS OF TAXES CALCULATION

APPROPRIATION LIMIT CALCULATION

	[1] PROCEEDS OF TAXES	PROCEEDS OTHER THAN TAXES	TOTAL ESTIMATED REVENUES	YEAR	[2] CALIFORNIA PCPI CHANGE	[3] POPULATION CHANGE	<u>LIMIT</u>
PROPERTY TAXES	\$ 3,759,133		\$ 3,759,133	1978-79	BASE YEAR		\$ 3,046,393
OTHER TAXES	6,659,078	507,000	7,166,078	1979-80	10.17%	1.38%	3,402,527
PERMITS		617,500	617,500	1980-81	10.53%	0.26%	3,770,591
REVENUE FROM AGENCIES				1981-82	9.12%	1.39%	4,171,660
STATE	672,220		672,220	1982-83	6.79%	2.04%	4,545,796
STATE/COUNTY GRANTS	-	77,261	77,261	1983-84	2.35%	1.81%	4,736,835
FEDERAL GRANTS	-	3,400	3,400	1984-85	4.74%	1.75%	5,048,185
USE OF MONEY & PROPERTY				1985-86	3.74%	1.62%	5,321,826
INTEREST	29,709	54,848	84,557	1986-87	2.30%	4.12%	5,668,530
RENT		292,400	292,400	1987-88	3.04%	2.93%	6,011,990
FINES & FORFIETURES		32,000	32,000	1988-89	3.93%	3.83%	6,487,570
CHARGES FOR SERVICES		18,895,818	18,895,818	1989-90	4.98%	3.92%	7,077,629
OTHER REVENUES		49,900	49,900	1990-91	4.21%	4.59%	7,714,137
	<u>\$ 11,120,140</u>	<u>\$ 20,530,127</u>	<u>\$ 31,650,267</u>	1991-92	4.14%	3.04%	8,277,721
				1992-93	-0.64%	1.00%	8,306,991
				1993-94	2.72%	1.86%	8,691,654
				1994-95	0.71%	1.40%	8,875,912
				1995-96	4.72%	1.60%	9,443,573
				1996-97	4.67%	2.31%	10,112,922
				1997-98	4.67%	2.06%	10,803,250
				1998-99	4.15%	2.70%	11,555,378
				1999-2000	4.53%	2.28%	12,354,234
				2000-01	4.91%	2.46%	13,279,663
				2001-02	7.82%	1.60%	14,547,223
				2002-03	-1.27%	1.80%	14,620,998
				2003-04	2.31%	1.32%	15,156,198
				2004-05	3.28%	1.15%	15,833,334
				2005-06	5.26%	1.19%	16,864,495
				2006-07	3.96%	0.73%	17,660,315
				2007-08	4.42%	0.96%	18,617,934
				2008-09	4.29%	1.12%	19,634,110
				2009-10	0.62%	1.01%	19,955,375
				2010-11	-2.54%	0.87%	19,617,710
				2011-12	2.51%	1.09%	20,329,315
				2012-13	3.77%	0.47%	21,194,880
				2013-14	5.12%	0.52%	22,395,914
				2014-15	-0.23%	0.09%	22,364,513
				2015-16	3.82%	0.78%	23,399,944
							<u>11,120,140</u>
							<u>\$ 12,279,804</u>

[1] Per City of Morro Bay 2015/16 Adopted Annual Budget.

[2] Per State Department of Finance (per capita personal income).

[3] Per State Department of Finance (population growth of City or County, whichever is greater). MB = 0.29%; SLO County = .78%

Fiscal Year 2015-16

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2014 to January 1, 2015 and Total Population, January 1, 2015

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total Population</u>
	2014-2015	1-1-14	1-1-15	1-1-2015
San Luis Obispo				
Arroyo Grande	0.77	17,295	17,428	17,428
Atascadero	1.55	27,646	28,075	29,169
El Paso De Robles	0.33	30,423	30,522	30,522
Grover Beach	0.19	13,119	13,144	13,144
Morro Bay	0.29	10,254	10,284	10,284
Pismo Beach	0.30	7,688	7,711	7,711
San Luis Obispo	0.70	45,484	45,802	45,802
Unincorporated	0.90	115,165	116,196	120,233
County Total	0.78	267,074	269,162	274,293

*Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.



May 2015

Dear Fiscal Officer:

Subject: Price and Population Information

Appropriations Limit

The California Revenue and Taxation Code, section 2227, mandates the Department of Finance (Finance) to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2015, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2015-16. Attachment A provides the change in California's per capita personal income and an example for utilizing the price factor and population percentage change factor to calculate the 2015-16 appropriations limit. Attachment B provides city and unincorporated county population percentage change. Attachment C provides population percentage change for counties and their summed incorporated areas. The population percentage change data excludes federal and state institutionalized populations and military populations.

Population Percent Change for Special Districts

Some special districts must establish an annual appropriations limit. Consult the Revenue and Taxation Code section 2228 for further information regarding the appropriations limit. Article XIII B, section 9(C), of the State Constitution exempts certain special districts from the appropriations limit calculation mandate. The Code and the California Constitution can be accessed at the following website: <http://leginfo.legislature.ca.gov/faces/codes.xhtml>.

Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. Any questions special districts have on this issue should be referred to their respective county for clarification, or to their legal representation, or to the law itself. No state agency reviews the local appropriations limits.

Population Certification

The population certification program applies only to cities and counties. Revenue and Taxation Code section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. **Finance will certify the higher estimate to the State Controller by June 1, 2015.**

Please Note: Prior year's city population estimates may be revised.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

MICHAEL COHEN
Director
By:

KEELY M. BOSLER
Chief Deputy Director

Attachment

May 2015

- A. **Price Factor:** Article XIII B specifies that local jurisdictions select their cost of living factor to compute their appropriation limit by a vote of their governing body. The cost of living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the fiscal year 2015-16 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2015-16	3.82

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2015-16 appropriation limit.

2015-16:

Per Capita Cost of Living Change = 3.82 percent
Population Change = 0.93 percent

Per Capita Cost of Living converted to a ratio: $\frac{3.82 + 100}{100} = 1.0382$

Population converted to a ratio: $\frac{0.93 + 100}{100} = 1.0093$

Calculation of factor for FY 2015-16: $1.0382 \times 1.0093 = 1.0479$



AGENDA NO: A-7

MEETING DATE: June 23, 2015

Staff Report

TO: Honorable Mayor and City Council **DATE:** June 16, 2015

FROM: Susan Slayton, Administrative Services Director

SUBJECT: Resolution No. 45-15 to Reaffirm Investment of Monies in the Local Agency Investment Fund (LAIF) and Designate Transaction Officers

RECOMMENDATION

Staff recommends that Council adopt Resolution No. 45-15.

SUMMARY

This Resolution reaffirms the City's desire to invest with the LAIF, and updates the information currently on file with them.

BACKGROUND

In accordance with State law, the City Council must adopt a Resolution to authorize changes to designated transaction officers with the Local Agency Investment Fund (LAIF). Resolution No. 01-11 is the current Resolution on file with the State Treasurer's Office, and it is obsolete, due to the change in City Manager.

Prepared By: SS

Dept Review: _____

City Manager Review: _____

City Attorney Review: _____

RESOLUTION NO. 45-15

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
TO REAFFIRM INVESTMENT OF MONIES IN THE
LOCAL AGENCY INVESTMENT FUND (LAIF) AND
DESIGNATE TRANSACTION OFFICERS**

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

WHEREAS, Resolution No. 05-09, dated February 9, 2009, authorized the City of Morro Bay to continue investing funds with the State of California's Local Agency Investment Fund (LAIF); and

WHEREAS, the officers, then authorized to order deposit and withdrawal of monies, and affect changes to the account, have changed.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California, that the City will continue investing with LAIF, and designates the following officers to deposit and withdraw funds, and affect changes to the account:

David Buckingham	City Manager
Susan Slayton	Administrative Services Director/Treasurer
Laurie Goforth	Human Resources Analyst
Cristie Brazzi	Senior Accounting Technician

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 23rd day of June, 2015 by the following vote:

AYES:

NOES:

ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk



AGENDA NO: A-8

MEETING DATE: June 23, 2015

Staff Report

TO: Honorable Mayor and City Council

DATE: June 17, 2015

FROM: Eric Endersby, Harbor Director

SUBJECT: Resolution No. 46-15 Approving a Ten Year Lease Agreement for Mooring Area A1-4 between the City of Morro Bay and Morro Bay Marina (Stan Trapp)

RECOMMENDATION

Approve Resolution No. 46-15 for a new lease agreement with Morro Bay Marina (MBM) for Mooring Area A1-4.

ALTERNATIVES

Council may elect not to approve Resolution No. 46-15 for the proposed Lease Agreement, and direct staff accordingly.

FISCAL IMPACT

Revenue increase from the current \$20,227/year Minimum Rent to \$25,500/year, with annual CPI adjustments and recurring five-year re-evaluations of the Minimum Rent.

BACKGROUND

MBM/Marina Square has historically leased the A1-4 mooring field opposite Marina Square located at 601/699 Embarcadero since at least the mid 1980's.

The current ten-year A1-4 lease expires the end of June 2015. Staff has met with Stan Trapp, owner of MBM, and agreed upon the attached new ten-year lease (in mark-up format).

DISCUSSION

In negotiating this new lease, staff mirrored it on Morro Bay Yacht Club's new mooring field lease agreement approved by the City Council in mid-2013. As such, staff is bringing it directly for approval on the Consent Calendar in the interest of efficiency as this lease is entirely consistent with the Yacht Club's mooring lease elements. Like the Yacht Club's new mooring lease, this new MBM lease follows the standard modern City lease format with the following highlights:

1. New lease term of 10 years.
2. Minimum Rent to be \$25,500, which is derived from the City's current monthly Master Fee

Prepared By: LS

Dept Review: EE

City Manager Review: _____

City Attorney Review: JWP

Schedule rent amount for privately-owned moorings in the bay commensurate to MBM's number of moorings (26).

3. Minimum Rent annually adjusted by a CPI Index.
4. Minimum Rent to be re-evaluated each subsequent five-year period and re-set based on current Master Fee Schedule mooring rates.
5. MBM to pursue certification under the "Clean Marinas" program.

CONCLUSION

Staff recommends approval of Resolution No. 46-15 for a new Lease Agreement between the MBM and the City of Morro Bay for the A1-4 mooring field.

ATTACHMENTS

1. Resolution No. 46-15
2. Proposed Lease Agreement
3. Map of Mooring Area A1-4

RESOLUTION NO. 46-15

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
APPROVAL OF A TEN YEAR LEASE AGREEMENT FOR
MOORING AREA A1-4 BETWEEN THE CITY OF MORRO BAY AND
MORRO BAY MARINA**

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

WHEREAS, the City of Morro Bay is the lessor of certain waters and properties on the Morro Bay Waterfront described as City Tidelands leases and properties; and

WHEREAS, Morro Bay Marina is the current lessee of Mooring Area A1-4 located offshore of Marina Square at 601/699 Embarcadero and is a tenant in good standing; and

WHEREAS, in accordance with the City's Master Lease Policy, the City and lessee have agreed to a new ten year lease agreement for Mooring Area A1-4.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California, that the attached new Lease Agreement for Mooring Area A1-4 with Morro Bay Marina is hereby approved.

BE IT FURTHER RESOLVED, that the Mayor is hereby authorized to execute said Mooring Agreement.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 23th day of June, 2015 on the following vote:

AYES:

NOES:

ABSENT:

ATTEST:

JAMIE L. IRONS, Mayor

DANA SWANSON, City Clerk

L E A S E

This LEASE is made and entered into by and between the CITY OF MORRO BAY, a municipal corporation of the State of California herein called CITY, and Morro Bay Marina, a California general partnership, herein called TENANT.

WITNESSETH

WHEREAS, the State of California granted certain tide and submerged lands located within the limits of CITY to the County of San Luis Obispo ("County") and to its successors, being Chapter 1076, Statutes of 1947, as amended by Chapter 413, Statutes of 1955, Chapter 1874, Statutes of 1957, and Chapter 70, Statutes of 1960, first extraordinary session; which Statutes may be amended from time to time by the Legislature of the State of California; all of which Statutes are expressly recognized and agreed to be in full force and effect by the parties hereto; and

WHEREAS, the parties hereto recognize and agree on July 17, 1964, CITY succeeded to all of the right, title and interest of County in and to all of the tide and submerged lands (the "Tidelands") conveyed to County by the State of California, pursuant to the above mentioned acts; and

WHEREAS, judgment has been entered on October 14, 1968, in the case of City of Morro Bay, Plaintiff, v. County of San Luis Obispo and State of California, Defendants, #30417, by the Superior Court of the State of California in and for the County of San Luis Obispo, adjudging and decreeing, among other things, the title to the Tidelands passed automatically to CITY upon the date of its incorporation as a city, on the 17th day of July, 1964; and

WHEREAS, TENANT accepts this Lease with full knowledge there is no warranty of title in and to the within described Premises by CITY to TENANT; and

WHEREAS, in order to develop and improve Morro Bay Harbor and to assist in carrying out the provisions of the tideland grant as aforesaid, and in order to provide facilities for the accommodation of those using Morro Bay Harbor, CITY desires to lease to TENANT the within described Premises upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the covenants to be performed and the rental to be paid by TENANT to CITY, CITY leases to TENANT, and TENANT leases from CITY, all of

the following premises (herein collectively referred to as the "Premises") in CITY, described as follows:

Mooring Zone A1-4 as delineated on Diagram 15.28.020 codified in and made a part of chapter 15.28 of the Morro Bay Municipal Code. Such map as approved and adopted by resolution of the City Council. The Premises consists of an area sufficient to accommodate up to ~~twenty~~-six moorings with a minimum swing radius of fifty feet.

The Premises is delineated on CITY Parcel Map No. 68-30, which map was recorded on October 10, 1968, in Book 3, Page 10 of Parcel Maps in the Office of the County Recorder, San Luis Obispo County, California. A copy of said Map is attached hereto as Exhibit A and made a part hereof by reference.

Article 1 FIXED TERM

Section 1.01 Term.

The term of this Lease shall be a period of TEN (10) years, commencing July 1, 2015 (the "Commencement Date"). The term of this Lease shall terminate without notice on June 30, 2025, unless sooner terminated as herein provided.

Section 1.02 No Extensions.

The term of this Lease shall not be extended nor shall this Lease be renewed. Requests for continued use of the Premises shall be treated as an application for a new lease and shall require appropriate application to CITY with all required supporting information and documents, CITY'S City Council approval and the execution of a new lease, containing the then most current terms, covenants, conditions and rent schedules.

Section 1.03 Hold Over.

If TENANT holds the Premises after the expiration of the term of this Lease with the consent of the CITY, express or implied, such holding over (in the absence of a written agreement between CITY and TENANT with respect thereto) shall be deemed to create a tenancy from month-to-month, terminable on thirty-days' written notice from either party to the other, at a monthly rental equal to two hundred percent (200%) of the average total Rent per month for the twelve months immediately preceding the expiration of this Lease, and otherwise subject to each and every term, covenant and condition of this Lease.

Section 1.04 Replacement.

As of the Commencement Date, this Lease shall extinguish and replace every prior lease between CITY and TENANT respecting the Premises, if any. Any right or interest held by TENANT pursuant to any existing lease with respect to the Premises which is not granted pursuant to this Lease shall be extinguished as of the Commencement Date.

Article 2 RENT

Section 2.01 Annual Minimum Rent.

TENANT agrees to pay to CITY a minimum guaranteed annual rental for the use and occupancy of the Premises, in an initial amount of \$25,500.00 per year (the "Minimum Rent"), payable in advance in equal semiannual installments on January 1 and July 1 each year during the term of this Lease. If the Commencement Date is other than January 1 or July 1, then TENANT shall pay, on the Commencement Date, the proportionate amount of the Minimum Rent payable for the period from the Commencement Date until the next payment date of January 1 or July 1, as the case may be. If the term of this Lease expires on a date other than December 31 or June 30, then TENANT'S final installment of Minimum Rent shall be proportionate to the time remaining in the term. All Rent, including the Minimum Rent and the Percentage Rent, shall be paid in lawful money of the United States of America, without offset or deduction and shall be paid to CITY at City Hall located at 595 Harbor Street, Morro Bay, California, or at such other place or places CITY may from time to time designate by written notice delivered to TENANT.

Section 2.02 CPI Adjustment to Annual Minimum Rent.

(1) The parties agree as of every July 1 following the Commencement Date (each, a "CPI Adjustment Date"), the annual Minimum Rent shall be increased or decreased in direct proportion to any upward or downward movement in the Consumer Price Index for January 2015 which is hereby agreed to be 239.72 (Base Index). The percentage adjustment for any given year shall be based on the monthly average Consumer Price Index for the calendar year immediately preceding the CPI Adjustment Date as compared with the Base Index. The Consumer Price Index referred to herein is the Consumer Price Index (all items indexes, all urban consumers) for Los Angeles - Anaheim - Riverside, California, compiled and published by the United States Department of Labor, Bureau of Labor Statistics, 1982-84 Base Year = 100 (the "Index").

(2) The Annual Minimum Rent shall be adjusted as of each CPI Adjustment Date, and will remain in effect as adjusted until the next CPI Adjustment Date. As an illustration only, if

the Base Index (Jan. 1, 1999 CPI) is 166.1 and the monthly average CPI for 2000 is 171.6, then the percentage increase is equal to 3.31%. Therefore, the Minimum Rent would be increased by 3.31% as of July 1, 2001, and would continue at that rate through June 30, 2002.

(3) If the United States Department of Labor, Bureau of Labor Statistics, ceases to compile and make public the Consumer Price Index as now constituted and issued, but shall substitute another index in its place, then that substituted index shall be used for the purpose of adjusting the Minimum Rent for the Premises. If the Consumer Price Index is changed so the base year differs from that in effect on the Commencement Date, then the Consumer Price Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics.

Section 2.03 Calculation of New Minimum Rent.

At the end of the initial five (5) years and of each five-year period thereafter, a new Minimum Rent shall be calculated for the following five-year period (each, a "Subsequent Rental Period") as follows:

(1) The Minimum Rent shall be subject to adjustment as of the fifth anniversary of the Commencement Date and every five years thereafter (each, an "Adjustment Date"). The adjustment shall be based on the current Master Fee Schedule rate for privately-owned moorings, commensurate to TENANT's number of moorings, rounded-up to the nearest \$500 increment. As an illustration only, if the current Master Fee Schedule rate for privately-owned moorings is \$960/year (\$80/month) and there are 26 non-transient moorings in TENANT's A1-4 mooring field, the annual Minimum Rent shall be \$24,960, and rounded-up to \$25,000. If the new adjusted Minimum Rent is less than the current Minimum Rent prior to adjustment, then the current Minimum Rent shall be maintained until the next Adjustment Date.

(2) The new Minimum Rent shall be divided by two to determine the semiannual payments and shall be paid by TENANT to CITY on the first of each January and July thereafter. This new Minimum Rent shall be adjusted each following year in proportion to any increase in the Consumer Price Index as set out in Section 2.02 of this Lease.

Section 2.04 Reimbursements.

If TENANT fails to perform any term or covenant of this Lease, then CITY may, but is not obligated to, perform such term or covenant, and TENANT shall reimburse CITY therefore as additional Rent hereunder. As an illustration and not as a limitation, if TENANT fails to

procure the insurance required by this Lease, CITY may, but is not obligated to, obtain such insurance, with the cost of the premiums being due to CITY upon demand as additional Rent.

Section 2.05 Penalty and Interest.

(1) If any Rent is not received within ten (10) days following the date on which the Rent first became due, then TENANT shall pay a late penalty of ten percent (10%) of the amount of the Rent in addition to the Rent.

(2) In addition to the penalty, TENANT shall pay interest at the rate of one percent (1%) per month or fraction thereof or the maximum amount permitted by law as of the date this Lease is signed, whichever is greater (the "Default Rate"), on the amount of the Rent, exclusive of the penalty, from the date on which Rent first became delinquent until paid. The term "Rent" includes any sums advanced by the CITY and any unpaid amounts due from TENANT to the CITY.

Article 3 USE OF PREMISES

Section 3.01 Permitted Uses.

The Premises shall, during the term of this Lease, be used for the purpose of operating and conducting thereon and therein the following:

Installation and operation of a mooring facility consisting of twenty-six individual moorings and for uses normally incident to and directly allied to such purpose and for no other purpose.

Section 3.02 Unauthorized Use.

TENANT agrees to allow only those uses authorized in Section 3.01 hereinabove and any unauthorized use thereof shall constitute a breach of this Lease and shall, at the option of CITY, terminate this Lease.

Section 3.03 Operation of Business - Hours of Operation.

(1) Failure to actively and diligently conduct the business authorized herein constitutes a breach of this Lease and shall, at the option of CITY, terminate this Lease. TENANT shall during the term of this Lease conduct business of the nature specified in Section 3.01 of this Lease on the Premises in an efficient and diligent manner.

Section 3.04 Competition.

During the term of this Lease, TENANT shall not directly nor indirectly acquire or establish any similar or competing business within a radius of five (5) miles from the location of the Premises; provided, however, that TENANT may, with prior written approval from CITY, own or operate more than one business, whether or not competing and similar along the Embarcadero upon CITY lease sites. The purpose of this section is to prevent and prohibit TENANT from reducing revenue to CITY by diverting business from the operation at the Premises to another similar business owned by TENANT within the CITY but not upon a CITY lease site from which CITY is paid rent based on Gross Sales.

Section 3.05 Hazardous Materials.

(1) TENANT shall not transport, use, store, maintain, generate, dispose, release, treat or discharge any "Hazardous Material" (as defined below) upon or about the Premises (such activities being hereafter referred to as "Hazardous Materials Activities"), nor permit TENANT'S employees, agents, or contractors to engage in Hazardous Materials Activities upon or about the Premises, except as allowed by applicable law. The term "Hazardous Material" for purposes hereof shall mean any chemical, substance, material or waste or component thereof which is now or hereafter listed, defined or regulated as a hazardous or toxic chemical, substance, material or waste or component thereof by any federal, state or local governing or regulatory body having jurisdiction, or which would trigger any employee or community "right-to-know" requirements adopted by any such body. All Hazardous Materials Activities at the Premises shall be conducted strictly in accordance with all applicable laws and regulations. If TENANT shall transport any hazardous waste from the Premises, then such transportation shall be done only by a contractor duly licensed to haul hazardous waste and shall use only a duly licensed disposal site approved by TENANT'S liability insurer.

(2) TENANT shall promptly notify CITY of: (i) any enforcement, cleanup or other regulatory action taken or threatened by any governmental or regulatory authority with respect to the presence of any Hazardous Material on the Premises or the migration thereof from or to other property, (ii) any demands or claims made or threatened by any party against TENANT or the Premises relating to any loss or injury resulting from any Hazardous Material on or from the Premises, and (iii) any matters where TENANT is required by applicable law to give a notice to any governmental or regulatory authority respecting any Hazardous Material on the Premises. CITY shall have the right (but not the obligation) to inspect the Premises, to take such remedial

action on the Premises, as CITY may deem appropriate, and to join and participate, as a party, in any legal proceedings or actions affecting the Premises initiated in connection with any environmental, health or safety law.

(3) If any Hazardous Material is released, discharged or disposed of by TENANT or its employees, agents or contractors, on or about the Premises in violation of the foregoing provisions, then TENANT shall immediately notify CITY. CITY may elect either to take such remedial action as CITY deems appropriate, in which event TENANT shall reimburse CITY for all costs thereof within ten (10) days after demand, or direct TENANT to perform such remediation. If CITY directs TENANT to perform the remediation, then TENANT shall immediately take such remedial action, as CITY shall direct. TENANT shall, properly and in compliance with applicable laws clean up and remove the Hazardous Material from the Premises and any other affected property at TENANT'S expense. If CITY directs TENANT to perform remediation hereunder and if TENANT fails to comply with the provisions of this Section within five (5) days after written notice by CITY, or such shorter time as may be required by applicable law or in order to minimize any hazard to persons or property, then CITY may (but shall not be obligated to) arrange for such compliance directly or as TENANT'S agent through contractors or other parties selected by CITY at TENANT'S expense (without limiting CITY'S other remedies under this Lease or applicable law).

Section 3.06 Tidelands Trust.

TENANT shall use and occupy the Premises in strict compliance with the Tidelands Trust purposes under which the Premises or any portion thereof are held by CITY pursuant to the grants from the State of California as set forth in this Lease.

Section 3.07 Compliance with Law.

TENANT shall, at no cost to CITY, comply with all of the requirements of all local, municipal, county, state and federal authorities now in force, or which may hereafter be in force, pertaining to the Premises, and shall faithfully observe in the use of the Premises all local, municipal and county ordinances and state and federal statutes, rules, regulations and orders now in force or which may hereafter be in force (collectively, "Legal Requirements"); provided, that TENANT shall not be required to comply with any Legal Requirement imposed by the CITY that would substantially deprive TENANT of a material benefit under this Lease, unless such Legal Requirement has been imposed or required by a county, state or federal authority or applied generally throughout the community and was adopted to protect the public health, safety or welfare. The judgment of any court of competent jurisdiction, or the admission of TENANT

in any action or proceeding against TENANT, whether CITY be a party thereto or not, TENANT has violated any Legal Requirement in the use of the Premises shall be conclusive of that fact as between CITY and TENANT.

Section 3.08 Waste or Nuisance.

TENANT shall not commit or permit the commission by others of any waste on the Premises; TENANT shall not maintain, commit, or permit the maintenance or commission of any nuisance as defined by law on the Premises; and TENANT shall not use or permit the use of the Premises for any unlawful purpose.

Section 3.09 Use by CITY.

(1) Subject to TENANT's rights hereunder to possession of the Premises, CITY may grant licenses to, or otherwise authorize, other persons and entities permitting uses of the Morro Bay Harbor.

(2) CITY also retains and reserves for itself, its successors and assigns, all oil, gas, petroleum and other mineral or hydrocarbon substances in and under the lands leased hereby together with right to prospect and extract all such substances.

Article 4 CONSTRUCTION, ALTERATION AND REPAIRS

Section 4.01 Construction Approval.

(1) TENANT shall not make or permit any other person to make any alterations or structural additions or structural modifications to the Premises or to any structure thereon or facility appurtenant thereto if the cost thereof shall exceed fifty thousand dollars (\$50,000), without the prior written consent of CITY. The consent to be obtained pursuant to this Section 4.01(1) shall be requested from the Harbor Director for CITY. If the Harbor Director gives such consent to proceed, then it is understood that such consent is given by CITY only in its capacity as the landlord under this Lease and not as the permit-issuing authority. TENANT remains obligated to obtain any needed building permits and comply with all applicable planning processes.

(2) When required by the Morro Bay Municipal Code, California Coastal Act, Corps of Engineers or any other state or federal agency having authority over the proposed project, then all Conditional Use Permits, Concept Plans, Precise Plans, Coastal Development Plans, and any other required plans or permits shall be applied for and approved prior to any construction, alteration or repairs.

Section 4.02 Construction Bond.

(1) Prior to the commencement of any construction the cost of which is greater than the amount of One Hundred Thousand Dollars (\$100,000), TENANT shall file with CITY'S City Clerk a final detailed Civil Engineer's, Registered Architect's or Licensed and Bonded General Contractor's estimate of the cost of construction and installation of improvements on the Premises. That estimate must be submitted to CITY'S City Engineer for approval. TENANT shall file with CITY'S City Clerk a faithful performance bond, in a form and issued by a corporate surety company satisfactory to CITY, in an amount satisfactory to CITY but not in excess of one hundred percent (100%) of the final detailed cost estimate, securing the faithful performance of TENANT or its contractor in the completion of said construction.

(2) TENANT shall also file with the CITY'S City Clerk a labor and materials bond, in a form and issued by a corporate surety company satisfactory to CITY, in an amount satisfactory to CITY but not in excess of one hundred percent (100%) of the final detailed cost estimate, securing the payment of all claims for the performance of labor or services on, or the furnishing of materials for, the performance of said construction.

(3) In lieu of the above referenced bonds, TENANT may post cash deposits or may make other mutually satisfactory arrangements to guarantee the completion of construction projects. In the event the contractor bonds the project, CITY may be named as additional indemnitee to comply with these requirements.

Section 4.03 Mechanics' Liens.

At all times during the term of this Lease, TENANT shall keep the Premises and all buildings, installations and other improvements now or hereafter located on the Premises free and clear of all liens and claims of liens for labor, services, materials, supplies, or equipment performed on or furnished to the Premises. TENANT further agrees to at all times, save CITY free and harmless and indemnify CITY against all claims for labor or materials in connection with any improvement, repairs, or alterations on the Premises, and the cost of defending against such claims, including reasonable attorneys' fees. If TENANT fails to pay and discharge or cause the Premises to be released from such liens or claim of liens within ten (10) days after the filing of such lien or levy, then TENANT shall upon written notification be required to immediately deposit with CITY a bond conditioned for payment in full of all claims on which said lien or levy has been filed. Such bond shall be acknowledged by TENANT as principal and by a company or corporation, licensed by the Insurance Commissioner of the State of California to transact the business of a fidelity and surety insurance company as surety. The beneficiary of any security instrument which instrument is on record with CITY, shall have the right to file

such a bond on behalf of TENANT. CITY shall have right to post and keep posted on the Premises notices of non-responsibility and any other notices that may be provided by law or which CITY may deem proper for the protection of CITY and Premises from such liens. TENANT shall give CITY notice at least twenty (20) days prior to commencement of any work on the Premises to afford CITY the opportunity to post such notices.

Section 4.04 Ownership of Improvements.

The parties agree CITY has the option and right to require TENANT to remove all buildings, structures, installations, improvements of any kind or other property belonging to or placed upon the Premises by TENANT at the termination of this Lease, however occurring, providing CITY gives notice, in writing, no later than thirty (30) days prior to the termination of this Lease, of its decision to require that such improvements be removed. The parties agree that if the CITY exercises its option, then at the termination of this Lease, however occurring, TENANT shall have sixty (60) days thereafter to remove all buildings, structures, facilities, installations, improvements and other property belonging to TENANT from the Premises. If CITY exercises such option and TENANT fails to remove all such improvements and other property within sixty (60) days after the termination of this Lease, then CITY shall have the right to have any or all such improvements and other property removed at the expense of TENANT. If CITY does not exercise its option to remove (or require the removal of) the improvements and other property, then title to such improvements and other property shall vest in CITY and TENANT shall not remove same.

Article 5 LEASEHOLD MORTGAGES

Tenant shall not mortgage, securitize or hypothecate the leasehold interest in whole or any part without the prior written approval of CITY as evidenced by a resolution of the City Council of CITY.

Article 6 REPAIRS, MAINTENANCE AND RESTORATION

Section 6.01 Maintenance by TENANT.

At all times during the term of this Lease, TENANT shall, at TENANT'S own cost and expense, keep and maintain all improvements now or hereafter on the Premises in good order and repair and in a safe condition. Installation, maintenance and inspection of moorings shall be in accordance with and subject to CITY specifications and conditions as detailed in the Morro Bay Municipal Code as amended from time to time. Installation, maintenance and inspection

costs shall be at the expense of TENANT. Each mooring shall be inspected for general condition and safety bi-annually and by a qualified person hired by TENANT subject to approval by CITY. CITY may, at the sole option of CITY, inspect and repair the moorings on the Premises at TENANT'S cost and expense, in the event TENANT fails to inspect and maintain the moorings on the Premises in accordance with this Section to the satisfaction of CITY after fifteen (15) days' written notice to TENANT from CITY of CITY's intent to exercise this option.

Section 6.02 Seawalls and Revetment.

At all times during the term of this Lease, TENANT shall at TENANT'S own cost and expense repair, maintain, replace and rebuild as necessary, the improvements, pilings, bulkheads, seawalls, revetment, piers, posts and any structures or other improvements located in the water portion of the Premises. Further, TENANT shall at TENANT'S own cost and expense conduct maintenance surveys at reasonable intervals to locate and determine needed repairs.

Section 6.03 Legal Requirements.

At all times during the term of this Lease, TENANT, at no cost to CITY, shall:

(1) Make all alterations, additions, or repairs to the Premises or the improvements or facilities on the Premises required by any Legal Requirements (as defined in Section 3.07 above) now or hereafter made or issued;

(2) Observe and comply with all Legal Requirements now or hereafter made or issued respecting the Premises or the improvements or facilities located thereon;

(3) Obtain all required permits pursuant to the Morro Bay Municipal Code or State law prior to the initiation of any repair or maintenance activity; and

(4) Indemnify, defend and hold harmless CITY and each of its officers, employees and agents and property of CITY, including the Premises, from any and all liability, loss, damages, fines, penalties, claims and actions resulting from TENANT'S failure to comply with and perform the requirements of this section.

Section 6.04 Failure to Repair.

In the event failure to repair results in a hazardous or unsafe condition, CITY shall have the right and option but not the obligation to close and prohibit access to the unsafe portion of the Premises until such repairs are completed and accomplished and the Premises rendered safe for public use. In addition, if TENANT fails to repair any hazardous or unsafe condition within ten (10) days after written notice thereof from CITY, then CITY shall have the right, but not the obligation, to perform such repair at TENANT'S expense. TENANT shall reimburse CITY for any such repair undertaken by CITY, promptly upon CITY'S demand, as additional Rent.

Failure by CITY to enforce any of the provisions of this Article shall not constitute a waiver of these provisions and CITY may at any time enforce all of the provisions of this Article, requiring all necessary repairs, rebuilding or replacement.

Section 6.05 Inspection by CITY.

CITY or CITY'S agents, representatives, or employees may enter the Premises at all reasonable times for the purpose of inspecting the moorings on the Premises to determine whether TENANT is complying with the terms of this Lease and for the purpose of doing other lawful acts that may be necessary to protect CITY'S interest in the Premises under this Lease or to perform CITY'S duties under this Lease.

Section 6.06 TENANT'S Duty to Restore Premises.

(1) Except as provided in Section 6.07 below, if at any time during this Lease, any improvements now or hereafter on the Premises are destroyed in whole or in part by the elements, or any other cause not the fault of TENANT or CITY, then this Lease shall continue in full force and effect and TENANT, at TENANT'S own cost and expense, shall repair and restore the damaged or destroyed improvement(s) according to the original plan thereof or according to such modified plans therefore as shall be approved in writing by CITY. The work of permitting, repair and restoration shall be commenced by TENANT within one hundred eighty (180) days after the damage or destruction occurs shall be pursued with due diligence, and shall be completed not later than one year after the work is commenced, unless the parties hereto mutually agree, in writing, to an extension. In all other respects, the work of repair and restoration shall be done in accordance with the requirements for construction work on the Premises set forth in Article 4 of this Lease. Any failure by TENANT either to commence or to complete repair and restoration as required by this Section 6.06 shall be a material default under this Lease.

(2) Any and all insurance proceeds that become payable at any time during the term of this Lease because of damage to or destruction of any improvements on the Premises shall be paid to TENANT and applied by TENANT toward the cost of repairing and restoring the damaged or destroyed improvements in the manner required by this Section 6.06, or, if this Lease is terminated, then applied as provided in Section 6.07. Except as set forth in Section 6.08 below, TENANT'S obligation to restore pursuant to this Section shall exist whether or not funds are available from insurance proceeds.

Section 6.07 Termination of Lease for Destruction.

(1) Notwithstanding the provisions of Section 6.06 of this Lease, TENANT shall have the option of terminating this Lease as provided in this Section 6.07 if:

(a) During the last five (5) years of the term of this Lease, any improvements now or hereafter on the Premises are so damaged or destroyed by the elements or any cause not the fault of TENANT or CITY, that they cannot be repaired and restored as required by Section 6.06 of this Lease at a cost not exceeding thirty-five percent (35%) of the cost of replacing all improvements if they had been totally destroyed at the time of such damage; or

(b) During the last two (2) years of the term of this Lease, any improvements now or hereafter on the Premises are so damaged or destroyed by the elements or any cause not the fault of TENANT or CITY, that they cannot be repaired and restored as required by Section 6.06 of this Lease at a cost not exceeding fifteen percent (15%) of the cost of replacing all improvements if they had been totally destroyed at the time of such damage.

(2) TENANT may exercise its right to terminate pursuant to this Section 6.07 by providing written notice to CITY within one hundred eighty (180) days following damage or destruction as described herein. Such termination shall be effective on the last day of the calendar month following the month in which TENANT provides its notice.

(3) If TENANT fails to commence or complete repair and restoration as required by Section 6.06, then CITY shall have all rights and remedies with respect to TENANT's default, including but not limited to termination of this Lease pursuant to Article 11.

(4) If this Lease is terminated as a result of damage or destruction, then any insurance proceeds received with respect to the improvements shall be applied or distributed in the following order:

(a) first, to the demolition of the improvements and removal of all demolition debris; then

(b) to any accrued and unpaid Rent as of the effective date of the termination; then

(c) to each Lender under a Leasehold Encumbrance, in order of lien priority, an amount not to exceed the amount due under such Leasehold Encumbrance; then

(d) to CITY, an amount equal to the present value, as of the date of termination, of the total Minimum Rent for the remainder of the Term; then

- (e) the remaining proceeds, if any, to TENANT.

Section 6.08 Destruction Due to Risk Not Covered by Insurance.

Notwithstanding anything to the contrary in Section 6.06 of this Lease, TENANT shall have the right to terminate this Lease at any time if the improvements on the Premises are damaged or destroyed by a casualty for which TENANT is not required under this Lease to carry insurance and the cost to repair or restore such improvements exceeds fifty percent (50%) of the fair market value of all the improvements on the Premises immediately prior to the damage or destruction.

Article 7 INDEMNITY AND INSURANCE

Section 7.01 Indemnity Agreement.

(1) TENANT shall indemnify, defend and hold harmless CITY, and the property of CITY (including the Premises and any improvements now or hereafter on the Premises), and the CITY'S officers, officials, employees, agents and volunteers from any and all liability, claims, loss, damages, and expenses, including reasonably attorney fees and litigation expenses (the "Damages"), resulting from TENANT'S occupation and use of the Premises or any negligent act or omission of the TENANT or any of its officers, agents, invitees, subtenants, employees, contractors or anyone for whom TENANT may be liable, specifically including, without limitation, any liability, claim, loss, damage, or expense arising by reason of:

(a) The death or injury of any person, including TENANT or any person who is an employee or agent of TENANT, or by reason of the damage to or destruction of any property, including property owned by TENANT or by any person who is an employee or agent of TENANT, from any cause whatever while such person or property is in or on the Premises or in any way connected with the Premises or with any of the improvements or personal property on the Premises;

(b) The death or injury of any person, including TENANT or any person who is an employee or agent of TENANT, or by reason of the damage to or destruction of any property, including property owned by TENANT or any person who is an employee or agent of TENANT, caused or allegedly caused by either (i) the condition of the Premises or any improvement placed on the Premises by TENANT, or (ii) any act or omission on the Premises by TENANT or any person in, on, or about the Premises with or without the permission and consent of TENANT;

(c) Any work performed on the Premises or materials furnished to the Premises at the instance or request of TENANT or any person or entity acting for or on behalf of TENANT;

(d) TENANT'S failure to perform any provision of this Lease or to comply with any Legal Requirement imposed on TENANT or the Premises.

(2) TENANT'S obligations pursuant to this Section to indemnify and hold harmless are only to the extent TENTANT or its officers, agents, invitees, subtenants, employees, contractors or anyone for whom TENANT may be liable have caused the Damages.

Section 7.02 Liability Insurance.

During the term of this Lease, TENANT shall maintain at its cost Commercial General Liability insurance with coverages at least as broad as ISO Forms labeled “City of Morro Bay Insurance requirements for Lessees”, Certificate of Insurance – City of Morro Bay”, and “Additional Insureds – Managers or Lessors of Premises” attached hereto as Exhibit B and made a part hereof as may be updated or changed from time to time at the sole discretion of the CITY, insuring against claims for bodily injury (including death), property damage, contractual liability, personal injury and advertising injury occurring on the Premises or from operations located in any part of the Premises. Such insurance shall afford protection in amounts no less than One Million Dollars (\$1,000,000) per occurrence for bodily injury, personal injury and property damage, provided that if insurance with a general aggregate limit is used, either the general aggregate limit shall apply separately to the Premises or the general aggregate limit shall be twice the occurrence limit stated in this Section. All liability insurance carried by TENANT hereunder shall name CITY, its officers, officials, employees and volunteers as additional insureds, and shall be primary insurance with respect to such additional insureds. TENANT shall include all its subtenants as insureds under TENANT's liability policies or shall furnish separate certificates and endorsements for each subtenant. All coverages for subtenants shall comply with all requirements of this Article Seven.

Section 7.03 Worker's Compensation.

TENANT shall maintain at TENANT'S own expense and keep in full force and effect during the term of this Lease, Worker's Compensation Insurance as provided by law. Said insurance shall contain a waiver of subrogation rights against CITY. TENANT shall also maintain employer's liability insurance with minimum coverage of \$1,000,000 per accident for bodily injury or disease.

Section 7.04 Property Insurance.

TENANT shall, at its cost, at all times during the term of this Lease keep all improvements and other structures on the Premises, as well as any and all additions, improvements and betterments thereto, insured for one hundred percent (100%) of their full replacement cost with no co-insurance provision against loss or destruction by the perils covered by "all risk" (excluding earthquake) property damage insurance policies. Any loss payable under such insurance shall be payable to TENANT, CITY, and any Lender under a Leasehold Encumbrance pursuant to Article 5 of this Lease, as their interests may appear, and such proceeds shall be used and applied in the manner required by Article 6 of this Lease.

Section 7.05 Additional Coverage.

TENANT shall also maintain, at its expense, the insurance described in this Section 7.05.

(1) If TENANT has (or is required by any Legal Requirement to have) a liquor license and is selling or distributing alcoholic beverages on the Premises, then TENANT shall maintain liquor liability coverage in appropriate amounts. TENANT shall require any subtenant who has (or is required by any Legal Requirement to have) a liquor license and who is selling or distributing alcoholic beverages on the Premises, to maintain such coverage.

(2) TENANT shall maintain "all risk" (excluding earthquake) property damage insurance covering TENANT's personal property located at the Premises, in amounts not less than the full replacement value of such personal property. CITY shall have no interest in the proceeds of such insurance.

(3) TENANT shall, at TENANT's own expense, obtain and maintain any additional insurance coverages that CITY may reasonably require. As illustration only and not as a limitation, in appropriate circumstances such additional insurance may include increased general liability limits, business interruption coverage, business automobile liability, boiler and machinery insurance and/or builder's risk insurance. However, TENANT shall not be required to maintain additional coverages that are in excess of those typically maintained by similarly situated tenants in the Morro Bay area.

Section 7.06 General Requirements.

Except as specifically provided to the contrary, all the insurance required pursuant to this Article Seven shall be subject to the requirements of this Section 7.06.

(1) Maintenance of proper insurance coverage is a material element of this Lease and failure to maintain or renew coverage or to provide evidence of coverage and/or renewal may be

treated by the CITY as a material breach of contract. TENANT shall forward the CITY specifications and forms to TENANT'S insurance agent for compliance.

(2) CITY may at any time require TENANT to increase the minimum coverage limits for insurance required by this Lease, but every such increase shall be reasonable under the circumstances.

(3) All policies shall be issued by insurance companies authorized to issue such insurance in California, with an A.M. Best's rating of no less than A:VII.

(4) Any deductibles or self-insured retentions must be declared to and approved by CITY. At the option of CITY, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects CITY, its officers, officials, employees and volunteers; or the TENANT shall provide a financial guarantee satisfactory to CITY guaranteeing payment of losses and related investigations, claim administration and defense expenses.

(5) Each insurance policy required by this Lease shall be endorsed to state that coverage shall not be cancelled or reduced, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to CITY.

(6) TENANT shall furnish CITY with certificates and amendatory endorsements effecting the coverage required by this Lease. The endorsements shall be on forms provided by CITY or on other than CITY's forms, provided those endorsements or policies conform to the requirements. All certificates and endorsements are to be received and approved by CITY before use of the Premises, and promptly following any renewal or replacement. CITY reserves the right at any time to require complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications.

(7) TENANT's insurance coverage shall be primary insurance as respects CITY, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by CITY, its officers, officials, employees, or volunteers shall be excess of TENANT's insurance and shall not contribute with it.

Section 7.07 No Subrogation.

TENANT agrees, in the event of loss due to any of the perils for which it has agreed to provide insurance, TENANT shall look solely to its insurance for recovery. TENANT hereby grants to the CITY, on behalf of any insurer providing insurance to either TENANT or CITY with respect to TENANT'S occupancy of the Premises, a waiver of any rights to subrogation which any such insurer of said TENANT may acquire against the CITY by virtue of the payment of any loss under such insurance. Each insurance policy required under this Lease including

those insuring TENANT against claims, expense, or liability for injury to persons or property shall provide that the insurer shall not acquire by subrogation any right to recovery which TENANT has expressly waived in writing prior to the occurrence of the loss.

Section 7.08 TENANT'S Waiver.

TENANT hereby waives any right of recovery against CITY for each claim, expense, liability, or business interruption, or other loss, except where caused by CITY'S active negligence or willful misconduct. TENANT agrees that to the extent that TENANT fails to acquire insurance, TENANT shall not have any claim against CITY for any loss that results from a risk or peril that would have been included in such insurance.

Section 7.09 Insurance Not a Limit.

The insurance requirements of this Article Seven are independent of, and do not limit or modify, TENANT'S indemnification and other obligations pursuant to this Lease.

Article 8 TAXES AND FEES

Section 8.01 TENANT to Pay Taxes.

TENANT shall pay, before delinquency, all taxes and assessments levied upon or assessed to TENANT on the Premises by reason of this Lease or of any equipment, appliances, improvement, or other development of any nature whatsoever, erected, installed, or maintained by TENANT or by reason of the business or other activity of TENANT upon or in connection with the Premises. TENANT shall pay all possessory interest taxes applicable to the Premises.

Section 8.02 TENANT to Pay License and Permit Fees.

TENANT shall pay any fees imposed by law for licenses or permits for any business or activities including construction by TENANT upon the Premises.

Section 8.03 Utilities.

TENANT shall pay, or cause to be paid, and hold harmless CITY and the property of CITY, including the Premises, from all charges for the furnishing of gas, water, electricity, telephone service, and for other public utilities to the Premises during the term of this Lease and for the removal of garbage and rubbish from the Premises during the term of this Lease.

Article 9 CONDEMNATION

Section 9.01 Total Condemnation.

If title and possession to all of the Premises is permanently taken for any public or quasi-public use under any statute, or by the right of eminent domain, then this Lease shall terminate on the date that possession of the Premises is taken, and both CITY and TENANT shall thereafter be released from all obligations, including Rent, all of which shall be prorated to the date of termination, except those specified in Section 9.02 of this Lease.

Section 9.02 Condemnation Award.

Any compensation or damages awarded or payable because of the permanent taking of all or any portion of the Premises by eminent domain shall be allocated between CITY and TENANT as follows:

(1) All compensation or damages awarded or payable for the taking by eminent domain of any land that is part of the Premises shall be paid to and be the sole property of CITY free and clear of any claim of TENANT or any person claiming rights to the Premises through or under TENANT.

(2) All compensation or damages awarded or payable which is specifically attributed by the taking party to the "good will" of TENANT'S business shall be paid to and be the sole property of TENANT.

(3) All compensation or damages awarded or payable because of any improvements constructed or located on the portion of the Premises taken by eminent domain where only a portion of the Premises is taken by eminent domain, and TENANT is not entitled to or does not terminate this Lease, shall be applied in the manner specified in Section 9.04 toward the replacement of such improvements with equivalent new improvements on the remaining portions of the Premises.

(4) All compensation or damages awarded or payable because of any improvements constructed or located on the portion of the Premises taken by eminent domain where this Lease is terminated because of the taking by eminent domain, whether all or only a portion of the Premises is taken by eminent domain, shall be allocated between CITY and TENANT as follows:

(a) That percentage of the compensation or damages awarded or payable because of the improvements that equals the percentage of the full term of this Lease that has, at the time of the taking, not expired shall belong to and be the sole property of TENANT.

(b) That percentage of the compensation or damages awarded or payable because of the improvements that equals the percentage of the full term of this Lease that has, at the time of the taking, expired shall belong to and be the sole property of CITY.

(c) The term "time of taking" as used in this Section shall mean 12:01 a.m. of the date that the agency or entity exercising the eminent domain power, takes, title, or the date that it takes physical possession of the portion of the Premises, whichever shall first occur.

(5) Any severance damages awarded or payable because only a portion of the Premises is taken by eminent domain shall be the sole and separate property of CITY.

Section 9.03 Termination for Partial Taking.

If, during the term of this Lease, title and possession of only a portion of the Premises is taken for any public or quasi-public use under any statute, or by right of eminent domain, then TENANT may, at TENANT'S option, terminate this Lease by serving written notice of termination on CITY within ninety (90) days after TENANT has been deprived of actual physical possession of the portion of the Premises taken for such public use. This Lease shall terminate on the first day of the calendar month following the calendar month in which the notice of termination described in this section is served on CITY. On termination of this Lease pursuant to this Article, all subleases and subtenancies in or on the Premises or any portion of the Premises created by TENANT under this Lease shall also terminate and the Premises shall be delivered to CITY free and clear of all such subleases and subtenancies, provided, however, that CITY may, at CITY'S option, by mailing written notice to a subtenant allow any subtenant to attorn to CITY and continue such subtenant's occupancy on the Premises as a TENANT of CITY. On termination of this Lease pursuant to this section, however, both CITY and TENANT shall be released from all obligations under this Lease, except those specified in Section 9.02 of this Lease.

Section 9.04 Rent Abatement for Partial Taking.

If, during the term of this Lease, title and possession of only a portion of the Premises be taken under the power of eminent domain by any public or quasi-public agency or entity and TENANT does not terminate this Lease, then this Lease shall terminate as to the portion of the Premises taken under eminent domain on the date actual physical possession of the portion taken by eminent domain is taken by the agency or entity exercising the eminent domain power. Furthermore, the Rent payable under this Lease shall, as of that time be reduced in the same proportion of the Premises taken by eminent domain bears to the full value of the Premises at that time; provided, however, that TENANT shall make a good faith effort to replace any

improvements or facilities with equivalent new facilities on the remaining portion of the Premises and do all other acts at TENANT'S own cost and expense required by the eminent domain taking to make the remaining portion of the Premises fit for the use specified in this Lease.

Section 9.05 Conveyance in Lieu of Eminent Domain.

A voluntary conveyance by CITY, with the consent of TENANT, of title to all or a portion of the Premises to a public or quasi-public agency or entity in lieu of and under threat by such agency or entity to take the same by eminent domain proceedings shall be considered a taking of title to all or such portion of the Premises under the power of eminent domain subject to the provisions of this Article.

Section 9.06 Temporary Taking.

If the possession of the Premises or any portion thereof should be taken under the power of eminent domain by any public or quasi-public agency or entity for a limited period not extending beyond the term of this Lease, then this Lease shall not terminate (except as provided in this Section 9.06) and TENANT shall continue to perform all its obligations hereunder, except only to the extent that TENANT is prevented from performing such obligations by reason of such taking. TENANT shall be entitled to receive the entire amount of compensation or damages awarded because of such temporary taking. If a temporary taking extends for more than thirty-six (36) months, then TENANT shall have the right to terminate this Lease, and TENANT shall be entitled to receive, out of the compensation or damages awarded because of such temporary taking, the amount that is attributable to the period of time up until the effective date of TENANT'S termination of this Lease.

Article 10 ASSIGNMENT AND SUBLEASING

Section 10.01 No Assignment Without CITY'S Consent.

Except as provided in this Article 10, TENANT shall not assign or otherwise transfer this Lease, any right or interest in this Lease, or any right or interest in the Premises or any of the improvements that may now or hereafter be constructed or installed on the Premises without the express written consent of CITY evidenced by resolution first had and obtained. Any assignment or transfer by TENANT without the prior written consent of CITY, whether it be voluntary or involuntary, by operation of law or otherwise, is void and shall, at the option of CITY, terminate this Lease. A consent by CITY to one assignment shall not be deemed to be a

consent to any subsequent assignment of this Lease by TENANT. CITY shall not unreasonably nor arbitrarily withhold its approval to the assignment or transfer of this Lease to an assignee who is financially reliable and qualified to conduct the business for which this Lease was granted. It is mutually agreed that the TENANT'S qualifications are a part of the consideration for granting of this Lease and said party does hereby agree to maintain active control and supervision of the operation conducted on the Premises.

Section 10.02 Change of Ownership as Assignment.

For purposes of this Article 10, the following transactions will be deemed to be assignments or transfers:

(1) If TENANT is a partnership or limited liability company:

(a) A change in ownership effected voluntarily, involuntarily, or by operation of law, within a twelve-month (12-month) period, of twenty-five percent (25%) or more of the partners or members or twenty-five percent (25%) or more of the partnership or membership interests; or

(b) The dissolution of the partnership or limited liability company without its immediate reconstitution.

(2) If TENANT is a closely held corporation (i.e., one whose stock is not publicly held and not traded through an exchange or over the counter):

(a) The sale or other transfer, within a twelve-month (12-month) period, of more than an aggregate of twenty-five percent (25%) of the voting shares of TENANT (other than to immediate family members by reason of gift or death); or

(b) The dissolution, merger, consolidation, or other reorganization of TENANT.

Section 10.03 Application for Assignment.

A condition of an assignment shall be that TENANT shall file with the CITY an application to assign the leasehold prepared by the prospective assignee. Concurrently with filing the application, TENANT shall pay a reasonable fee associated with the cost of processing said application, in cash or certified or cashier's check to enable CITY adequately to investigate the proposed assignee's qualifications as a permitted assignee. CITY shall not be required to account for the use of the sum paid. If the proposed assignee's net worth on the date of assignment is not sufficient to reasonably guarantee successful operation of the Premises in compliance with all applicable CITY, County, State and federal requirements, CITY may

withhold approval of the assignment or condition it upon TENANT'S guarantee of such assignee's obligations hereunder for such period as CITY deems advisable. Net worth shall mean the amount by which the total of all assets shall exceed the total of all liabilities as determined in accordance with general accepted accounting principles as approved by CITY'S auditor, or other authorized representative or agent.

Section 10.04 Probate Transfer of Assignment.

If TENANT is an individual, nothing herein contained will prevent the transfer of this Lease by will, or by operation of law under the intestacy provisions of the California Probate Code as it may be amended from time to time. Probate sale of the leasehold interest will not be permitted without the consent of the CITY, evidenced by resolution, first had and obtained.

Section 10.05 No Sublease Without CITY'S Consent.

TENANT shall not sublease the whole nor any part of the Premises, or license, permit, or otherwise allow any other person (the employees of TENANT excepted) to occupy or use the Premises, or any portion thereof, without the prior written consent of CITY's Harbor Director, or any future successor to the duties of the City's Harbor Director. A consent to one subletting, occupation, licensing or use shall not be deemed to be a consent to any subsequent subletting, occupation, licensing or use by another person. Any sublease or license without CITY'S written consent shall be void, and shall at CITY'S option, terminate this Lease. CITY shall not unreasonably nor arbitrarily withhold its consent to sublet to one who is qualified and financially reliable. CITY'S consent to any occupation, use, or licensing shall be in CITY'S sole and absolute discretion.

Section 10.06 Subtenant Subject to Lease Terms.

Any and all subleases shall be expressly made subject to all the terms, covenants, and conditions of this Lease. In no event shall the term of any sublease extend beyond the term of this Lease. Subject to Section 10.09, termination of this Lease prior to the expiration of this Lease term shall also terminate any and all subleases. A breach of the terms of this Lease by a subtenant shall constitute a breach on the part of TENANT and shall subject both the subtenant and TENANT to all the remedies provided to CITY herein and by law. Failure by any subtenant to report Gross Sales or to pay Percentage Rent due from subtenant shall constitute a breach of this lease. TENANT hereby agrees to and does guarantee payment of such Percentage Rent due by a subtenant under the terms of this lease.

Section 10.07 Consent Form Agreement.

Prior to any consent by CITY to any sublease hereof, TENANT shall cause to be executed between TENANT and any subtenant an agreement making the CITY a third party beneficiary, in a form acceptable to CITY, whereby the subtenant agrees to be bound by all of the terms, covenants and conditions of this Lease. Further, it is agreed by TENANT that any default by the subtenant of any of the terms, covenants and conditions of this Lease shall be deemed to be violations by TENANT of this Lease and that all remedies of CITY for such violation, including termination of this Lease, shall immediately be enforceable by CITY against TENANT. TENANT shall apply any and all monies received from any subtenant first to the payment of obligations of the subtenant to CITY.

Section 10.08 TENANT and Guarantor Remain Liable.

Prior to approval by CITY to any sublease hereof, TENANT shall agree to be primarily and jointly and severally liable to CITY for all obligations due CITY by any subtenant, including the payment of rents, and TENANT shall agree that CITY may proceed directly against TENANT for any obligation owing CITY by the subtenant. If this Lease is guaranteed, neither the sublease nor CITY'S approval thereof shall release the guarantor from its obligations pursuant to the guaranty.

Section 10.09 Nondisturbance.

On the terms set forth below, CITY may enter into agreements with subtenants providing that in the event of any termination of this Lease prior to the expiration date, CITY will not terminate or otherwise disturb the rights of the subtenant under such sublease, but will instead honor such sublease as if such agreement had been entered into directly between Landlord and such subtenant, conditioned upon such subtenant's agreement to attorn to Landlord and full performance of all obligations under the sublease in question ("Non-Disturbance Agreement"). CITY agrees to execute a Non-Disturbance Agreement in connection with a particular sublease provided that Tenant provides CITY with a copy of the sublease, and the Non-Disturbance Agreement is customary in form and substance and otherwise reasonably acceptable to CITY.

Article 11 DEFAULT AND TERMINATION

Section 11.01 Abandonment by TENANT.

Should TENANT breach this Lease and abandon all or any part of the Premises prior to the scheduled expiration of the term of this Lease, CITY may continue this Lease in effect by not

terminating TENANT'S right to possession of the Premises, in which event CITY shall be entitled to enforce all CITY'S rights and remedies under this Lease including the right to recover the Rent specified in this Lease as it becomes due under this Lease.

Section 11.02 Termination for Breach by TENANT.

All covenants and agreements contained in this Lease are declared to be conditions to this Lease and to the term hereby demised to TENANT. Should TENANT fail to perform any covenant, condition, or agreement contained in this Lease, except for payment of any Rent or other monetary amount due, and such failure is not cured within thirty (30) days after written notice thereof is served on TENANT, then CITY may terminate this Lease immediately, and in the event of such termination, TENANT shall have no further rights hereunder and TENANT shall thereupon forthwith remove from the Premises and shall have no further right or claim thereto and CITY shall immediately thereupon have the right to re-enter and take possession of the Premises, subject only to appropriate legal process.

Section 11.03 Termination for Failure to Pay Rent.

If any payment of Rent is not made as herein provided and such failure to pay is not cured within three (3) days after written notice thereof is served on the TENANT, then CITY shall have the option to immediately terminate this Lease; and in the event of such termination, TENANT shall have no further right or claim thereto and CITY shall immediately thereupon have the right to re-enter and take possession of the Premises, subject only to appropriate legal process.

Section 11.04 Lender May Cure Default.

CITY shall afford the Lender under any Leasehold Encumbrance of record with CITY the right to cure any default by TENANT of the covenants, conditions, or agreements hereof, as provided in Article 5 of this Lease.

Section 11.05 Attorneys' Fees.

In the event CITY finds it necessary to retain an attorney in connection with the default by TENANT or enforcement of any of the terms, conditions, and covenants of this Lease, even though litigation is not instituted, TENANT shall pay to CITY its reasonable attorneys' fees. Non-payment of reasonable attorneys' fees by TENANT within three (3) days after written notice is served on TENANT shall give rise to an independent legal action by CITY to collect same. If CITY is successful in such legal action, then CITY shall also be entitled to reasonable attorney

fees and costs for the collection action. To the extent CITY is represented by the City Attorney, a reasonable sum for such attorneys' services will be included as attorneys' fees.

Section 11.06 Damages for Breach.

If TENANT default in the performance of any covenant, condition or agreement contained in this Lease and the default be incurable or not be cured within the time period set forth hereinabove, then CITY may terminate this Lease and:

(1) Bring an action to recover from TENANT:

(a) The worth at the time of award of the unpaid rent which had been earned at the time of termination of this Lease;

(b) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination of this Lease until the time of award exceeds the amount of rental loss that TENANT proves could have been reasonably avoided;

(c) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss that TENANT proves could be reasonably avoided; and

(d) Any other amount necessary to compensate CITY for all detriment proximately caused by TENANT'S failure to perform its obligations under this Lease; and

(2) Bring an action, in addition to or in lieu of the action described in subparagraph (1) of this Section, to re-enter and regain possession of the Premises in the manner provided by the laws of unlawful detainer of the State of California then in effect.

Section 11.07 Cumulative Remedies.

The remedies available to CITY in this Article shall not be exclusive but shall be cumulative with and in addition to all remedies now or hereafter allowed by law or elsewhere provided in this Lease.

Section 11.08 Waiver of Breach.

The waiver by CITY of any breach by TENANT of any of the provisions of this Lease shall not constitute a continuing waiver or a waiver of any subsequent breach by TENANT either of the same or a different provision of this Lease.

Section 11.09 Surrender of Premises.

On expiration or sooner termination of this Lease, TENANT shall surrender the Premises, and, subject to Section 4.04, all improvements in or on the Premises, and all facilities in any way appertaining to the Premises, to CITY in good, safe, and clean condition, reasonable wear and tear excepted.

Article 12 MISCELLANEOUS

Section 12.01 Attorneys' Fees.

If any litigation is commenced between the parties to this Lease concerning the Premises, this Lease, or the rights and duties of either in relation thereto, then the party, CITY or TENANT, prevailing in such litigation shall be entitled, in addition to such other relief as may be granted in the litigation, to a reasonable sum as and for its attorneys' fees in such litigation, which shall be determined by the court in such litigation or in a separate action brought for that purpose. The "prevailing" party shall mean the party who obtains substantially the relief sought by that party. To the extent CITY is represented by CITY'S City Attorney, a reasonable sum for such attorneys' services will be included as attorneys' fees.

Section 12.02 Notices.

Any and all notice or demands by or from CITY to TENANT, or TENANT to CITY, shall be in writing. They shall be served either personally, or by registered or certified mail. Any notice or demand to CITY may be given to:

Harbor Director
1275 Embarcadero
Morro Bay, California 93442

with a copy to:

City Manager of the City of Morro Bay
City Hall
595 Harbor Street
Morro Bay, CA 93442

Any notice or demand to TENANT may be given at:

Morro Bay Marina
Stan Trapp
699 Embarcadero, Suite 10
Morro Bay CA 93442

Such addresses may be changed by written notice by either party to the other party.

Section 12.03 Governing Law and Jurisdiction.

This Lease, and all matters relating to this Lease, shall be governed by the laws of the State of California in force at the time any need for interpretation of this Lease or any decision concerning this Lease arises. CITY and TENANT consent to exclusive personal and subject matter jurisdiction in the Superior Court of the State of California in and for the county where the Premises are located, and each party waives any claim that such court is not a convenient forum. Each party hereby specifically waives the provisions of California Code of Civil Procedure Section 394, and any successor statute thereto.

Section 12.04 Binding on Successors.

Subject to the provisions herein relating to assignment and subletting each and all of the terms, conditions, and agreements herein contained shall be binding upon and inure to the benefit of the successors and assigns of any and all of the parties hereto; and all of the parties hereto shall be jointly and severally liable hereunder.

Section 12.05 Partial Invalidity.

If any provision of this Lease is held by a court of competent jurisdiction to be either invalid, void, or unenforceable, then the remaining provisions of this Lease shall remain in full force and effect unimpaired by the holding.

Section 12.06 Sole and Only Agreement.

This Lease, including all exhibits incorporated by reference, constitutes the sole and only agreement between CITY and TENANT respecting the Premises and the leasing of the Premises to TENANT. Any other agreements or representations respecting the Premises and their leasing to TENANT by CITY, which are not expressly set forth in this Lease, are null and void. The terms herein specified correctly set forth the obligations of CITY and TENANT as of the date of this Lease. No modification, amendment, or alteration of this Lease shall be valid unless it is in writing and signed by both parties.

Section 12.07 Modification.

This Lease shall not be modified except pursuant to a written agreement executed by CITY'S Mayor and City Clerk pursuant to prior CITY Council approval. Notwithstanding CITY'S City Council approval, no agreement shall become effective until such agreement is in fact executed by CITY'S Mayor and City Clerk. TENANT understands that this agreement may not be modified by oral statements by any person representing CITY including its Mayor and City Clerk. TENANT specifically agrees not to rely on oral statements, purported oral waivers, or purported oral modifications and agrees not to rely upon purported written modifications unless they meet the requirements of this paragraph and are approved in writing pursuant to formal City Council action and a subsequent written modification signed by CITY'S Mayor and City Clerk. If the title of any person authorized to act for CITY under this Lease shall be changed during the term of this Lease, then the person who succeeds to substantially the same responsibilities with respect to CITY shall have the authority to act for CITY under this Lease.

Section 12.08 Time of Essence.

Time is expressly declared to be the essence of this Lease.

Section 12.09 Memorandum of Lease for Recording.

CITY and TENANT shall, at the request of either at any time during the term of this Lease, execute a memorandum or "short form" of this Lease, which shall describe the parties, set forth a description of the leased premises, specify the term of this Lease, and incorporate this Lease by reference.

Article 13 SPECIAL PROVISIONS PECULIAR TO THIS LEASE SITE

The following provisions apply to this Lease site only:

Section 13.01 Modification of Boundary Lines and/or Termination of Lease

Notwithstanding the specific description of the location of the leased premises contained in paragraph 1, page 2 hereinabove, in the event that circumstances (including both natural circumstances and action by CITY or other government agencies, such as the re-alignment of the navigable channel, dredging operations, or the implementation of an adopted Harbor Plan) reduce the area or depth of water, said location of the leased premises may be modified by CITY to insure that up to twenty six (26) moorings remain functional. All costs and expense of moving the mooring equipment or other property of TENANT shall be borne by TENANT.

If such relocation is impossible or not provided for within a reasonable amount of time by CITY, then the rent payable by TENANT shall be reduced by an amount equal to the percentage of moorings determined by CITY to be no longer usable. CITY reserves the right to terminate this lease without other cause and without reimbursement to TENANT in the event such relocation is not possible or practicable. In the event of such early termination, TENANT waives any claims against CITY by reason of such termination, the loss of use of the leased premises, loss of profits under this lease or any and all other damages TENANT might incur. CITY shall bear the costs and expense of removing moorings, tackle and other property of TENANT from the mooring site to the shore in the event CITY fails to provide substitute moorings sites or completely terminates this lease as a result of an adopted Harbor Plan.

Section 13.02 Mooring Zone A1-4 Configuration

The original configuration of the A1-4 Mooring Zone consisted of 26 moorings. TENANT was authorized in March of 2002 to pull three existing moorings at the northernmost end of the mooring field and to replace them with 2 moorings for large vessels. Currently there are a total of 25 moorings in Mooring Zone A1-4. Should TENANT propose any changes to the mooring field configuration during the term of this agreement, including reconfiguration to a 26-mooring field, said proposal shall be made in writing and must be approved by CITY in writing in advance of any mooring field modification.

Section 13.03 TENANT Shall Commit to Clean Marinas Program Certification.

TENANT shall commit to certification under the Clean Marinas Program (www.cleanmarina.org), or equivalent as determined by CITY should the Clean Marinas Program cease, at TENANT's sole cost and expense.

Section 13.04 CITY Specifications

Installation, maintenance and inspection of moorings shall be in accordance with and subject to CITY specifications and conditions as detailed in the Morro Bay Municipal Code as amended from time to time. Installation, maintenance and inspection costs shall be at the expense of TENANT. Each mooring shall be inspected for general condition and safety at a frequency and by a qualified person hired by TENANT subject to approval by CITY.

EXECUTED on _____, 2015, at _____,
_____ County, California.

CITY OF MORRO BAY

TENANT

Morro Bay Marina

Jamie L. Irons, MAYOR

By: _____

APPROVED AS TO FORM:

Joseph W. Pannone, CITY ATTORNEY

ATTEST:

Dana Swanson, CITY CLERK

EXHIBIT A
COPY OF PARCEL MAP

L E A S E

by and between

the CITY OF MORRO BAY

("CITY")

and

the MORRO BAY MARINA

("TENANT")

TABLE OF CONTENTS

Article 1	FIXED TERM.....	2
	Section 1.01 Term.....	2
	Section 1.02 No Extensions.....	2
	Section 1.03 Hold Over.....	2
	Section 1.04 Replacement.....	3
Article 2	RENT.....	3
	Section 2.01 Annual Minimum Rent.....	3
	Section 2.02 CPI Adjustment to Annual Minimum Rent.....	3
	Section 2.03 Calculation of New Minimum Rent.....	4
	Section 2.04 Reimbursements.....	4
	Section 2.05 Penalty and Interest.....	5
Article 3	USE OF PREMISES.....	5
	Section 3.01 Permitted Uses.....	5
	Section 3.02 Unauthorized Use.....	5
	Section 3.03 Operation of Business - Hours of Operation.....	5
	Section 3.04 Competition.....	6
	Section 3.05 Hazardous Materials.....	6
	Section 3.06 Tidelands Trust.....	7
	Section 3.07 Compliance with Law.....	7
	Section 3.08 Waste or Nuisance.....	8
	Section 3.09 Use by CITY.....	8
Article 4	CONSTRUCTION, ALTERATION AND REPAIRS.....	8
	Section 4.01 Construction Approval.....	8
	Section 4.02 Construction Bond.....	9
	Section 4.03 Mechanics' Liens.....	9

	Section 4.04	Ownership of Improvements.....	10
Article 5		LEASEHOLD MORTGAGES	10
Article 6		REPAIRS, MAINTENANCE AND RESTORATION	10
	Section 6.01	Maintenance by TENANT.....	10
	Section 6.02	Seawalls and Revetment.	11
	Section 6.03	Legal Requirements.	11
	Section 6.04	Failure to Repair.	11
	Section 6.05	Inspection by CITY.....	12
	Section 6.06	TENANT'S Duty to Restore Premises.....	12
	Section 6.07	Termination of Lease for Destruction.....	13
	Section 6.08	Destruction Due to Risk Not Covered by Insurance.....	14
Article 7		INDEMNITY AND INSURANCE	14
	Section 7.01	Indemnity Agreement.	14
	Section 7.02	Liability Insurance.	15
	Section 7.03	Worker's Compensation.....	15
	Section 7.04	Property Insurance.	16
	Section 7.05	Additional Coverage.	16
	Section 7.06	General Requirements.....	16
	Section 7.07	No Subrogation.	17
	Section 7.08	TENANT'S Waiver.....	18
	Section 7.09	Insurance Not a Limit.	18
Article 8		TAXES AND FEES.....	18
	Section 8.01	TENANT to Pay Taxes.....	18
	Section 8.02	TENANT to Pay License and Permit Fees.	18
	Section 8.03	Utilities.....	18

Article 9	CONDEMNATION.....	19
	Section 9.01 Total Condemnation.....	19
	Section 9.02 Condemnation Award.....	19
	Section 9.03 Termination for Partial Taking.....	20
	Section 9.04 Rent Abatement for Partial Taking.....	20
	Section 9.05 Conveyance in Lieu of Eminent Domain.....	21
	Section 9.06 Temporary Taking.....	21
Article 10	ASSIGNMENT AND SUBLEASING	21
	Section 10.01 No Assignment Without CITY'S Consent.....	21
	Section 10.02 Change of Ownership as Assignment.....	22
	Section 10.03 Application for Assignment.....	22
	Section 10.04 Probate Transfer of Assignment.....	23
	Section 10.05 No Sublease Without CITY'S Consent.....	23
	Section 10.06 Subtenant Subject to Lease Terms.....	23
	Section 10.07 Consent Form Agreement.....	24
	Section 10.08 TENANT and Guarantor Remain Liable.....	24
	Section 10.09 Nondisturbance.....	24
Article 11	DEFAULT AND TERMINATION.....	24
	Section 11.01 Abandonment by TENANT.....	24
	Section 11.02 Termination for Breach by TENANT.....	25
	Section 11.03 Termination for Failure to Pay Rent.....	25
	Section 11.04 Lender May Cure Default.....	25
	Section 11.05 Attorneys' Fees.....	25
	Section 11.06 Damages for Breach.....	26
	Section 11.07 Cumulative Remedies.....	26
	Section 11.08 Waiver of Breach.....	26
	Section 11.09 Surrender of Premises.....	27

Article 12	MISCELLANEOUS	27
	Section 12.01 Attorneys' Fees.....	27
	Section 12.02 Notices.	27
	Section 12.03 Governing Law and Jurisdiction.....	28
	Section 12.04 Binding on Successors.	28
	Section 12.05 Partial Invalidity.....	28
	Section 12.06 Sole and Only Agreement.....	28
	Section 12.07 Modification.....	29
	Section 12.08 Time of Essence.	29
	Section 12.09 Memorandum of Lease for Recording.	29
Article 13	SPECIAL PROVISIONS PECULIAR TO THIS LEASE SITE	29
	Section 13.01 Modification of Boundary Lines and/or Termination of Lease ..	29
	Section 13.02 Mooring Zone A1-4 Configuration.....	30
	Section 13.03 TENANT Shall Commit to Clean Marinas Program Certification.	30
	Section 13.04 CITY Specifications.....	30

RESOLUTION NO. 47-15

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
ACCEPTING AN OFFER OF DEDICATION OF AN EASEMENT
FOR PUBLIC PEDESTRIAN PURPOSES ALONG THE WEST FRONTAGE
OF PINEY WAY AT 371 PINEY WAY**

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

WHEREAS, on April 23, 2015, a Building Permit and Regular Coastal Development Permit, B00-030-237/CP0-000-427A was issued to construct at 371 Piney Way; and

WHEREAS, the west frontage of Piney Way at 371 Piney Way requires an offer of dedication to the City for public pedestrian easement purposes; and

WHEREAS, the Owner, Paul Nagy, has made an irrevocable and perpetual offer to dedicate the required easement to the City; and

WHEREAS, it is in the public interest to accept the offer.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay the attached offer of dedication is hereby accepted on behalf of the public.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 23rd day of June, 2015 by the following vote:

AYES:

NOES:

ABSENT:

JAMIE L. IRONS, Mayor

DANA SWANSON, City Clerk

**RECORDING REQUESTED BY: and
WHEN RECORDED MAIL TO:**

City of Morro Bay
Public Works Department
955 Shasta Avenue
Morro Bay, CA 93442

OFFER OF DEDICATION
(for streets and highway purpose)
A.P.N. 066 - 342-012

For a valuable consideration, receipt of which is hereby acknowledged, Paul Nagy,

the undersigned, being present fee title owner(s) of record of the herein described parcel of land, do hereby make an irrevocable offer of dedication to the City of Morro Bay and its successors or assigns, for street and highway purposes, the real property situated in the City of Morro Bay, County of San Luis Obispo, State of California, as described in EXHIBIT "A" and shown on EXHIBIT "B" attached hereto.

It is understood and agreed that the City of Morro Bay and its successors or assigns shall incur no liability with respect to such offer of dedication, and shall not assume any responsibility for the offered parcel of land or any improvements thereon or therein, until such offer has been accepted by appropriate action of the City of Morro Bay.

The provisions hereof shall insure to the benefit of and be binding upon heirs, successors, assigns and personal representatives of the respective parties hereto.

IN WITNESS WHEREOF, these presents have executed this instrument this 15th day of MAY 2015.

By: Paul Nagy

Printed Name/Title: Paul Nagy, Owner

Date May 15th 2015

By: Heidi Holmes-Nagy Owner

Printed Name/Title: Heidi Holmes-Nagy, Owner

Holmes-Nagy

Heidi Holmes-Nagy

RECEIVED

JUN 03 2015

City of Morro Bay
Community Development Dept.

NOTARY PUBLIC CERTIFICATE

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA
COUNTY OF SAN LUIS OBISPO

On April 10, 2015 before me Jessica Cresci, Notary Public personally appeared Paul Nagy who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his /her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instruments.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Jessica Cresci
Signature of Notary Public



NOTARY PUBLIC CERTIFICATE

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA
COUNTY OF SAN LUIS OBISPO

On _____ before me _____ personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his /her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instruments.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

NOTARY PUBLIC CERTIFICATE

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

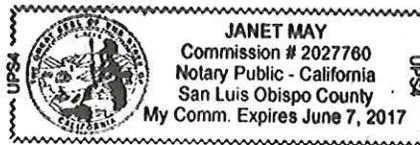
STATE OF CALIFORNIA
COUNTY OF SAN LUIS OBISPO

On May 15, 2015 before me Janet May, Notary Public personally appeared Heidi Holmes-Nagy who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instruments.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Janet May
Signature of Notary Public



NOTARY PUBLIC CERTIFICATE

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA
COUNTY OF SAN LUIS OBISPO

On _____ before me _____ personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instruments.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

RECEIVED

JUN 03 2015

City of Morro Bay
Community Development Dept.

Job No. 1899
August 20, 2014

EXHIBIT "A"
Offer of Dedication

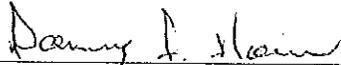
A seven foot wide parcel of land over a portion of the Northeast quarter of the Southeast quarter of Section 36, Township 29 South, Range 10 East, Mount Diablo Meridian, in the County of San Luis Obispo, State of California according to the map recorded May 23, 1991 in Book 65 of Licensed Surveys at Page 97 in the County Recorders Office of said county, being more particularly described as follows:

The Easterly 7.00 feet of that Parcel of land shown as Detail "A" on said map, and also described as Parcel 2 in Document No. 2014018662 recorded in the County Recorders Office of said county.

See Exhibit "B" attached

Containing 438 square feet, more or less

END OF DESCRIPTION



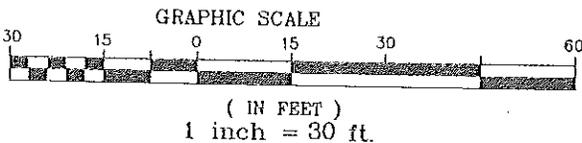
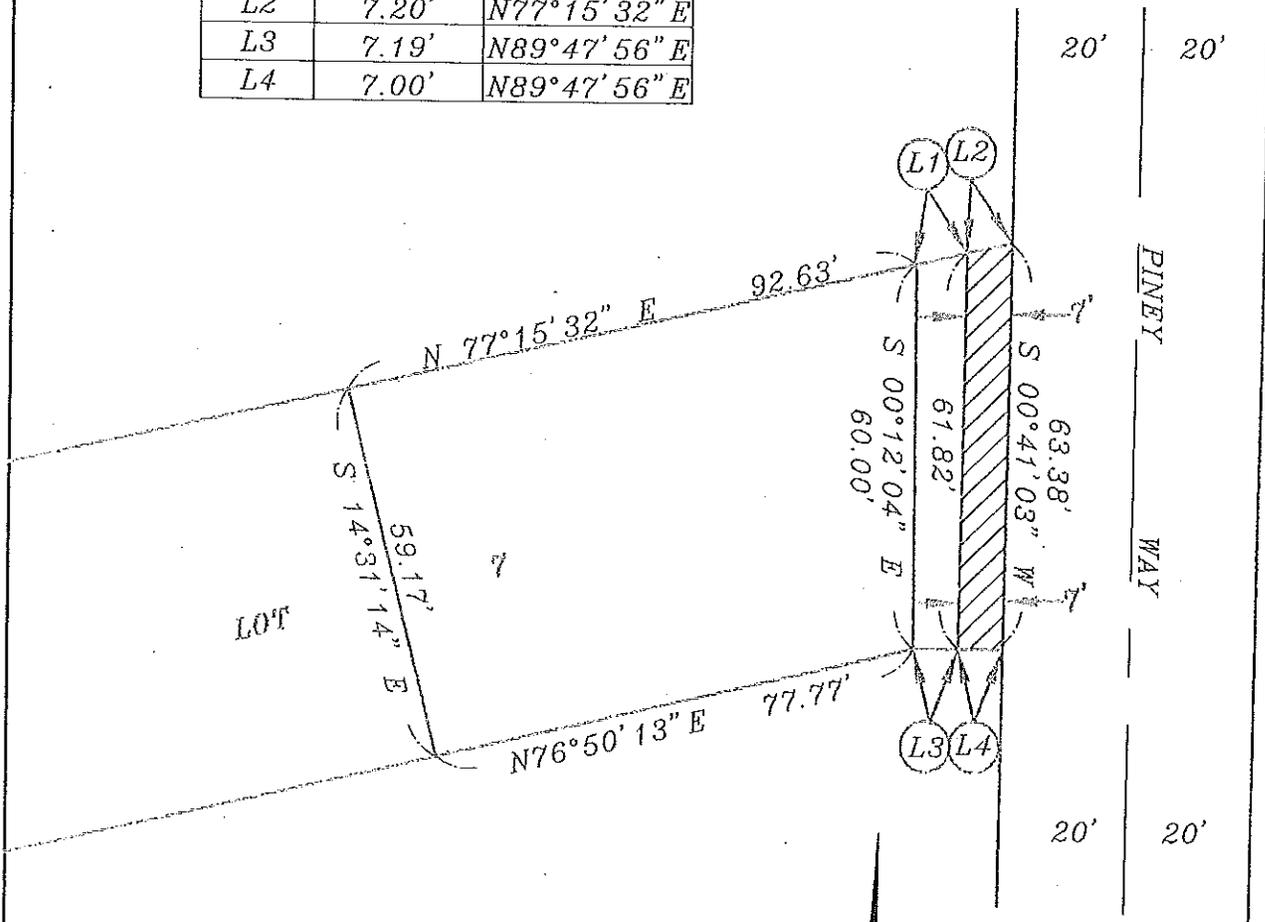
Danny F. Horn LS 4562
(exp. 09-30-2016)



EXHIBIT "B"

Prepared for: Paul T. Nagy
 Prepared by: Danny F. Horn
 Licensed Land Surveyor
 566 Spring Street
 Paso Robles, CA 93446
 (805) 239-0355

LINE TABLE		
LINE	LENGTH	BEARING
L1	8.34'	S77°15'32" W
L2	7.20'	N77°15'32" E
L3	7.19'	N89°47'56" E
L4	7.00'	N89°47'56" E



Danny Horn



AGENDA NO: B-1

MEETING DATE: June 23, 2015

Staff Report

TO: Honorable Mayor and City Council

DATE: June 16, 2015

FROM: Cindy Jacinth, Associate Planner

SUBJECT: **Conditional Use Permit UP0-058 – Revised Concept Plan/ Precise Plan** approval for landside improvements (Phase 2) associated with the previously approved Concept Plan for Harbor Hut, Great American Fish Company (GAFCO) and Morro Bay Landings (formerly known as Virg's) Redevelopment Project. Phase 2 improvements will include demolition of existing Morro Bay Landing (Virg's) buildings and existing Dockside 3 restaurant building with new construction of a 2-story commercial visitor-serving building along with observation deck, outdoor seating area, public access improvements, as well as parking/ driveway improvements, and 568sf pocket park.

STAFF RECOMMENDATION

Staff recommends the City Council open the public hearing to provide an opportunity for those members of the public who may attend this meeting for the purpose of giving any testimony on the proposed project and then continue the public hearing for the proposed project to the August 24, 2015 City Council meeting for review at that time.

REASON FOR CONTINUANCE

On June 16, 2015, the Applicant requested the project be continued to the August 24, 2015 City Council meeting. As a duly noticed public hearing, the project was noticed in the Tribune on June 12, 2015 with postcard notices sent to all owners and occupants within a 300 foot range.

Since the hearing was publicly noticed, staff recommends the Council open the hearing for testimony by interested persons wishing to speak about the proposed project during this meeting and then continue the public hearing and review and consideration of the proposed project to the August 24, 2015, meeting.

Prepared By: CJ Dept Review: SG
City Manager Review: _____
City Attorney Review: JWP

In 2004, a lawsuit was filed by three Cloisters' residents against the City. The lawsuit asserted the Cloisters special assessment exceeds the cost of any special benefit conferred on their properties, and therefore is excessive. The Court ruled against the three Cloisters residents and in favor of the City. The Court determined in order to mitigate the environmental impacts of the Cloisters project, and to provide a greater than public benefit as required in a Planned Development (PD) overlay zone, the conditions of approval for the Cloisters project required the applicant to form a 100% special benefit assessment district for the maintenance of the public park, bicycle pathway, right of way landscaping, coastal access, Environmentally Sensitive Habitat (ESH) restoration areas and any other improved common areas to be privately held or dedicated to the City.

The Court determined there are many special benefits associated with the Cloisters Assessment District. The Cloisters lots directly benefit from the huge extent of the Cloisters open space and close proximity of the public park, bicycle pathway, right of way landscaping, ESH restoration areas and coastal access. There was also created, and reserved in favor of each owner in the Cloisters Development, easements for view, open space, scenic, passive recreation and coastal access across the entirety of LOTS 121, 122 and 123, which shall not be developed with any improvements or structures, unless necessary and proper for the restoration and maintenance of the Environmentally Sensitive Habitat Area. The Court determined further special benefits include: improved aesthetic appeal of nearby parcels, improved dust control, enhanced adaptation of the urban environment within the natural environment, improved erosion resistance, improved drainage and flood control, enhanced crime deterrence and aid to police protection, increased nighttime safety on roads and highways, improved visibility for pedestrians and motorists, improved ingress and egress to property, reduced vandalism and other criminal acts and damage to improvements or property, improved traffic circulation, reduced nighttime accidents, and special enhancement to property value resulting from the above benefits.

The Court also determined the City does not need to, nor is it required to; prepare an annual redetermination of the separation of special and general benefits. The Court specially held:

“When the special assessment district was formed the owner of all of the parcels consented to its formation. Moreover, the owner did not object to the amount of the assessment, which the City based upon the cost of the special benefits being conferred on the properties within the assessment district, nor to the specific amount allocated to each parcel as its proportionate share. Because express consent to the amount and allocation of the assessment was given by petitioners' predecessor, and petitioner's purchased their properties with actual or constructive knowledge of the amount of the assessment, it is too late for them now to withdraw the consent and attack the amount of the assessment.”

While the benefits from the assessment go far beyond the maintenance of the District's amenities, staff continues to recognize the importance of meeting our obligations, which are outlined in the Engineer's Report. Staff continues to utilize various means to inform Cloisters residents of upcoming meetings and various upcoming maintenance tasks, including the regular meeting, email to the Cloisters Yahoo group, the City's web based "Notify Me" and the "Doodle Poll" app.

The outsourcing approach has shown to be an effective maintenance tool for the District, but has not reduced the overall costs of upkeep. Savings from periodic maintenance performance will be allocated

to deferred maintenance/capital projects. Projects anticipated for FY 15/16 include the interpretive panels and pathway maintenance.

CONCLUSION

Staff recommends continuation of the Assessment District to fulfill the City's obligation in maintaining the Cloisters Lighting and Maintenance Assessment District. Staff will continue communicating with the owners to enhance our relationships and to allow for noticing of upcoming events which may impact their residences.

RESOLUTION NO. 49-15

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
DIRECTING THE LEVY OF THE ANNUAL ASSESSMENT
FOR THE CLOISTERS LANDSCAPING AND LIGHTING
MAINTENANCE ASSESSMENT DISTRICT PURSUANT TO THE
“LANDSCAPING AND LIGHTING ACT OF 1972”**

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

WHEREAS, on May 12, 2015, the City Council adopted Resolution No. 23-15 declaring the Council’s intent to levy an assessment for the annual maintenance of the Cloisters Park and Open Space and approving the Engineers Report; and

WHEREAS, a public hearing for to the levy of the annual assessment of the district was scheduled for June 23, 2015, at 7:00 p.m. in the Veteran’s Memorial Building; and

WHEREAS, notices regarding the proposed assessment listing the date, time and location of the public hearing were published in the local newspaper; and

WHEREAS, the City Council did take public testimony from all interested parties as to the levy of the annual assessment for the Cloisters Landscaping and Lighting Maintenance Assessment District on June 23, 2015 at the Veteran’s Memorial Building.

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

1. The annual levy for the maintenance of Cloisters Landscaping and Lighting Maintenance Assessment District, generally located as shown on Exhibit “A” attached hereto, is hereby ordered and the assessment of \$148,944 to be equally distributed per assessable parcel for the Fiscal Year 2015-16 is hereby confirmed.

2. Adoption of this Resolution shall constitute the levy of an assessment for the Fiscal Year 2015-16 and the City Clerk shall file the diagram and assessment with the County of San Luis Obispo Auditor.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held this 23th day of June, 2015 by the following roll call vote:

AYES:

NOES:

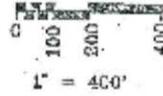
ABSENT:

JAMIE L. IRONS, MAYOR

ATTEST:

DANA SWANSON, CITY CLERK

TF02 PARCEL 1
Most northerly corner of
Lot 122 of Tract 1898



TF02 PARCEL 2

PARCEL 2

PARCEL 1

EXHIBIT A

RESOLUTION NO. 50-15

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
DIRECTING THE LEVY OF THE ANNUAL ASSESSMENT FOR THE NORTH POINT
NATURAL AREA LANDSCAPING AND LIGHTING MAINTENANCE
ASSESSMENT DISTRICT PURSUANT TO THE
“LANDSCAPING AND LIGHTING ACT OF 1972”
(STREETS AND HIGHWAYS SECTIONS 22500 *ET. SEQ.*)**

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

WHEREAS, on May 12, 2015, the City Council adopted Resolution No. 24-15 declaring the Council’s intent to levy an assessment for the annual maintenance of the North Point Natural Area and approving the Engineers Report; and

WHEREAS, a public hearing regarding the levy of the annual assessment of said district was scheduled for June 23, 2015 at 6:00 p.m. in the Veteran’s Memorial Building; and

WHEREAS, notices regarding the proposed assessment listing the date, time and location of the protest hearing were published in the local newspaper; and

WHEREAS, the City Council did take public testimony from all interested parties as to the levy of the annual assessment for the North Point Landscaping and Lighting Maintenance Assessment District on June 23, 2015 at the Veteran’s Memorial Building.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay,

1. The annual levy for the maintenance of North Point Natural Area Landscaping and Lighting Maintenance Assessment District generally located as shown on Exhibit “A” attached hereto is hereby ordered and the assessment of \$5,645 to be equally distributed per assessable parcel for the Fiscal Year 2015/16 is hereby confirmed.

2. Adoption of this Resolution shall constitute the levy of an assessment for the Fiscal Year 2015/16 and the City Clerk shall file the diagram and assessment with the County of San Luis Obispo Auditor.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting held this 23rd day of June, 2015 by the following roll call vote:

AYES:
NOES:
ABSENT:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk



AGENDA NO: C-1

MEETING DATE: June 23, 2015

Staff Report

TO: Honorable Mayor and City Council

DATE: June 16, 2015

FROM: Eric Endersby, Harbor Director

SUBJECT: Review and Discussion of Harbor Advisory Board and Harbor Advisory Board Marine Facilities Recommendations on Proposed Boatyard/Marine Services Facility in Morro Bay

RECOMMENDATION

Staff recommends the City Council consider Harbor Advisory Board (the “HAB”) recommendations and provide staff input and direction.

Staff also recommends the Council authorize and direct the Harbor Director to engage an architectural or other qualified design firm to develop scaled concept drawings of the City’s newly acquired “Triangle Lot” property and surrounds with respect to determining how parking, the maritime museum and boatyard might all fit in the lot as outlined in the Discussion section of this staff report.

ALTERNATIVES

Cease any further City effort on pursuing a new boatyard and haulout facility in Morro Bay.

FISCAL IMPACT

If staff recommendation is authorized, then the estimated fiscal impact to the Boatyard Repair/Storage Yard capital fund is less than \$5,000. Approximately \$20,000 will be left in this fund if the already-approved expenditure of \$30,000 for continued feasibility studies is spent.

BACKGROUND

Enumerated below are the pertinent and key recent elements regarding the boatyard/haulout project and activities:

1. At its April 22, 2015, Special Meeting, the HAB received Lisa Wise Consulting’s *Morro Bay Boatyard and Haulout Facility Market Demand Analysis Public Review Draft* document. A copy of the final *Market Demand Analysis* document is included with this staff report as Attachment #1.

The *Market Demand Analysis*’s primary recommendation, aimed at advising local leaders and decision

01181.0024/255626.1

Prepared By: EE

Dept Review: _____

City Manager Review: _____

City Attorney Review: JWP

makers in next possible steps in the City's effort to establish a new boatyard, is to proceed with next steps in investigation based on strong local support and a potential local customer base of approximately 269 vessels/owners with gross revenues estimated between \$1.1 Million to \$2.3 Million per year.

Next steps include potential sites analysis, conceptual and preferred site plan alternatives, CEQA investigations, regulatory and permit approvals, and acquisition and management strategies.

At its April 22 meeting, the HAB was provided with the Committee's report, dated April 1, 2015, and included as Attachment #2 to this staff report. Relevant findings or comments of that report include:

- a) Committee support of the concept of the boatyard investigation process continuing to move forward.
- b) Lessons learned in the *Market Demand Analysis* process and document be used to inform future work effort.
- c) Boatyard/haulout criteria for a future feasibility study be developed as the next step.

The HAB voted unanimously the Committee should proceed as rapidly as possible with developing site criteria on a boatyard/haulout/storage facility in Morro Bay. The minutes from the special April 22, 2015, HAB meeting are included as Attachment #3 to this staff report.

2. At the May 7, 2015 HAB meeting, the Committee provided the HAB with its *Morro Bay Boatyard and Haulout Facility Site Criteria* document for consideration and endorsement. That document is included at Attachment #4 to this staff report. At the May 7th meeting, the HAB unanimously voted to:

- a) Accept the Committee's site criteria.
- b) Recommend the City Council in the very near future apply the site criteria to identifying and committing planning activities to a Morro Bay boatyard site, the most likely of which is the City's recently acquired "Triangle Lot" property at the power plant's southwest corner.

The minutes from the May 7th HAB meeting are included as Attachment #5 to this staff report.

3. At the June 4, 2015 HAB meeting, the Committee provided the HAB with a summary document of its most recent activities, including four new recommendations. Those recommendations, unanimously approved, consist of:

- a) Continued monitoring of the City's intentions regarding the Triangle Lot and pressing the City to make a conscious decision to commit to siting a boatyard/haulout facility on as feasible as possible City property, or declare that no such sites are available.
- b) Authorizing the Committee to directly contact the City Manager and City Council regarding utilization of the Triangle Lot for a boatyard.
- c) Keep in consideration power plant property inside the main plant entry gate if it became, or could become, available as a viable alternative site.
- d) Obtain from the City definitive information regarding the possible availability of the Dynegy outbuilding near the Triangle Lot's northeast corner that is currently slated by Dynegy for demolition.

- e) While the approved minutes of the June 4, 2015 HAB meeting are not yet available, a copy of the Committee report from that meeting, dated June 1, 2015, is included as Attachment #6 to this staff report.

DISCUSSION

There is solid continued support from the public, HAB, Morro Bay Commercial Fisherman's Organization and Morro Bay National Estuary Program for a new boatyard and marine services facility in Morro Bay, and the City's newly acquired Triangle Lot property is the most likely and logical location for it at this time. Furthermore, Lisa Wise Consulting's *Market Demand Analysis* document indicates potential boatyard feasibility and next steps in investigation of the process are warranted.

With several development possibilities competing for the limited space of the Triangle Lot, those being public parking, the Central Coast Maritime Museum and the Morro Bay Boatyard/Marine Services Facility, and no true concept or other plan evaluation of the lot with those uses included, it is staff's opinion the most needed and logical next step is authorization for the Harbor Director to engage an architect or other design professional to take the requirements of each of those competing (and complimentary) elements and determine how they may conceptually fit into the entirety of the Triangle Lot and all City property and rights-of-way surrounding and adjoining it.

Knowing whether or not those elements can all fit into this lot and its surrounds will provide City leadership and decision makers with critical information on which next steps on all three elements may be best to proceed with, or not, and how. While not intended to be a true "master planning" of the lot, this "pre-master plan" exercise will more fully inform the overall process for the development of the Triangle Lot in general, and continued steps for the boatyard process specifically.

If authorized, then staff would utilize the existing budgeted Boat Repair/Storage Yard capital funds.

CONCLUSION

As the next step, staff is recommending Council authorization and direction for the Harbor Director to engage an architectural/design professional to lay out possible configurations of the combined parking, maritime museum and boatyard elements in the Triangle Lot property recently acquired from Dynegy. Once complete, staff will bring those design configurations to the HAB for review and recommendations to Council, and subsequent Council review and direction forward.

ATTACHMENTS

1. Lisa Wise Consulting's *Morro Bay Boatyard and Haulout Facility Market Demand Analysis* final document.
2. Marine Facilities Ad-Hoc Committee's April 1, 2015 report to the Harbor Advisory Board's April 22, 2015 special meeting.
3. Approved minutes from the April 22, 2015 Harbor Advisory Board meeting.
4. Marine Facilities Ad-Hoc Committee's May 6, 2015 Morro Bay Boatyard and Haulout Facility Site Criteria document.
5. Approved pertinent minutes from the May 7, 2015 Harbor Advisory Board meeting.
6. Marine Facilities Ad-Hoc Committee's June 1, 2015 report to the Harbor Advisory Board's June 4, 2015 meeting.



MORRO BAY BOATYARD AND HAULOUT FACILITY MARKET DEMAND ANALYSIS

Morro Bay Commercial Fishermen's Organization, and
The City of Morro Bay

JUNE, 2015

Lisa Wise Consulting, Inc.

LWC

Table of Contents

1	Introduction	1
1.1	Project Approach	2
1.2	Summary of Findings	3
2	Market Demand Profile	4
2.1	Survey Approach	4
2.2	Local Demand Profile	10
2.2.1	Commercial Fishing Industry	11
2.2.2	Commercial Passenger Fishing Vessels and Recreational Fishing	11
2.2.3	U.S. Coast Guard	11
2.2.4	Morro Bay Yacht Club	11
2.2.5	Harbor Department	12
2.2.6	Other Recreational Vessels	12
2.3	Outside the Area	12
3	Market Opportunities	13
3.1	Market Potential	13
	California Coastal Counties - Ship & Boat Building Including Repair GDP & Wages	14
4	Competitive Climate	17
4.1	Central California Coast Boatyards	17
4.2	Case Studies	19
4.2.1	Port San Luis Boatyard, Avila Beach, California	21
4.2.2	Santa Barbara Harbor Marine Works, Santa Barbara, California	23
4.2.3	Ventura Harbor Boatyard, Ventura, California	25
4.2.4	Gravelle’s Boatyard, Moss Landing, California	29
5	Key Findings and Recommendations	33
5.1	Key Findings	33
5.2	Recommendations	36
	Grant Funding	46

APPENDICES

- APPENDIX A: SURVEY INSTRUMENT
- APPENDIX B: CALIFORNIA BOATYARDS
- APPENDIX C: POTENTIAL FUNDING SOURCES
- APPENDIX D: DEMAND AND REVENUE MODEL
- APPENDIX E: FINANCIAL CALCULATIONS

1 Introduction

From its beginning Morro Bay has been synonymous with a vibrant commercial and recreational waterfront. Throughout the town's history, many families have owned and operated commercial and recreational vessels, held jobs in the fish processing plants, oyster farms, on the docks or in related industries, with vessel ownership and employment often passing from one generation to the next.

The Port has much of the physical infrastructure necessary to support local and visiting commercial and recreational fishing operations, aquaculture, the Coast Guard fleet, and sail and motor recreational vessels. This coastal dependent activity is supported by a well dredged harbor, well maintained channel markers (buoys), sufficient vehicle access and parking, a boat launch, electrical power and fresh water, a fuel dock, state-of-the-art ice machine, offloading facilities, slips, moorings, as well as the North & South T-Piers for transient vessels and an anchorage area. The State Park Marina is operated by the California Department of Parks and Recreation, and has slips for approximately 120 boats between 25 and 40 feet in length. In addition to commercial and recreational fishing activities, the mile-long Embarcadero hosts restaurants, bars, retail shops, day use areas, boat rentals, guided tours and hotels all aimed at supporting tourism, serving locals and strengthening the economic and social vibrancy of the waterfront and the City.

Service industries in Morro Bay and San Luis Obispo County that support local marine dependent uses include: diesel and refrigeration mechanics, electronics and electrical technicians, bait and hook baiting, marine supplies, small-scale dredging, and experienced deckhands, fish cutters, and dock workers..

Morro Bay does not have a sufficiently capable boatyard and haulout facility. Such a facility was identified as a priority need as far back as 1997 when the City appointed a four member Boating Access Facilities Committee (BAFC) to review existing launch, boat storage and repair facilities to determine if additional facilities were needed. The existing boatyard in Morro Bay at 261 Main Street is limited by its capacity, accommodating approximately one 30-foot boat at a time. The boatyard's water lease expires in 2016. Renegotiation of the lease would optimally include advancing environmental compliance and best management practices. Constraints in physical size of this boatyard are likely render alterations to meet environmental compliance upgrades infeasible.

Over the last 17 years, several design, engineering and economics studies have been conducted to determine if a full-service boatyard and haulout facility were feasible, where it might be situated, and what it might look like. In 2006, the City made substantive moves toward acquiring property for a facility but has not yet been able to secure an appropriate site. As part of the on-going effort, in 2013, the Morro Bay Harbor Advisory Board formed a Boatyard/Haulout Ad-Hoc Committee and with urging from the boating and environmental community, led by the MBCFO, has engaged in a multi-phase project (Project) that begins with an assessment of potential demand for a boatyard and haulout facility

Phase II of the project, if undertaken, includes:

- Alternative sites analysis
- Financial Feasibility Analysis
- Conceptual site plans
- Technical investigations including CEQA
- Ownership structure alternatives analysis and
- Coastal Development Permit and Regulatory agency approval

("Phase I"). The project was made possible through funding and leadership provided by the City of Morro Bay and the MBCFO, with a generous grant from the Central Coast Joint Cable Fisheries Liaison Committee.

For this project, a Boatyard and Haulout Facility in Morro Bay is defined as a place where a vessel can be taken from the water, transported to a yard where repairs and upgrades can be conducted in compliance with environmental regulations and may include a storage area, a ship's supply store, museum or other service that enhances a vessel owner or harbor visitors' experience.

1.1 Project Approach

A key objective of the Project is to engage local commercial and recreational fishing vessel owners as well as local sail and pleasure boat owners to ensure that their input/perspective guides the research and is evident in the findings and final recommendations. Local vessel owners are seen as experts and best suited to advise on local boatyard and haulout needs in Morro Bay. As such, a key component of the project is a survey of local vessel owners aimed at understanding what type and size vessels are in the harbor, how often they haul their boats out of the water for maintenance, how much they spend, what type of work "typical" and "major" haulouts entail, what work they do themselves, which tasks they hire out, which facility they patronize, and why. The survey also sought to understand the amount of demand for a dry (terrestrial) storage facility and how much a vessel owner might spend on dry storage. A summary of the surveys is included in Section 2.1 below.

Boatyard and Haulout facility operators in the case studies indicated that 5 percent to 10 percent of their business was generated from visiting or non-local vessels.

The Project also aims to illustrate the regional boatyard haulout industry and competitive climate through assessment of four boatyards and haulout facilities: Ventura, Santa Barbara, Port San Luis and Moss Landing. Project Managers at the City and the MBCFO worked with the Consultant Team to choose four boatyard and haulout businesses that reflect a wide range of user profiles and the capacity and types of services offered. The facilities were also chosen due to the local commercial fishing and recreational boating community's relationships and familiarity. The research conducted on these case studies is ultimately intended to guide Morro Bay in its decision making on the best approaches for target market, financing and ownership structure, hoist capacity and type(s) and service protocol. An analysis of those facilities can be found in Section 4.2 of this report.

Input for the boatyard case studies was collected through site visits, telephone interviews with facility owners and key staff members, and internet research as well as input from local vessel owners.

The report also incorporates information found in industry reports, and State and Federal databases, and culminates in Key Findings and Recommendations that synthesize the data presented in Chapters 2, 3 and 4 and are intended to guide the City and the MBCFO in the next steps in the consideration of a boatyard and haulout facility.

1.2 Summary of Findings

The following concepts were identified as the most significant and ultimately inform the recommendation of pursuing the next steps in the process, alternative site(s) analysis and financial feasibility analysis.

Timing is Everything, the decommissioning of the Dynegy power plant and sustained and diverse community support make this the time to advance to the next steps.

Broad Support from commercial and recreation operators and the environmental community is an indicator of a community need that is not being met and the City should consider.

Competitive Climate shows that the boatyards in the study area are not meeting the needs of local vessel owners

Reputation of quality workmanship and service is critical to a successful boatyard and haulout operation.

Innovation could make the facility more profitable and competitive

Public versus Private, a boatyard and haulout facility serves the public good and enhances and protects waterfront assets which calls for a more of a “public service” than “private enterprise” approach.

Client Diversity within the harbor is robust

Do-it-Yourself or Boatyard Staff are operational approaches decision makers should weigh, DIY appealing to the majority of respondents to the project survey.

Storage for Sailboats could enhance the income and the customer base of a boatyard and haulout facility and should be part of the on-going analysis.

Local Demand, based on responses to a written survey, 110 vessel owners in Morro Bay indicated that they spend between \$1.1 million and \$2.3 million annually to haul their boat out of the water and conduct typical or major haulouts. Based on the surveys, a boatyard and haulout facility could expect 269 vessels to use the facility per year (see Appendix E for more details).

2 Market Demand Profile

In order to gather as much input as possible on potential market demand from the boating community in Morro Bay, a written survey was developed and distributed to key groups and individuals via email, hard copy as well as an on-line option on SurveyMonkey. Approximately 110 completed responses were received in an eight week period.

2.1 Survey Approach

The survey was reviewed and “tested” by representatives of the local commercial fishing and recreational boating communities as well as reviewed and approved by a Boatyard Ad-Hoc committee appointed by the Harbor Advisory Board. Surveys were distributed to the boating community via hard copy and email to the Morro Bay Yacht Club, Morro Bay Commercial Fishermen’s Organization, Morro Bay National Estuary Program and to slip and mooring holders on the waterfront and the Morro Bay State Park Marina. The surveys were available in the Harbor Patrol Office and posted on the City of Morro Bay website. Completed surveys were collected between August 10 and October 10.

The presence of local commercial and recreational fishing, marine tourism, marine construction, and recreational boaters is an important part of the demand profile and potential feasibility of a boatyard and haulout facility in Morro Bay.

All surveys were reviewed and evaluated for completeness and, to assure there were no redundancies.

Survey Response Summary

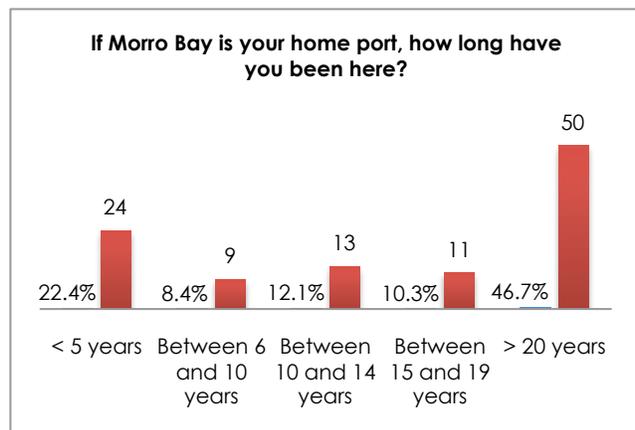
The survey consisted of 17 questions that addressed home port designation and tenure, vessel characteristics, haulout patterns, and future dry storage. Vessel characteristics were defined in terms of type, length, and weight. Haulout patterns were assessed through frequency, type, cost, work profile, and selection criteria. Demand for future dry storage facilities was tested for use and cost.

Approximately 40% of the MBCFO membership completed the Morro Bay Boatyard Haulout survey.

Considering there are approximately 450¹ vessels in the harbor, 110 completed surveys yield over a 20% response rate. While 13 of the 110 respondents were non-local vessel owners, such a robust response rate enables assumptions to be made on the boatyard and haulout use patterns of the local community and the potential demand for a facility in Morro Bay.

Home Port Designation and Tenure

The majority of survey respondents are vessel owners or operators who consider their homeport Morro Bay. Of the 110 respondents, 97 declared Morro Bay as their home port. Other responses included San Diego, San Francisco, Ventura, Port San Luis, and the U.K., or gave no



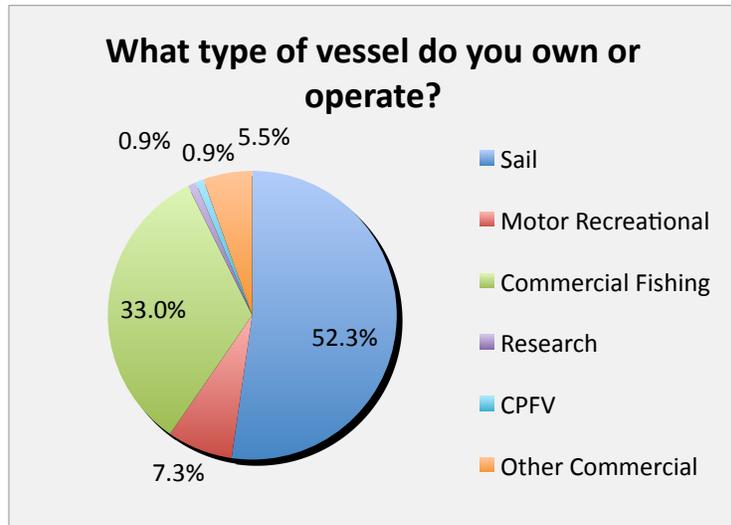
¹ The number of vessels in Morro Bay was determined through field inventory conducted by the City of Morro Bay Harbor Department in February of 2015.

response. 78.4% of respondents (83) have been in Morro Bay for 6 years or more, and 47.2% (50) for over 20 years. This pool of Morro Bay vessel owners and operators represent likely Morro Bay boatyard and haulout facility customers.

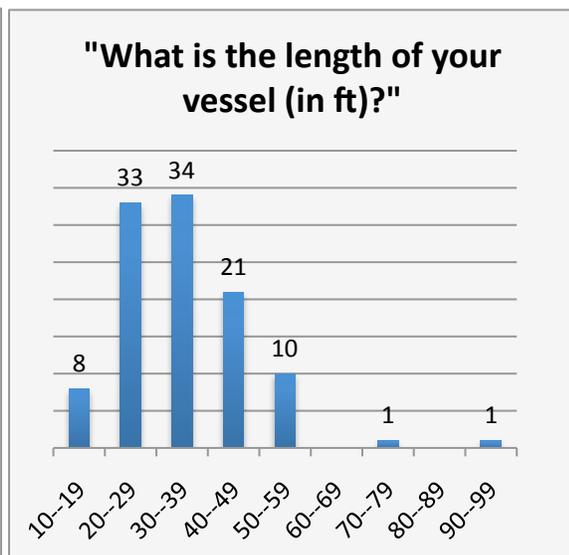
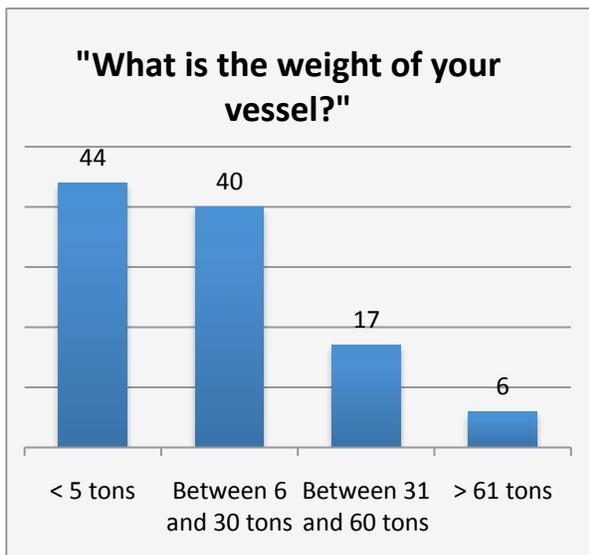
Vessel Characteristics

Vessel characteristics provide guidance on boatyard haulout location and design considerations and insight into the potential customer base.

Vessel Class: The survey classified vessel types into six categories: sail, motor recreational, commercial fishing, research, commercial passenger fishing vessels, and other commercial. Of the 110 responses, 53% (93) own or operate sailboats and over 33% commercial fishing vessels. A Morro Bay boatyard and haulout facility would, by extension, primarily serve vessel owners or operators of these classes.



Vessel Length & Weight: The median vessel length of survey respondents is 34 feet. The majority of vessels fall between 20 and 50 feet in length. 11.1 % of the respondents own and operate vessels greater than 50 feet.



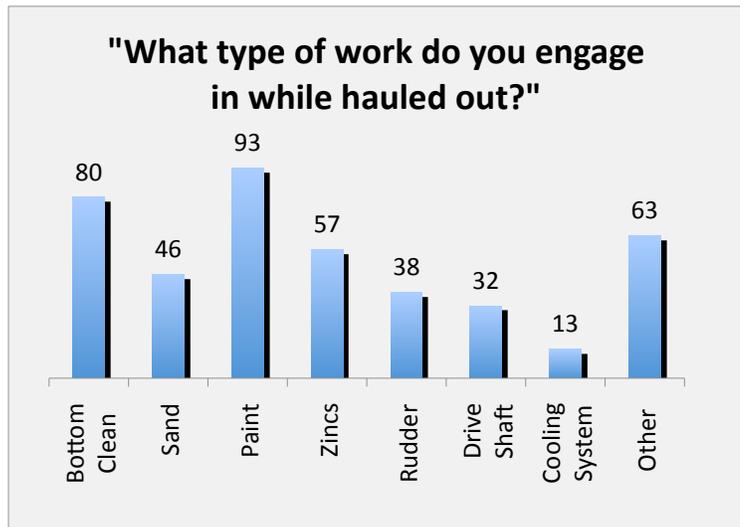
Approximately 41% of respondents identified a vessel weight of less than 5 tons, and approximately 37% identified a vessel weight of between 6 and 30 tons. Nearly 16% of respondents own/operate vessels of 31 to 60 tons and 6% of 60 tons or greater. The largest vessel in the survey was 78 tons.

Haulout Patterns

Vessel owners indicated that they engage in two types of haulouts, major and routine. The associated work profiles (work performed during haulouts) identify the type of services that would be of demand in a boatyard haulout facility in Morro Bay, and the predictable frequency and spending patterns will inform demand estimates and revenue projections for feasibility studies.

Type & Work Profile: The survey classifies haulouts into “typical” and “major” events and queries respondents on eight (8) work types they may undertake while hauled out:

bottom clean, sand, paint, zincs, rudder, drive shaft, cooling system, and other. 80 respondents undertake bottom cleaning during major haulouts and 93 undertake painting. 63 respondents undertake work in the Other category, and associated comments make reference to engine work and rigging as common Other work types.

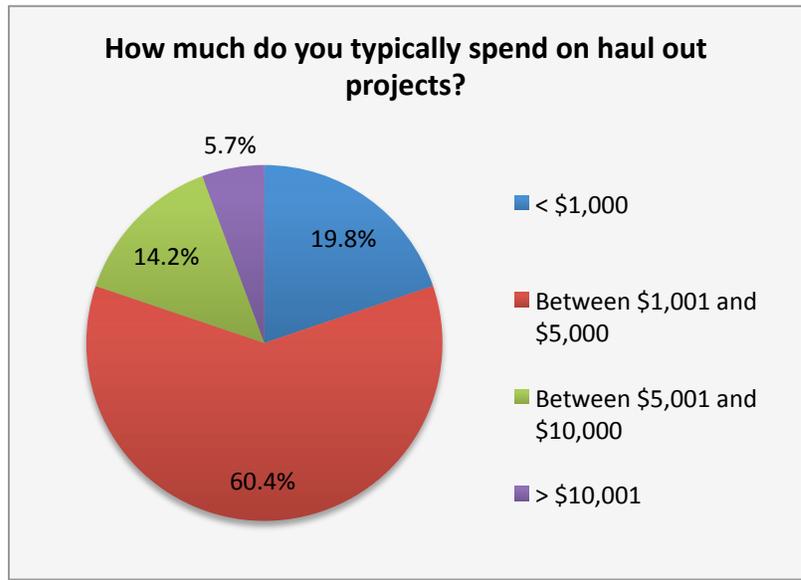


The survey also asks respondents to identify if they perform some or all work on their vessels themselves. Approximately 55.7% of respondents said they typically do their own work. Many of those who do their own work hire contractors for technical projects such as electrical, fabrication, carpentry, or rigging. The type of work most commonly contracted out is 'welding and fabrication' (38.7% of respondents answered that they do their own work except for welding and fabrication). Multiple respondents noted the need for skilled workers at the Morro Bay facility who could undertake specialized tasks such as welding, carpentry, electrical, diesel mechanics and rigging.

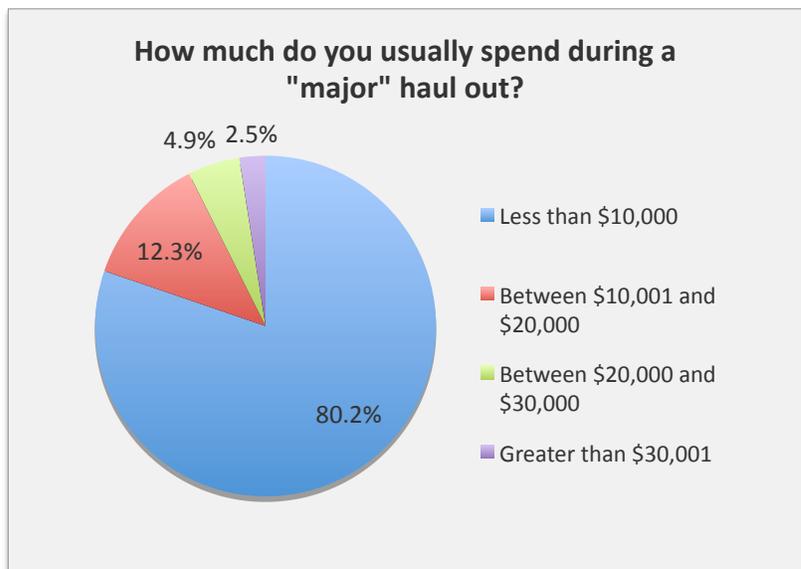
A boatyard haulout facility in Morro Bay would need to accommodate bottom cleaning and painting as the two most common work types. Based on these responses, facility managers might consider a Do It Yourself approach while providing services of skilled staff or outside contractors to undertake specialized work such as welding and fabrication, carpentry, electrical, rigging, and diesel mechanics.

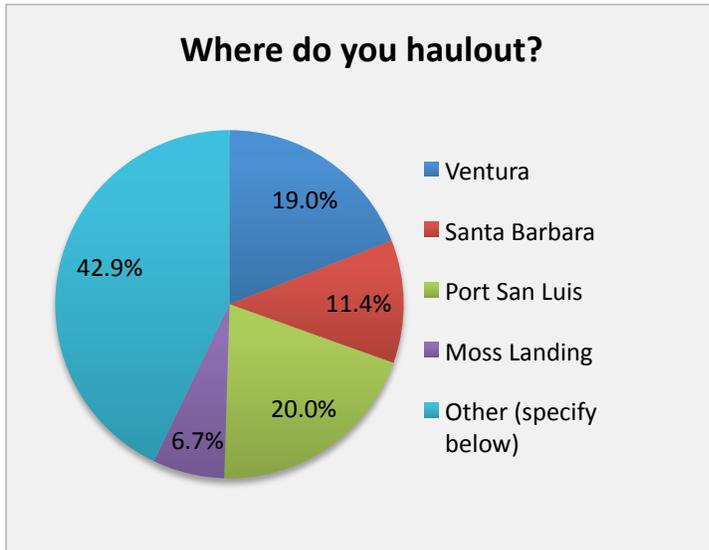
Frequency & Cost: Approximately 92.6% (100) of respondents undertake typical haulouts every three (3) years or more, and approximately 77.8% (84) of respondents undertake typical haulouts every 2 years or more. Approximately 57.2% (48) of respondents undertake a major haul out every four years or more. Open-ended survey responses indicate that vessel owners and operators would haul out more frequently were there a facility in Morro Bay. One respondent noted he has often put off necessary boat maintenance because of the inconvenience and cost of fuel, car rental, and dining out. These figures, however, do not reflect those out-of-town vessel operators and owners traveling along the coast who might use a Morro Bay facility for emergency repairs, as well as those who may seek out Morro Bay because of breadth and quality of services, lift capacity and nearby amenities.

Most respondents (approximately 60.7% or 65 individuals) spend between \$1,000 and \$5,000 on a typical haulout, 14% spend between \$5,000 and \$10,000 and 5.6% spend over \$10,000. A little over 19% spend less than \$1,000.



Approximately 80.2% (65) of respondents spend less than \$10,000 on a "major" haul out, 12.3% spend between \$10,000 and \$20,000 and over 7% spend more than \$20,000. Spending on haulouts and associated work will contribute directly to the facility's revenues, as well as to local businesses that support vessel maintenance and repair such as hardware and part suppliers, mechanics, technicians, hotels, restaurants and other visitor-serving establishments.





Selection Criteria: To better understand vessel owners' and operators' decision in selecting a haulout facility, respondents were asked to select from six factors that influence their haulout choice: Close and/or Convenient, I Can Work on Boat Myself, Expert Staff, Travelift/Hoist Capacity, Price, Other. Close and/or Convenient is overwhelmingly the most prevalent reason vessel owners and operators choose their haul out location, with approximately 43.8% (46) selecting this category. The second most prevalent reason for selecting a haulout location is I Can Work on Boat Myself, with approximately 24% (25) of respondents. Staff expertise and the facility being able to accommodate trailer-based vessels rounded out key influences. Of the 105 respondents to this question, 20 haul out in Ventura, 21 haul out in Port San Luis, 12 use Santa Barbara and 7 cited Moss Landing/Gravelle's as their preferred haulout facility. The remaining 45 respondents haul out at other facilities.



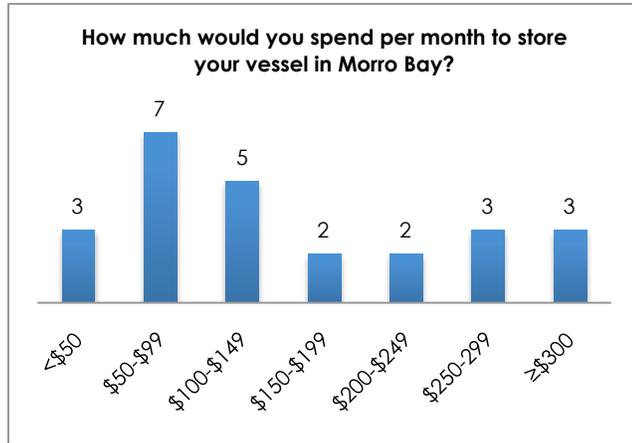
Open-ended survey responses suggest that a majority of respondents would likely use a Morro Bay haulout facility.

Dry Storage

Survey respondents provided direct input on whether or not they would use a dry storage facility if there were one in Morro Bay. The respondents also indicated how much they would be willing to spend to store a vessel in Morro Bay. The responses provide a measure of demand for such a facility and provide input for demand projections and a financial feasibility analysis.

Use: The survey asked explicitly whether or not the respondent would store their vessels in Morro Bay if a dry storage facility were developed. Approximately 40% or 31 respondents indicated they would. Of the 40% positive response, 32% were sailboat/recreational motor vessel/yacht owner/operators and 7.7% were commercial fishing vessel owner/operators.

Cost: Survey respondents were also asked to estimate how much they would spend on a monthly basis to store a vessel in Morro Bay. Responses were evenly distributed across dollar amounts that ranged from \$35 to \$350 per month.



Additional Comments

The survey concluded with a question that offered the opportunity to provide additional information or comments. Of the 69 individuals who responded to this question, the vast majority were supportive of the establishment of a boatyard and haulout facility in Morro Bay. Responses are grouped into key categories as follows:

Boatyard/Haulout All-Inclusive Customer Pool:

"I just sold my boat that was moored in MB because it was too difficult to get work done. I now own a boat on a trailer and I still have to haul it away to get work done. Having a boat yard would be great for MB boaters! We need a place where we can get work done AND work on our boats ourselves."

"It is really unbelievable that Morro Bay, the only natural harbor within 100+ miles, does not have a haul out facility that can accommodate its fleet of larger vessels. Years ago it did have a facility on the Embarcadero which was redeveloped into gift shops and a restaurant!"

Emergency Repairs:

"Nice to have local facility for emergency or unplanned work which happens frequently."

"A boat yard in Morro Bay is needed. If we need to haul out for an emergency our closest real option is about 100 miles away through some treacherous patches of ocean."

Boatyard Financial Matters:

"It seems that most boats who haul out, go to Ventura, so Morro Bay is missing sales and tax

revenue as a result."

"A local boatyard would save the local fleet from having to travel and burn a lot of expensive fuel. Also we would be spending our money in the local area and supporting the local economy."

"I would rather be home, save the traveling fuel, spend the money here. Out of town vessels may spend their maintenance money in this area too."

General Need/Desire for a MB Boatyard Haulout:

"I have owned five different offshore cruising boats in Morro Bay over the past 35 years. All of them except my current vessel have been too heavy...to haul out locally. I have taken them down to Ventura for the annual haul outs.

"There hasn't been a place to accommodate me locally for years."

"local haul out would be great and I would haul out more often."

"Morro Bay is a prime location for a boat yard facility. Moss Landing is only taking a few boats and only on a limited number of days... Monterey Bay has strong surges that can damage the boat and Santa Barbra is usually full and pretty expensive."

"I would haul out annually if there was a local option. It's 30 hours to Ventura. If you have a problem with the boat, it is dangerous to go around Point Conception. We need a Haul Out Facility here. It would also add to the Visitors experience by showing a real working harbor."

2.2 Local Demand Profile

This section provides an overview of the key categories or user profiles of future potential customers for a Morro Bay boatyard haulout facility. There are approximately 450 vessels at City and private operated slips and moorings in the harbor that represent the potential local client base. The makeup of harbor users and potential clients includes commercial and recreational fishing vessels, sailboats and motor vessels, Coast Guard, Harbor Patrol, research and commercial/construction vessels. All of these harbor users represent, in some capacity, clients for the boatyard and haulout facility in Morro Bay.

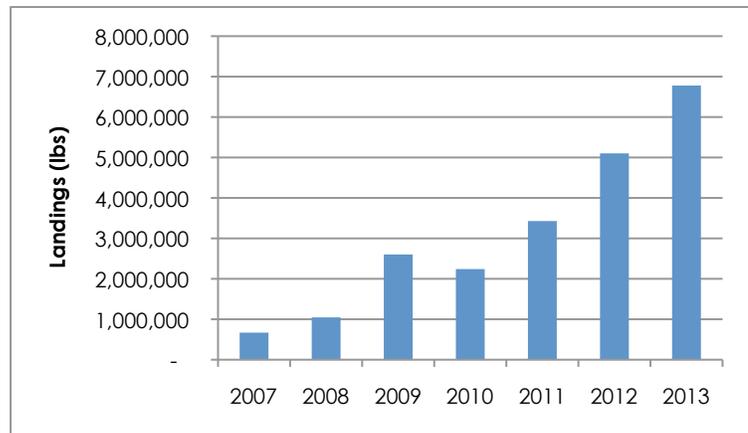
Commercial fishing industry has played a significant role in the development of Morro Bay since its founding. The industry continues to provide jobs and income in the community as well as serving as an important tourist attraction. In 2013, it was estimated that commercial fishing generated approximately 194 jobs in San Luis Obispo County (Morro Bay Community Sustainability Plan, 2013).

The California Coastal Act of 1976 requires Morro Bay to protect and, where feasible, upgrade commercial and recreational fishing facilities. This is in keeping with the community's policy of giving priority to commercial fishery in new harbor development.

2.2.1 Commercial Fishing Industry

In 2013, 156 commercial fishing vessels operated in San Luis Obispo County, generating almost 5,000 fishing trips which translated to nearly 7 million pounds in landings and over \$7 million in earnings at the dock in Morro Bay. Landings, earnings, trips and the number of commercial fishing vessels operating in Morro Bay have been on a powerful increasing trend since 2007.

Landings at the dock (pounds) in Morro Bay, 2007 - 2013 (CDFW)



2.2.2 Commercial Passenger Fishing Vessels and Recreational Fishing

Morro Bay has long been known as a recreational fishing destination. There are currently three active “for hire” fishing operations that double as marine wildlife tour providers. Morro Bay is also a launch and landing site for a significant fleet of smaller recreational fishing vessels or skiffs, mostly between 16 and 28 feet. These vessels are typically launched by trailer at the municipal boat ramp at the south end of the Embarcadero. While these vessels may not engage in large scale boatyard projects, they require repairs and upgrades and the purchase of equipment and supplies that represent potential income for a boatyard facility. The 1984 Morro Bay Coastal Land Use Plan (CLUP) states “a basic element to tourism, sport fishing has been a most important feature in Morro Bay”. The CLUP goes on to say: “the sport fishermen support local businesses, including purchasing of tackle, bait, wearing apparel and supporting restaurants and motels.”

The 1984 Morro Bay Coastal Land Use Plan (CLUP) states “a basic element to tourism, sport fishing has been a most important feature in Morro Bay”. The CLUP goes on to say: “the sport fishermen support local businesses, including purchasing of tackle, bait, wearing apparel and supporting restaurants and motels.”

2.2.3 U.S. Coast Guard

The U.S. Coast Guard (USCG) established a facility in Morro Bay as early as the 1950s and currently maintains a 27-person National Security Base and Search and Rescue Station. In addition to search and rescue, this station provides Coast Guard services for the entire Central California Coast, including port safety coverage for the Diablo Canyon Nuclear Power Plant and Vandenberg Air Force Base. The Coast Guard keeps two 47 foot motor life boats in Morro Bay.

2.2.4 Morro Bay Yacht Club

The Morro Bay Yacht Club (MBYC) was established in 1956 and is home to over 250 members, 65% who are boat owners (primarily sailboats). Club activities center around sailing, with small boat races held inside the bay or at local lakes, and big boat races held in Estero Bay. The MBYC is the northernmost member/location of the Southern California Yachting Association (SCYA) and plays host to about 300 visiting vessels per year.

According to representatives of the MBYC, there are about 300 recreational boaters that pass through Morro Bay every year, mostly sailboats with a smaller percentage of motor vessels. The majority of these vessels range from 30 feet to 50 feet in length. This activity peaks in April/May and then again in September/October/November. These visiting vessels spend between one day and one week in port, with the majority staying between one to

three days. They are accommodated, in part, at the MBYC's six (6) guest moorings, the MBYC dock, which has a capacity of approximately nine (9) vessels as well as five to seven (5-7) spots in the City's designated open anchorage area. Representatives from the MBYC attest that many of these skippers/vessel owners ask if there is a boatyard in Morro Bay and believe that many of these vessels would stay longer, and patronize a boatyard and haulout facility if there were one. The majority of those seeking to haul their boats out, particularly in the fall, head to the facilities in Ventura and Santa Barbara. The MBYC representatives also believe that Morro Bay could become a "destination" boat yard (like Ventura and Santa Barbara) for recreational boaters.

Representatives of the MBYC added that boat storage, particularly where a sailboat owner does not have to un-step (remove) the mast and de rig the vessel, is an attractive service for recreational boaters, one for which vessel owners would pay a premium and as such, could generate additional demand for a Morro Bay boatyard haulout facility.

2.2.5 Harbor Department

The City of Morro Bay Harbor Patrol maintains a fleet of three vessels that range from 22 to 29 feet in length. The boats are hauled out of the water, on trailers, for bottom cleaning approximately monthly and the bottoms are painted approximately every 18 months. Major repair work is conducted approximately every 5 years.

2.2.6 Other Recreational Vessels

In addition to the potential boatyard facility users described above, Morro Bay is home to approximately 275 vessels not directly affiliated with the commercial or recreational fishing industries, Coast Guard, Harbor Department or Yacht Club. These vessels represent significant potential demand for boatyard and haulout services.

2.3 Outside the Area

Facilities in the case studies (see Section 4.2) indicated that between 5% and 10% of their business comes from outside of their immediate communities. Morro Bay should expect to attract a similar percentage of visiting vessels. This potential demand is included in the demand projections (see Appendix D). Morro Bay may be able to secure stronger patronage from outside the area by:

- Establishing a reputation of superior quality and diversity of services
- Making supplies easily available through an extensive ship's store
- Clustering; partnership with Port San Luis that expands accessibility to services, expertise and supplies
- Promoting the proximity to the MBYC, affordable hotels, and restaurants
- Providing a high lift capacity

3 Market Opportunities

Boasting over 1,000 miles of coastline, California is home to a bustling marine dependent economic sector. The thousands of recreational and commercial vessels that travel and work in California coastal waters are supported by a vast network of related businesses and physical infrastructure. According to the U.S. Bureau of Labor Statistics (BLS, NOAA Coastal Services Center) there were currently 126 ship and boat building and repair establishments located in California coastal counties in 2011. These businesses were estimated to be responsible for 7,800 jobs and over \$413 million in wages. A boatyard in Morro Bay would be entering a market sector that was valued at nearly \$670 million.

In the 2013 Morro Bay Fishing Community Sustainability Plan (Plan), which provided a comprehensive analysis of the commercial fishing industry and working waterfront in Morro Bay, a boatyard and haulout facility was identified as the highest priority need in the community and is the first in a list of 11 final Recommendations. The Plan was funded by the National Fish and Wildlife Foundation, managed by the City and unanimously accepted by the Morro Bay City Council in April of 2014. A boatyard and haulout facility is seen as fulfilling community needs and addressing sustainability indicators in three key categories:

- **Economic:** potential revenue source for the City and direct and indirect employment opportunities, as well as faster turnarounds for local boats, which would translate to more fishing days for Morro Bay commercial and CPFV fishing operations and working days for tour boat operators, the Harbor Patrol and the Coast Guard.
- **Environmental:** greater capability of the community to act to protect the sensitive Bay and estuary in the case of a spill from a derelict or incapacitated vessel as well as reducing “vehicle and vessel miles traveled” for Morro Bay residents to regional boatyards, as well as providing an environmentally state-of-the-art facility.
- **Social:** greater control of outcomes for the community and the creation of a service that addresses needs across a broad spectrum of maritime stakeholders; commercial and recreational fishermen, pleasure boaters, Coast Guard, visiting vessels and directly addressing the collective environmental concerns of the community.

A boatyard and haulout facility is also seen by some members of the community as an approach to reduce the amount of repair and maintenance work conducted by vessels owners while there boats are in the water.

3.1 Market Potential

An overview of trends in activity in industry sectors related to the boatyard and haulout industry follows and is intended to inform decision makers on economic performance trends in marine industries. Those industries are Boat Building and Repair, Commercial Fishing, Recreational Fishing, and Recreational and Pleasure Boat Activity.

The National Bureau of Economic Research (NBER) dates the beginning of the recession as December 2007. The bottom, or trough, was reached in the second quarter of 2009.

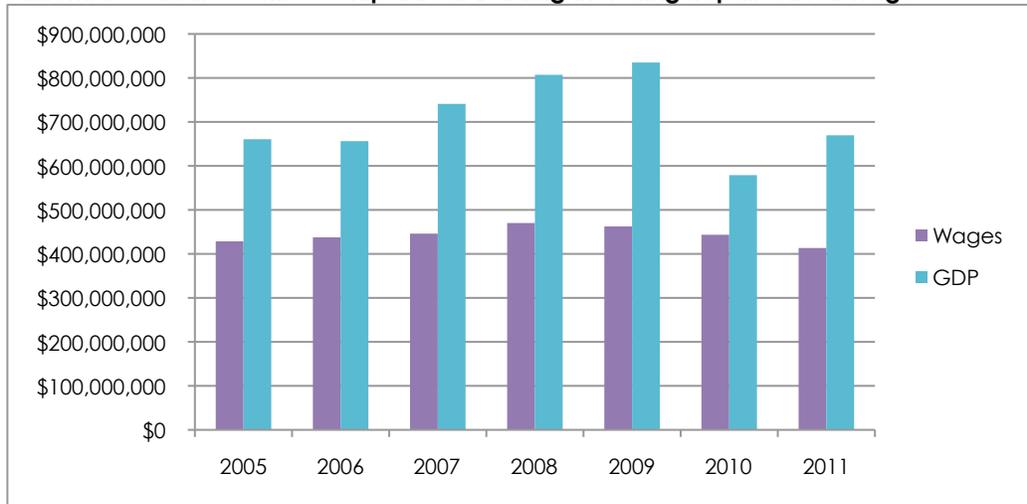
Trends in Boat Building and Repair

Ship and boat building and repair are unique and valuable industries that generate employment and spending and play a foundational role in the California maritime economy. Data from NOAA's Economics: National Ocean Watch database in the 19 coastal counties in

California is included in this section to provide decision makers in Morro Bay with a high-level overview of trends in the industry which they are considering. Factors such as a downturn in the economy during that period that affected vessel ownership and the performance of the shore-side boat building and repair sector should be taken into account when assessing this data.

In general, between 2005 and 2011 (the most recent data available) the amount of goods and services rendered from ship/boat building and repair in California coastal counties has remained relatively stable while trending slightly downward, as have wages. In 2011, the ship and boat building and repair industry in California was valued at approximately \$670 million and generated over \$400 million in wages.

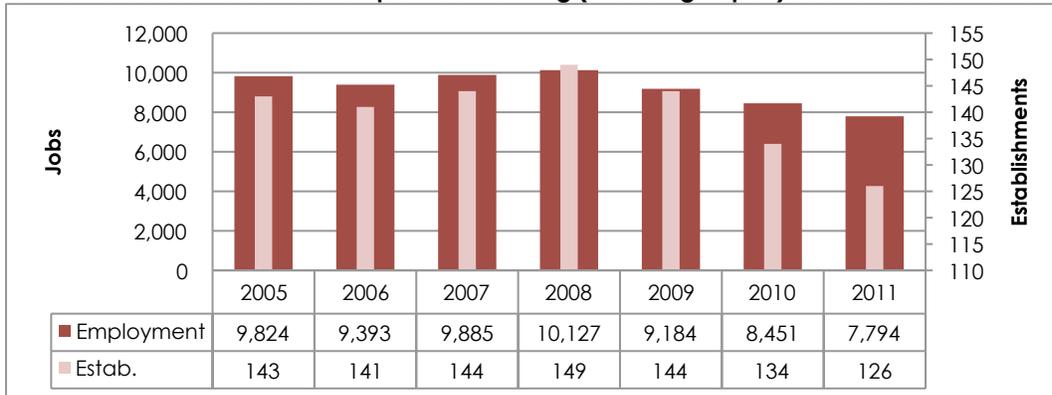
California Coastal Counties - Ship & Boat Building Including Repair GDP & Wages



Bureau of Labor Statistics Data, accessed from ENOW (NOAA Coastal Services Center)

Between 2005 and 2011, employment at ship and boat building and repair establishments in California dropped by approximately 25% from just under 10,000 jobs to fewer than 8,000. During that time, the number of establishments also dropped from approximately 145 to 126, a 14.5% decrease. In conclusion, while there have been drops in GDP, wages in the Ship & Boatbuilding and Repair industries have been relatively stable as has employment. The number of facilities has trended downward and based on input from vessel owners, demand is strong in Morro Bay and other small coastal communities. This could signal an opportunity for Morro Bay.

California Coastal Counties - Ship & Boat Building (Including Repair) Jobs & Establishments

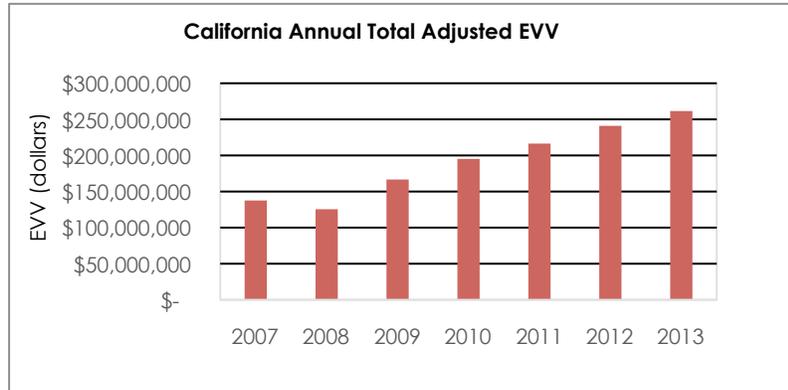


Bureau of Labor Statistics Data, accessed from ENOW (NOAA Coastal Services Center)

Trends in Commercial Fishing Activity

An important market for a boatyard and haulout facility in Morro Bay is the commercial fishing industry. From a State-wide perspective, earnings at the dock, a key indicator of performance, have almost doubled from \$130 million in 2007 to \$260 million in 2013.

In 2013, 156 commercial fishing vessels conducted over 4,900 trips in San Luis Obispo County which translated to over \$7.0 million in earnings at the dock in Morro Bay. Commercial



fishing trips in San Luis Obispo County have been steadily increasing since 2005, almost doubling in the last seven years and earnings for Morro Bay fishermen have increased fivefold between 2007 and 2013. The commercial fishing industry in California and Morro Bay is on a powerful upward trend and will generate demand for a boatyard and haulout facility.

Morro Bay is an important and long-standing destination for recreational fishermen seeking access to the ocean. In 1952 there were 9 CPFV operations in Morro Bay (Scofield, 1954). Today there are 3 such operations that conduct thousands of trips per year as well as double as whale and sea life watching tour operators, taking advantage of Morro Bay's rich ocean resources. There are also hundreds of smaller recreational fishing vessels (skiffs), typically launched from trailers, that operate out of Morro Bay. These skiff owners may consider a boatyard and haulout facility a convenient place to address repairs and upgrades or purchase supplies.

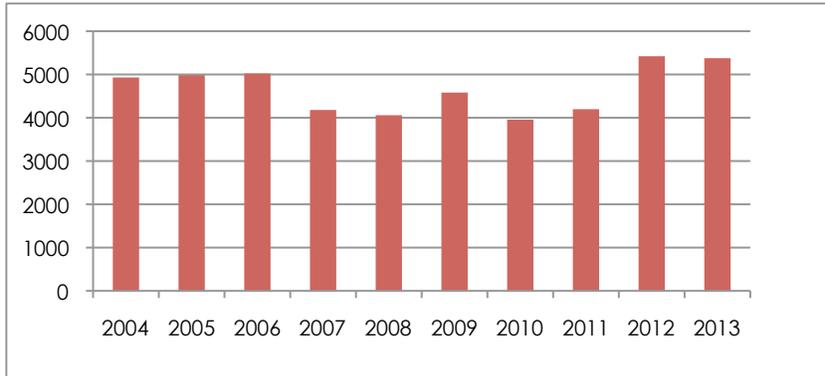
Trends in Recreation Fishing Activity

Recreational fishing and the Commercial Passenger Fishing Vessel (CPFV) industry are generators of jobs and income, and represent potential users of a boatyard and haulout facility and as such, data on the industry is included. There are three for-hire or CPFV operations in Morro Bay and hundreds of small vessels that conduct thousands of recreational fishing trips each year out of Morro Bay.

Recreational fishing, including for hire and private vessels, is a valuable marine-dependent industry in California. The State's recreational angler fishing trips topped 3.8 million in 2011 and for-hire fishing trip expenditures totaled \$122 million. Private recreational fishing boat trip expenditures totaled \$78 million. Trip expenditures generated approximately 4.1 thousand jobs and durable expenses generated 6 thousand jobs (Lovell, S., S. Steinback, and J. Hilger. 2013. Economic contribution of angler expenditures in the United States, 2011. NOAA Tech. Memo. NMFS-F/SPO-134).

Fishing trips are an indicator of the vibrancy of activity in the industry, and trips numbers remained relatively stable at approximately 4-5 million per year.

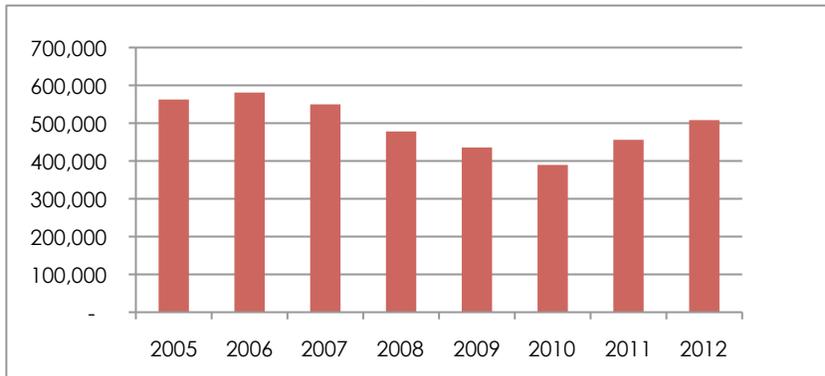
California Recreational Fishing Trips, in Thousands, 2004-2013



California Department of Fish and Wildlife

The number of participants who conduct recreational fishing on a “for hire” fishing vessel has dropped since 2005, but has seen some gains in 2011 and 2012. Recreational fishing is a vibrant industry in California and Morro Bay and has seen relative stability in the last 10 years. As such, for hire and private recreational fishing vessel owners represent potential demand for a boatyard and haulout facility in Morro Bay.

California CPFV Registered CPFV Anglers 2005-2012



California Department of Fish and Wildlife

4 Competitive Climate

Boatyard haulout facilities along the California coast and more specifically between San Francisco Bay and Ventura comprise the competitive climate or context in which the assessment of demand for a facility in Morro Bay should be considered. This section of the report identifies key boatyard haulout facilities between San Francisco Bay and Ventura County and their characteristics. The section also includes a comprehensive analysis of four relevant case studies aimed at providing examples of the type and quantity of demand for a boatyard and haulout facility in Morro Bay. Appendix A provides a comprehensive list of boatyard facilities in California.

4.1 Central California Coast Boatyards

Based upon survey results outlined in Section 2.1, potential Morro Bay boatyard haulout customers make use of facilities primarily south of San Francisco Bay and north of Ventura County. This area is therefore considered the competitive market area that warrants consideration when assessing demand potential for a Morro Bay boatyard haulout facility.

Table 1 below outlines 30 boatyard facilities that are located along the 375 mile coastal stretch between San Francisco Bay and Ventura County. Twenty five of these facilities perform haulouts, the majority of which do so with a travelift. Most lifts along this stretch of coast feature lifts with capacities of 30 and 40 tons.

The two largest lifts are Sausalito's Bayside Boatworks, and Ventura Harbor Boat Yard. Bayside Boatworks, 250 miles north of Morro Bay, can accommodate all sizes of private boats². Ventura Harbor Boat Yard, 150 miles south of Morro Bay features a 150-ton travel lift, and is used by 19% of survey respondents³ for haulouts. The next largest lift is an 88-ton capacity lift located at Bay Marine Boat Works in Richmond.

With only two large lifts along the key stretch of coast between San Francisco Bay and Ventura County decision makers in Morro Bay should consider the costs and benefits of a larger capacity (100 ton) Travelift.

The following page contains an analysis of boatyard haulout facilities between San Francisco Bay and Ventura County.

² The Sausalito Bayside Boatworks operator provided no weight capacity limit in one-on-one interviews with LWC staff.

³ See Section 2.1 above for added detail.

Table 1. Boatyard Haulout Facilities between San Francisco Bay and Ventura County

Boatyard Name	Type of Lift (If Any)	Haul out (Y/N)
San Francisco Bay Area Boatyards		
Sausalito Shipyard and Marina	250 ton haulouts on marine rails	Y
Bay Marine Boatworks	23 ft beam, 88 ton travelift	Y
Bay Ship and Yacht	Does not perform haulouts	N
Bayside Boatworks	5 rails, 250-ton capacity	Y
Berkeley Maine Center	35 ton and 25 ton travelift haul outs	Y
British Marine	30 ton haul outs	Y
Drake Marine	Trailer haul outs depending on vessel size	Y
KKMI Richmond	88 ton travelift	Y
KKMI Sausalito	Small travelift for haul outs	Y
Napa Valley Marina	Performs haul outs using hydraulic trailer	Y
North Bay Boatworks	No information	-
Pier 66 Boatworks	No information	-
Richardson Bay Boatworks	40 ton travelift	Y
San Francisco Boat Works	35 ton travelift	Y
Spaulding Wooden Boat Center	Crane haulouts, up to 12 ton vessels	Y
Svedson's Boat Works	35 ton travelift and 60 ton elevator	Y
The Boatyard at Grand Marina	60 ton travelift	Y
Vallejo Boatworks	Travelift haulouts, no capacity information	Y
Monterey Bay Boatyards		
Breakwater Cove Marina	22 ft vessels, 80 ton travelift	Y
Capitola Boat and Bait Marina	Hauls vessels up to 17 ft with a crane	Y
Monterey Bay Boat Works Company	80 ton travelift	Y
Monterey Harbor and Marina	Does not perform haulouts	N
Moss Landing (Gravelle's Boatyard)	70 ft vessels, 75 ton travelift	Y
Santa Cruz Harbor	50 ton travelift	Y
Woodward Marine	Does not perform haulouts	N

Ventura County		
Bell Port Anacapa Marine Services, Oxnard	38 ton travelift	Y
Ventura Harbor Boatyard, Ventura	35 ton travelift; 150 ton travelift	Y
San Luis Obispo County		
Morro Bay Boatyard, Morro Bay	One 30-foot boat at a time	Y
Port San Luis Boatyard, Avila Beach	Travelift 75 tons	Y
Santa Barbara County		
Harbor Marineworks, Santa Barbara	40 ton travelift	Y

4.2 Case Studies

To better understand the potential demand for a boatyard and haulout facility in Morro Bay, four case studies within the competitive market area were chosen by project managers to serve as examples that reflect a wide range of user profiles, management and ownership structures, capacity and types of services. The case studies include:

Gravelle's Boatyard (Moss Landing, CA), Santa Barbara Harbor Marine Works (Santa Barbara, CA), Ventura Harbor Boatyard (Ventura, CA), and Port San Luis Boatyard (Avila Beach, CA). Data on the case study facilities was gathered through site visits, phone interviews, and on-going conversations with commercial fishermen and MBYC representatives. Data was also collected from archival review (internet, industry publications, and academic papers) and discussions with a representative from Marine Travellift. Each case study was developed with a focus on eight (8) key components that affect the demand profile:

1. Location and Background information reveals motivation for the facility to be included as a case study, distance (terrestrial) from Morro Bay and to provide insight on factors that may inform the Morro Bay community such as ownership profile and service protocol (do it yourself or employee-based).

The case studies are aimed at informing decision makers in Morro Bay on how services; that range from a do it yourself approach to a more rigid one where vessel owners are obliged to hire boatyard employees, lift capacity, presence of a chandlery and nearby amenities might influence the amount and type of demand for a boatyard and haulout facility in Morro Bay.

2. Customer Base data provides insight into the motivation of vessel owners on their choices in selecting a particular boatyard and haulout facility. Customers range from recreational boaters to commercial fishermen, oil rig supply, government agency and marine research vessel operators.

3. Services and Capacity are aimed at providing an understanding on the services and amenities offered, including types and size of haulout equipment (travel lift, crane, etc.), fee structures and how services that range from a do-it-yourself (DIY) approach to a more rigid one where vessel owners are obliged to hire boatyard employees might influence the amount and type of demand for a facility in Morro Bay.

4. Financial Structure profiles highlight funding strategies for boatyard haulout facility operations and the purchase of equipment. Some boatyards operate solely through use of private funding, while others rely on public-private partnerships.

5. Infrastructure elements illustrate cost-benefit trade-offs each facility might consider. A large capacity boatlift, for example, requires a higher initial investment but may generate higher fees and attract more customers. Tenting and hull cleaning filtration systems will also increase the initial investment that will better ensure environmental compliance and will have to be passed on with little or no immediate benefit to the customer. Other infrastructure elements such as shoreline armoring, do not attract additional business, but ensure continued facility operations.

6. Nearby Amenities are addressed as they may influence a customer's selection of a boatyard haulout facility. A lack of necessary amenities may negatively impacts vessel owners' patronage decisions.

7. Competitive Profile provides a snapshot of perspectives from web-based sources such as Yelp.com, Latitude 38's online message board as well as an assessment conducted by the Santa Barbara Harbor District. This information is intended to provide insight to decision makers in Morro Bay and augment the archival research and personal interview data.

Aquarius Boatworks in Santa Cruz, a privately owned facility, handed over the management and ownership of the boatyard to the Santa Cruz Harbor District in September of 2014. Former owner, Dave Dawson, stated that as the economy slowed beginning in 2009 and his large cruising (sail and motor) customers reduced the extent of work and were reduced in numbers, he found it increasingly difficult to keep the doors open. He claims that without the large vessels and big-ticket jobs it is extremely difficult to run a boatyard. Aquarius, as they were located in Santa Cruz Harbor, also worked on commercial fishing vessels, mostly local and some visiting. Santa Cruz Harbor Boatyard currently operates as a "Do It Yourself", open daily from 9 am to 6 pm. Boat owners, or independent contractors who have registered with the Port District are permitted to perform vessel repairs and maintenance in the yard. Tools, such as vacuum sanders are available for rent, and a general stock of boatyard cleaning and painting supplies are available for purchase at the ship's store on site, although vessel owners can provide their own supplies.

In circumstances where the availability of hotels may influence decision making on the choice of a boatyard and haulout facility, the City of Morro Bay offers 41 hotels, many moderately priced and in walking distance from the Embarcadero. Occupancy rates are higher during the summer months but trail off significantly between September and May (Piedras Blancas Hotel Feasibility Study and Redevelopment Alternatives, Lisa Wise Consulting, Inc., 2011).

8. Take-Aways for Morro Bay provides a list of the issues that have most affected each facility and how they may inform decision making in Morro Bay. They draw from the breadth of the work in the case studies and include the topics of ownership structure, the use of grants and loans, considerations on full service versus do-it-yourself approaches, types and capacity of equipment, including enclosed/tented facilities and physical site considerations.

4.2.1 Port San Luis Boatyard, Avila Beach, California

Location and Background

Located in Avila Beach, California, Port San Luis Boatyard (PSLBY) is approximately 25 miles south of Morro Bay and the closest facility among the four case studies. PSLBY is partially managed by the Port San Luis Harbor District, with a lease to private operators. The Harbor District oversees administration and some financial responsibilities, while the operators oversee day-to-day operations and maintenance of the leasehold.

Customer Base

Based on personal communication with a Harbor District official, the boatyard is currently servicing a mix of about half commercial fishing vessels and half recreational vessels, mostly sailboats.

Services and Capacity

PSLBY operates under both full-service and DIY models. The boatyard provides two options for haulout services: A 15,000 pound (7.5 ton) capacity fixed ACME Hoist and a 60-ton Travelift. The boatyard also offers dry boat storage, blocking services, rental of spaces where work can be performed, fresh-water facilities for cleaning, and a wastewater discharge facility. The storage facility can accommodate trailers and vessels up to 10 feet wide and 30 feet in length with a capacity of 30 boats. Live-aboards are prohibited.

Finance Structure

PSLBY operations are funded through revenues generated by the boatyard. The PSLBY pays a fixed monthly operating fee, with high season and off-season rates. The boatyard operators are also responsible for the utility costs such as garbage and debris removal, electrical or other power, water, sewer and any other utilities.

Findings from a 2007 feasibility study determined that the 60 foot mobile hoist pier (on which the Travelift moves) needed to be extended an additional 60 feet seaward to better avoid constraints of wave action and sanding in of the haul/launch area. The extension is estimated at \$700,000. The Port San Luis Harbor District has successfully partnered with the Central California Joint Cable/Fisheries Liaison Committee (CCJCFCLC) and the San Luis Obispo Council of Governments (SLOCOG) to attract grant funding for "Plans and Specs" and then funding for implementation. The project was awarded \$215,000 in grants by the CCJCFCLC across two grant cycles, while SLOCOG has contributed \$25,000 to the extension project. The District also hopes to secure an additional \$150,000 from the California Division of Boating and Waterways.

Infrastructure

Port San Luis has a Travelift for larger vessels, a crane for smaller vessels, ample parking, a boatyard with sufficient space for up to 30 vessels of varying lengths as well as sufficient electrical power and fresh water. There are public restrooms on site. However, weather-induced wave and surge action and sanding-in of the launch area has historically constrained the facility and hampers the boatyard's ability haul and launch vessels at their or their customer's time of choosing. While the extension of the hoist pier will likely mitigate some of these concerns, because the boatyard is not located in a sheltered area, PSLBY's ability to haul and launch vessels will likely continue to be constrained to some degree.

Nearby Amenities

Nearby amenities include restaurants, convenience stores, retail outlets, two hotels and a small chandlery. Port San Luis is approximately four miles from Highway 101 and 10.5 miles from San Luis Obispo.

Competitive Profile

Port San Luis has gained a reputation for being a difficult place to haulout due to wave and surge and sanding in of the haulout site. The facility has also gained a reputation for a years-long waiting list. The District understands this and has addressed the issues with a feasibility study and the pursuit of grant funding to extend the pier and hopes that the new ownership will bring a better perception and professionalism. A 50% share of the boatyard recently changed hands and District staff claims to have already seen an improvement in the facility's operation and maintenance.

Takeaways for Morro Bay

The following are key takeaways for Morro Bay from the case study of the Port San Luis Boatyard:

- A crane or hoist for smaller vessels and a Travelift for larger ones may increase the facility's competitiveness and client diversity.
- Allowing some live-aboards may make the facility more attractive to a greater number of users. Clear guidelines on live-aboards should be established and enforced.
- A close and communicative relationship between the Harbor District and the facility operator is important.
- Careful selection of the haulout site, avoiding a site that is easily "sanded in" or adversely affected by waves and surge, and an understanding that a vessel owner's decision to haul or not at a given location may be influenced by weather or other uncontrollable forces.
- Options for dry boat storage may give the facility additional income.
- Grant funding should be considered from SLOCOG, DB&W, and CCJCLC

4.2.2 Santa Barbara Harbor Marine Works, Santa Barbara, California

Location and Background

Santa Barbara Harbor Marine Works (HMW) is located approximately 105 miles south of Morro Bay. The harbor in Santa Barbara is home to active recreational, commercial fishing, sport fishing and agency fleets, as well as many coastwide cruising and transient vessels. HMW has performed considerable infrastructure upgrades on the property and continues to operate under limited DIY and full-service models. While HMW has a diverse client base, their business model serves primarily recreational vessel owners.

Customer Base

According to personal correspondence with co-owner, Damon Hulst, the HMW relies on a diverse mix of clients. Smaller vessels from the commercial fishing fleet in Santa Barbara use this boatyard, as do some boats from nearby ports, e.g., Morro Bay. The business mix includes recreational sail boats and competitive motor and sail boats; a large part of HMW business is generated from the various boat races and competitive sailing events held in and around the Santa Barbara Harbor. Mr. Hulst estimates his business (activity not income) is comprised of 75% recreational vessels and 25% commercial fishing vessels. HMW clients are almost entirely local vessels, with only about 5% being transients. The HMW also relies heavily on doing work for boat owners who keep their vessels in Santa Barbara but live outside the area. Mr. Hulst describes these owners as coming from places as far away as Colorado. These owners are typically less concerned with saving money by doing work themselves or sourcing their own supplies. The HMW negotiates with these owners to haul out their boats, perform maintenance and repairs, and have the boats in the water for the owners when they arrive for vacation or visits. This "big ticket" business is a significant source of income for the HMW facility.

Services and Capacity

HMW is both a full-service and limited do-it-yourself facility. HMW generally does not allow customers to work on their own boats, but in some cases they will allow a qualified individual to perform certain repairs to his or her vessel (personal communication, Damon Hulst 7.29.14). HMW offers service repairs and labor, and rental of tools and equipment. The facility operates a late model 38 ton Travelift, with the ability to haul, block, launch, and truckload. HMW does a high volume of business with vessels that are loaded on commercial haulers for transport to Northern Ports and destinations around the country (primarily fiberglass sailboats). HMW also offers 24-hour emergency haul outs available through the Santa Barbara Harbor Patrol. HMW attributed a closed/tented area as a critical to being able to sand and soda/water blast and contain dust and airborne particulate matter.



In addition to launching and retrieval of boats, rafts, barges and other watercraft, HMW offers sales of marine supplies, hardware and equipment, and boat sales and rentals.

HMW does not have dry boat storage. In a site visit on September 16, Mr. Hulst, explained that he has considered a “stack and store” storage service but has met with opposition from local residents concerned with height restrictions and the obstructions of the view shed. The Santa Barbara Yacht Club and the Santa Barbara Sailing club offer dry storage for sailboats nearby.

Finance Structure

HMW's operations are largely privately funded.

The boatyard operates on a ground lease from the City of Santa Barbara, last renewed by the City Council on January 24, 2013. The lease is for a 5-year term charging a monthly base rent of the greater between \$4,157 and a specified percentage of gross sales.⁴

Infrastructure

The owners of HMW invested in significant improvements to the boatyard's facility and environmental infrastructure. Facility infrastructure improvements include an upgraded Travelift as well as upgraded water and electrical service. To improve its environmental infrastructure, the owners recently invested in a filtration system that ultimately filters and diverts yard runoff from a storm drain to the City sewer system.

Nearby Amenities

Nearby amenities are primarily marine-dependent, and visitor-serving, and target tourists, vessel owners and water sports enthusiasts (e.g., a maritime museum, fish market, water taxi, boat kayak and stand-up paddle and surfboard rentals and lessons, charter vessels, hotels, and restaurants). A nearby fuel dock, dry storage and a West Marine retail chandlery outlet in the harbor round out the amenities available to boaters. Santa Barbara also offers a vibrant downtown with a wide diversity of commercial and retail options, within a reasonably close proximity to the boatyard.

Competitive Profile

As part of an evaluation for lease requirement recommendations to the City Council, the Santa Barbara Harbormaster assessed user concerns for HMW. The Commission found that performance issues were limited to two unsolicited customer complaints over a period of six years (2007 and 2009). One customer noted that the boatyard's owners were great to work and

⁴ The percentages of gross receipts are specified as follows:

- 10% on all labor, service repairs and fees
- 5% on all crane services, yard rental fees (“lay days”), tool and equipment rentals and for the launching and retrieval of boats, rafts, barges and other watercraft
- 4% on all marine supplies, hardware and equipment
- 1% on new and used boat sales, warranty sales and service, off-site contractual labor, catalogue and mail order sales, sales of marine electronics, electric motors and electric motor driven equipment, internal combustion engines, drives generators, and related equipment
- 10% from other transactions not specifically defined above

staff performed quality service, but the rates were on the expensive side.⁵

Takeaways for Morro Bay

The following are key takeaways for Morro Bay from the case study of HMW:

- Proximity to the 1,100 slip Santa Barbara Harbor and a highly populated, affluent community may influence the feasibility of HMW.
- A ground lease with some flexibility as in the percentage of gross sales option benefits the landlord with higher income in strong periods and enables the lessee to revert to a consistent “base” amount when sales and service are lighter.
- Tenting and/or providing enclosed work areas enables the boatyard to contain airborne material, comply with air quality and disposal requirements/regulation and to offer a greater range of services to their clients. These systems come with a higher cost and increase costs to the client/user.
- Filtration systems that divert yard material to sewer systems enable compliance with water quality regulations and offer a greater range of services to their clients. These systems come with a higher cost and increase costs to the user.
- The DIY option may reduce costs and help to attract more and diverse clients. However, spaces used by clients only paying lay days and not paying staff, or buying/renting supplies could affect feasibility and increase liability.
- Boat and other watercraft rental, sales, retrieval may offer additional revenue options and provide a competitive advantage whether owned and operated by the boatyard subleased to another business.
- 24-hour haulout service may provide additional revenue opportunities and a competitive advantage.

4.2.3 Ventura Harbor Boatyard, Ventura, California

Location and Background

The Ventura Harbor Boatyard (VHBY) is located 130 miles south of Morro Bay and is a preferred facility for many Morro Bay commercial fishing vessel owners. Ventura Harbor boasts five marinas and a total 1,500 slips, two fuel docks, two dry storage facilities and two yacht clubs. Like HMW in Santa Barbara, VHBY undertook considerable infrastructure upgrades in recent years. Unlike HMW, whose infrastructure improvements were largely privately funded, a portion of VHBY’s financing was generated from its successful public-private partnership with the Ventura Port District.

⁵ In a June 4, 2014 post on Yelp.com, a customer identified as B.C. from Santa Barbara awarded four out of five stars to HMW and named the owner, Damon Hulst, as someone “great to work with.” The customer admits that this boatyard is generally more expensive than in Southern California, but the quality of work and guarantee is worth the extra expense. The customer recommends that users trying to save money inquire about weekend haul out and do-it-yourself maintenance specials.

Customer Base

VHBY primarily services commercial and recreational fishing vessels, cruisers, oil rig service and research vessels and yachts. The current service manager claimed that traditionally, the big vessels (fishing trawlers) provided big jobs and income but that their numbers had fallen considerably. Today the boatyard relies on oil rig supply (crew) vessels, commercial tug fleets from surrounding ports, big sail boats, seiners (local), and large sail boats (personal communication 7/16/14).



Photo: an Alaskan trawler of approximately 90 feet, purchased by a California fishing operation to be outfitted as a seiner, at Ventura Harbor Boatyard.

Services and Capacity

The facilities at the VHBY allow for full-service and DIY maintenance. The boatyard owns and operates a 35-ton and a 150-ton Travelift. VHBY's Travelift capacity affords the business a competitive advantage. Only the Sausalito Boatyard at 250 tons, and KKMI in Point Richmond at 100 metric tons, offer similar capacity service between Ventura and Marin County.⁶ The boatyard also maintains a 4.5 acre facility with the capacity to service of up to 30 boats. Boatyard staff of about 50 is made up of professional tradesmen and technicians. There are two dry storage yards in the Harbor but no dedicated dry storage at this facility.

Finance Structure

VHBY financed infrastructure upgrades through a public-private partnership with the Ventura Port District (VPD). This partnership enabled the acquisition of the boatyard's 150 ton Travelift as well as the two parcels of land where VHBY is located. The Travelift was funded by a \$641,000 grant through the California Sport-fishing and Boating Safety Act that was awarded in 1999.

⁶ The Sausalito Shipyard can service boats up to 250 tons via marine rails that were constructed during WWII to launch the Liberty Ships.

Matching funds were split between the Harbor District and VHBY.

The VHBY operates on a ground lease as the property is owned by the VPD. Annual lease fees are \$3716 per month for the first five years and adjusted every five years thereafter. Rent is due at the rate of \$10,000 per month and a lump sum payment of the balance of \$103,000 due and payable on or before the end of each calendar year. The lease agreement also includes a revenue sharing obligation on a percentage of fees and rents. VHBY can support this level of lease and rent expense due to the scale and scope of their projects and ability to attract and service large commercial fishing, oil rig supply, commercial construction and research vessels.



Photo: the 65 foot *Ocean Defender* oil spill response vessel at Ventura Boatyard

Infrastructure

As previously discussed, VHBY purchased a 150-ton Travelift as a facility infrastructure improvement. As for environmental infrastructure, reliable funding for dredging is a priority for VHBY. Steve James, General Manager and part owner of the VHBY, stated that their business depends on attracting larger, deeper draft commercial vessels for service. Maintenance for these larger vessels requires regular dredging, which can be costly. However, VHBY's public-private partnership with the Port District generates funding for these projects and the federally navigable channel makes the Harbor eligible for federal funding.

Nearby Amenities

Ventura Harbor is home to a balance of marine-dependent, marine-dependent/visitor-serving, and visitor-serving amenities. Notably, there are several marinas and a number of marine-related activities such as charter sailing, kayaking, cruises, boat rentals, paddle boarding, sport fishing and diving. Marine-dependent amenities include a marine bio-lab, fuel docks, and dry storage. Visitor-serving amenities include hotels, restaurants, shops, and the Channel Islands National Park Visitors Center. Commercial fishing infrastructure in Ventura harbor includes a wetfish pump that attracts a large seiner fleet⁷.

⁷ Squid seiners are some of the largest boats in the CA commercial fishing fleet and Ventura is homeport for many of these boats. According to the CDFW in 2012 market squid landings accounted for 71% of all Ex-vessel value of landed fish in Ventura, a total value of over \$8 million.

Competitive Profile

VHBY hosts a crew of welders, carpenters, electricians; the yard has two travel lifts and proximity to oil rig supply and tug fleets as well as a 1,500 berth capacity. These factors play the largest role in the facility's competitive advantage. Further, online reviews of VHBY have been largely positive. Customers praised the business's thoroughness⁸ and workmanship⁹ in maintenance and service. A personal blog titled "Vagabonding Under Sail"—authored by a couple who sold their Iowa home and purchased a sailboat in Ventura—includes a review of VHBY. The couple chose Ventura in part because of their positive and educational experience with VHBY's staff and equipment.

Takeaways for Morro Bay

The following are key takeaways for Morro Bay from the case study of VHBY:

- Public-private partnerships should be considered as a potential vehicle for infrastructure financing and land acquisition.
- Dredging of the channel(s) leading up to the haulout facility should be considered as the cost of dredging around the haulout area.
- Diversity of clientele could mean a more feasible business.
- High lift capacity offers a competitive advantage but a higher acquisition cost.
- Qualified staff offers a competitive advantage but higher acquisition and ongoing costs.
- Offering do-it-yourself and full-service may bring additional revenue and costs but provide a competitive advantage.
- Grant opportunities through the Sport-fishing and Boating Safety Act (and others) should be considered.
- Proximity to the seiner, oil rig and tug fleets and a full time staff of 50 mechanics and technicians fuel VHBY's ability to attract large boats and support large scale projects.

Potential Competitive Advantage: Between Los Angeles and San Francisco, only two facilities offer lift capacity of 100 tons or over; Ventura Harbor Boatyard and KKML in Point Richmond. Sausalito Boatworks can handle vessels up to 250 tons but can only work on five boats at a time (one at each of the marine rails).

⁸ In August 2012 on Yelp.com, a customer using the name Mark from San Simeon, California posted that he was pleased with the professional level of work that had been performed on his kelp-cutter as an emergency haulout. Mark regarded the work as being complete and thorough.

⁹ In June 2011 on Yelp.com, Jim from Ventura wrote that he would highly recommend the VHBY because of their excellent workmanship and communication with him as the vessel owner. Jim states that the price was fair and work was completed in a reasonable amount of time.

4.2.4 Gravelle's Boatyard, Moss Landing, California

Location and Background

Gravelle's Boatyard is located in Moss Landing, approximately 135 miles north of Morro Bay and is one of four boatyards that performs haulouts in Monterey Bay. Moss Landing is an active working port and home to a commercial fleet that generates approximately \$7 million in earnings at the dock in 2013. The harbor is also home to a 600-slip marina with a mix of commercial, recreational, motor, and sail vessels as well as research vessels owned by the Monterey Bay Aquarium Research Institute (MBARI) and Moss Landing Marine Lab (MLML). The boatyard was established in 1987 and owned and managed by three generations of the Gravelle family. But, as discussed further below, the family is currently negotiating to sell the facility (to Gregg Marine) citing a drop in demand and costs from environmental compliance, dredging, erosion control, insurance and the challenges of attracting and keeping qualified staff. The Gravelle's case study highlights the financial and infrastructure challenges that privately-owned boatyard and haulout operations face. According to the owners, as a private business, they are not eligible for certain environmental exemptions that a State or City-owned business might be.

Customer Base

According to California Coastal Commission (CCC) Gravelle's Boatyard is essential to maintaining commercial, recreation and scientific boating in the Moss Landing Harbor (CCC Staff Report 23 May 2013).

Boatyard owners report that fifteen to twenty years ago Gravelle's had a client base of approximately 60% fishing boats and 40% recreational sailboats. Today, that percentage is flipped, with only 40% of their clients' active commercial fishing vessels. Owners claim that they have not worked on a commercial fishing trawler for five of six years and due to closures in the salmon fishery, have seen steep drops in those clients as well.

Services and Capacity

In the past, Gravelle's Boatyard appealed to Morro Bay Fishermen because it had operated under the full-service and DIY models. In 2014, however, the Gravelle's limited its offering to full-service only.

A diverse client base of recreational boaters, commercial fishing, marine research and government agency (NOAA, Coast Guard) business has enabled the facility to be less reliant on any one industry and operate with greater resilience.

From 2010 to 2013, Gravelle's upgraded its haulout capacity from 60 tons to 75 tons with a \$300,000 purchase of a previously owned 75-ton Travelift. The facility handles approximately 600 boats a year, half of which are serviced at some level at the boatyard. The remaining 300 are simply hauled out or returned

Both Gravelle's and Santa Barbara claimed to use the mobile soda wash and bead blasting services as a more cost efficient way to address customer needs and avoid expensive filtration and disposal requirements and staff to operate the equipment.

The cost of a new Marine Travelift ranges from approximately:

- 50 metric tons - \$250,000
- 75 metric tons - \$300,000
- 100 metric tons - \$450,000-\$500,000
- 150 metric tons - \$750,000

These are "base model" costs and include delivery, on site assembly and training (personal communication with Marine Travelift, October, 2014).

to the water for storage or transport. The absence of a staging

dock presents a challenge for some boaters as it requires a greater level of operating skill to steer boats into the facility's narrow quay, it also limits the facilities ability to calibrate or test certain equipment (electronic instruments, cooling systems, etc.) before the vessel heads to sea.¹⁰

In the past, the facility was staffed with three to four employees, each with some level of expertise in woodworking, rigging, painting and operation of onsite equipment. As demand for the facilities services declined through the 2000s due to a loss of larger fishing vessels, closures in the salmon fishery, a soft economy and the difficulties of attracting and maintaining qualified tradesmen, Gravelle's decreased its staff to one part-time employee. Chad Gravelle remains on-hand at the facility and is considered an accomplished welder and metal fabricator and well-versed in operation of the Travelift and other equipment.

The facility has an on-site chandlery with an extensive stock of paints and painting supplies,, zincs, maintenance and repair consumables, fiberglass, resin and epoxies, lights, switches, wiring, deck hardware, stainless fasteners, and fuel systems—all but that what might be needed by very large vessels or specialized fishing gear. The boatyard includes dry dock space for rent and repair of up to 12 boats. There are no long-term storage facilities for sailboats or small craft at Gravelle's. The facility occasionally relies on mobile soda wash and bead blast contractors.

Finance Structure

While the Moss Landing Harbor District provides nearby amenities of value to Gravelle's customers, Gravelle's is entirely privately owned and operated. As such, Gravelle's has borne the burden of marine-related infrastructure costs without public partnership or funding support. The Gravelles are currently negotiating with Gregg Marine for sale of the boatyard. Gravelle's owners claim that the primary reasons forcing the sale are the environmental regulations associated with Proposition 65, the Clean Water Act. The regulations required purchase of costly new filtrations systems for collecting liquids used in cleaning boat bottoms, modification of a seawall, and have caused a reduction of the number of services the boatyard can offer, such as sand blasting and bead blasting which require cumbersome permits that significantly increase costs.

Lease Information

The property at the boatyard is owned by the Gravelle's. The owners pay no rent or fees to the Harbor District, and instead have been paying down a mortgage for the property. The current land value less the outstanding balance on the mortgage (if any) may serve as a potential capital source that could support boatyard / haulout operations. The sale of the property includes the boatyard and haulout business and the property. The Gravelle's have stated that this is partially based on environmental liability concerns.

¹⁰ A staging dock is an area reserved for the final launch or temporary inbound hold of a vessel where visual and electronic inspection may be performed to ensure accuracy.

Infrastructure

Maintenance of physical infrastructure in shoreline erosion and environmental requirements associated with Proposition 65¹¹ have posed tough challenges for the boatyard.

Since the late 1990s, erosion of the sandbars adjacent to the harbor entrance channel and Gravelle's boatyard had begun to negatively affect efficient operation of the boatyard. A large storm in January of 2001 required temporary placement of approximately 150 cubic yards of quarter-ton rock along the edge of the boatyard and storage area. In 2013 Gravelles installed a 161-foot long riprap revetment¹² to prevent further erosion of the area, all at the owner's sole cost and expense.

Nearby Amenities

The area surrounding Gravelle's offers a balance of marine-dependent, marine-dependent/visitor-serving, and visitor-serving amenities. Marine-dependent amenities include a fuel dock, dry storage, pump-out facilities, and a four-lane public boat launch ramp¹³. Marine-dependent/visitor-serving amenities include a public wharf¹⁴, fishing supplies, a maritime museum, off-the-boat fish sales, restroom and shower facilities, and laundry.

Competitive Profile

The Gravelle family has a reputation of being fair and honest, and Gravelle's staff is repeatedly mentioned as a key reason customers use and return to the facility. Reviews from Yachtsman Magazine, Latitude 38 Magazine and Yelp.com offer some insight into the user perception of Gravelle's Boatyard facilities.

A customer from Lewiston, California traveled over 300 miles to Gravelle's because her charter boat was too large for other facilities.¹⁵ However, another customer noted Gravelle's lack of staging dock presented some challenges.¹⁶ While the boatyard's staff received generally

¹¹ According to California Office of Environmental Health Hazard Assessment, "Proposition 65, the Safe Drinking Water and Toxic Enforcement Act of 1986, was enacted as a ballot initiative in November 1986. The Proposition was intended by its authors to protect California citizens and the State's drinking water sources from chemicals known to cause cancer, birth defects or other reproductive harm, and to inform citizens about exposures to such chemicals." (<http://oehha.ca.gov/Prop65/p65faq.html>)

¹² A riprap revetment is a structure used in coastal engineering to prevent erosion of an existing coastline. It consists of rock or concrete rubble piled in a sloped configuration against the shoreline. The debris is meant to dissipate the force of wave action against the shoreline and lessen the effects of coastal erosion.

¹³ The new launch ramp is located at the Moss Landing North Harbor adjacent to Highway 1, and was built in 2007 with grant funding from the California Department of Boating and Waterways

¹⁴ The 900-foot long public wharf is located at North Harbor off of Highway 1, and was completed in 2007 with a loan from the California Infrastructure and Economic Development Bank.

¹⁵ In 2011, a customer using the name Heidi T. from Lewiston, California claimed on Yelp.com to travel over 300 miles to Gravelle's with her charter boat because it is too large for other facilities. "The people are honest and helpful, with a high quality of work, a good stock of supplies in the store and decent prices".

¹⁶ In 2012, a large vessel owner detailed on Yachtsman Magazine website how he was forced into a snug fit into the Gravelle's Travelift facility space. Despite the challenges, including having no staging dock and the tight fit of the vessel, the review was positive. Specifically the review stated that there were "tools for rent and a well-stocked chandlery with a very helpful staff". Customer service was discussed in a high

positive reviews, one customer noted that he no longer considers Gravelle's an option after its switch to a solely full-service facility.¹⁷

Takeaways for Morro Bay

The following are key takeaways for Morro Bay from the case study of Gravelle's Boatyard:

- Carefully consider an optimal Travelift capacity for Morro Bay users. Also, consider previously used equipment where possible.
- Carefully consider erosion, water treatment, permit entitlements and other environmental concerns at the haul out site.
- Assess the cost and benefits of full-service and/or DIY operations, including the costs associated with attracting and maintaining qualified staff and liability and insurance to cover vessel owners and crew working on their own boats.
- Consider the costs and benefits of the inclusion of a ship's store that could service vessel owners and boatyard staff. A partnership with the existing chandlery in Morro Bay may be worth investigation.
- A diverse client base of recreational, commercial, and marine research enables the facility to be less reliant on any one industry and operate with greater resilience.
- Showers, laundry facilities, dry storage, parks, restaurants and other visitor serving amenities may serve to attract more clients.
- Consider the costs and benefits to users of a staging dock
- Consider advantages and disadvantages of owning the property upon which the boatyard / haulout land is located.
- Consider that advantages of a City-owned facility and or property as opposed to a private ownership.
- Consider the costs and benefits of long or short-run use of mobile bead blast and soda wash contractors.

regard and Gravelle's was referred to as one of the more positive experiences within a haul out facility this user had encountered.

¹⁷ In 2014, a customer posted on Latitude 38 Magazine that he was informed over the phone that Gravelle's no longer allows boat owners and their crew conduct repairs and maintenance and anything done to the outside of your boat has to be performed by a Gravelle's employee at the rate of \$80/hour." The caller was informed that the reason for the change was too many "sloppy" boat owners allowed too much contamination to run into the waters of Moss Landing. As such, for this reviewer, Gravelle's is no longer an option.

5 Key Findings and Recommendations

5.1 Key Findings

The ultimate goal of establishing a boatyard and haulout facility in Morro Bay is to ensure the community has the physical resources and services to support resilient, independent and economically productive commercial, recreational, research and safety/security marine-dependent activities.

The Boatyard and Haulout Facility Market Demand Analysis was conceived and implemented to advise decision makers on the potential demand if a boatyard and haulout facility were established in Morro Bay. The findings of this first phase will advise decision makers if subsequent steps ("Phase II") in the investigation should be taken; such as:

- Alternative sites analysis
- Conceptual site plans
- Technical investigations including CEQA
- Potential ownership structure assessment and
- Coastal Development Permit and Regulatory agency approval

The following is a summary of the highest priority and most pertinent information that was generated from the extensive input gathered from the City, commercial and recreational fishing communities, representatives from the Morro Bay Yacht Club, and a written survey that was distributed to the entire boating community. Information was also gathered from a review of pertinent State, Federal and industry databases and site visits to Ventura Harbor Boatyard, Santa Barbara Boatyard, and Gravelle's Boatyard as well as email and phone communication with representatives from these facilities. The report also includes information provided by representatives from the marine travelift industry.

Timing is Everything

The Morro Bay City Council has acknowledged the community's desire for a boatyard and haulout facility and has been assessing options since 1997. If property becomes available to the City as a result of the decommissioning of the Dynegy power plant, the timing may be right to engage in next steps of the boatyard haulout assessment process.

Broad Support

There is strong interest and support from a diversity of local stakeholders, led by the commercial fishing industry (MBCFO), recreational boaters (MBYC), the environmental community (MBNEP) and others. Vessel owners and operators have a keen interest in a local facility. As direct patrons, it would reduce the distance they must travel to haul their boats out and perform maintenance. The MBNEP, as a representative of the environmental community, supports a potential boatyard and haulout project to enable Morro Bay to quickly address leaking or

Of those who responded to the survey, 20% travel to Ventura for haulout and maintenance, 11% to Santa Barbara, 20% to Port San Luis, 7% to Moss Landing and 45% to "other" facilities.

derelict vessels, protecting the estuary and fulfilling a key tenet of their mission. A project of this scope and scale will require close collaboration with and support from as many marine-dependent users and stakeholders as possible.

Local Demand

Of the 450 vessels in Morro Bay, 110 responded to a written survey. From those responses, Morro Bay could expect approximately 269 customers/vessels per year to spend between \$1.1 million and \$2.3 million at the haulout and boatyard facility. This assumes the facility would allow some work to be conducted by vessel owners and would provide the basic services such as bottom cleaning and sanding, painting, replacement of zincs, drive shaft and rudder repair and maintenance (see Appendix D for details).

Industry Trends

Approximately 450 recreational and commercial vessels are in Morro Bay; many owners of which have confirmed their interest in and intent to patronize a local boatyard and haulout facility. In addition, approximately 300 recreational vessels and dozens of commercial fishing vessels visit Morro Bay each year and represent additional potential demand. Highlights of trends in these “demand” industries include:

- **Commercial fishing** activity in Morro Bay, measured in earnings at the dock, has increased by over 370% in the last 5 years and mirrors trends in the State (CDFW).
- **Recreational boat registration**, California is number 4 in the nation at over 800,000 (Recreational Boating Statistical Abstract, 2011, NMMA)
- **Ship, Boat Building and Repair** industry is valued at approximately \$670 million in California (NOAA, ENOW).
- **Recreational fishing** trips and the number of CPFV anglers rose in 2012 and 2013, back to 2004 and 2005 levels (CDFW).

Competitive Climate

Small coastal communities like Morro Bay are relatively isolated from services such as a boatyard and haulout services. As these services are a universal requirement of boat owners large and small, recreational and commercial, there exists a fairly high percentage of latent local demand. As indicated in the survey responses, the majority of vessel owners in the harbor would likely patronize a boatyard and haulout facility in Morro Bay.

Decision makers in Morro Bay should also consider that between Point Richmond in San Francisco Bay and Ventura (approximately 375 miles), there are no boatyard and haulout facilities with over 80-ton travelift capacity. While there are only two or three vessels currently in the harbor that require this capacity, decision makers should weigh the costs (capital, maintenance) and benefits (more revenue) of a larger capacity Travelift. Decision makers must also consider increased boat traffic in the harbor that a larger capacity lift might attract, although it would like not be more than one or two boats per month.

“I am surprised there are no facilities in that stretch of coast with more than 100 metric ton capacity. Even from Ventura south, there are few, if any, facilities with high capacity lifts”
(Jason Johnson, North American Sales Manager, Marine Travelift, personal communication, October, 2014)

Reputation

Through spoken interviews and the formal survey conducted for this project, the reputation of the staff and their ability to address technical projects such as aluminum and stainless steel fabrication and the quality of workmanship are top criteria for vessel owners on where they haul their boats out. The capacity of the travelift also becomes a "calling card" and defines the facility and the target clientele.

Soda blasting is a high-pressure, air-driven method of cleaning and stripping paint from steel, fiberglass and aluminum substrates in

Innovation

Innovative approaches to funding for capital equipment, management and the use of new technology are important influences to the performance and tenability of a boatyard and haulout business.

Over 75% of survey respondents claimed that they engage in bottom cleaning in a typical haulout.

Three of the project case studies use, at some capacity, mobile soda and bead blast services. This gives those facilities the capability to address an important task without investing in and maintaining expensive equipment and personnel. Mobile blasting services also provide a solution for compliance with environmental requirements, as all the liquid and solid material used in the process is taken off site.

The Ventura Harbor Boatyard took a non-conventional approach to funding for the purchase of their travelift through a public-private collaboration with the Harbor District. The Port San Luis boatyard and haulout is partially managed by the Port San Luis Harbor District, with a lease to private individuals

Public versus Private

Based on our research, without consistent demand from large vessels undertaking extensive work, it is difficult to maintain a private boatyard and haulout facility, particularly considering land acquisition costs. A publicly owned facility is able to assume the perspective of addressing the public good, protecting harbor assets as well as addressing the tenets of the Coastal Act, by supporting commercial and recreation fishing and marine-dependent activities. A publicly owned facility will also have access to grant sources not available to a private business. Grant sources that were identified by other facilities include: Central Coast Joint Cable Fisheries Liaison Committee, San Luis Obispo Council of Governments, and the California Division of Boating and Waterways. A more extensive list of potential funding sources for planning and development of a boatyard and haulout facility can be found in Appendix B.

Of those that responded to the project survey, 43% claimed that they chose a haul out facility because of its "closeness and convenience", 24% claimed to make that decision because they could work on their boat themselves.

Client Diversity

A diverse customer base of commercial fishermen, recreational boaters, research vessels and local and visiting boats will translate to greater feasibility and resiliency. Ventura has benefited greatly from clients in the marine oil and gas industry and Gravelle's from the nearby research institutions such as MBARI and Moss Landing Marine

Labs. Morro Bay does not have the proximity to oil rigs or research institutions and may consider attracting such clientele, with, for example a large capacity travelift and/or access to technicians with experience on larger and more complex engagements (shipwright, welders, fabricators).

Do-it-Yourself or Boatyard Staff

Evidenced by survey responses, whether a vessel owner is allowed to work on his boat or not is a strong influencing factor on boatyard and haulout facility choice, particularly for commercial fishermen. Being able to work on your own boat only followed proximity as the strongest influence on boatyard choice. Many respondents also claimed to be influenced by qualified and experienced staff. Even those vessel-owner who undertake most of their own haulout and boatyard work, seek the expertise of welders, electrician, carpenters, rigging experts and diesel mechanics.

Storage for Sailboats

The present sailboat storage facility in Morro Bay is considered inadequate and representatives from the MBYC and sailing community expressed strong sentiment that there is demand for storage and an economic opportunity is being missed in Morro Bay. While many of the survey respondents keep their boats in the water or have trailerable vessels (and don't need storage), over 30 respondents stated that they would patronize a storage facility in Morro Bay. The majority of these respondents were sailboat owners but commercial and recreational motor craft owners have expressed their interest and support as well and make up the potential market for dry storage.



Photo: Boat storage on the South Embarcadero, Morro Bay

5.2 Recommendations

The recommendations herein are aimed at advising leaders and decision makers in Morro Bay on the next steps in the possible planning of a boatyard and haulout facility, including the possibility the project is simply not feasible or tenable.

Recommendations that follow are based on the profile of potential demand and market conditions drawn from: 1) on-going discussions with and a formal survey of the local commercial and recreational fishing community, the recreational boating community and the City of Morro

This report is an excellent example of the community's capacity to identify priorities, procure funding and execute projects.

The survey sought specific information on local vessel owners' influences and preferences on boatyard and haulout facility patronage and the frequency and type of work in which they engaged.

The case studies were intended to shed light on various approaches as they may affect demand: lift capacity, service protocol, financing, customer base and related infrastructure.

Bay, 2) case studies of four regional boatyard and haulout facilities and 3) a review of data from local, state, federal and industry archives.

Based on the findings of this project and understanding of the potential local demand of approximately 269 customers/vessels and \$1.74 million per year and the additional potential demand from visiting vessels, **it is recommended that the community proceed with follow-on steps to test feasibility of and possibly pursue entitlements for a boatyard haulout facility in Morro Bay.** Based on the findings, it is unlikely an entirely privately owned and managed boatyard and haulout facility would be successful in Morro Bay, one that would carry the burden associated with all land and infrastructure costs (mortgage, taxes, etc). As such, it is recommended that the community work closely with Dynegy, the City, and other proven funding sources to acquire land and approach the project from a public private partnership model that has proven effective as illustrated in the case study section of this report. Still, it is possible that the project is found to be untenable if appropriate physical sites cannot be identified or procured, or there are regulatory hurdles that cannot be mitigated. The recommendations are as follows:

Research included a review reports generated from Morro Bay's 17-year pursuit of a boatyard and haulout facility and trends in the California ship and boat building industry, and local user groups such as commercial and recreational fishing and recreational vessel ownership.

The MBCFO, MBYC and the MBNEP were strong proponents of a boatyard and haulout facility in Morro Bay and the Market and Demand Analysis.

- 1) Proceed with the next steps in the investigation based on:
 - a. Very strong support in the community from a diverse stakeholder base that consists of commercial, recreational and environmental interest groups and individuals.
 - b. The potential of approximately 269 local vessel/customers that generate \$1.74 million per year, plus additional potential demand and earnings from visiting vessels (see Appendix D for details).
 - c. The fact that such a facility could serve the public good, protect harbor assets and strengthen marine dependent infrastructure and services in Morro Bay a community with a vibrant working waterfront heritage.
 - d. Those steps include: potential sites analysis, conceptual and preferred site plan alternatives, technical investigations and CEQA, regulatory approval and permit acquisition and assessment of management and acquisition strategies.
- 2) Work closely with Dynegy as they divest from the power plant. Identify appropriate sites for the boatyard facility which may be made available to the City as a result of that divestiture.
- 3) Consider a public-private partnership structure where the City owns the property and either provides a ground lease to a private operator, or assumes operation of the facility for the

A boatyard and haulout facility is consistent with the community's commitment to marine dependent uses. Measure D, passed by voters in 1985 is intended to protect and support the commercial and recreational fishing industries by reserving Harbor lease sites north of Beach Street for their use.

A high capacity hoist could complement the facility in Port San Luis by attracting larger boats into the area that will not compete but bring demand for "shared" goods and services.

public good to protect and support marine dependent uses while contracting or subleasing certain aspects of the operation.

- 4) Work closely with the Port San Luis Harbor District in developing a boatyard, haulout and marine services cluster in San Luis Obispo County. Clusters harness geographic proximity and complementary business profiles where human and technical resources can be shared making the "cluster" more efficient and attractive than if the facilities operated independently.
- 5) Consider the costs and benefits of high capacity hoist, possibly 100-ton, to give Morro Bay a competitive advantage and the ability to attract larger boats with larger maintenance projects. Also, understand clearly if significant impacts in the form of increased vessel traffic would occur in the harbor.
- 6) Consider a gantry crane to augment the services provided by the Travelift and increase the customer base by catering to the smaller vessel recreational and sailing community as well as the small recreational and commercial fishing vessels.
- 7) Consider working closely with a private chandlery, and including a ship's store, with extensive inventory as part of the facility.
- 8) Consider including dry storage for sailboats and other trailerable vessels and a service where the boats can be easily hauled out and put in, serving on the recreational sailing fleet.

Survey respondents indicated that 40% would store their vessels if there were an appropriate facility in Morro Bay, the majority of those respondents went on to indicate that they would spend between \$50 and \$150 per month for storage.

Survey respondents indicated that 40% would store their vessels if there were an appropriate facility in Morro Bay, the majority of those respondents went on to indicate that they would spend between \$50 and \$150 per month for storage.

- 9) Consider engaging experts who have owned and managed boatyards and haulout facilities for participation on an Advisory Committee as the project progresses or ultimately as a facility manager. Chad Gravelle is moving to San Luis Obispo County as Gravelle's Boatyard is being sold, he and Damon Hulst owner of Santa Barbara Botyard have expressed interest in contributing to or participating in a potential Morro Bay project.
- 10) Consider grants or low-interest loans for the next steps in the investigation process, including revenue-sharing options with another public agency to fund all or a portion of the boatyard haulout entitlements (consider as an example the Port San Luis Harbor Terrace project for which the State Coastal Conservancy is funding the Coastal Development Permit in exchange for a revenue sharing agreement with the Port San Luis Harbor District). See Appendix B for a list of potential funding sources that could support further steps towards and development of a potential Morro Bay boatyard haulout facility.

The City of Morro Bay and the Central California Joint Cable Fisheries Liaison Committee have contributed generously to the Demand and Market Analysis and should be considered to assist with next steps.

lisa wise consulting, inc.

planning economics natural resources

Appendix A: SURVEY INSTRUMENT

Appendix A contains the survey as it was distributed to the boating community in Morro Bay, through primary contacts at the Morro Bay Commercial Fisherman's Organization, Morro Bay Yacht Club, Harbor Patrol.

Morro Bay Boatyard-Haul Out Facility Survey

Name: _____ **Contact Information (Optional):** _____

Date: _____

Lisa Wise Consulting, Inc. has been hired by the Morro Bay Commercial Fisherman's Organization (MBCFO) and the City of Morro Bay to assess the potential market demand for a vessel haul out and boatyard service facility in Morro Bay. An important aim of our research is to understand what are the types and quantity of services required by local vessel owners. Please complete the survey to the best of your ability and return by Friday October 10th to Lisa Wise Consulting, Inc. via email to brian@lisawiseconsulting.com; facsimile to (805) 595-1978; or post to:

Lisa Wise Consulting, Inc.
Attn: MB Boatyard/Haul Out Project Manager
983 Osos Street,
San Luis Obispo, 93401

Any information that you provide will be handled with confidentiality; personal names and vessel information will not be released to the public or used in the report.

Also available online at: <https://www.surveymonkey.com/s/RGFGHYK>

Thank you on behalf of the City of Morro Bay and the MBCFO.

1. Where is your homeport? _____

2. If Morro Bay is your homeport, how long have you been here?

- < 5 years
- Between 6 and 10 years
- Between 10 and 14 years
- Between 15 and 19 years

> 20 years

3. What type of vessel do you own or operate?

- Sail
- Motor Recreational
- Commercial Fishing
- Research
- CPFV
- Other Commercial, please specify _____

4. What is the length of your vessel? _____

5. What is the weight of your vessel?

- < 5 tons
- Between 6 and 30 tons
- Between 31 and 60 tons
- > 61 tons

6. How often do you haul your vessel out of the water?

- Every year
- Every 2 years
- Every 3 years
- Less than once every 3 years

7. How much do you usually spend on a typical haulout?

- Less than \$1,000
- Between \$1,001 and \$5,000
- Between \$5,001 and \$10,000
- Greater than \$10,001

8. What type of work does your typical haulouts include?

9. How often do you engage in a "major" haulout?

- More than every 4 years
- Every 4 years
- Every 5 years
- Less than once every 5 years

10. How much do you usually spend during a “major” haulout?

- Less than \$10,000
- Between \$10,001 and \$20,000
- Between \$20,001 and \$30,000
- Greater than \$30,001

11. What type of work do your major haulouts include?

12. Do you typically perform work on your boat yourself?

- Yes
- No
- Yes, except for tech work such as: Electrical
- Yes, except for tech work such as: Electronics
- Yes, except for tech work such as: Welding and Fabrication
- Yes, except for tech work such as: Carpentry
- Yes, except for tech work such as: Rigging
- Yes, expect for tech work such as: Other (please specify) _____

13. Where do you typically haul out? _____

14. What are the primary reasons for your choosing that facility?

- Close and/or Convenient
- I Can Work on Boat Myself
- Availability of Expert Technical Trades
- Travelift/Hoist Capacity
- Price

15. Would you store your boat in Morro Bay if there was a dry storage facility?

- Yes
- No

16. If Yes, approximately, how much would you spend per month to store your vessel in Morro Bay?

\$_____per month

17. Is there any additional information you would like to provide regarding a boatyard in Morro Bay?

Thank you for participating in this survey

Appendix B: CALIFORNIA BOATYARDS

As indicated in Chapter 4, boatyard haulout facilities located along the California Coast comprise the competitive climate to be considered in assessing demand for a potential facility in Morro Bay. Appendix B identifies boatyard and haulout facilities by County, as follows.

ALAMEDA COUNTY

Bay Ship and Yacht Company, Alameda
Berkeley Marine Center, Alameda
British Marine, Oakland
Svendsen's Boat Works, Alameda
The Boat Yard at Grand Marina, Alameda

CONTRA COSTA COUNTY

Bay Marine Boatworks, Point Richmond
Bethel Harbor, Bethel Island
Bridgehead Marine Services, Antioch
Delta Boat Works, Isleton
Diablo Boat Works, Bethel Island
KKMI, Point Richmond
Marine Emporium, Bethel Island

LOS ANGELES COUNTY

Al Larson Boat Shop, Terminal Island
Colonial Yacht Anchorage, Wilmington
Gambol Industries, Long Beach
King Harbor Marine Center, Redondo Beach
Marina Shipyard, Long Beach
Seamark Marine, Marina del Rey
The Boatyard, Marina del Rey
Wilmington Marine Service Boatyard, Wilmington
Windward Yacht & Repair Center, Marina del Rey

MARIN COUNTY

Sausalito Shipyard & Marina, Sausalito
Bayside Boatworks, Sausalito
KKMI, Sausalito
North Bay Boatworks, Sausalito
Richardson Bay Boatworks, Sausalito
Spaulding Wooden Boat Center, Sausalito

NAPA COUNTY

Napa Valley Marina, Napa

ORANGE COUNTY

Balboa Boat Yard of California, Newport Beach Basin Marine, Newport Beach
BellPort Newport Harbor Shipyard, Newport Beach

Cabrillo Boat Shop, Newport Beach
Dana Point Shipyard, Dana Point
Larson's Shipyard, Newport Beach
South Coast Shipyard, Newport Beach,
Sunset Aquatic Shipyard, Huntington Beach

SACRAMENTO COUNTY

Ament Marine Services, Isleton

SAN BERNARDINO COUNTY

Dependable Performance Marine, Fontana

SAN DIEGO COUNTY

Driscoll Boat Works, San Diego
Driscoll Mission Bay Boat Yard & Marina San Diego
Fonteneau Yacht Repair, San Diego
Knight & Carver Yacht Center, National City
Koehler Kraft, San Diego
Marine Group Boat Works, Chula Vista
Nielsen Beaumont Marine, San Diego
Oceanside Marine Centre, Oceanside
Shelter Island Boatyard Yachtways, San Diego

SAN FRANCISCO COUNTY

Drake Marine, South San Francisco
San Francisco Boat Works, San Francisco

SAN LUIS OBISPO COUNTY

Morro Bay Boatyard, Morro Bay
Port San Luis Boatyard, Avila Beach

SAN JOAQUIN COUNTY

Delta Marine Services, Stockton

SANTA BARBARA COUNTY

Harbor Marineworks, Santa Barbara

VENTURA COUNTY

Chris Russell's Marine Services, Oxnard
Bell Port Anacapa Marine Services, Oxnard
Ventura Harbor Boatyard, Ventura

SOLANO COUNTY

Walton's Marine Repair, Rio Vista
Vallejo Boatworks, Vallejo

Appendix C: POTENTIAL FUNDING SOURCES

The Potential Funding Options section is intended to provide guidance on funding mechanisms that may be applicable to support on-going planning and implementation of a boatyard and haulout facility in Morro Bay. The inventory of potential funding options is meant as a "living document" and to be augmented as new opportunities arise.

Morro Bay has been very successful in identifying, pursuing and attaining funding sources to achieve community priorities on the waterfront. Examples include the City being awarded the National Fish and Wildlife Fisheries Innovation Fund grant (2013) to create the first Community Sustainability Plan in California, and support from the California Coastal Conservancy to fund a Business Plan (2008) and establish a state-of-the-art ice machine (2006). The Morro Bay Commercial Fishermen's Organization has also worked very successfully with the Central Coast Joint Cable Fisheries Liaison Committee (CCJCFCLC) to fund four years of Economic Impact reports, and the CCJCFCLC and the City are funding this Market Demand Analysis.

The CCJCFCLC was formed to work directly with the fishing community to mitigate for loss and disruption of fishing grounds due to the installation and presence of communication cable(s) on the seafloor in local waters. The Committee is made up of representatives from the communication companies and the local fishing industry. While focused on fisheries in the Morro Bay and Port San Luis area, has funded projects that benefit regional fishermen, particularly the trawl industry as they were impacted the most heavily.

The following grant and debt sources may be applicable to fund parts of the on-going planning, entitlement and development of a boatyard and haulout facility in Morro Bay.

Grant Funding

CCJCFCLC Community Grants¹⁸ have provided funding for a range of projects in Morro Bay and should be considered for on-going planning and implementation.

The CCJCFCLC was formed to work directly with the fishing community to mitigate for loss and disruption of fishing grounds due to the installation and presence of communication cable(s) on the seafloor in local waters. The Committee is made up of representatives from the communication companies and the local fishing industry. While focused on fisheries in the Morro Bay and Port San Luis area, has funded projects that benefit regional fishermen, particularly the trawl industry as they were impacted the most heavily.

¹⁸ <http://www.slofiberfish.org/index.html>

CDBG Planning and Technical Assistance Grant, Operated by the California Department of Housing and Community Development, the purpose of the CDBG program¹⁹ is to create or retain jobs for low-income workers. This program provides funding for economic development projects, public infrastructure improvements, as well as housing and community related projects and activities.

SLO County Council of Governments (SLOCOG) Plans and Specs, SLOCOG provides funding to support specifications and plans for development projects aimed at community benefit. Port San Luis Harbor District has harnessed these funds for planning to extend the mobile hoist pier and improve the performance of their boatyard and haulout facility.

California Coastal Conservancy²⁰ may consider funding the entitlement or components of the development of the boatyard and haulout facility as it is aimed at the public good, serves a diversity of marine users groups and has a strong environmental stewardship component and strong support from the environmental community. The Coastal Conservancy's Urban Waterfronts Program funds a wide range of projects that promote public access to the coast, natural resource management, and restoration of urban waterfronts. These grants can include funding construction of infrastructure.

California State Coastal Conservancy's, Climate Ready Grant, while round 3 of this grant application was due on November 17, 2014, the community should consider future rounds as the boatyard and haulout facility is established. This grant is aimed at the following types of projects: Control and abate air pollution, specifically by reducing greenhouse gases; acquire, preserve, or restore natural areas or ecological reserves at risk due to climate change; protect nongame species and threatened and endangered plants and animals from the impacts of climate change; protect, enhance, and restore fish and wildlife habitat and related water quality where impacted by climate change; and acquire real property containing sensitive natural areas for parks to reduce the impacts of climate change.

California Sport-fishing and Boating Safety Act, grant funding that was used in 1999 to purchase a Travelift in the Ventura Boatyard, with matching funds from the Harbor District and the VHB. If this bill is re enacted in 2014, funds will be available through 2021.

National Fish and Wildlife Foundation, The National Fish and Wildlife Federation's Fisheries Innovation Fund Grant²¹ provides funding for improving capacity in fishing communities, including promoting participation in community-supported fishing associations; reducing bycatch; and improving fishery-related data collection and quantity for use in science, management and business purposes. NFWF is interested in subsequent rounds of funding to support implementation oriented projects.

¹⁹ www.hcd.ca.gov/fa

²⁰ <http://scc.ca.gov/category/grants/>

²¹ <http://www.nfwf.org/Pages/fisheriesfund/2012-fisheriesfund-rfp.aspx#.UR6cEEpVSrU>

California Sea Grant, California Sea Grant²² programs are structured around healthy marine ecosystems, sustainable resource use, coastal community development, new technology, and education, training and public information. Strategic goals include working with stakeholders to resolve conflicts over resource-use, creating social and economic incentives to encourage the preservation and sustainable use of marine resources, and promoting vibrant coastal economies.

Economic Development Administration (EDA), The EDA is part of the U.S. Department of Commerce. EDA investment programs²³ include: Global Climate Change Mitigation Incentive Fund, Public Works and Economic Development Program, Economic Adjustment Assistance Program, Research and National Technical Assistance, Local Technical Assistance, Planning Program, University Center Economic Development, and Trade Adjustment Assistance for Firms. Applications for EDA programs are evaluated based on the following guidelines: (1) market-based and results driven, (2) strong organizational leadership, (3) advance productivity, innovation, and entrepreneurship, (3) looking beyond the immediate economic horizon, anticipating economic changes, and diversifying the local and regional economy, and (4) high degree of commitment through local government matching funds, support by local officials, cooperation between business sector and local government.

Debt Funding

California Maritime Infrastructure Bank and Authority, The California Maritime Infrastructure Bank and Authority²⁴ services financing for ports and harbors, and provides lease financing for infrastructure used by ports and port tenants. The Bank and Authority is not a commercial bank, and only member authorities may participate in financing programs. Thus to seek funding from the Bank and Authority, the City of Morro Bay must become a member of the organization.

New Resources Bank (NRB), New Resources Bank²⁵ funds businesses and organizations that contribute to environmental and social sustainability. NRB is working with Ilwaco Fish Company and Wild Planet to facilitate their growth and capacity.

Community Lending, Under the federal Community Reinvestment Act (1977), depository institutions are required to help meet the credits needs of the community in which they operate. Many banks have community-lending programs. For example, Wells Fargo has a Community Lending division that provides interim construction financing for community development commercial real estate projects. Wells Fargo offers construction loans, permanent loans, bond financing, and letters of credit to developers and public agencies.

²² www-csgc.ucsd.edu/FUNDING/IndxFunding.html

²³ www.eda.gov/InvestmentsGrants/Investments.xml

²⁴ <http://www.californiamaritimeinfrastructureauthority.org>

²⁵ <https://www.newresourcebank.com/>

General Obligation Bonds, General Obligation Bonds may be sold by a public entity that has the authority to impose ad valorem taxes. Ad valorem taxes are based on an assessed value of real property and must be approved by a two-thirds majority vote of the people. Primary use of this tax is to acquire and improve public property.

NOAA Fisheries Finance Program, The NOAA Fisheries Finance Program is a direct government loan program²⁶ funded by Congress to provide long-term loans to aquaculture, mariculture, and commercial fisheries industries. There is no minimum or maximum loan amount, but it cannot exceed 80 percent of the eligible project's cost. The loan interest rate is fixed at two percent over the U.S. Treasury's cost of funds with loan maturities up to 25 years and no early pay-off penalties. A one-time filing/commitment fee equal to half of one percent of the proposed loan amount is required at the time the application is filed.

Community Facilities District (CFD), A CFD or Mello-Roos District is an area where a special property tax on real estate, in addition to the normal property tax, is imposed on those real property owners within a Community Facilities District. These districts seek public financing through the sale of bonds for the purpose of financing public improvements and services. The property tax paid is used to make the payments of principal and interest on the bonds. The services and improvements that CFDs can finance include streets, sewer systems and other basic infrastructure, police protection, fire protection, ambulance services, schools, parks, libraries, museums and other cultural facilities. By law, the CFD is also entitled to recover expenses needed to form the CFD and administer the annual special taxes and bonded debt.

U.S. Small Business Administration (SBA) Loan Programs, The 7(a) Loan Program includes financial help for businesses with special requirements. For example, funds are available for loans to businesses that handle exports to foreign countries, and for other very specific purposes. Qualifying businesses may use proceeds to purchase land or buildings, and/or to cover new construction as well as expansion or conversion of existing facilities. Commercial fishing vessels are eligible to receive loans under this program

The 504 Loan Program provides approved small businesses with long-term, fixed-rate financing used to acquire fixed assets for expansion or modernization. 504 Loans are typically structured with SBA providing 40% of the total project costs, a participating lender covering up to 50% of the total project costs, and the borrower contributing 10% of the project costs. Under certain circumstances, a borrower may be required to contribute up to 20% of the total project costs. To be eligible for a 504 Loan, businesses must be operated for profit and fall within the size standards set by the SBA. Under the 504 Program, a business qualifies if it has a tangible net worth not more than \$15 million, and an average net income of \$5 million or less after federal income taxes for the preceding two years prior to application.

²⁶ www.nmfs.noaa.gov/mb/financial_services/ffp.htm

Appendix E: FINANCIAL CALCULATIONS

The revenue projection calculations in Appendix D are drawn directly from the 110 completed surveys and the range of responses in the questions. As there are a total of 450 possible vessel-owner respondents in Morro Bay, 110 completed surveys yields a confidence interval of 8.25 and confidence level of 95% that those completed surveys represent the behavior of the total possible (450) respondents. Final calculations (from the surveys) are increased by a factor of 4.09 ($110 \times 4.09 = 450$).

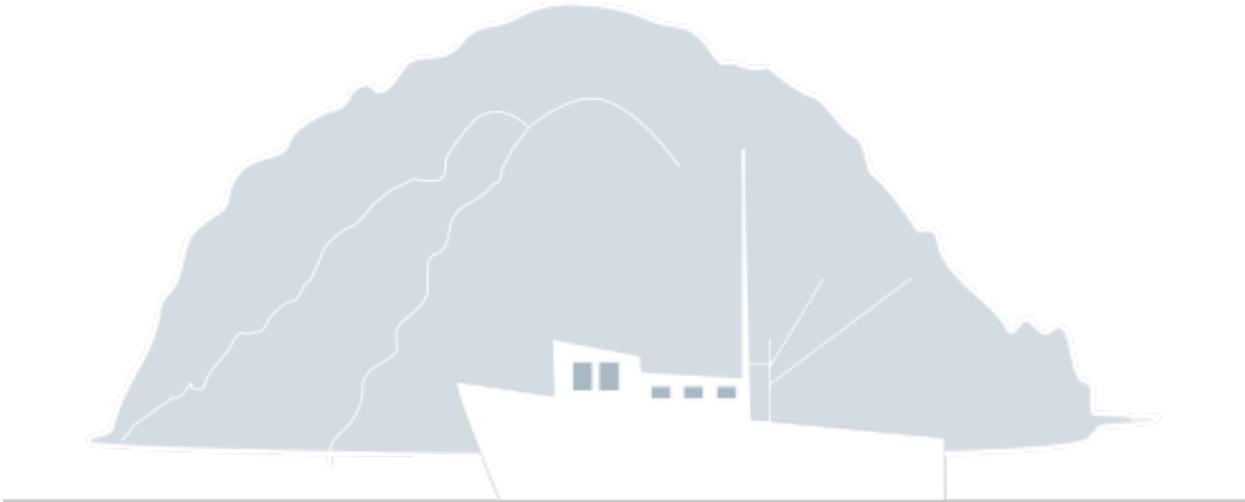
For example, the average number of respondents who indicated that they engage in typical haulouts every year is 36.7. Those 36.7 represent the behavior of all 450 vessels with a confidence level of 95% and confidence interval of 8.25. As such, approximately 150.3 vessel owners would engage in a typical haulout annually. Similarly, 29 respondents claimed they engage in major haulouts every year (factored over 6 years). This 29 would translate to approximately 118.8 major haulouts per year in Morro Bay. The total number of haulouts, typical and major is the sum of 151 and 118 or 269.

Another example is Question 7, which asks: How much do you spend on a typical haulout? The four possible responses include less than \$1,000, between \$1,001 and \$5,000, between \$5,001 and \$10,000 and greater than \$10,001. Question 10 poses a similar opportunity for major haulouts. Lows and highs of possible responses were averaged and the subtotal was increased by a factor of 4.09 to arrive at the number of potential users (with a confidence interval of 8.25 and confidence level of 95%), 269.

All of these calculations assume that the boatyard and haulout facility in Morro Bay captures all of the money spent by vessel owner customers on typical and major haulouts and that the facility offers the services identified by respondents as the most important, such as (DIY) allowing vessel owners to work on their vessels and basic services: water blast, sanding, painting, zinc replacement, rudder and drive shaft maintenance and repair.

lisa wise consulting, inc.

planning economics natural resources



**Morro Bay Harbor Advisory Board
Marine Facilities Ad Hoc Committee Report
April 1, 2015**

The Morro Bay Harbor Advisory Board's marine facilities ad-hoc committee met on March 30, 2015 to discuss its review of the Lisa Wise Consulting, Inc. "*Morro Bay Boatyard and Haulout Facility Market Demand Analysis*" public review draft report, dated March 2015. Present for the meeting were Lexie Bell for the National Estuary Program; Dana McClish, Harbor Advisory Board member; Alan Alward, Harbor Advisory Board member; and Ron Reisner, Harbor Advisory Board member. Prior ad-hoc committee review activities included committee members Adrienne Harris for the National Estuary Program; Jeremiah O'Brian for the Morro Bay Commercial Fisherman's Organization; and Eric Endersby, Morro Bay Harbor Department Director, the City of Morro Bay contract liaison with Lisa Wise Consulting, Inc.

After considerable discussion of the public review draft report's content, to include its "Key Findings and Recommendations", the Ad Hoc Committee's current review comments are as follows:

1. Through the study, the Ad Hoc Committee has learned a great deal about the potential demand for a Morro Bay marine facility, and to some extent the potential nature of that facility, as it relates to local need and desire. The study captured data and information from various disparate sources, including local Morro Bay owner/operators of pleasure boats and commercial fishing boats, as well as from relevant marine facilities both North and South of Morro Bay along the California coast, to include San Francisco Bay.
2. The Ad Hoc Committee supports the concept of keeping a Morro Bay marine facility process moving forward, specific to the local needs of such a facility, with that process focusing on a marine facility that includes a vessel haulout capability, a working boatyard, and vessel storage.
3. The Ad Hoc Committee recommends that the Committee, as well as the City Harbor Director who served as the City's liaison to the market demand analysis study, have the opportunity to apply what it has learned by assisting in formulating the criteria for a future feasibility study focused on a Morro Bay marine facility, as a next step in the overall process. The Ad Hoc Committee and the Harbor Director have key information relative to the type, nature and scale of a marine facility in Morro Bay, and look forward to applying that information to the benefit of the process and the City.

Key Committee Comments

- There is information that suggests the California Joint Cable/Fisheries Liaison Committee may not at present be in a position to make available its funds that were at one time identified for further study of a Morro Bay marine facility.
- In part, the study achieved the following: identifying the types of marine facility demand expressed by the study's 110 survey respondents; articulating the considerable local support for a marine facility; and suggesting the involvement of experienced marine facility operators in future feasibility study.

- The Committee points out that concerning the “Timing is Everything” comments in Section 1.2 and 5.1 of the study report, circumstances would appear to have changed relative to those comments. For instance, the City reports that for the foreseeable future there will be no further discussions with Dynergy concerning City acquisition of Dynergy property (beyond the recent acquisition of the “triangle parking lot”). Also, Port San Luis is moving ahead with improving the capabilities of its marine Travelift facility. Such factors would appear to mitigate a short-term urgency factor in the “Timing is Everything” consideration.
- In Section 2.1 of the report, “Frequency & Cost”, it is not clear to the Committee what is meant by the “... or more ...” reference in the first and second sentences of the paragraph.
- Referring to the data provided in Sections 1.2, 2.1, and Appendix D of the report, and to the revenue projection cited in Section 5.1, a logic path between the two is apparent. However, the Committee points out that the mathematical calculations are dependent upon a series of assumptions that begin with information derived from the study’s survey. If the survey information is in any way incomplete or flawed, and/or the assumptions are not correct or fully defensible, the study’s conclusion is brought into question, i.e. that “Based on the findings of this project and understanding of the potential local demand of approximately 269 customer/vessels ...”, “... **\$1.74 million per year** ...” in revenue would be available for a Morro Bay marine facility. Such uncertainty would have implications for the study report’s recommendation, “... **that the community proceed with follow-on steps to test feasibility of and possibly pursue entitlements for a boatyard haulout facility in Morro Bay.**” Any such uncertainty could be addressed by activities such as those described in review comment 3. above, and the next bullet point below.
- The Committee recommends that enhanced demand data be pursued in future vessel owner/operator surveys, which expands upon potential Morro Bay marine facility user information. Such enhancements include survey content, as well as survey distribution and follow-up to encourage survey responses.
- In Section 5.1, page 37, paragraph 10), the report makes reference to, “... grants or low-interest loans for the next steps in the investigative process ...” as well as for the pursuit of, “... boatyard haulout entitlements ...”. Applying for such grants and/or low-interest loans would likely require very defensible market analysis data, as well as very defensible financial feasibility data and projections.



AGENDA NO: A-1

MEETING DATE: May 7, 2015

CITY OF MORRO BAYSPECIAL HARBOR ADVISORY BOARDSYNOPSIS MINUTES

The special meeting of the City of Morro Bay Harbor Advisory Board was held Wednesday, April 22, 2015 at 6:00 PM in the Veteran's Hall, 209 Surf ST, Morro Bay, California.

ESTABLISH QUORUM AND CALL TO ORDER

Present:	Members:	Alan Alward (MBCFO Rep)
		Gene Doughty
		Bill Luffee
		Dana McClish
		Lynn Meissen
		Ron Reisner
	Absent:	Neal Maloney
	Staff:	Eric Endersby, Harbor Director
		Polly Curtis, Office Assistant

MOMENT OF SILENCEPLEDGE OF ALLEGIANCE

1. SPECIAL MEETING AGENDA ITEM
Marine Services Facility/Boatyard Ad-Hoc Committee and Harbor Advisory Board
Review of Morro Bay Boatyard and Haulout Facility Market Demand Analysis
Public Review Draft Document and Recommendations/Comments on Draft
Document

Chair Luffee introduced Mr. Henry Pontarelli of Lisa Wise Consulting (LWC) and asked him to present his findings to the Harbor Advisory Board.

Mr. Pontarelli thanked the City and the Board for the opportunity to present the findings on the *Morro Bay Boatyard and Haulout Facility Market Demand Analysis Public Review Draft*. He said support funding have been a joint effort of the City, the Morro Bay Commercial Fishermen's Organization through the Joint Fisheries/Cable Liaison Committee, and general support has come from the Morro Bay Yacht Club, the recreational boating community and environmental agencies such as the Morro Bay National Estuary Program.

Mr. Pontarelli said the main purpose of the Market Demand Analysis is to provide data for decision makers in the City on the needs of a Boatyard/Haulout Facility. He presented the project goals, the background, the methodology and approach, the key findings of the survey, interviews, and case studies. He also presented the recommendations by LWC for the City to consider the next steps. He concluded by thanking the Board and saying LWC is happy to work with the City in the future.

Chair Luffee asked Mr. Endersby if the Draft document can be made available to the public online, and Mr. Endersby said the document is already published on the City website for the public to review.

PUBLIC COMMENT:

Comments on the necessity of building a boatyard/haulout facility in Morro Bay were made by the following people:

Mr. Jim Phillips

Ms. Pandora Nash-Carter

Sioux Strebin

Mike Multari

Gerry Luhr

Todd Hansen

Stanley Craig

Andy Killian

John Bodine

Wayne Moody

Jeremiah O'Brien

Lori French

Tony Gomez

Ellery Strebin

John Michener

Tom Hafer

Brian Monroe

Ken Twist

Peter Behman voiced opposition to locating the future boatyard in the "triangle lot" due to noise, odor, and disruption to businesses on Front Street.

Further discussion by the Board.

Mr. Endersby said an alternative that may help move this forward to the next step, would be to recommend that the City identify a site for a future boatyard/haulout and make a commitment for that site; then hire a consultant to perform a site analysis.

MOTION: Ms. Meissen moved that the Marine Services Facility/Boatyard Ad-Hoc Committee proceed as rapidly as possible with developing site analysis on a boatyard/haulout/storage facility in Morro Bay. The Motion was seconded by Mr. Doughty, but a vote was not taken.

Discussion by the Board.

AMENDED MOTION: Ms. Meissen moved that the Marine Services Facility/Boatyard Ad-Hoc Committee proceed as rapidly as possible with developing site criteria on a boatyard/haulout/storage facility in Morro Bay. The Motion was seconded by Mr. Doughty and carried unanimously, with a vote of 6-0.

Mr. McClish said the first priority of the Ad-Hoc Committee will be to determine a location for a future boatyard/haulout in Morro Bay. He thanked the public for their comments, saying their input on the need of a boatyard in Morro Bay is very important to the Ad-Hoc Committee and the Board, and he hopes the community will continue to support this.

F. ADJOURNMENT

This meeting was adjourned at 8:00 PM.

Submitted by,

Polly Curtis
Harbor Department

Morro Bay Boatyard and Haulout Facility Site Criteria
Harbor Advisory Board Marine Facilities Ad Hoc Committee

May 6, 2015

Two Pages

- City owned or controlled property, or alternatively property for which there is a realistic opportunity for acquisition by the City.
- Necessary consideration of Measure D requirements and restrictions.
- The upland portion of the facility, as well as the haulout site or sites, able to obtain site approval from City, County, State (to include the California Coastal Commission) and Federal regulatory agencies.
- The upland portion of the facility large enough to accommodate at least ten 50' vessels blocked at one time for repair and/or maintenance, with adequate space for a Travelift of 75 metric ton (MT) capacity to maneuver (which requires a turning radius of 35'). Additionally, sufficient upland site size to accommodate a 60' by 30' (60' long by 30' wide, by 40' tall) fabric shelter builder (assuming pad size of 70' by 40' - equals 2,800 square feet or .064 acre), and a reasonably sized office/shop building (assuming 20' by 60' - equals 1,200 square feet or .028 acre). See Note A below. "Travelift" is trademarked brand name (the full name is Marine Travelift), and there are numerous other mobile boat hoist brands.
- The upland portion of the facility to have no vertical restrictions.
- The upland facility able to accommodate parking for twenty vehicles.
- The upland portion of the facility to feature soil conditions able to support the movement of a loaded 75 MT Travelift. Total weight of a 75 MT Travelift, when combined with its maximum rated load capacity, is 211,000 pounds.
- The upland portion of the facility to feature soil conditions able to support the blocking of a vessel weighing the same as the maximum capacity of a 75 MT Travelift, which is 165,000 pounds.
- The upland portion of the facility large enough to accommodate an as yet unspecified number, type and size of vessels in dry storage (up to one hundred trailerable boats and/or dry stack storage structure for up to one hundred boats). See Note B below.
- The upland facility well drained, to avoid standing water and a soft surface due to wetting (requiring minimal modification for run-off containment, and standing water management).
- The upland facility provided with adequate electrical service for light industrial uses (440 Volt service for fixed air compressor; 220 Volt service for lighting; 110 Volt service for power tool operation).
- The upland facility provided with adequate sunlight and prevailing wind exposure to support solar power and wind power applications.
- The upland facility provided with adequate fresh water supply, sufficient to supply fire main and occupational requirements.
- The upland facility able to feature restroom and shower facilities.
- The upland facility provided with adequate access to sewer main for discharge of treated wash-down water and run-off water.

- The upland facility provided with adequate lighting, to include security lighting.
- The upland facility able to accommodate a suitable vessel bottom cleaning containment system (hardscape area approximately 25' by 65', with water collection system involving storage/settling tank(s) and sump pump equipment).
- The upland facility able to include perimeter features to mitigate wind driven sand and debris from entering from the outside, and able to mitigate dust from inside the facility migrating outside.
- The upland facility able to be secure around its perimeter for security and safety requirements.
- The upland facility located as close as possible to the haulout site.
- The haulout site able to accommodate the piers and ramp for (up to) a 75 MT Travelift (mobile boat hoist).
- Means (a fixed hoist) to launch and haul out small boats of up to approximately 9,000 pounds, to accommodate trailerable boats and dry stored boats.
- The access route between the haulout site and the uplands facility able to physically support a loaded 75 MT Travelift (to include the weight of the hoist itself, and with vertical clearance up to 130'). Total weight of a 75 MT Travelift, when combined with its maximum rated load capacity, is 211,000 pounds.
- Reasonable pedestrian and vehicle traffic control possible relative to the access route between the haulout site and the uplands facility.

Note A: The 1998 Marshall study calculated an area of 530' by 150' (or 1.83 acre) as being necessary to "accommodate 20 vessels in a combination of lengths up to 80 feet and 22 feet beam".

Note B: The 1998 Marshall study calculated an area of 455' by 150' (or 1.57 acre) as being necessary to "provide long term storage for up to 120 trailerable boats in lengths to 25 feet". It should be noted that this size configuration does not include the use of dry-stack storage.

Note C: Endorsed by the Harbor Advisory Board by unanimous vote May 7, 2015.

B. PUBLIC HEARINGS
<https://youtu.be/pSs0oEsFmeQ?t=5m29s>

B-1 Harbor Department Status Report

Mr. Endersby briefed the Board on the following topics:

- Dredge Yaquina
- Lifeguard Academy
- Fishing Season
- Friends of the Harbor Department
- Recent City Council Action
- Recent Events
- Department Training
- Upcoming Events:

16 May National Safe Boating Week, Safe Boating Expo at MB Yacht Club

B-2 Presentation by U.S. Coast Guard Auxiliary Flotilla Commander 7-61 on the Role of the Auxiliary and Recreational Boating Safety

U.S. Coast Guard Auxiliary 7-61 Commander Dave Smith made a presentation to the Board on the role and function of the local Auxiliary and the opportunities for becoming a volunteer. He said people are welcome to join the Auxiliary by attending the fellowship meetings on the first Wednesday of every month at 6:30 PM in the Morro Bay Community Center, or by talking with Auxiliary members at the upcoming Expo.

Commander Smith announced the Safe Boating Week Expo will be held on Saturday, May 16th from 9:00-1:00 at the Morro Bay Yacht Club. The Coast Guard boat, the County Sheriff's new boat, and the Harbor Patrol boat #3864 will be at the Expo. Boaters will be able to have a free vessel safety check, along with a barbecue courtesy of Friends of the Harbor Department.

Commander Smith said his contact phone is 805-300-1058, email cgauxdave@yahoo.com.

C. UNFINISHED BUSINESS

C-1 Update from the Marine Services Facility/Boatyard Ad-Hoc Committee on Committee's Recent Activities, Findings and Recommendations
<https://youtu.be/pSs0oEsFmeQ?t=3h1m22s>

Mr. Reisner, Ad-Hoc Committee Chair, reviewed the recent findings for the Board.

MOTION: Mr. Reisner moved that the Harbor Advisory Board accept the Ad-Hoc Committee's draft site criteria for a Morro Bay boatyard and haulout facility. Further, that the Harbor Advisory Board recommend to the City Council that in the very near future the City apply those site criteria to identifying and committing planning activities to a Morro Bay boatyard site, the most likely of which, after looking over the alternatives, is the "Triangle Lot" immediately to the south of the Dynegy power plant and immediately north of the existing paved city lot on the east side of Embarcadero. The Motion was seconded by Mr. McClish and carried unanimously.

Discussion by City Manager and Board about the future use of the "Triangle Lot."

C-2 Update from the Capital Improvement Planning Ad-Hoc Committee on Committee's Recent Activities, Including Review and Concurrence with the Harbor Department's 5-Year Capital Replacement Schedule, 5-Year Capital Major Maintenance and Repair Schedule, and 5-Year Capital Equipment Schedule
<https://youtu.be/pSs0oEsFmeQ?t=3h15m38s>

Harbor Advisory Board – Marine Facilities Ad Hoc Committee Report – June 1, 2015

The Harbor Advisory Board's Marine Facilities Ad Hoc Committee met during May, 2015, and individual Committee members executing Committee related tasks. These activities are summarized below:

- On May 15, 2015 Committee members Dana McClish, Alan Alward, and Ron Reisner met with City of Morro Bay Community Development Manager Scot Graham. The purpose of the meeting was to discuss with City the history of boatyard and haulout facility planning, to include various boatyard and haulout facility sites, and to specifically discuss potential utilization of the "Triangle Lot" property for a Morro Bay boatyard.

Mr. Graham acknowledged the various historic studies. Additionally, Mr. Graham shared with us the City's likely intention of using significant portions of the Triangle Lot for "off-set" parking, which would be needed to bring City plans for the downtown portion of the Embarcadero to fruition.

We discussed with Mr. Graham the probable space requirements of a boatyard, as well as the site access needs relative to moving boats from a nearby haulout location to and from the yard. Mr. Graham acknowledged the pathway requirements for moving boats in and out of the Triangle Lot location. Additionally, Mr. Graham reiterated the City's current planning to use southern portions of the Triangle Lot for parking, and noted the planned use of a small portion of the lot along the south property line for elements of the Maritime Museum.

Mr. McClish pointed out that if the City owns the property immediately adjacent to the West wall of the Triangle Lot, there may be considerable opportunity for angled street parking along that side of Embarcadero.

Recommendation: Continue to monitor the City's intentions regarding the Triangle Lot, and continue to press the City relative to consciously making a commitment to siting a haulout facility and boatyard facility on as feasible as possible City property, or declare that no such sites are available. Further, that the HAB authorize the Committee to speak directly with the City Council and the City Manager regarding utilizing the Triangle Lot for a boatyard.

- We discussed with Mr. Graham the metal building on Dynergy property, immediately adjacent to the Triangle Lot's north property line. This building may be ideal for boatyard utilization. Mr. Graham replied he was familiar with the building, and in fact there is a pending demolition plan submitted by Dynergy. We encourage Mr. Graham to energize the City to immediately open dialog with Dynergy concerning that building, prior to it being demolished. We pointed out the building may represent a significant opportunity for the City, and if acquired and moved across the property line, represents a significant needed element of a boatyard. We also pointed out that if the City was unable to purchase the building, but dialog between the City and Dynergy indicated the building could be purchased, private parties may be interested.

Recommendation: Obtain from the City definitive information regarding the availability of the subject Dynergy building.



AGENDA NO: D-1

MEETING DATE: June 23, 2015

Staff Report

TO: Honorable Mayor and City Council

DATE: June 18, 2015

FROM: David Buckingham – City Manager
Rob Livick, PE/PLS – Public Works Director/City Engineer
Susan Slayton – Administrative Services Director

SUBJECT: Discussion and Direction on Street Repair Funding Options

RECOMMENDATION

Staff recommends Council receive information on a range of street financing options, decide now not to pursue a 2016 streets-focused tax measure, consider a financing option to raise street capital now, refer this concept to the Public Works Advisory Board and Citizen Finance Committee for review and refinement, and have staff gather additional public input then bring a financing plan to the City Council in October for decision.

ALTERNATIVES

1. Provide direction to pursue one or more of the potential additional funding options now.
2. Provide direction to table this issue until FY17 or FY18, removing this objective from FY16 objectives.

FISCAL IMPACT

No direct impact as a result of the recommended action.

BACKGROUND

Federal and State gas tax revenues continue to be a wildcard, due to Congressional inaction regarding the reauthorization of the Highway Trust Fund. Fortunately last fiscal year, the City was able to obtain a \$275,000 funding authorization from SLOCOG for pavement rehabilitation of South Bay Boulevard. Another somewhat bright spot, in the otherwise dismal street funding picture, is the Active Transportation Program (ATP), established by the California Legislature. The ATP consolidates various Federal and State transportation programs, including the Transportation Alternatives Program, Bicycle Transportation Account, and State Safe Routes to School, into a single program, with a focus to make California a national leader in active transportation. While most applications submitted from the relatively low population density area of the Central Coast have not been successful, in the future this program may be used to fulfill several of our Pavement Management Plan (PMP) shortfalls, as our

01181.0001/256734.1

Prepared By: RL/SS Dept Review: _____

City Manager Review: DB

City Attorney Review: JWP

population and accident history increases.

Another funding bright spot may be SB 16. That bill would create the Road Maintenance and Rehabilitation Program to address deferred maintenance on a variety of transportation facilities, including the local street and road system. The bill would provide for the program to be authorized every five years by the Legislature, and would provide that authorization for FY's 2015–16 through 2019–20. Proposed funding for that bill includes revenues from a \$0.10 per gallon increase in the motor vehicle fuel (gasoline) tax, \$0.10 of the \$0.12 per gallon increase in the diesel fuel excise tax, a \$0.10 per gallon storage tax on motor vehicle fuel, \$0.10 of the \$0.12 per gallon storage tax on diesel fuel, an increase of \$35 in the annual vehicle registration fee, and a new \$100 annual vehicle registration fee applicable to zero-emission motor vehicles. The estimate of the share of those funds, coming to Morro Bay, is \$1.2M, over the five-year period.

Finally last year, the City awarded a multi-year, indefinite delivery, indefinite quantity contract to Williams Concrete and Engineering to improve the ADA Accessibility for pedestrians by filling gaps in our existing sidewalk network, using the City's CDBG funds. That is very important because new Federal Highway Administration requirements took effect in July 2014, mandating missing or substandard curb ramps be installed whenever new road resurfacing is planned. That new requirement will effectively reduce the amount of funding that can be used directly on pavement rehabilitation.

Since 2007, Measure Q has steadily grown, and is now our primary source of revenue to improve street conditions. While the amount of "Measure Q" funding is usually in the magnitude of \$500K per year, the approximate annual funding, required to maintain streets status quo, is \$1.5M, with a total deferred street maintenance deficit of over \$26M (2014 dollars). Unfortunately, despite the City's recent increased investment in our street infrastructure, our backlog of street maintenance and repair continues to grow. In the words of our City Manager, "we diligently paint the deck chairs of the Titanic as it slowly slips below the waves."

The City of Morro Bay is not alone in this critical infrastructure funding issue. Governor Brown convened a special session of the State Legislature for June 19, 2015, to address these critical issues:

- The 2014 California Statewide Local Streets & Roads Needs Assessment Report found counties and cities are facing a \$79.3 billion funding shortfall for the maintenance and preservation of just the local street and road system over the next decade.
- State highways have \$59 billion in deferred maintenance.
- The average pavement condition index (PCI) in the State is a 66 on a scale of zero to one hundred, or a solid letter grade D.
- It is important to invest in both local and State transportation systems. Drivers, transit, pedestrians and bicyclists do not care about ownership of the transportation system; they just want to get from Point A to Point B as efficiently and safely as possible.
- The longer we wait to fix our roads, the more it will cost taxpayers in the long run.

In addition for Morro Bay:

- The City has 53 centerline miles of roads, and three bridges that we maintain.

- The PCI is 64 (a solid D-) and we have a backlog \$26M in deferred maintenance.

DISCUSSION

As previously stated, the City continues to invest approximately \$500K per year in major street maintenance. Unfortunately, those resources are not enough to keep the streets in their current poor condition. Without action, streets will continue to get worse until they fail, and the residents, visitors and businesses will be driving on dirt.

The City Council has previously directed staff to bring a proposal to consider a ballot measure for November 2016, which would implement another ½ cent sales tax increment to fund this critical infrastructure. While a successful ballot measure that increases the local sales tax increment would bring additional funds for street maintenance, staff does not believe Nov 2016 is the right time to consider a streets-focused sales tax increase. Some of those reasons include:

- The Nov 2014 election included a number of measures, including schools and Cuesta College that have measurably affected property tax rates.
- The recently passed water and sewer rate increases will have a measurable effect on many residents.
- The State is considering a road measure on the Nov 2016 ballot.
- SLO County may still consider a road measure on the Nov 2016 ballot.

For those reasons, staff recommends Council decide now not to consider a streets-focused sales tax increase in Nov 2016.

If not a sales tax increase, then what options does the City have to improve its street infrastructure? Staff is already implementing an “every other year paving program” to maximize the “economies of scale” factors to achieve more with less. Other ideas include:

- Consider leveraging all, or a portion of, the ~\$500K of annual streets-focused Measure Q funding, by using that revenue to finance a ‘loan’ that would allow us to perform a significant amount of work in the next 2-3 years.
- Consider special financing districts that allow use of the incremental property assessments increases to fund debt.
- Issue revenue bonds, funded through a property tax increase, to raise the required \$26M needed to bring up the average pavement condition index to 70, and preserve the Measure Q funding to maintain that level. That requires an increase in property tax, of approximately \$70 to \$100K in valuation, for 20 years. (Both the revenue bond and tax increase would also require a vote of the electorate, and is not recommended in 2016.)

Of all the possible approaches to accelerate our street improvement, using some or all of the “streets portion” of the Measure Q revenue stream would:

- Be a wise financial investment - saving money over the long term by doing a significant amount of work at current prices with future dollars.
- Be feasible – the City could, following Citizen and Board / Committee input, execute that plan now, without waiting for an election.
- Have an immediate impact – leveraging future dollars to execute \$3-9 Million of street repairs in the next 2-3 years.
- Demonstrate commitment and progress in a way that may make a 2018 streets tax measure more reasonable.

What might this look like?

- This year’s streets portion of Measure Q revenue is around \$550K. Our financial forecast anticipates Measure Q to increase at ~3.5%/year.
- Dedicating some or all of that revenue to a financing mechanism could be done for 20 or 30 years, resulting in the following principal amounts being available for street repair over the next 2-3 years:

Option	Term	Payment	Principal Available	Residual Measure Q Available
A	20 years	\$300K	~\$3.5M	\$250K
B	20 years	\$500K	~\$7.0M	\$50K
C	30 years	\$300K	~\$6.0M	\$250K
D	30 years	\$500K	~10.0M	\$50K

Neither plan produces the ~\$26M needed to bring all streets up to a street pavement condition index of 70 overall. However, it would allow the City to perform major rehabilitation of somewhere between 10% and 40% of our streets, depending on which option might be selected.

While a 30-year financing with ~\$500K of Measure Q would generate enough funds to rehabilitate perhaps 40% of our streets in the next 2-3 years, committing 100% of the “streets portion” of Measure Q would leave no revenue available to do much of anything to any other streets, except filling potholes, for a long, long time (except as other funding may become available).

Prior to making any investments, Public Works Engineering staff must update the pavement model to determine the optimal plan in order to maximize the use of whatever funding is available.

SUMMARY

Our streets are in bad shape and getting worse. If all of our streets were currently at PCI 70, then the ~\$500K “streets portion” of Measure Q revenue is about 1/3 of the requirement to simply maintain our streets at that less than favorable condition. Thus, without increasing the amount of money we spend on our streets, they will only get worse over time.

However, based on the measurable tax and rate increases our residents are dealing with in 2015-16, staff does not recommend a November 2016 streets-focused tax measure.

That said, improving our streets is one of our City’s top goals, and we can take some action now – without increasing any burden on our residents - to improve our streets more quickly, while also being better stewards of our taxpayer’s money.

Dedicating some or all of our Measure Q revenue to a financing mechanism over 20-30 years would produce ~\$3.5-10M of capital now for a 2-3 year round of major street improvement.

That would also allow us to better assess the impact of the possible State Roads bill, and possible 2016 County Streets Ballot Measure, which would allow a future Council to consider a 2018 Morro Bay streets ballot measure.

RECOMMENDATIONS

- Staff recommends Council decide now not to consider any streets-focused tax measure on the 2016 ballot.
- Staff recommends Council affirm the concept of dedicating some or all of the current Measure Q revenue to a financing mechanism to generate capital for a 2-3 year round of significant street improvement.
- Staff recommends Council request the Public Works Advisory Board and Citizens Finance Committee review and refine the financing options and have staff return to Council in October 2015 with recommendations for an executable financing plan for Council decision.

ATTACHMENTS

1. Proclamation by Governor Brown
2. 2015 Citywide Street Repair Cost Estimate

Executive Department
State of California

**A PROCLAMATION
BY THE GOVERNOR OF THE STATE OF CALIFORNIA**

WHEREAS maintaining infrastructure is a critical function of state government and vital to California's continued economic growth; and

WHEREAS California faces considerable challenges in its ability to fund crucial maintenance and repair of its core transportation infrastructure—state highways, local streets, roads, and bridges—and current resources do not adequately support the maintenance of this vast system; and

WHEREAS the current fuel excise tax revenues are only sufficient to fund \$2.3 billion in annual highway repairs, leaving \$5.7 billion in unfunded repairs each year based on the latest estimate of the state's deferred maintenance; and

WHEREAS these extraordinary circumstances require the Legislature of the State of California to be convened in a special session.

NOW, THEREFORE, I, EDMUND G. BROWN JR., Governor of the State of California, in accordance with Section 3(b) of Article IV of the Constitution of the State of California, hereby convene the Legislature of the State of California to assemble in extraordinary session in Sacramento, California, on the 19th day of June, 2015, at a time to be determined, for the following purposes:

To consider and act upon legislation necessary to enact pay-as-you-go, permanent and sustainable funding to:

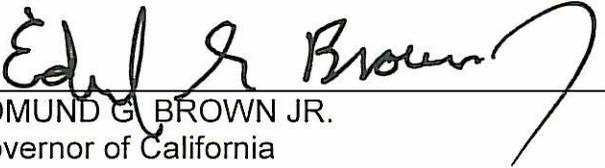
- a. Adequately and responsibly maintain and repair the state's transportation and other critical infrastructure; and
- b. Improve the state's key trade corridors; and
- c. Complement local efforts for repair and improvements of local transportation infrastructure.

To consider and act upon legislation necessary to:

- a. Establish clear performance objectives measured by the percentage of pavement, bridges, and culverts in good condition; and
- b. Incorporate project development efficiencies to expedite project delivery or reduce project costs.

I FURTHER DIRECT that as soon as hereafter possible, this Proclamation be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this Proclamation.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 16th day of June 2015.



EDMUND G. BROWN JR.
Governor of California

ATTEST:

ALEX PADILLA
Secretary of State

2015 Citywide Street Repair Cost Estimate

PCI Group	Remove & Reconstruct			Triple CAPE Seal		CAPE		Slurry			Total Miles
	0-10	11-20	21-30	31-40	41-50	51-60	61-70	71-80	81-90	91-100	
Length (miles)	0.93	1.32	1.22	3.46	8.84	7.2	7.55	7.24	6.51	7.86	52.13
Avg. Width (ft)	24	26	24	31	32	32	27	31	33	34	31
Assumed % Dig Outs				40%	30%	20%	10%	15%	10%	5%	

Assumptions

Avg. Street Width (ft)	31	*Changed from 36 based on GIS and Street Saver Data
Contingency	30%	*Includes Mob/Demob, TC, SWPPP, Striping, Curb and Gutter as needed, ADA, street monuments, etc. as well as traditional contingency
CM, ENG, Admin	15%	
Inflation	3.5%	

Costs

Item	Cost	Unit
Remove & Replace	\$ 5.20	SF
Digouts	\$ 6.30	SF
CAPE Seal (Chip + Slurry)	\$ 1.10	SF
Triple CAPE (Slurry + Chip + Slurry)	\$ 1.30	SF
Slurry Seal	\$ 0.20	SF

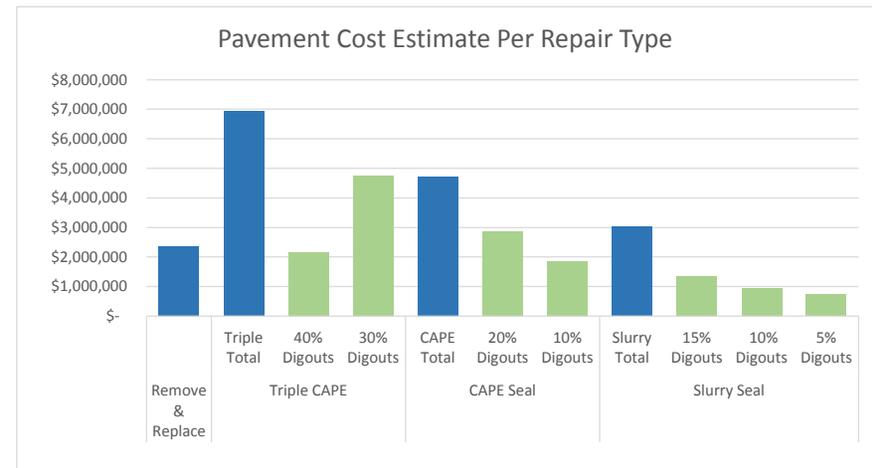
Calculations

Repair Type	Area (SF)	Cost
Remove & Replace	453,658	\$ 2,359,020
Triple CAPE	2,059,939	\$ 6,927,996
Triple CAPE: 40% Digouts	566,333	\$ 2,163,391
Triple CAPE: 30% Digouts	1,493,606	\$ 4,764,604
CAPE Total	2,292,840	\$ 4,733,016
CAPE : 20% Digouts	1,216,512	\$ 2,870,968
CAPE : 10% Digouts	1,076,328	\$ 1,862,047
Slurry Total	3,730,373	\$ 3,025,024
Slurry : 15% digouts	1,185,043	\$ 1,356,874
Slurry : 10% digouts	1,134,302	\$ 941,471
Slurry : 5% digouts	1,411,027	\$ 726,679
Total	6,476,870	\$ 17,045,055

Cost Plus Contingency (30%)	\$ 22,158,572
Plus CM, Eng, Admin (15%)	\$ 25,482,358
Final Estimated Cost	\$ 25,482,358

Costs with Inflation - "Do Nothing" Scenario

Year	2016	2017	2018	2020	2025
Final Estimated Cost	\$ 26,374,240	\$ 27,297,339	\$ 28,252,746	\$ 30,265,048	\$ 35,945,382





AGENDA NO: D-2

MEETING DATE: June 23, 2015

Staff Report

TO: Honorable Mayor and City Council

DATE: June 15, 2015

FROM: Cindy Jacinth, Associate Planner

SUBJECT: Request to utilize \$50,000 of the Affordable Housing In-Lieu Funds for the Ocean View Manor Apartments Senior Housing development at 456 Elena Street

RECOMMENDATION

Staff recommends the City Council adopt Resolution No. 51-15 authorizing a grant of \$50,000 of Affordable Housing In-Lieu Funds for the Ocean View Manor Apartments senior housing development located at 456 Elena Street.

ALTERNATIVES

1. Council may choose not to award Affordable Housing In-Lieu Funds.
2. Council may choose to award a lower amount of financial assistance.
3. Council may choose to require repayment in the form of a residual receipts loan.

FISCAL IMPACT

The City's Affordable Housing In-Lieu account balance is approximately \$150,000. Award of this fund as a grant will lower the balance by \$50,000 of Affordable Housing In-Lieu Funds leaving an approximate balance of \$100,000.

BACKGROUND

Ocean View Manor is a 40-unit affordable senior rental development built in 1989 by Peoples' Self-Help Housing Corporation (PSHHC), a local non-profit affordable housing developer. The project was constructed with U.S. Department of Housing and Urban Development (HUD) Section 202 funds with project-based Federal Section 8 rental assistance limiting rent to no more than 30% of an individual's monthly income. Housing is intended for low- and very low-income persons 62 years of age or older at or below 50% of area median income.

The current deed restriction with HUD, under the HUD Section 202 program, is dated October 1, 1989 and is for a period of 30 years. To avoid expiration of this affordable housing development, PSHHC is seeking to provide additional years of affordability.

01181.0001/255835.1

Prepared By: CJ Dept Review: SG

City Manager Review:

City Attorney Review: JWP

DISCUSSION

On April 23, 2015, the City received a request for \$50,000 of affordable housing in-lieu funds. The funding request is to be used as local match to strengthen a funding application to the State Tax Credit Allocation Committee (TCAC) Low-Income Housing Tax Credit Program to upgrade and renovate the Ocean View Manor Apartments. The TCAC program is a highly competitive statewide funding program. PSHHC applied to TCAC for funding in 2014 and was unsuccessful.

Applications for the 2015 round of funding are due on July 1, 2015. PSHHC has modified its application to increase the likelihood of a funding award, which includes the request for City In-Lieu funds as local match, as well as modifying the project description to include solar hot water and other energy efficiency upgrades.

If PSHHC is successful with its TCAC application, then it proposes to repay the HUD 202 loan by refinancing the property with the Low-Income Housing Tax Credits and tax-exempt bonds. Through the TCAC program a new Regulatory Agreement would be recorded, which would deed-restrict the property for a period of 55 years from when the funding is provided. That would be an additional 51 years over what is currently required. In addition, the City and PSHCC would enter into an agreement to require the same affordability term and improvements and maintenance obligations required by that Regulatory Agreement and a covenant and deed of trust would be recorded to ensure PSHHC complies with the City's agreement requirements.

CONCLUSION

The City has a decades-long successful history of partnering with Peoples' Self-Help Housing Corporation through the four assisted housing developments in the City for both low-income seniors and families. If the City Council authorizes a grant award of \$50,000 of Affordable Housing In-Lieu funds, then the benefit to the City would be 55 years of affordability, which is 51 more that currently required. The additional years of affordability to this existing affordable housing development is consistent with the City's 2014-2019 Housing Element.

PSHHC has provided a letter of request which is attached as Exhibit B.

EXHIBITS

A – Resolution No. 51-15

B – April 23, 2015 Request Letter from PSHHC

RESOLUTION NO. 51-15

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
AUTHORIZING A GRANT OF \$50,000 OF CITY AFFORDABLE HOUSING
IN-LIEU FUNDS BE USED AS LOCAL MATCH TO THE
CALIFORNIA STATE TAX CREDIT ALLOCATION COMMITTEE'S (TCAC)
LOW-INCOME HOUSING TAX CREDIT ALLOCATION PROGRAM**

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

WHEREAS, Oceanside Gardens Apartments located at 456 Elena Street in the City of Morro Bay was permitted by the City in 1988 as a 40-unit affordable senior rental development; and

WHEREAS, Peoples' Self-Help Housing Corporation (PSHHC) received federal Section 202 funding from the United States Department of Housing and Urban Development (HUD) and recorded a deed restriction with HUD on October 1, 1989, which requires that development to provide low- and very low-income senior housing for a period of 30 years; and

WHEREAS, the California Tax Credit Allocation Committee (TCAC) administers the Federal and State Low-Income Housing Tax Credit Program, which is a funding program for affordable housing; and

WHEREAS, PSHHC made a request to the City on April 23, 2015, for an allocation of a grant of \$50,000 of the City's Affordable Housing In-Lieu funds to be used as local match for a funding application to TCAC; and

WHEREAS, the City identified affordable housing for seniors as a goal in its adopted 2014-2019 Housing Element; and

WHEREAS, the City Council has duly considered all evidence, including the testimony of the applicant, interested parties, and the evaluation and recommendations by staff, presented at its meeting on June 23, 2015.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Morro Bay grants, as follows:

1. A funding allocation of \$50,000 from the City's Affordable Housing In-Lieu fund be granted, as a local match to strengthen a funding application to TCAC's Low-Income Housing Tax Credit Program to upgrade and renovate the Ocean View Manor Apartments located at 456 Elena Street.

2. The City Council of the City of Morro Bay authorizes the City Manager or his designee to execute the required documents necessary for the TCAC funding application, including the agreement between the City and PSHHC to memorialize the subject grant.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof, held on this 23rd day of June, 2015 on the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

JAMIE L. IRONS, Mayor

ATTEST

DANA SWANSON, City Clerk

EXHIBIT B



April 23, 2015

Ms. Cindy Jacinth, Associate Planner
City of Morro Bay, Community Development Department
955 Shasta Avenue
Morro Bay, Ca 93442

Re: Ocean View Manor Apartments, Request for Consideration of Funding Allocation

Dear Ms. Jacinth:

It was great speaking with you today in regard to Peoples' Self Help Housing's Ocean View Manor affordable senior housing development in the City of Morro Bay.

As we discussed, our organization has been planning to secure funding to rehabilitate the Ocean View Manor Apartments through California's Tax Credit Allocation Committee (TCAC) and Debt Limit Allocation Committee (CDLAC) funding processes. As you know the TCAC process involves an extremely competitive funding environment in which tie-breaker scores premised on local funding contributions are typically the final determining factor as to whether projects receive a commitment.

We are currently preparing to submit a TCAC grant application on July 1, 2015, and in order to strengthen our application are requesting that the City of Morro Bay consider providing an allocation of local affordable housing funds in the amount of \$50,000. We believe that this would be sufficient to strengthen the application and enhance the probability that Ocean View Manor would receive state tax credit financing estimated at \$1.85 million. This commitment, in addition to the \$2.5 million in funding from tax-exempt loans provided by CDLAC, will enable us to refinance the current debt, expend nearly \$1,000,000 in much needed project improvements (including solar hot water and other energy efficiency upgrades) and maintain the long-term affordability of the project.

Should the project receive an award of tax credits, the affordability restrictions of the development will be extended a minimum of 55 years beyond the award and project completion date; therefore, the rehabilitation, preservation and improvements will ensure that the City of Moro Bay maintains a critical asset that provides quality affordable housing for low-income, senior citizens of its community over the long-term.

We thank you for your consideration of our request and look forward to hearing from you regarding your determination. In the interim, if you need any additional information or clarification, please call or e-mail us and we will provide this for you.

Sincerely,

A handwritten signature in black ink, appearing to read "Carlos Jimenez".

Carlos Jimenez, Project Manager
Peoples' Self-Help Housing Corporation

Cc: Ken Trigueiro, EVP & CFO
Mark Wilson, Senior Project Manager

3533 Empleo Street
San Luis Obispo, CA 93401
TEL: (805) 781-3088
FAX: (805) 544-1901
E-mail: admin@pshhc.org
www.pshhc.org



26 E. Victoria Street
Santa Barbara, CA 93101
TEL: (805) 961-5152
FAX: (805) 962-8152
Email: sboffice@pshhc.org
www.pshhc.org