



CITY OF MORRO BAY CITY COUNCIL AGENDA

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

Regular Meeting - Tuesday, April 25, 2017 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
RECOGNITION - None
CLOSED SESSION REPORT
MAYOR & COUNCILMEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS
CITY MANAGER REPORTS, ANNOUNCEMENTS AND PRESENTATIONS
PRESENTATIONS

- Morro Bay Transit Week Proclamation
- SLOCOG Rideshare Bike Month Presentation

PUBLIC COMMENT PERIOD

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 city of residence 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. The public will also be provided an opportunity to comment on consent agenda items.

A-1 PROCLAMATION HONORING MORRO BAY TRANSIT'S 40TH ANNIVERSARY AND DECLARING MAY 1 THROUGH MAY 6, 2017, AS "MORRO BAY TRANSIT WEEK"; (PUBLIC WORKS)

RECOMMENDATION: Approve as submitted.

A-2 PROCLAMATION DECLARING THE MONTH OF APRIL "FAIR HOUSING MONTH"; (COMMUNITY DEVELOPMENT)

RECOMMENDATION: Approve as submitted.

A-3 WATER RECLAMATION FACILITY (WRF) PROGRAM UPDATE; (PUBLIC WORKS)

RECOMMENDATION: Receive and file.

A-4 ADOPTION OF RESOLUTION NO. 17-17 AUTHORIZING SUBMISSION OF APPLICATION TO THE FEDERAL FISCAL YEAR 2017 FEDERAL TRANSIT ADMINISTRATION (FTA) SECTION 5339 DISCRETIONARY BUS PROGRAM AND EXECUTION OF RELATED DOCUMENTS UPON AWARD; (PUBLIC WORKS)

RECOMMENDATION: Council adopt Resolution No. 17-17.

A-5 APPROVAL OF WEBCAM LICENSE AGREEMENT BETWEEN THE CITY OF MORRO BAY AND SURFLINE, INC.; (HARBOR)

RECOMMENDATION: Council approve the renewed webcam license agreement between the City and Surflin, Inc.

B. PUBLIC HEARINGS

B-1 ADOPTION OF RESOLUTION NO. 18-17 DECLARING THE INTENTION TO CONTINUE THE PROGRAM AND LEVY ASSESSMENTS FOR THE FISCAL YEAR 2017/18 FOR THE MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT (MBTBID) AND SCHEDULING A PUBLIC HEARING TO LEVY THE ASSESSMENTS; (DEPUTY CITY MANAGER)

RECOMMENDATION: Council adopt Resolution No. 18-17 approving the MBTBID FY 2017/18 annual report and set the public hearing for May 23, 2017, to continue the MBTBID activities and assessments for FY 2017/18.

C. BUSINESS ITEMS

C-1 DISCUSSION OF PRELIMINARY FINDINGS FROM THE DRAFT SEWER AND WATER RATE STUDY UPDATE; (PUBLIC WORKS)

RECOMMENDATION: Council receive the presentation summarizing the preliminary findings from the Draft Sewer and Water Rate Study Update. This item is scheduled to be brought back to Council on May 9 to receive authorization for noticing of Proposition 218 proceedings, to include draft final figures/rates based on input from Council.

C-2 REVIEW OF PREFERRED LAND USE ALTERNATIVES FOR THE GENERAL PLAN/LOCAL COASTAL PROGRAM UPDATE AND REVIEW OF PROJECT TIMELINE AND FUNDING; (COMMUNITY DEVELOPMENT)

RECOMMENDATION: Council review the presentation by staff, received public comment and review the prepared materials and provide feedback on the preferred Land Use Alternatives associated with the General Plan/Local Coastal Program update.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

E. ADJOURNMENT

There will be a Special Closed Session Council Meeting on **Wednesday, April 26, 2017, at 3:30 p.m.** in the City Hall Conference Room located at 5595 Harbor Street, Morro Bay, California. The next Regular Meeting will be held on **Tuesday, May 9, 2017 at 6:00 p.m.** 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 REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.

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**A PROCLAMATION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY
HONORING MORRO BAY TRANSIT'S 40TH ANNIVERSARY AND
DECLARING MAY 1 THROUGH MAY 6, 2017 AS "MORRO BAY TRANSIT WEEK"**

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

WHEREAS, the City of Morro Bay established a door to door general public transit system in Morro Bay known as Morro Bay Dial-A-Ride (MBDAR) and began providing service on May 2, 1977; and

WHEREAS, MBDAR was established to provide local transit service to individuals who did not have access, or were unable, to drive a car because of age, medical condition, economic circumstances, or personal choice; and

WHEREAS, due to State transit funding cuts in 2008 and 2009 resulting from the Great Recession, in 2010 MBDAR transitioned to a deviated fixed route and Call-A-Ride service, known as the Morro Bay Transit, to continue providing local transit service to its residents and visitors; and

WHEREAS, MBDAR has provided more than 1,602,729 rides to Morro Bay residents and visitors in the forty years since local transit service began operating; and

WHEREAS, the City Council of the City of Morro Bay acknowledges and appreciates the high quality of public transit service provided to the citizens of Morro Bay and its visitors by Morro Bay Transit contractors and their respective employees since inception in 1977; and

WHEREAS, Morro Bay Transit is an alternative to the single occupant vehicle for Morro Bay citizens and visitors, and is an effective means to both reduce fuel consumption, air pollution, traffic congestion, and parking requirements, as well as promote a cleaner, healthier environment, and better economic conditions.

NOW, THEREFORE, BE IT RESOLVED, that the City Council for the City of Morro Bay does hereby proclaim in honor of Morro Bay Transit's 40th anniversary, that May 1 through May 6, 2017 is declared to be "Morro Bay Transit Week".

BE IT FURTHER RESOLVED, that the City Council for the City of Morro Bay does hereby encourage all citizens to use Morro Bay Transit not only during Morro Bay Transit week, but whenever possible, and to use other alternative modes of transportation such as regional public transit, ridesharing, bicycling and walking.

IN WITNESS WHEREOF: I have hereunto set my hand and caused the seal of the City of Morro Bay to be affixed this 25th day of April 2017

Jamie L. Irons, Mayor
City of Morro Bay, California

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**A PROCLAMATION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY
DECLARING THE MONTH OF APRIL
“FAIR HOUSING MONTH”**

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

WHEREAS, the City of Morro Bay is joining with the United States Department of Housing and Urban Development (HUD) and other housing agencies in celebrating the anniversary of the National Fair Housing Law, Title VII of the Civil Rights Act of 1968.

WHEREAS, the City of Morro Bay encourages fair housing through its support for affordable housing both through housing rehabilitation programs and its affordable housing in-lieu program;

WHEREAS, discrimination in housing is against the law, no person shall be discriminated against because of race, color, religion, sex, handicaps, familial status, or national origin in the sale, rental, or advertising of dwelling, in the provisions of brokerages services, or in the availability of residential real estate related transactions;

WHEREAS, if any City resident believes he or she has been discriminated against, the resident should contact the Department of Fair Employment and Housing District Office at 1732 Palma Dr., #200, Ventura, CA 93003, (805) 654-4514 or online at www.dfeh.ca.gov. The Fair Housing Information Office helps to ensure that all residents of the City of Morro Bay and surrounding communities are treated fairly and that all the property owners and landlords abide by the letter and spirit of the Fair Housing Law; and

WHEREAS, the City of Morro Bay, the State of California, HUD and various local agencies are working together to ensure equal treatment of all citizens, we urge everyone to practice the Fair Housing Law.

NOW, THEREFORE, BE IT RESOLVED, that I, Mayor Jamie L. Irons and the City Council of the City of Morro Bay, declare the month of April as Fair Housing Month in the City of Morro Bay.

IN WITNESS WHEREOF I have hereunto set my hand and caused the seal of the City of Morro Bay to be affixed this 25th day of April, 2017

JAMIE L. IRONS, MAYOR
City of Morro Bay, California

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AGENDA NO: A-3

MEETING DATE: April 25, 2017

Staff Report

TO: Honorable Mayor and City Council **DATE:** April 19, 2017
FROM: Mike Nunley, PE – Water Reclamation Facility (WRF) Program Manager
SUBJECT: Water Reclamation Facility (WRF) Program Update

RECOMMENDATION

Staff recommends City Council receive and file the status report of the WRF program.

ALTERNATIVES

Council may discuss project progress and provide direction, as needed.

FISCAL IMPACT

No additional fiscal impact is proposed within this update. All work is proceeding within the City's fiscal year budget for the Water Reclamation Facility.

DISCUSSION

With the denial of the permit for the WWTP project in its current location, the City has embarked on a process for a new WRF. This staff report provides the following:

- Review of what has occurred to date. See the list of major milestones or accomplishments since the last update to City Council below. This summary is typically provided each month.
- Update on program schedule.

Accomplishments and Milestones

The City's Program Management team and technical consultants performed the following tasks since the March program update:

- Received and reviewed administrative draft report summarizing modeling results from GSI Water Solutions, Inc.
- Completed Draft Master Water Reclamation Plan, published on the Project website and provided hard copies at various public facilities.
- Completed the brief (2-page) summary of the Draft Master Water Reclamation Plan and published on the Project website.
- Completed the administrative draft Executive Summary of the Draft Master Water Reclamation Plan for City staff review.
- Coordinated with Bartle Wells Associates to provide information and review financing options for rate study.
- Presented preliminary findings from the Rate Study Update to Citizen's Finance Committee

Prepared By: MN Dept Review: RL
City Manager Review: City Attorney Review: CFN

- on April 18th, and to the Public Works Advisory Board on April 19th.
- Submitted Letter of Interest to the EPA for their Water Infrastructure Finance and Innovation Act (WIFIA) loan program.
- Coordinated and attended interviews of design engineering firms that responded to the WRF Lift Station and Pipelines Design Engineering Services proposals.
- Participated in conference call with Ferguson Group and US Bureau of Reclamation (USBR) staff to discuss funding opportunities under the WaterSmart program, which can award grants for 25% of construction costs up to \$20M.
- Began developing feasibility study to comply with USBR WaterSmart funding requirements.

Program Schedule Update

FY 16/17 activities are primarily planning, permitting, and procurement of consultants for elements of the Phase I WRF. Specific objectives include completion of the Facility Master Plan, Master Reclamation Plan, initial review and procurement activities for the design-build team, preliminary design, technical studies and initial drafts of the Environmental Impact Report, and procurement of the State Revolving Fund Planning and Design Loan.

The anticipated schedule for significant milestones and Council decisions is summarized below and all critical path efforts are on schedule. There are no significant changes to the program schedule since the March 28 update.

Item	Date
Confirmation of WRF Budget	April 2017
Council Selection and Award for Phase I WRF Offsite Improvements (Lift Station and Pipelines)	May 2017
Initial Wastewater Rate Impact Review with WRFCAC/CFAC/PWAB and City Council	April 2017
Council to Authorize Mailing of Wastewater Rate Notice for Proposition 218 Process	May 2017
Proposition 218 Public Hearing on Wastewater Rates	June 2017
RFQ for Design/Construction of Phase I WRF Onsite Improvements	June 2017
Release of Public Draft EIR	August 2017
RFP for Design/Construction of Phase I WRF Onsite Improvements	October 2017
Certification of Final EIR (Critical Timeline for Grant Pursuit)	November 2017
Negotiation/Award of Contract for Phase I WRF Onsite Improvements	May 2018
Award of Contract for Construction of Phase I Offsite Improvements (Lift Station and Pipelines)	April 2019
Completion of Phase I WRF Improvements	May 2021

ATTACHMENT

1. Updated Program Schedule (as of April 18, 2017)



AGENDA NO: A-4

MEETING DATE: April 25, 2017

Staff Report

TO: Honorable Mayor and City Council DATE: April 10, 2017

FROM: Janeen Burlingame, Management Analyst

SUBJECT: Adoption of Resolution No. 17-17 Authorizing Submission of Application to the Federal Fiscal Year 2017 Federal Transit Administration (FTA) Section 5339 Discretionary Bus Program and Execution of Related Documents Upon Award

RECOMMENDATION

Staff recommends the City Council adopt Resolution No. 17-17.

ALTERNATIVES

The alternative would be to not apply for the grant and wait until the next cycle of the Rural Transit Fund to apply for the remaining funding needed for the project. This is a new funding source opportunity to use in conjunction with the previously awarded Rural Transit Fund grant and Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) grant to fund a trolley purchase by the City using 100% funding from Federal and State funding.

FISCAL IMPACT

There is no fiscal impact to the City's General Fund or State funding allocated to the City for local transit services as the total estimated cost for the project (\$210,000) would be paid for with FTA Section 5339 grant funds, Rural Transit Fund grant funds, and PTMISEA grant funds.

SUMMARY

On April 7, 2017, the City received notice from the Department of Transportation, Division of Rail and Mass Transportation (DRMT) of a call for projects for its FTA Section 5339 Discretionary Bus Program funded by the Transportation Legislation, Fixing America's Surface Transportation Act (FAST). An estimated amount of \$4.29 million will be available for competitive distribution throughout the State. Applications are due by May 10, 2017. The City intends to submit an application for the purchase of a trolley vehicle to replace an existing one that is beyond the FTA's useful life criteria.

DISCUSSION

The estimated project cost for the trolley purchase is \$210,000. The Section 5339 grant can fund up to 80% of the project cost with the remaining 20% coming from the City's local match.

In April 2017, the City was awarded a Rural Transit Fund grant in the amount of \$88,211 for the trolley purchase. Additionally, the City has \$5,737 of PTMISEA grant funds remaining of the City's original allocation from the State that has not been previously used for an identified transit capital project. The City will apply for \$116,052 from the FTA Section 5339 grant funds (the remaining 55% needed to fully fund the project).

CONCLUSION:

Staff recommends the City Council adopt Resolution No. 17-17.

Prepared By: J Burlingame

Dept Review: _____

City Manager Review: _____

City Attorney Review: _____

RESOLUTION NO. 17-17

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
AUTHORIZING SUBMISSION OF APPLICATION TO THE FEDERAL FISCAL YEAR 2017
FEDERAL TRANSIT ADMINISTRATION (FTA) SECTION 5339 DISCRETIONARY BUS
PROGRAM AND EXECUTION OF RELATED DOCUMENTS UPON AWARD**

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

WHEREAS, the City received notice on April 7, 2017 from the Department of Transportation, Division of Rail and Mass Transportation announcing the Federal Fiscal Year 2017 Federal Transit Administration (FTA) Section 5339 Discretionary Bus Program “call for projects” funded by the Transportation Legislation, Fixing America’s Surface Transportation Act (FAST); and

WHEREAS, the U.S. Department of Transportation is authorized to make grants to states through the FTA to support capital projects for non-urbanized public transportation systems under Section 5339 of the FAST Act, as amended; and

WHEREAS, the California Department of Transportation (“Department”) has been designated by the Governor of the State of California to administer the FTA Section 5339 grants for transportation projects for bus and bus facilities; and

WHEREAS, the City of Morro Bay desires to apply for said financial assistance for the purchase of a replacement trolley vehicle; and

WHEREAS, there is \$4.29 million available for competitive distribution with project applications for the Federal Fiscal Year 2017 cycle due May 10, 2017.

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

1. The City Manager, or designee, is hereby authorized to file and execute applications for Federal assistance on behalf of the City of Morro Bay with the Department to aid the financing of capital assistance projects pursuant to Section 5339 of the FAST Act, as amended.
2. The City Manager, or designee, is authorized to execute and file all certifications and assurances, contracts or agreements or any other document required by the Department.
3. The City Manager, or designee, is authorized to provide additional information as the Department may require in connection with the application for Section 5339 funds.
4. The City Manager, or designee, is authorized to submit and approve requests for reimbursement of funds from the Department for Section 5339 projects.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 25th day of April, 2017 on the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

JAMIE L IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk



AGENDA NO: A-5

MEETING DATE: April 25, 2017

Staff Report

TO: Honorable Mayor and City Council

DATE: April 11, 2017

FROM: Eric Endersby, Harbor Director

SUBJECT: Approval of Webcam License Agreement between the City of Morro Bay and Surflines, Inc.

RECOMMENDATION

Staff recommends approval of a renewed webcam license agreement between the City of Morro Bay and Surflines, Inc.

ALTERNATIVES

1. Approve and execute agreement as-presented (staff recommendation).
2. Do not approve agreement.

FISCAL IMPACT

Approval of the agreement will result in additional revenues of \$600/year over the current agreement of \$4,320/year, for a total of \$4,920.00 per year to the Harbor Fund.

BACKGROUND

“Surflines, Inc.” is the industry leader in worldwide surf forecasting, and is utilized not only by surfers but also by the general public, public safety agencies, and other marine-related industries for surf, wind and weather forecasts around the world. Surflines, Inc. has placed numerous “webcams” globally that broadcast real-time video of popular beaches and surf spots, including Morro Bay.

In April 2014, the City of Morro Bay entered into a three-year agreement with Surflines, Inc. for use of City property to provide local webcam coverage to the public. In March 2016, Amendment No. 1 to the agreement was administratively executed to increase the license fee to \$360/month (\$4,320/year) from the original \$260/month (\$3,120/year) to account for one new webcam that was installed at the public launch ramp restroom. This agreement expires on April 30, 2017.

DISCUSSION

The current license agreement is nearing expiration, and the Harbor Department and Surflines Inc. desire to continue providing webcam services to the public.

Surflines, Inc. has webcam agreements with several other coastal public agencies including Santa Cruz, Marina and Oceanside, all operating under similar terms and fee structures.

Highlights of this renewed agreement include:

- Three (3) year term with options to extend

Prepared By: LS

Dept Review: EE

City Manager Review: _____

City Attorney Review: CFN

- Monthly license fee of \$410/month (\$4,920/year), and an additional \$10/month for utilities.
- Supplemental compensation to City to include text branding on webcam image that links to City of Morro Bay website; a Morro Bay banner ad on Surflin’s Morro Bay camera page; up to twelve (12) premium “VIP” Surflin accounts for City employees for City public safety/information; image archiving; and, City priority control of camera during emergency or public safety events.

The equipment consists of one camera mounted on the roof at each Morro Rock, Coleman and Launch Ramp restrooms that extends approximately 2 feet high with server and wireless router equipment housed in the Harbor Department office, including a small receiver dish mounted on the office roof.

CONCLUSION

Staff is requesting Council approval of a license agreement for Surflin, Inc. to continue to place equipment on City property to primarily serve the public with webcam viewing, and to provide valuable public safety benefits, as well as continuing to provide a modest revenue source for the City.

ATTACHMENT

Proposed License Agreement

WEBCAM LICENSE AGREEMENT
BETWEEN
CITY OF MORRO BAY
AND
SURFLINE/WAVETRAK, INC.



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WEBCAM LICENSE AGREEMENT

THIS WEBCAM LICENSE AGREEMENT (the "Agreement") is made this 1st day of May 2017 between the City of Morro Bay, a municipal corporation ("Licensor") and Surfline/Wavetrak, Inc., a Delaware corporation ("Licensee"). Licensor and Licensee agree to all of the terms and conditions of the Agreement as follows:

ARTICLE 1 - BASIC LICENSE PROVISIONS

The following are basic provisions applicable to the Agreement.

1.01 Licensee's Trade Name. Surfline.

1.02 License Term. Three years, commencing on May 1, 2017 and terminating on April 30, 2020 unless otherwise extended as provided herein. The Agreement may be extended as stated in Section 3.04.

1.03 License Area. Two square feet on the rooftop of Public Restrooms at Morro Rock, Coleman Park, Launch Ramp and six square feet located at the Harbor Department as described herein and on Exhibits A and B, incorporated herein by this reference.

1.04 Use of License Area. The License Area shall be used solely for the placement, maintenance, and operation of internet-related computer video equipment and associated hardware and software (the "License Equipment") for the purpose of providing to Licensee's customers, via the internet, real-time images of surf and weather conditions at locations adjacent to Morro Rock. Such use shall not interfere with any use by Licensor or otherwise approved by Licensor.

1.05 License Fee. Four Hundred and Ten Dollars (\$410.00) per month payable on the first day of each month starting May 1, 2017 as outlined in Article 4 herein.

1.06. Supplemental Compensation and Services. City-related advertising content, monitoring and reporting of click-through rates, supporting services to City's Harbor Department and public safety officials, remote camera control, and image archiving.

1.07 Hours of Operation. 24 hours per day hours, seven days per week, all months of the year.

ARTICLE 2 - LICENSE

2.01 License. Licensor hereby grants to Licensee a license (the "License") for the use of the License Area for the purposes described in Section 1.04 above. A site plan of the License Area is attached to the Agreement as Exhibit B. The License is personal to Licensee and non-assignable without the written permission of Licensor.

2.02 Conditions of License. Licensee hereby agrees to abide by all relevant laws and regulations promulgated by local, state and federal agencies pertaining to the operation of Licensee's business or to the Public Restrooms. Licensee agrees that the Licensee's right to operation of the business is granted by the Licensor upon the following express standards and conditions:

a. Licensors may at any time limit, or totally restrict, Licensee's use of License Area due to ocean or weather conditions or Licensee's failure to comply with the terms and conditions of the Agreement.

b. Licensors may restrict Licensee's operations on days during which special events are scheduled at Morro Rock so that Licensee's operations do not interfere with the special events.

c. In addition to the License Fee described herein, Licensee is required to remit to Licensors the City of Morro Bay Business License and all other present and future relevant fees or assessments levied by the City.

d. Notwithstanding the foregoing, the parties agree Licensee retains the right to terminate this License if it determines any fee, license, restriction or, obligation, other than the License Fee, licenses, restrictions and obligations applicable on the effective date of this License, is not financially feasible or viable for Licensee to continue operations pursuant to this License.

2.03 License Area.

a. Licensors is the owner of the License Area described in Section 1.03 above.

b. The License Area is defined herein as two (2) square feet each on the rooftops of Public Restrooms at Morro Rock, Coleman Park, and the Public Launch Ramp, and six (6) square feet located at the Harbor Department, for a total of twelve square feet.

c. It shall be the sole responsibility of Licensee, at Licensee's sole expense, to investigate and determine the conditions of the License Area and any existing improvements, and the suitability of such conditions for the business to be conducted by Licensee pursuant to the Agreement.

d. Except for the License, Licensee does not hold any other estate or interest in the property of Licensors by virtue of the License.

2.04 Exclusive Use.

a. Any use of the License Area by Licensee may be designated as either non-exclusive or exclusive at the sole discretion of Licensors. Licensors hereby designates that the purpose of the Agreement is for Licensee's exclusive use of the License Area for purposes described in Section 1.04 above.

b. The term exclusive shall be construed for License Area management purposes as granting to Licensee the right to conduct business in the License Area during the hours of operation.

2.05 License Equipment.

a. Licensee may place, operate, and maintain the following equipment ("License Equipment") within the License Area:

- i. One (3) webcams.
- ii. One (1) computer.
- iii. One (1) modem.
- iv. One (1) router.
- v. One (1) back up battery supply.
- vi. One (1) GSM switch

b. The License Equipment is and will remain the sole and exclusive property of Licensee. Licensor will not have nor will Licensor ever assert any right, title, interest in or to the License Equipment, except for the Public Launch Ramp webcam, which is the property of Licensor, because, on March 31, 2016, Licensor and Licensee agreed in exchange for the purchase, installation and maintenance of that nonpublic surveillance webcam, Licensor waived four months of License fees.

c. Licensee shall be solely responsible for the operation and maintenance of the License Equipment, including all fees associated with internet or telephonic connectivity, and including the Public Launch Ramp camera owned by Licensor.

2.06. Ownership of License Equipment Images. All images captured by the License Equipment, including all copyrights and other intellectual property rights associated with such images, will be the sole and exclusive property of Licensee. Licensor will not have nor will it ever assert any right, title or interest in or to such images except as provided for under Section 5.04 and Section 5.05 below.

2.07 Licensor Authority.

a. Licensor shall at all times retain exclusive final authority over the License Area. Licensor shall have the right to perform any and all acts of construction and maintenance in the License Area, as fully and completely as if the License for the use of the License Area did not exist. Licensor may provide Licensee with advance notice of any construction or maintenance to be performed by Licensor or Licensor's agents in the License Area, but is under no obligation to do so. Licensor will not be liable to Licensee by reason of any injury to or interference with Licensee's business or property for any inconvenience or damages caused thereby.

b. Licensor may formulate rules, conditions of, regulations and a permit process for the use of the public property and the License Area and the uses of other areas in the public right of way of Licensor. The areas surrounding the License Area, and the License Area itself, may be governed thereby and Licensee agrees to be bound by these rules and regulations and to obtain such permits or licenses as may be required. The License Area may

be governed by the Agreement to the extent it is not in conflict with Licensor rules, regulations, and permit requirements as they now or hereafter exist.

c. Licensee acknowledges and understands that Licensor is a municipality consisting of numerous offices, departments and agencies. Whenever a provision contained in the Agreement, or any extension, modification or amendment, requires the written consent of the Licensor such consent must be obtained from the then City Manager or Interim City Manager for the City of Morro Bay. Licensee may rely on any statement or representation by any other employee, agent or representative of City in obtaining such consent, and any such statement or representation other than the express written consent of the City Manager or Interim City Manager shall be null and void and have no effect. Nothing contained in this section shall limit in any way the authority of any office or department of the City of Morro Bay California from approving or withholding consent to any event or activity regulated by local law.

2.08 Periodic Review of Operation of Business.

a. Licensee agrees that Licensor may, at Licensor's sole option, conduct reviews of Licensee's operation of the business to determine any adverse impacts upon City departments and City's general fund.

b. Said reviews will be conducted up to twice annually at dates to be determined at Licensor's sole discretion.

c. If Licensor, upon conducting said reviews and determining, at Licensor's sole discretion, determination, and authority, that Licensor's operation of the business has caused adverse impacts upon City departments and City's general fund, the scope of said impacts to be solely determined and defined by Licensor, Licensor may restrict, modify, or eliminate Licensee's operations.

2.09 Licensor's Right to Inspect. Licensor and the agents and employees of Licensor shall have the right to enter the License Area at all reasonable times to inspect the same, to see that no damage has been or is done, and to protect any and all rights of Licensor, and to post such reasonable notices as Licensor may desire to protect the rights of Licensor.

2.10 Licensor's Right of Entry for Alterations, Modifications and Repairs. Licensor has reserved and shall at all times have the right to alter, repair, improve, or add to the License Area or any portion of the Restroom or Harbor Department used in operation of Licensee's business. Licensee hereby waives any claims for damage against Licensor arising from loss of business by reason of Licensor's entry onto or removal of all or any portion of the License Area for the purpose of making repairs to the License Area or to any other area. Licensor agrees to give Licensee reasonable notice of intention to make repairs, except in situations involving immediate peril and hazard to the Public Restroom or Harbor Department, when such entry shall be made summarily by Licensor. Licensor shall be the sole and exclusive judge as to what constitutes immediate peril and hazard to the Public Restrooms or Harbor Department.

2.11 Licenses, Permits, and Local Taxes. Licensee shall, at Licensee's sole cost and expense, obtain all necessary licenses and permits to carry out the provisions of this License and to operate Licensee's business. Licensee shall comply with all applicable local tax ordinances, including the City's Business License Fee.

2.12 Operation of Business. Licensee agrees and acknowledges that:

a. Licensee's business shall be established and conducted throughout the License Term in a first-class manner.

b. Licensee will not use the License Area for any other purpose not specifically permitted by the Agreement, or carry on or permit within the License Area, any offensive, noisy, or dangerous trade, business, manufacture, or occupation, or any nuisance.

c. Licensee will at all times during the License Term maintain the License Area in a clean, neat, and sanitary manner.

d. Licensee will comply with any and all laws, ordinances, rules and regulations of any public authority in force during the term of this License.

e. Licensee will operate Licensee's business in accordance with the schedule set forth in Section 1.07 above.

f. Licensee will employ its best efforts to operate Licensee's business conducted in the City of Morro Bay in a manner that will produce the maximum volume of gross revenue.

g. Licensee may temporarily suspend operation of Licensee's business due to inclement weather or dangerous ocean conditions. Licensee shall notify Licensor in writing within twenty-four (24) hours of such temporary suspension.

h. Licensor may, at its option, and for good cause, permit Licensee to temporarily close down Licensee's business.

i. No goods, merchandise, or materials shall be kept, stored, or sold by Licensee which are in any way hazardous. Licensee further agrees not to suffer any act of omission or commission on the License Area which will increase the rate of any insurance to be paid by City.

2.13 Consent. Licensee shall not make any improvements, alterations or additions to the License Area without Licensor's prior written consent. All improvements, alterations and additions shall be in conformity with the laws, directives, rules or regulations of all applicable public and governmental agencies. Prior to the commencement of any work relating to any repairs, alterations, improvements or additions approved by Licensor, Licensee's contractor(s) shall notify the Harbor Patrol Supervisor.

2.14 Assignment Prohibited. Licensee shall not, either voluntarily or involuntarily, assign or encumber its interests in the Agreement or allow any other person or entity (except Licensee's authorized representatives) to operate under the terms of the Agreement without the prior approval and consent of the Licensor. Any such assignment without prior approval shall be null and void.

ARTICLE 3 – TERM AND TERMINATION

3.01 Commencement and Termination of Term. The term (the “License Term”) of the Agreement shall commence and terminate on the dates specified in Section 1.02 unless terminated sooner in accordance with the provisions of the Agreement.

3.02 Termination Without Cause. Either party may terminate the Agreement at any time without cause by giving the other party sixty-days’ (60-days’) prior written notice.

3.03 Termination With Cause.

a. If Licensee fails to provide the License Fee or Supplemental Compensation and Services in 1.05 and 1.06, then Licensor may terminate the Agreement by giving Surfline fifteen-days’ prior written notice.

b. If Licensor commits a breach of the Agreement, then Licensee may terminate the Agreement by giving the Licensor fifteen-days’ written notice.

c. Licensor retains the right at its sole discretion to terminate or revoke the Agreement at any time if any Webcam causes or has the potential to cause any damage to persons or property, violates any federal, state or local law, regulation, rule or ordinance, or poses a threat to the public health, safety, or welfare. Termination of the License or revocation of the Licensee’s use of the License Area is not grounds for termination of the Agreement. Termination or restriction of the use of the License Area does not reduce License Fee payments due hereunder.

3.04 Extension of Term. If Licensee is not in default at any time during the License Term, then Licensee shall have the option to extend the License Term for additional one-year periods (the “Extended License Terms”) upon the same terms and provisions contained in the Agreement. Licensee may exercise said option to extend the License Term by giving written notice to Licensor at least sixty days, but not more than six months, before the expiration of the License Term. If Licensee has failed to cure a default in accordance with Section 7.02 of the Agreement at any time during the License Term, then Licensee’s election to extend the License Term shall be totally ineffective and the Agreement shall expire at the end of the initial License Term, or subsequent Extended Terms, unless otherwise terminated earlier in accordance with the Agreement. Licensee agrees to review the camera page views annually from installation date and renegotiate the License Fee, based on the reviews findings. In addition, Licensor’s City Manager may grant one or more extensions to the Agreement, as he/she deems appropriate and subject to mutual agreement for a new license fee, which the parties agree shall be no less than the license fee set forth in Section 1.06, above.

3.05 Expiration; Holding Over. The License Term will expire at 5:00 p.m. on the date specified in Section 1.02. Unless the License Term is extended in accordance with Section 3.04 above, in which case the License Term shall expire at 5:00 p.m. on the termination date of any approved Extended Term. If Licensee should remain in possession of the License Area after the expiration of the License Term in the absence of a new license agreement or Licensor’s granting of any Extended Term, or after Licensor has declared a forfeiture of the Agreement as a result of Licensee’s default, then such holding over shall be construed as a license from month-to-month, subject to all of the terms, conditions, provisions and obligations

of the Agreement at the time the Agreement expires or upon Licensee's default, as the case may be, except the License Fee shall be one and one-half times the amount of such License Fee in effect prior to Licensee's holdover. Unless Licensee obtains the express written consent of Licensor to holding over, Licensor does not waive its right to pursue any legal or equitable remedy against Licensee with regard to Licensee's continued possession of the License Area after the expiration of the License Term.

ARTICLE 4 - LICENSE FEE

4.01 License Fee. Effective May 1, 2017, and during any time period in which the Licensee uses the License Area. Licensee shall remit to Licensor a fee (the "License Fee") of Four Hundred and Ten Dollars (\$410.00) per month during the calendar year in which Licensee conducts business. The full License Fee shall be due regardless of whether Licensee utilizes the License Area for a partial or an entire month. The License Fee may be negotiated by Licensor annually dependent on the findings of the annual review of the camera page views.

4.02 Payment Schedule. The License Fee for the preceding month shall be due and payable in full by Licensee by the tenth (10th) day of the following month. The License Fee shall be remitted to Licensor at the address set forth below for notices or at such other location as Licensor may notify Licensee in writing. A License Fee paid after the tenth (10th) day of the month will be considered late and subject to a late charge and interest as set forth below.

4.03 Late Charge and Interest on Unpaid License Fee. If any installment of the License Fee which is due from Licensee is not received by Licensor when due, Licensee shall pay to Licensor an additional sum of ten percent (10%) of the overdue License Fee as a late charge, and interest at the rate of one percent (1%) per month, or the maximum rate of interest allowed by law, on the unpaid balance of said License Fee or sum until paid. The parties agree that said late charges and interest represents a fair and reasonable estimate of the costs that Licensor will incur by reason of late payment by Licensee. The acceptance by Licensor of any late charge shall not constitute a waiver of Licensee's default with respect to the overdue amount, nor prevent Licensor from exercising any of the other rights and remedies available to Licensor under the Agreement or as provided by law.

ARTICLE 5 - SUPPLEMENTAL COMPENSATION AND SERVICES

5.01 Text Branding. Licensee shall provide text branding at the top of the Morro Bay camera images on the Surfline website: www.surfline.com that links to the uniform resource locator ("URL") for the City of Morro Bay website. Text branding will also appear on the Surfline IOS and Android Apps directly below the camera images. All text branding is customizable by the Licensor and can be changed at their discretion. Exhibit is provided that describes the Text Branding and their placements.

5.02 Banner Ad. Licensee shall provide a 300 x 250 ad banner placement on the Morro Bay camera pages only on www.surfline.com Licensor shall provide the banner ad content to Licensee in a file format acceptable to Licensee. That ad banner content is customizable and can be changed at the discretion of the Licensor. Licensee shall track webpage access and click-through rates on Licensor's text and banner ads and shall make reports available to Licensor no more often than monthly at Licensor's request.

5.03 Premium Accounts. Licensee agrees to annually provide up to twelve (12) premium VIP Surfline.com website accounts to the City of Morro Bay Harbor Department and other City of Morro Bay public safety personnel. Licensor shall be solely responsible for selecting account holders and submitting information required to establish and renew the premium VIP accounts to Licensee on a yearly basis.

5.04 Licensor Control of Camera. Licensee shall provide Licensor with priority camera control for use during emergencies or other public safety events. Such control shall be provided through an emergency contact number of a Surfline Camera Technician. Licensee agrees that Licensor may direct the control of the camera during any period time during which Licensor determines that a public safety need exists.

5.05 Image Archives. Upon Licensee's anticipated functionality enhancement and hardware and software upgrade to the License Equipment, Licensee shall, upon request from Licensor, provide Licensee with up to five days of the most recent archived camera images on a continual basis.

ARTICLE 6 - UTILITIES

6.01 Separate Charges. Licensee shall pay for all water, gas, heat, light, power, telephone service and any other utilities metered or otherwise separately charged to the License Area.

6.02 Jointly Metered Utilities. Licensee shall pay, a pro rata share of any utility charges which are jointly metered or charged. Licensee's pro rata share of those charges shall be based upon an agreed estimated cost of utilities used. The agreed amount of Ten Dollars (\$10) per month shall be included with monthly License fee as set forth in Sections 1.05 and 4.01. Licensor may increase that amount to cover the actual pro rata share of the utility costs is above that estimated amount after providing Licensee evidence of the amount.

6.03 Interruption. Licensor shall not be liable for any failure or interruption of any utility service being furnished to the License Area, and no such failure or interruption shall entitle Licensee to terminate the Agreement.

ARTICLE 7 - DEFAULT

7.01 Events of Default. The occurrence of any of the following shall constitute a breach and material default of the Agreement by Licensee:

a. The failure of Licensee to pay or cause to be paid any License Fee, monies or other charges due Licensor as set forth in the Agreement if the failure continues for ten (10) consecutive calendar days after the due date payment of any such amounts;

b. The failure of Licensee to maintain all insurance coverage as set forth in Section 10.02.

c. The abandonment of the License Area by Licensee, which shall mean failure to operate as set forth in the Agreement for five (5) consecutive days, except by prior written notice by Licensee and with the written consent of Licensor;

d. Except as otherwise provided in the Agreement, the failure of Licensee to do or cause to be done any act as set forth in the Agreement, if the failure continues for fifteen days (15) consecutive days after notice has been given to Licensee. However, Licensee shall not be in default of the Agreement if Licensee commences to cure the default within said fifteen (15) day period and diligently and in good faith continues to cure the default to the satisfaction of the Licensor;

e. Licensee causing, permitting or suffering, without the prior written consent of Licensor, any act when the Agreement requires Licensor's prior written consent or prohibits such act; or

f. Any act of bankruptcy caused, suffered or permitted by Licensee. For the purposes of the Agreement, "act of bankruptcy" shall include any of the following:

- i Any general assignment or general arrangement for the benefit of creditors;
- ii The filing of any petition by or against Licensee to have Licensee adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy, unless such petition is filed against Licensee and the same is dismissed within sixty (60) days;
- iii The appointment of a trustee or receiver to take possession of substantially all of Licensee's assets located in the License Area or of Licensee's interest in the Agreement.
- iv The attachment, execution, or other judicial seizure of substantially all of Licensee's assets located at the License Area or of Licensee's interest in the Agreement.

7.02 Notice of Default and Opportunity to Cure. Licensor shall give written notice to Licensee of any Event of Default on the part of Licensee. Said notice shall specify the nature of the act, omission, or deficiency giving rise to the Event of Default. In addition, if the Event of Default is curable, and does not give rise to an imminent danger to health or safety, the notice shall also specify the action required to cure the default, and a reasonable date, which shall not be less than thirty (30) calendar days from the mailing of the notice, by which Licensee must take or commence such action to cure. If the notice specifies only a commencement date for the cure, Licensee must commence such cure within the specified time and shall diligently pursue the cure to completion within a reasonable time thereafter.

7.03 Remedies. In the event of any breach by Licensee, in addition to other rights or remedies of Licensor at law or in equity, Licensor shall have the following remedies:

- a. Licensor shall have the right to recover against Licensee:
 - i The worth at the time of award of the unpaid License Fees that had been earned at the time of termination;
 - ii The worth at the time of award of the amount by which the unpaid License Fees that would have been earned after termination until the

time of award exceeds the amount of the loss that Licensee proves could have been reasonably avoided;

- iii The worth at the time of award of the amount by which the unpaid License Fees for the balance of the Term after the time of award exceeds the amount of the loss that Licensee proves could be reasonably avoided; and
- iv Any other amount necessary to compensate Licensor for all the detriment proximately caused by Licensee's failure to perform Licensee's obligations under the Agreement.

b. The worth at the time of award of the amounts referred to in the previous subparagraphs shall be computed by allowing interest at ten percent (10%) per annum. The worth at the time of award of the amount referred to in subparagraph (iii) shall be computed by discounting this amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

c. Efforts Licensor may make to mitigate the damages caused by Licensee's breach of the Agreement shall not constitute a waiver of Licensor's right to recover damages against Licensee, nor shall anything contained in the Agreement affect Licensor's right to indemnification against Licensee for any liability arising prior to the termination of the Agreement for personal injuries or property damage, and Licensee agrees to indemnify and hold Licensor harmless from any injuries and damages, including all reasonable attorney fees and costs incurred by Licensor in defending any action brought against Licensor for any recovery, and in enforcing the terms and provisions of this indemnification against Licensee.

d. However, the breach of the Agreement by Licensee, or an abandonment of the License Area by Licensee, shall not constitute a termination of the Agreement, nor of Licensee's right of possession under the Agreement, unless and until Licensor elects to do so, and until that time Licensor shall have the right to recover License Fees and all other payments to be made by Licensee under the Agreement as they become due; provided, that until Licensor elects to terminate the Agreement and Licensee's right of possession under the Agreement, Licensee shall have the right to sublet the License Area or to assign interests in the Agreement, or both, subject only to the written consent of Licensor, which consent shall not be unreasonably withheld.

e. As security for the performance by Licensee of all duties and obligations under the Agreement, Licensee assigns to Licensor the right, power, and authority, during the continuance of the Agreement, to collect the rents, issues, and profits of the License Area, reserving to Licensee the right, prior to any breach or default by Licensee under the Agreement, to collect and retain the rents, (solely in the case of a sublease previously approved by Licensor) issues, and profits, from the operation of Licensee's approved business use, as they become due and payable, and so long as payments to Licensor are also kept current. Upon any breach or default, Licensor shall have the right at any time afterward, without notice except as provided for previously, either in person, by agent, or by a receiver to be appointed by a court, enter and take possession of the License Area and collect rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney fees, upon any secured indebtedness, and in an order as Licensor may determine.

f. In the event that Licensor should take any act to maintain or preserve the License Area on Licensee's behalf, or seek the appointment of a receiver to protect Licensor's interests under the Agreement, such acts shall not constitute a termination of Licensee's right of possession unless Licensee receives written notice from Licensor to regarding Licensor's election to terminate.

g. Licensee acknowledges that Licensor has executed the Agreement in reliance on the financial information furnished by Licensee to Licensor as to Licensee's financial condition. If it is determined at any time subsequent to the date of the Agreement that any of the financial information furnished by Licensee and relied upon by Licensor in executing the Agreement is substantially untrue or inaccurate, Licensee shall be deemed to be in default under the Agreement, which default shall not be subject to cure, and which shall entitle Licensor to exercise all remedies reserved to Licensor under the Agreement or otherwise available to Licensor at law.

7.04 Covenants and Conditions. All covenants made by Licensee hereby are conditions of the Agreement; therefore, in the event of any default by Licensee in fulfilling any of the same, Licensor may at any time thereafter at its option declare a forfeiture of the Agreement. Licensor shall not be obligated to perform any covenant made by Licensor under the Agreement which accrues after the date of any default by Licensee hereunder.

ARTICLE 8 - MAINTENANCE AND REPAIRS

8.01 Licensor's Maintenance Obligations.

a. Licensor shall maintain the Public Restrooms in good condition and repair. Provided, however, if any repairs or replacements are necessitated by the negligence, gross negligence or willful acts of Licensee, its officers, employees, representatives, agents, customers, invitees or trespassers, or by reason of Licensee's failure to observe or perform any provisions contained in the Agreement, or caused by alterations, additions or improvements made by Licensee or its officers, employees, representatives, agents, contractors, subcontractors, laborers or materialmen, the cost of such repairs and replacements shall be the sole obligation of Licensee.

b. Unless Licensee notifies Licensor in writing of the need for repairs attributable to Licensor under this section, Licensor shall not be liable for its failure to make such repairs. Licensor shall be entitled to a reasonable period of time to affect such repairs upon receipt of said written notice from Licensee. Licensee waives any right of offset against any License Fee due hereunder and agrees not to assert as an affirmative defense in any judicial proceeding or arbitration brought by Licensor against Licensee on claims made under the Agreement the provisions of Sections 1941 and 1942 of the California Civil Code, or any superseding statute, and of any other law permitting Licensee to make repairs at Licensor's expense.

c. Licensor will: (a) provide (if applicable) personnel assistance during the installation of the Webcam required to ensure compliance with applicable building codes, rules, and procedures and gain access to utilities; and (b) clean the outer lens of the camera, with materials supplied by Licensee, once per week (or more frequently if necessary due to weather conditions) to ensure high quality images.

8.02 Licensor's Right of Entry.

a. Licensor has reserved and shall at all times have the right to alter, repair, improve, or add to the Public Restroom structure as may affect the License Area.

b. Licensor, its agents, contractors, employees and assigns may enter the License Area at all reasonable times to:

- i. Examine the License Area;
- ii. Perform any obligation of, or exercise any right or remedy of, Licensor under the Agreement.
- iii. Make repairs, alterations, improvements or additions to the License Area, or to other portions of the Wharf as Licensor deems necessary;
- iv. Perform work necessary to comply with laws, ordinances, rules or regulations of any public authority or of any insurance underwriter;
- v. Show prospective licensees the License Area during the last six (6) months of the Term; and
- vi. Perform work that Licensor deems necessary to prevent waste or deterioration in connection with the License Area should Licensee fail to commence to make, and diligently pursue to completion, in a reasonable time as defined by Licensor, Licensee's required repairs after written demand therefore by Licensor. Licensor agrees to give Licensee reasonable notice of intention to make repairs, except in situations involving immediate peril and hazard to the Public Restrooms and Harbor Office, when such entry shall be made summarily by Licensor. Licensor shall be the sole and exclusive judge as to what constitutes immediate peril and hazard to the Public Restrooms and Harbor Office.

c. Licensee hereby waives any claims for damage against Licensor arising from loss of business by reason of Licensor's entry onto or removal of all or any portion of the License Area for the purpose of making repairs to the License Area.

8.03 Licensee's Maintenance Obligations.

a. Except as provided elsewhere in the Agreement, Licensee, at its sole cost and expense, shall keep the License Area in good order, condition and repair and shall make all repairs or replacements necessary to keep the License Area in such condition.

b. All repair and replacement material, products, and equipment shall be of a quality equal to or exceeding that of the original. Should Licensee fail to make these repairs and replacements or otherwise maintain the License Area for a period of three days after delivery of a written demand by Licensor, or should Licensee commence, but fail to complete, any repairs or replacements within a reasonable time after written demand by Licensor, Licensor shall have the right to make such repairs or replacements without liability to Licensee

for any loss or damage that may occur to Licensee's stock or business, and Licensee shall pay for all costs incurred by Licensor in making such repairs or replacements, together with interest thereon at the maximum rate permitted by law from the date of commencement of the work through the date of payment. Licensee shall, at its expense, repair promptly any damage to the License Area caused by Licensee, its agents, employees, customers, invitees, sub-licensees, assignees or concessionaires, or caused by the installation or removal of Licensee's personal property.

c. Licensee shall, at its own expense, comply with all requirements of the Licensor's insurance underwriters and any other governmental authority having jurisdiction thereof, regarding the installation and periodic maintenance of fire suppression systems or apparatus.

8.04 Glass. Licensee shall replace, at its expense, any and all damaged or broken glass components on or about the License Area resulting from any cause whatsoever other than the direct negligence of Licensor. Licensee shall have full responsibility, at its sole discretion, to either self-insure or obtain insurance policies covering damage or replacement of said glass components.

ARTICLE 9 - DAMAGE OR DESTRUCTION

9.01 Licensor's Duty To Repair.

a. If the License Area is destroyed or materially damaged from a cause not insured against under a fire or casualty insurance required herein, or if the amount of available insurance proceeds, including deductible costs, is not sufficient to completely repair or restore any such damage or destruction, then Licensor shall have the right to terminate the Agreement by giving written notice of termination to Licensee within thirty days after the date of the damage or destruction. If the Agreement is not terminated, then Licensor shall diligently proceed to repair and restore the License Area to the extent that insurance proceeds, including deductible costs, are sufficient to completely repair or restore any such damage or destruction.

b. If the License Area is materially damaged or destroyed from a cause covered by a fire or casualty insurance required herein, and it can be repaired or restored within ninety (90) days after commencement of repair or restoration, then Licensor shall diligently proceed to repair and restore the License Area. If Licensor determines that License Area cannot be repaired or restored within this period, then Licensor shall have the right to terminate the Agreement by written notice to Licensee given within sixty days after the date of the damage or destruction, and Licensee's obligation to pay License Fees and other charges under the Agreement shall terminate as of the date of the damage or destruction, or the date Licensee ceases to do business at License Area, whichever date is later.

c. If the License Area is damaged to the extent of fifty percent (50%) or more of the replacement cost, then Licensor may elect to terminate the Agreement by written notice to Licensee given within sixty days after the date of the destruction.

d. If Licensor elects or is required to make repairs under this Article, then Licensee shall be entitled to a reduction in License Fees, equal to that portion of License Area in which the floor area rendered unusable bears to the gross floor area of the License Area, from the date of damage to the earlier of the date Licensee reopens for business or thirty days after

completion of Licensee's repair work. If, in Licensor's sole determination, the damage to the License Area is such that License cannot conduct normal business operations and must close, then Licensee shall be entitled to a reduction in License Fees from the date of damage to the earlier of the date Licensee reopens for business or thirty days from completion of Licensor's repair work. Licensee waives the provisions of Civil Code Sections 1932 and 1933 with respect to any destruction of the License Area.

e. Except as otherwise provided in the Agreement, damage to or destruction of the License Area shall not terminate the Agreement or result in the abatement of any License Fees or other charges payable under the Agreement. Licensee expressly waives any right it may have, in law or equity, to offset any cost incurred by Licensee for repairs or restoration to the License Area against Licensee's obligations to pay rent in connection with Licensor's duties of repair and restoration under the Agreement.

f. Licensor's duties of repair and restoration under the provisions of the Agreement shall extend only to those portions of the License Area insured under a policy of fire or casualty insurance required herein, and Licensee shall not be responsible for any loss, damage, or destruction to Licensee's personal property, trade fixtures, merchandise, inventory or equipment.

9.02 Licensee's Duty to Repair or Replace. Except as otherwise provided herein, Licensor's obligation to restore shall not include the restoration or replacement of Licensee's personal property, trade fixtures, merchandise, inventory, or equipment. Licensee shall restore and replace said items in the event that Licensor is obligated or elects to repair any damage or destruction of the License Area.

ARTICLE 10 - INDEMNIFICATION AND INSURANCE

10.01 Indemnification. Licensor shall not be liable to Licensee for any damage to Licensee or Licensee's property from any cause which is not the result of Licensor's gross negligence. Licensee, as a material part of the consideration for the Agreement, hereby expressly waives and releases all claims against Licensor, its officers, employees, representatives, agents, and volunteers for any injury or damage to any person or property on or about the License Area arising for any reason. Licensee agrees to indemnify, release, defend and hold harmless Licensor, its officers, employee, representatives, agents, and volunteers from any loss, claim, cost, expense or liability for any injury or damage to person or property, occurring in, on or about the License Area, arising for any reason, including without limitation the condition or use of the License Area or personal property located therein and against any loss, claim, cost, expense or liability for injury to the person or property of Licensee, its agents, officers, employees, invitees or trespassers.

10.02 Insurance Requirements. Licensee shall procure and maintain for the duration of the contract, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the Licensee's operation and use of the License Area. The cost of such insurance shall be borne by the Licensee.

a. **Minimum Scope of Insurance.** Coverage shall be at least as broad as the following:

- i. Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001).
- ii. Workers' Compensation insurance as required by the State of California with statutory limits; and Employer's Liability Insurance with a minimum limit of \$1 Million per accident for bodily injury or disease
- iii. Property insurance against all risks of loss to any Licensee Improvements or betterments.

b. Minimum Limits of Insurance. Lessee shall maintain limits no less than the following:

- i. General Liability. \$2,000,000 per occurrence for bodily injury, and property damage, including products-completed operations, personal injury and advertising injury.
- ii. Property Insurance. Full replacement cost with no coinsurance penalty provision.

c. Deductibles and Self-Insured Retentions. Licensor may choose to review deductibles and self-insured retentions on property insurance. At the option of Licensor, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the Licensor, its officers, officials, employees, and volunteers; or the Lessee shall provide a financial guarantee satisfactory to Licensor guaranteeing payment of losses and related investigations, claim administration and defense expenses.

d. Other Insurance Provisions. The general liability policy is to contain, or be endorsed to contain, the following provisions:

- i. The City of Morro Bay, its officers, officials, employees, agents, and volunteers are to be covered as insureds with respect to liability arising out of ownership, maintenance or use of that part of the License Area leased to the Licensee.
- ii. Licensee's insurance coverage shall be primary insurance as respects Licensor, its officers, officials, employees, agents, and volunteers. Any insurance or self-insurance maintained by Licensor, its officers, officials, employees, agents, or volunteers shall be excess of Licensee's insurance and shall not contribute with it.
- iii. Coverage shall not be canceled, except after thirty (30) days' prior written notice has been given to Licensor.

e. Acceptability of Insurer. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII.

f. Verification of Coverage. Licensee shall furnish Licensor with original certificates and amendatory endorsements effecting commercial general liability coverage required by the Agreement. Upon request by Licensor, Licensee shall provide certificates evidencing the other coverages required herein. The endorsements should be on forms provided by Licensor or on other than Licensor's forms, provided those endorsements or

policies conform to the requirements. All certificates and endorsements are to be received and approved by Licensor before the Lease commences. Licensor reserves the right to require complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications at any time.

g. Increase in Coverage. Licensor reserves the right to modify the amount of commercial general liability insurance required herein, based upon a general review by Licensor of the standard insurance requirements, or other circumstance. Such changes in coverage shall be commercially reasonable at the determination of Licensor. Licensor will notify Licensee of any changes under this provision of the Agreement.

10.03 Licensee's Failure To Maintain Insurance. Licensee agrees that if Licensee does not maintain any insurance policy required under the Agreement or fails to pay any premiums when due, Licensor may, at its election, either terminate the Agreement, require that the License Area be immediately closed for business pending reinstatement of insurance by Licensee, or obtain the necessary insurance and pay the premium, and the repayment thereof shall be deemed to be additional rent due by the Licensee and payable on the next date upon which a payment of License Fee are due.

10.04 Fire Insurance/Other Insurance Premiums.

a. Licensee, at its sole cost, shall procure and maintain an insurance policy for fire and extended coverage throughout the term of the Agreement in an amount equal to the replacement value of the License Area, together with other insurance as may be deemed necessary by Licensor or required by Licensor's lender or by any governmental agency. Said insurance may exclude coverage for the Licensee's personal property, trade fixtures, equipment and merchandise located in or upon the License Area. Licensor, in its sole discretion, may require Licensee, from time to time, to procure and maintain other policies of insurance covering the License Area, including without limitation, earthquake insurance, vandalism and malicious mischief endorsement and License Fee loss insurance.

b. All policies of insurance required under the Agreement shall name Licensor, its officials, employees, agents and volunteers as an additional insured. Licensor has the right at any time to demand a copy of a Certificate of Insurance from Licensee for the policies of insurance required herein and any other reasonable evidence proving compliance with these provisions. The failure to provide the Licensor with such evidence within five (5) calendar days of such demand shall constitute a material breach of the Agreement.

c. If Licensee is unable to obtain any policy of insurance required by Licensor under the Agreement, then Licensor, at its sole discretion, and subject to the availability of coverage, may purchase such policy of insurance and Licensee shall reimburse Licensor for Licensee's pro rata share of the cost of such insurance. In determining Licensee's pro rata share of the premiums for any such insurance specified herein, the schedule issued by the organization making the insurance rate on the improvements, areas and/or risks covered, showing the various components of such rates, shall be conclusive evidence of the charges which make up the insurance rate and the pro rata share to be charged to the License Area. If such a schedule cannot be obtained, then Licensee's pro rata share shall be based upon the ratio that the gross floor area of the License Area bears to the total gross leasable floor area of the building or buildings for which said insurance policy relates. Licensor may estimate the cost of insurance and collect and impound Licensee's share of these costs upon written notice to Licensee.

d. If Licensee cannot obtain its own insurance policies for fire and extended coverage and Licensor, at its sole discretion, exercises its option to purchase such insurance to cover the License Area. Licensee understands that Licensor's current insurance policy for fire and extended coverage has a \$5,000 deductible. In the event of damage or loss to the License Area, Licensee will be responsible for payment of the first \$1,000 deductible costs for said fire and extended coverage and Licensee and Licensor shall each pay one half of any deductible costs for fire and extended coverage in excess of the first \$1,000, assuming that Licensor elects to include the License Area under Licensor's insurance policy because Licensee is unable to procure its own policy.

10.05 Waiver of Subrogation. Licensee hereby grants to Licensor and Licensor's agents, a waiver of any right to subrogation which any insurer of said Licensee may acquire against Licensor by virtue of the payment of any loss or damage under such insurance. Licensee agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation, but this provision applies regardless of whether or not Licensor has received a waiver of subrogation endorsement from Licensee.

10.06 Waiver of Loss and Damage. Licensor shall not be liable for any damage to inventory or other property of Licensee, or others, located in, on or about the License Area, nor for the loss of or damage to any property of Licensee or of others by theft or otherwise, which is not the direct result of Licensor's negligence, and Licensee waives any claim against Licensor with respect to such property. Licensor shall not be liable to Licensee, Licensee's employees or representatives for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain or leaks from any part of the License Area or from the pipes, appliance or plumbing works or from the roof, street or subsurface or from any other places or by any other cause of whatsoever nature. Licensor shall not be liable to Licensee, Licensee's employees or representatives for any such damage caused by other Licensees or persons in the License Area, occupants of adjacent property of the Wharf, or the public, or caused by operations in construction of any private, public or quasi-public work. All property of Licensee kept or stored on the License Area shall be so kept or stored at the sole risk of Licensee, and Licensee shall hold Licensor harmless from any claims arising out of damage to the same, including subrogation claims by Licensee's insurance carriers, unless such damage shall be caused by the willful act or gross neglect of Licensor.

10.07 Notice by Licensee. Licensee shall give immediate notice to Licensor in case of fire or accidents in or around the License Area or of any damages or defects in the License Area or any fixtures or equipment therein.

ARTICLE 11 – TIDELANDS TRUST

11.01 Harbor Department Lease Management Policy. The License Area is encompassed in the Tidelands Trust, public trust lands. The granted lands must be used for commerce, fisheries, navigation, recreational purposes, parklands, public access, public parking and environmental protection or enhancement. Licensor created the Harbor Department to focus property management efforts in the tidelands and to assure tidelands revenues are properly accounted for and used. The Harbor Department is operated through one of Licensor's enterprise funds, known as the Harbor Fund. The Harbor Department will actively work with and attempt to enhance marine dependent or marine related uses in compliance with the

adopted Licensor's Plans and Policies, and Licensor's goals of maintaining a small commercial fishing harbor and working waterfront. The Harbor Department will manage the Agreement and manage the License Fees to ensure they are used as stipulated in Licensor's Tidelands Trust obligations.

ARTICLE 12 - MISCELLANEOUS

12.01 Hazardous or Toxic Materials.

a. Licensee shall comply, at its expense, with all federal, state and local statutes or regulations concerning environmental conditions, emissions, pollutants and controls. Licensee shall not cause, store, use or permit any Hazardous Material, including without limitation asbestos or polychlorinated biphenyls, to be brought upon, kept or used in or about the License Area by Licensee, its agents, employees, contractors or invites, without the prior written consent of Licensor, which Licensor shall not unreasonably withhold as long as Licensee demonstrates to Licensor's reasonable satisfaction that such Hazardous Material is necessary or useful to Licensee's business, does not violate any requirements of the Licensor's policies of fire, causality or public liability insurance and will be used, kept and stored in a manner that complies with all laws regulating any such Hazardous Material so brought upon or used or kept in or about the License Area.

b. If Licensee breaches any of its obligation stated herein, or if the presence of Hazardous Material in the License Area caused or permitted by Licensee results in contamination of the License Area, then Licensee shall indemnify, defend and hold Licensor harmless from any and all claims, judgment, damages, penalties, fines, costs, liabilities or losses, including, without limitation, diminution in value of the License Area, damages for the loss or restriction on use of rentable or usable space or of any amenity of the License Area, damages arising from any adverse impact on marketing of space on the Wharf, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees which arise during or after the lease term as a result of such contamination. Without limiting the foregoing, if the presence of any Hazardous Material the License Area caused or permitted by Licensee results in any contamination of the License Area, Licensee shall promptly take all actions at its sole expense as are necessary to return the License Area to the condition existing prior to the introduction of any such Hazardous Material to the License Area; provided that Licensor's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the License Area.

c. As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or the United States Government. The term "Hazardous Material" shall include without limitation, any material or substance which is (i) defined as a "hazardous waste," "extremely hazardous waste" or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140, of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law); (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act); (iii) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous

Materials Release Response Plans and Inventory); (iv) defined as a “hazardous substance” under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances); (v) petroleum; (vi) asbestos; (vii) listed under Article 9 or defined as hazardous or extremely hazardous pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20; (viii) designated as a “hazardous substance” pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. § 1317); (ix) defined as a “hazardous waste” pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq. (42 U.S.C. § 6903); or (x) defined as a “hazardous substance” pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq. (42 U.S.C. § 9601), and any amendments or successor statutes thereto.

12.02 Storage; Office Space. Licensee shall warehouse, store and stock within the License Area only such equipment as Licensee intends to use as described herein within the License Area. Licensee shall use for office, clerical or other non-selling purposes only such limited space in the License Area as is, from time to time, reasonably required for Licensee’s business operation in the License Area.

12.03 Compliance with Governmental Regulations. Licensee shall, at its sole cost and expense, comply with all of the requirements of all local, state and federal authorities now in force, or which may hereafter be in force, pertaining to the License Area. With regard to the use of the License Area, Licensee shall faithfully observe all local ordinances and state and federal statutes now in force or which may hereafter be in force.

12.04 Signs and Advertising.

a. Licensee will not place, install, maintain or construct or allow any third party to place, install, maintain or construct any sign, banner, flag, awning or canopy, covering, or advertising matter on the roof, or on any exterior door, wall or windows of the License Area without Licensor’s prior written consent, which shall not be unreasonably withheld. Licensee further agrees to maintain such sign, awning, canopy, decoration, lettering, advertising matter or window coverings in good condition and repair at all times. Licensee shall not display or sell any merchandise or allow carts, portable signs, devices, vending machines or other objects to be stored outside of the defined exterior of the License Area without the prior written consent of the Licensor.

b. No advertising medium shall be used or allowed to be used by Licensee which can be heard or experienced outside the License Area, including without limitation, flashing lights, searchlights, loudspeakers, phonographs, radios or television. Except with Licensor’s prior written consent, Licensee shall not display, paint or place, or cause to be displayed, painted or placed, any handbills, bumper stickers or other advertising devices on any vehicle parked in the parking area of Morro Rock, including those belonging to Licensee, or to Licensee’s agent or any other person; nor shall Licensee distribute or cause to be distributed at Morro Rock any handbills or other advertising devices.

c. Licensee agrees, at Licensee’s sole cost, to construct and install signs as may be required or allowed by Licensor in strict conformance with Licensor’s Sign Guidelines which specifies the permissible design, material, color, location, size and letter style of any such signs. Licensee’s signs shall not be installed without the written consent of Licensor. Licensee, at its sole cost, shall obtain all necessary permits before installing, erecting or constructing any such sign. Signs shall be installed prior to the commencement of Licensee’s business and

thereafter shall be maintained by Licensee at Licensee's sole expense. If Licensee fails to maintain any such sign(s), Licensor shall have the right to maintain any such sign(s) and Licensee shall reimburse Licensor for such cost, plus a twenty percent (20%) overhead fee. If Licensee installs a sign without the Licensor's prior written consent, or said sign does not conform to Licensor's Sign Guidelines, Licensor shall have the right, at its sole discretion, to remove and store Licensee's sign at Licensee's sole expense. The removal and storage costs shall bear interest at the rate of one and one half (1 1/2%) percent per month until paid, or at the maximum rate allowed by law, whichever is less.

d. Licensor reserves the right to revise the Sign Guidelines for any reason, at any time, including without limitation changes in any governmental requirement or Licensor's renovation of the License Area. Within ninety (90) days of Licensor's request, Licensee shall remove Licensee's existing sign, patch the underlying attachment surface, and install a new sign, at Licensee's sole cost and expense, in accordance with Licensor's then existing Sign Guidelines.

12.05 Attorneys' Fees. In the event of any legal action, arbitration or proceeding between the parties, the prevailing party shall be entitled to reasonable attorneys' fees and expenses as awarded by the court, arbitrator or other person deciding the legal action, arbitration or proceeding as a part of the judgment or award resulting therefrom.

12.06 Sale or Lease of License Area by Licensor. Notwithstanding any provisions of the Agreement, Licensor may assign in whole or in part Licensor's interest in the Agreement and may sell all or part of Licensor's leasehold interest in the real estate of which the License Area is a part. In the event of any sale or exchange of the License Area by Licensor and assignment by Licensor of the Agreement, Licensor shall be entirely freed and relieved of all liability under all covenants and obligations contained in or derived from the Agreement or arising out of any act, occurrence or omission relating to the License Area which occurs after the consummation of such sale, exchange or assignment.

12.07 Liability to Successors. The covenants and conditions herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of the parties hereto who shall be jointly and severally liable for the covenants contained herein.

12.08 Interpretation.

a. Whenever the singular number is used in the Agreement, the same shall include the plural. Reference to any gender shall include the masculine, feminine and neuter genders, and the word "person" shall include corporation, firm or association, when required by the content.

b. The headings or titles to the paragraphs of the Agreement are for convenience only and do not in any way define, limit or construe the contents of such paragraphs.

c. This instrument contains all of the agreements and conditions made between the parties with respect to the hiring of the License Area and may not be modified orally or in any manner except by a written instrument signed by all the parties to the Agreement.

d. The laws of the State of California shall govern the validity, performance and enforcement of the Agreement. If any provision of the Agreement is determined to be void by any court of competent jurisdiction, then such determination shall not affect any other provision of the Agreement and such other provisions shall remain in full force and effect. If any provision of the Agreement is capable of two constructions, one which would render the provision void and one which would render the provision valid, the provision shall be interpreted in the manner which would render it valid.

e. Except as may otherwise be expressly stated, each payment required to be made by the Licensee shall be in addition to and not in substitution for other payments to be made by Licensee.

12.09 Time. Time is of the essence in the Agreement.

12.10 Force Majeure. Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, regulations or controls, enemy or hostile government action, civil commotion, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform, shall excuse the performance by such party for a period equal to that resulting from such prevention, delay or stoppage. However, Licensee's obligations to make payment for License Fees and other charges pursuant to the terms of the Agreement shall be excused or reduced only as elsewhere specifically provided in the Agreement.

12.11 Notices. Any notice required to be given by one party to the other or required to exercise an option under the Agreement may be given: by personal delivery in writing to the address set forth below; by registered or certified mail to the address set forth below with postage prepaid and return receipt requested; by private express parcel delivery service such as FedEx or United Parcel Service to the address set forth below; by successful facsimile transmission to the facsimile transmission telephone number set forth below; or by successful email transmission to the email address set forth below. Notice shall be deemed communicated on the date of personal delivery in the case of personal delivery; as of five days from the date of postmark in the case of certified or registered mail; as of three days from the date of pick-up by the express parcel service in the case of delivery by an express parcel service; as of the date of facsimile transmission in the case of delivery by successful facsimile transmission; as of the date of email in the case of delivery by successful email transmission. A facsimile transmission shall be deemed successful if the facsimile confirmation sheet documents a successful transmission. An email transmission shall be deemed successful if a return unsuccessful email transmission notice is not received by the transmitting party. Each party may change its notification contact information set forth below by providing written notice of any such change in accordance with this paragraph.

Licensor

City of Morro Bay
Harbor Director
Harbor Department
1275 Embarcadero
Morro Bay, CA 93442

Licensee

Surflife/Wavetrak, Inc.
Attn: Kurt Herrmann
300 Pacific Coast Highway, #310
Huntington Beach, CA 92648

Either party may, by proper notice, at any time designate a different address to which notices shall be sent.

12.12 Relationship of Parties. The relationship of the parties hereto is that of Licensor and Licensee and it is expressly understood and agreed that Licensor is not in any way or for any purpose a partner of Licensee, or a joint venture with Licensee in the conduct of Licensee's business or otherwise.

12.13 Waiver. The waiver by Licensor of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any other term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of License Fees hereunder by Licensor shall not be deemed to be a waiver of any preceding breach by Licensee of any term, covenant or condition of the Agreement, other than the failure of Licensee to pay the particular License Fee so accepted, regardless of Licensor's knowledge of such preceding breach at the time of acceptance of such rent. No covenant, term or condition of the Agreement shall be deemed to have been waived by Licensor, unless such waiver is in writing by Licensor.

12.14 Rights and Options. Licensee's failure to exercise any right or option or privilege hereunder shall not thereafter preclude Licensor from exercising any right, option, or privilege hereunder, and shall not be deemed a waiver of said right, option, or privilege. Nor shall such a failure relieve Licensee from Licensee's obligation to perform each and every covenant and condition on Licensee's part to be performed hereunder or relieve it from liability for damages or any other remedy for Licensee's failure to perform or meet the obligations of the Agreement.

12.15 Accord and Satisfaction. No payment by Licensee or receipt by Licensor of a lesser amount than the License Fee herein stipulated shall be deemed to be other than on account of the earliest stipulated License Fee, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as License Fee be deemed an accord and satisfaction, and Licensor may accept such check or payment without prejudice to Licensor's right to recover the balance of such License Fee or pursue any other remedy in the Agreement provided.

12.16 Authority. If Licensee is a corporation or partnership, then each individual executing the Agreement on behalf of such entity represents or warrants that he or she is duly authorized to execute and deliver the Agreement on behalf of such entity and that such entity shall be bound by all the terms and provisions hereof.

12.17 Broker's Commission. Each party represents and warrants that there are no claims for brokerage commissions or finder's fees arising from that party's activities in connection with the Agreement, and each party agrees to indemnify and hold the other party harmless from all liability arising from any such claim.

12.18 Recycling Activities. Licensee agrees to participate, to the greatest extent possible, in all existing or future recycling activities initiated or arranged by Licensor with regard to the City of Morro Bay.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the parties hereto have executed the Agreement the day and year first herein written.

LICENSOR

City of Morro Bay
a municipal corporation

By: _____
Dave Buckingham
City Manager

Date

LICENSEE

Kurt Herrmann
Surflife/Wavetrak, Inc.
a Delaware corporation

By: _____
Kurt Herrmann
Camera Locations & Strategy Manager

Date

By: _____
Dennis Murphy
Camera Operations Manager

Date

APPROVED AS TO FORM:

Joseph W. Pannone
City Attorney

Date



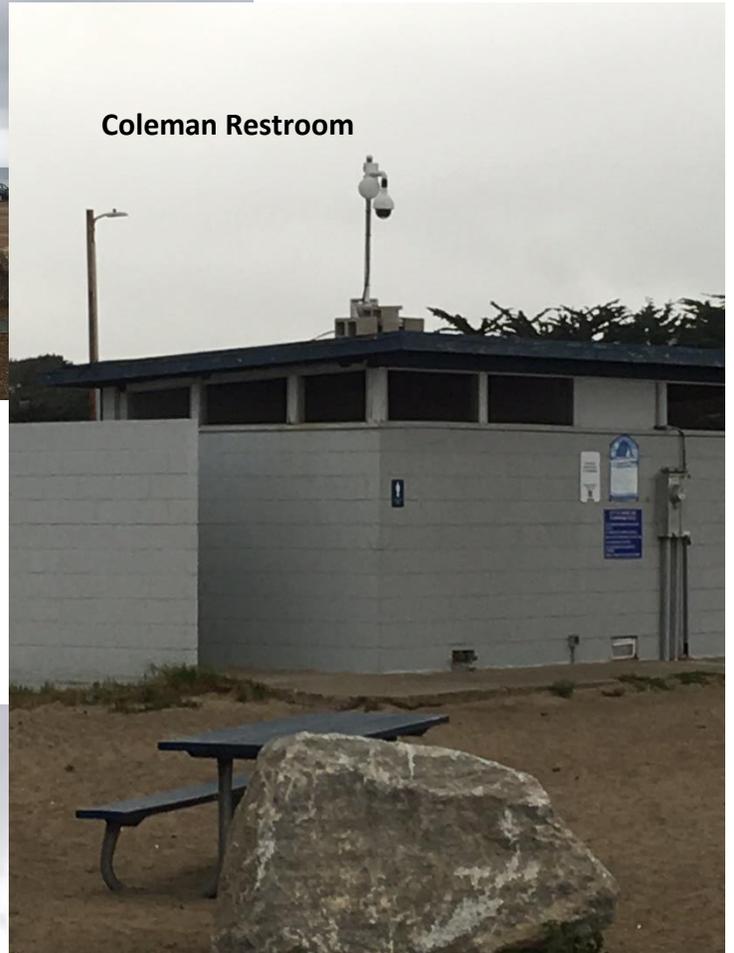
Exhibit A

City of Morro Bay License Area Location

Morro Rock



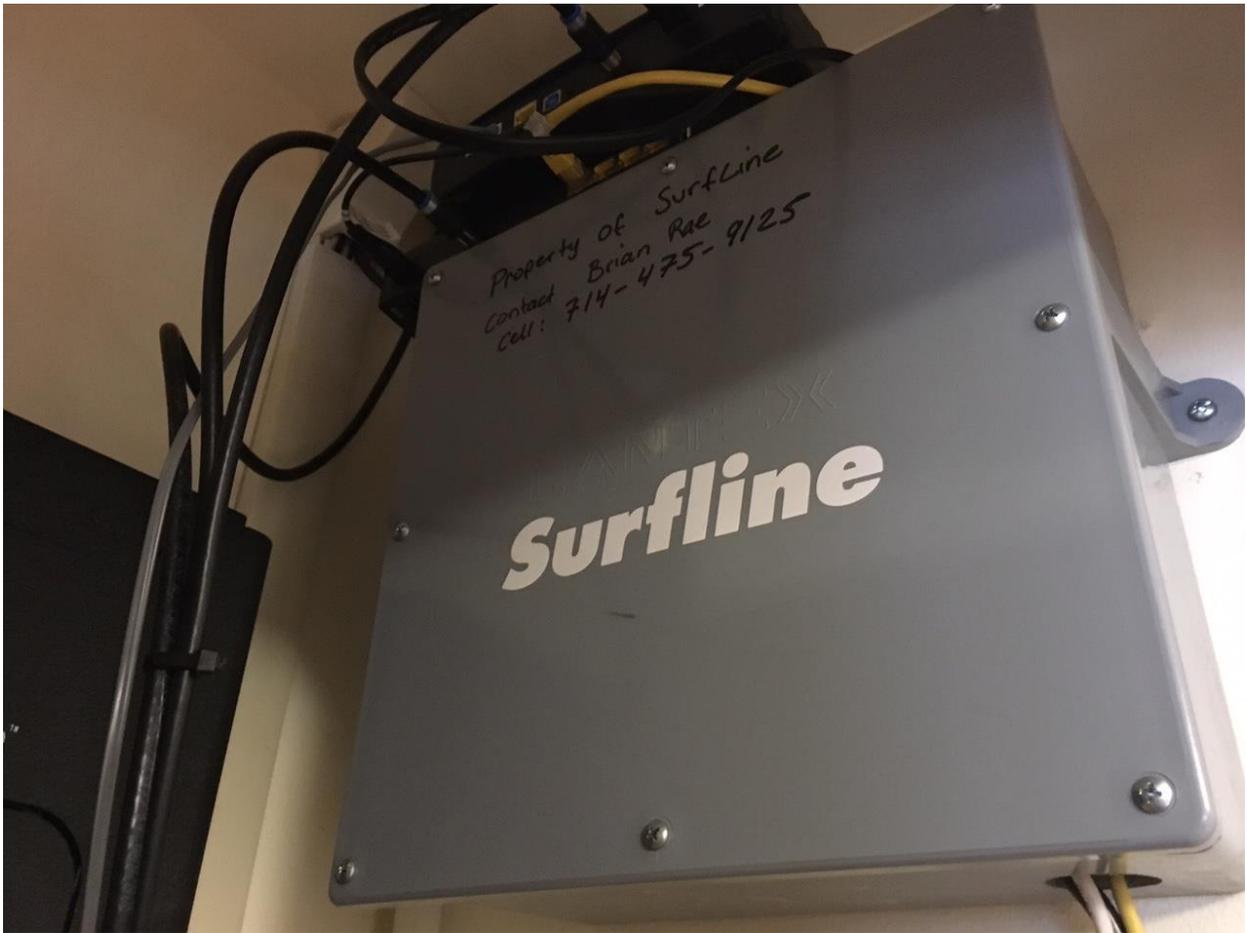
Coleman Restroom



Launch Ramp Restroom



Harbor Office



City of Morro Bay Harbor Department

1275 Embarcadero
Morro Bay, CA 93442

Phone: 805-772-6254 Fax: 805-772-6258

www.morrobayca.gov

Exhibit C

STATEMENT

To: Surflife, Inc.
Kurt Herrmann
300 Pacific Coast Highway, #310
Huntington Beach, CA 92648

5/1/17

Account: LS3737

Invoice #	Date	Description	Amount
Previous balance as of 3/31/17			0.00
73877	04/01/17	Harbor Lease Rent for Space # WEBCAM for April, 2017	360.00
	04/03/17	Payment, Check, 67314	-360.00
74047	05/01/17	Harbor Lease Rent for Space # WEBCAM for May, 2017	410.00

- REMINDERS -

The next Harbor Advisory Board meeting is scheduled for May 2, 2017 at 6:00 PM in the Vet's Hall.

Please call the Harbor Office if you have any questions or concerns.

Thank you!

Current	1 to 30 Days	31 to 60 Days	Over 60
410.00	0.00	0.00	0.00

Total Due	\$410.00
------------------	-----------------

To ensure proper credit, please include tear-off stub with payment. Thank you.

DUE ON RECEIPT

From: Surflife, Inc.
Kurt Herrmann
300 Pacific Coast Highway, #310
Huntington Beach, CA 92648

5/1/17

Account: LS3737

Send to:

To: City of Morro Bay Harbor Department
1275 Embarcadero
Morro Bay, CA 93442

Total Due: \$410.00

City of Morro Bay Harbor Department

1275 Embarcadero

Morro Bay, CA 93442

Phone: 805-772-6254 Fax: 805-772-6258

www.morrobayca.gov

STATEMENT

To: Surflife, Inc.
Kurt Herrmann
300 Pacific Coast Highway, #310
Huntington Beach, CA 92648

5/1/17

Account: LS3737

Invoice #	Date	Description	Amount	
Statement Run Summary Page. DO NOT MAIL.			Grand Total Due	410.00
1	Statements	E-Statement amounts are not included in the grand total.		

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AGENDA NO: B-1

MEETING DATE: April 25, 2017

Staff Report

TO: Honorable Mayor and Council Members **DATE:** April 13, 2017

FROM: Ikani Taumoepeau, Deputy City Manager

SUBJECT: Adoption of Resolution No. 18-17 Declaring the Intention to Continue the Program and Levy Assessments for the Fiscal Year 2017/18 for the Morro Bay Tourism Business Improvement District (MBTBID) and Scheduling a Public Hearing to Levy the Assessments

RECOMMENDATION

Council adopt Resolution No. 18-17 approving the MBTBID FY 2017/18 annual report pursuant to State law, and set the public hearing date for May 23, 2017, to continue the MBTBID activities and assessments for FY 2017/18.

ALTERNATIVES

No alternatives recommended.

FISCAL IMPACT

Preliminary revenue estimates from assessments for FY 2017/18 is \$1,042,791 including City contributions. As of April 12, 2017, total expenditures for FY 2017/18 are projected at \$983,105.

SUMMARY

This is the first of two Council meetings that will take place in the annual MBTBID renewal process (1989 Law) and reauthorization of the 3% assessments, as required by State law – Streets and Highway Code (SHC) sections 36530 to 36537 (*see steps below*).

The 1989 Law – Annual Improvement District Renewal Process:

1. Completed in two City Council sessions:
 - a. Step 1: The Annual Report (CA Code 36533) is produced by the MBTBID and filed to the City clerk for Council approval. At the first Council session, the Council may approve or modify the annual report. The Council shall also adopt Resolution No. 18-17, Declaration of Intention, to continue the program and levy assessments for FY 2017-18. This resolution shall state the date and time of the public hearing (CA code 36534). The resolution of intention must be published once in the newspaper of general circulation in the City, and not less than 7 days before the public hearing.
 - b. Step 2: The second Council session doubles as a public hearing meeting for this process, which follows the negative protest procedure. If 50 percent or more of the hotel owners in the assessment area do not protest at the public hearing, then at the conclusion of the hearing, the Council may adopt the resolution to continue the MBTBID program and assessments as currently levied.

The public hearing is held pursuant SHC 36524 & 36525. If 50 percent or more of the hotel owners in the assessment area protest, then no further proceedings to

Prepared By: ___IT

Dept Review: _____

City Manager Review: ___

CC 4.25.17 - Page 53 of 247

City Attorney Review: _____

renew the improvement district shall be taken for a period of one year term from the date of the protest at the public hearing.

The MBTBID assessment is a crucial, protected revenue stream that allows the City to market Morro Bay to tourists. Morro Bay Municipal Code (MBMC) Chapter 3.60 outlines the creation of the MBTBID, the assessment, and the way the funds can be used.

The use of funds is designed to enhance tourism in the community, which should increase overall Transient Occupancy Tax revenues and directly benefit the community's hotels, which will see an increase in overnight stays.

The City Council adopted MBMC Chapter 3.60 to provide explicit uses for the funding as follows:

- A. The general promotion of tourism within the district is to include costs as specified in the business plan to be adopted annually;
- B. The marketing of conference, group, and film business that benefits local tourism and the local hotel industry in the district; and
- C. The marketing of the district to the travel industry in order to benefit local tourism and the local hotel industry in the district.

The annual assessment report, which is required by the Parking and Business Improvement Area Law of 1989, is an exhibit to the annual program, activities, marketing and sales plan for the upcoming fiscal year.

The Annual Report makes reference to that proposed budget and providing that budgetary information is required by SHC section 36533. It should be noted the budget is not being finalized at this point in the process, but will be adopted with the FY 2017-18 City Budget in June.

DISCUSSION

State law requires the TBID Advisory Board to create an annual assessment report and the City Council to annually approve the report, as well as renew the business improvement district assessments each fiscal year.

The assessment report is fairly routine, though it would likely be more noteworthy, if there were recommended changes to the assessment rate or the boundaries of the district, which the annual assessment report would have to address if those issues were to occur. Staff does not recommend a modification to the assessment or a change in the boundaries of the TBID, which encompasses the entire City.

Retaining a protected revenue stream to be used specifically for tourism promotions and marketing gives Morro Bay the best opportunity to maximize its potential as a tourist destination that will benefit the local hoteliers along with the rest of the community.

CONCLUSION

Staff recommends the City Council adopt Resolution No. 18-17 to approve the annual report pursuant to state law, and set the public hearing date for May 23, 2017, to declare the intent to continue the MBTBID activities and assessments.

RESOLUTION NO. 18-17

**RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF MORRO BAY, CALIFORNIA,
DECLARING THE INTENTION TO CONTINUE THE PROGRAM AND LEVY
ASSESSMENTS FOR THE 2017/18 FISCAL YEAR FOR THE
MORRO BAY TOURISM BUSINESS IMPROVEMENT DISTRICT (MBTBID);
AND SETTING A DATE FOR A PUBLIC HEARING TO RECEIVE
PROTESTS TO THAT ASSESSMENT**

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

WHEREAS, the Parking and Business Improvement Area Law of 1989, Sections 36500 *et seq.*, of the California Streets and Highway Code, authorizes cities to establish and review business improvement areas for the purpose of promoting tourism; and

WHEREAS, on April 13, 2009, City Council held a public hearing for the introduction and first reading of Ordinance 546 amending the Morro Bay Municipal Code (MBMC) to add a new Chapter 3.60 to establish the Morro Bay Tourism Business Improvement District (“MBTBID”), and adopted Ordinance 546 at its April 27, 2009 meeting, which set the MBTBID assessments at 3% from June 1, 2009 to May 31, 2010, and 2% from June 1, 2010 and thereafter; and

WHEREAS, on June 1, 2010, the MBTBID assessments returned to the 2% level, as established by Ordinance 546; and

WHEREAS, on September 13, 2010, the City Council held a public hearing and first reading of Ordinance 562 to amend MBMC section 3.60.050, changing the assessment percentage to 3%, and adopted Ordinance 562 at its September 27, 2010, meeting; and

WHEREAS, on April 20, 2017, at a duly noticed public meeting, the advisory board, formed pursuant to MBMC, section 3.60.100, recommended the renewal of the TBID for Fiscal Year (FY) 2017-18 to continue its activities, and the City Council has approved that renewal for the past seven years; and

WHEREAS, all other findings of Ordinances 546 and 562 remain unchanged; and

WHEREAS, on April 25, 2017, City Council conducted a public meeting where staff presented the annual assessment report, which provides a full and detailed description of the activities to be provided during the FY 2017-18, as provided in the proposed budget for that Fiscal Year, which are attached to this Resolution as Exhibit A and available for review in the City Clerk’s office; and

WHEREAS, the budget generally describes the funded activities to be marketed, which attract and extend overnight stays in Morro Bay hotels, and are consistent with the authorized uses for the assessment revenue set forth in MBMC, section 3.60.030; and

WHEREAS, it is the intention of the City Council to levy and collect 3% assessments from the hoteliers within the TBID for the FY 2017-18; and

WHEREAS, at the public meeting held on April 25, 2017, City Council additionally set the

public hearing, for the intent to levy the TBID assessment for Fiscal Year 2017/18, to be held at the Morro Bay Veterans Memorial Hall located at 209 Surf Street, Morro Bay, California, in accordance with the California Streets and Highway Code, sections 36534 and 36535.

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

1. The above recitations are true and correct, and incorporated herein by reference.
2. The City Council approves the attached Annual Assessment Report and declares its intention to renew the Morro Bay Tourism Business Improvement District for the 2017/18 Fiscal Year, and to levy and collect 3% assessments from hoteliers calculated in the manner set forth in MBMC, section 3.60.050.
3. The City Council sets the date of the public hearing to adopt a Resolution to reaffirm the MBTBID, and levy and collect the 3% assessments from hoteliers as Tuesday, May 23, 2017. Before or at this public hearing written protests to the continuation of the MBTBID and the levy of the assessment may be made, consistent with the requirements of Streets & Highways Code, sections 36524 and 36525 and MBMC, section 3.60.060.

PASSED AND ADOPTED by the City Council of the City of Morro Bay, at a regular meeting thereof held on the 25th day of April 2017, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

JAMIE L. IRONS, Mayor

DANA SWANSON, City Clerk



TBID Report FY 17-18





April 12, 2017

The Future Destination of Morro Bay,

In this report you will find thoughts, ideas, trends, sections of articles, facts and figures for the direction of the destination of Morro Bay. *Marketing for Morro Bay as a destination is fluid.* The market could change dramatically tomorrow and the proposed plan would be required to change along with it. This is why working on an ongoing execution plan with an agency is important as the market and climate can change rapidly. It is important to review this document as a map to direct us where the organization is going and why.

There are multiple ways and vehicles to consider when drafting an annual report, plus providing direction for the overall destination. The plan must tie into the overall goals and objectives set for the organization approved by the advisory board, city council and the lodging stakeholders paying into the assessment.

Lastly, we as representatives for the destination of Morro Bay have a responsibility to manage and use our resources to further the positive economic impact and growth of the city and its stakeholders. In the end, let's work together and create a positive future.

Sincerely,

Jennifer Little
Tourism Manager, City of Morro Bay

Introduction

For fiscal year 2017-18, the Tourism Department has one year under its belt as a city department. Last fiscal year 2016-17, tourism marketing and sales were moved from a non-profit 501(c)6 and shifted under the auspices of the City of Morro Bay. Oversight of the tourism division is now conducted by the City of Morro Bay, City Council and the Morro Bay Tourism Business Improvement District (TBID) Advisory Board, to assure the execution of sales and marketing activities on behalf of the payers into the assessment in the city limits of Morro Bay.

Morro Bay Visitor Statistics & Impact

Morro Bay, California is a popular destination on the Central Coast of California. Individuals and groups visit for various reasons, but how many people actually visit Morro Bay annually? What type of impact does it make on Morro Bay as a whole?

Based off of a formula created by the tourism department, the city can estimate the number of overnight and day visitors to the city. With the data already collected by the City of Morro Bay, the formula to estimate the number of overnight visitors is simple.

Take the total receipts in the category and divide it by the average daily rate (ADR) to get the total estimated room nights. To get the total estimated number of overnight guests (conservatively), take the total estimated room nights and multiply it by the estimated occupancy number two (the multiplier could be three -- see the numbers below).

FY 2016	Total Receipts	ADR	Est. Rm Night	2x (Guests)	Est. Overnight Guests	Est. Day Visitors	Total Est. Visitors
Hotel Tax	\$26,827,201.41	\$124	215,730	431,459	607,774	911,661	1,519,436
Trailer Park	\$2,220,232.45	\$ 40	55,506	111,012			
Vacation Rental	\$3,265,160.78	\$ 100	32,652	65,303			

It is estimated that the average of overnight guests represents 40% of the visitors in a typical destination, where the number of day visitors is estimated at 60% of the total. When calculating the numbers, the number of overnight guests is estimated over 607,774 while the number of day visitors equates over an estimated 911,611 people. These numbers are definitely data that is useful for all stakeholders and residents of Morro Bay. Not only do these numbers equate into visitors, but also into dollars spent in the city.

In addition to this number, it is estimated that an overnight guest in a hotel or motel spends an estimated \$225.00 per total room consumed above the cost of lodging in Morro Bay. With the estimates given above, the economic impact to sales tax businesses and the City of Morro Bay is estimated at \$68,374,612.89.

The funding mechanism for the tourism department is the process through a 3 percent self-assessment with the Morro Bay hotels and motels. This system is made possible by the formation of the Morro Bay Tourism Business Improvement District (TBID) through the City of Morro Bay. The tourism department intends to utilize the revenue below and translate it into sales and marketing activities to fulfill annual goals and objectives.

Proposed Budget Overview FY 17-18		
<i>Revenues</i>		
Proposed BID Tax		\$ 907,863
Proposed City Contribution		\$ 134,928
Grand Total		\$ 1,042,791
Tourism Administration		
<i>Expenses</i>		
Administration & Payroll		\$ 179,892
Office Supplies		\$ 3,104
Meetings & Conferences		\$ 4,850
Postage & Utilities		\$ 11,846
Sub Total		\$ 199,692
Destination Marketing		
Consulting & Contractual Services		\$ 130,121
Promotion & Advertising		\$ 378,560
Ad Buys		\$ 53,350
Media Promotions		\$ 168,759
Tradeshows & Roadshows		\$ 52,623
Sub Total		\$ 783,413
Grand Total		\$ 983,105

*Proposed City Contribution includes \$60k transfer, per Resolution 3-16, and the 20% proposed incremental amount above \$3M total TOT base. Through current mid-year budget adjustments, TOT for current year will end at \$3,374,639. Based on this figure of 20% above \$3M, which is \$74,928, in addition to the annual contribution of \$60k, amounts to the proposed FY18 city contribution of \$134,928. To balance the budget solely for this chart, the expenses were coded to 'Consulting & Contractual Services'.

Morro Bay Tourism Business Improvement District

Morro Bay's Tourism Business Improvement district (TBID) is defined by the city limits of Morro Bay. This specific TBID is where the hotel, motel, inns and B&B owners self-assess themselves annually to fund sales and marketing activities to reach the following goals & objectives:

- Increase overall occupancy & hotel/motel revenues, especially during mid-week and shoulder season
- Extend the number of average hotel/ motel room nights beyond 1.5
- Help incrementally increase the hotel/motel Average Daily Rate (ADR)
- Bring exposure to Morro Bay as a viable domestic and international destination for individuals and groups
- Assist with the development and growth of competitions and events that attract overnight guests
- Create opportunities to positively impact sales tax businesses & drive economic development in the City of Morro Bay
- Positively impact transient occupancy tax (TOT) for the City of Morro Bay

CLOSER LOOK AT GOALS & OBJECTIVES

The goal to increase overall occupancy & hotel/motel revenues, especially during mid-week and shoulder season was carried over from the previous fiscal year. With assessment dollars being stretched further, the expectation to influence more business during the mid-week and shoulder season is even stronger this fiscal year. By looking at the historical data and taking into consideration the differing weather patterns, the tourism department must look closer at the biggest opportunities to bring in business during the shoulder season. September, November and December-March are the times when both the lodging and the sales tax business community is thirsting for more business.

The goal to increase the average number of hotel/motel room nights beyond 1.5 is more of a long-term goal for the organization. It will take time and strategy to accomplish this goal. It also appears to be very lodging-centric, but in actuality, overnights in a destination increases the amount spent within that destination. Figures from Destination Marketing Association International used to express between a 20-25% more spend within a community when an overnight is incurred. This being a national average, the amount spent in addition to the overnight accommodation is estimated between 15-18% in the community. In addition to these statistics, it is estimated that an overnight guest in a hotel or motel will spend an estimated \$225.00 per total room consumed above the cost of lodging in Morro Bay.

Lastly, through the sales efforts of the tourism department, the organization is also encouraging adding a vacation component to groups when participating in a tournament or competition. This entity is including additional services to provide Visitor Guides prior to arrival, providing discounts on the Morro Bay Adventure Pass and other area group discounts. Again, by increasing the number of nights relates to a positive economic impact on sales tax businesses. It is worth repeating that an estimated \$225.00 per total room consumed above the cost of lodging in Morro Bay goes back into the Morro Bay economy and helps with many of the overall goals and objectives set in this plan.

The tourism industry along with the City of Morro Bay has been active and supportive partners for events in Morro Bay. From waiving city fees, providing grant dollars and providing promotional support, the tourism department wants to continue on this trajectory to accomplish the goal by assisting with the development and growth of competitions and events that attract overnight guests. Since the economic impact of overnight guests are greater than ones that are just here for the day, the organization wants to focus on the events that drive room nights for the lodging community, which will directly impact TOT and the economic vitality for sales tax businesses as well as for the City of Morro Bay as a whole.

If one or all the above goals can be accomplished, this will directly impact the goals to create opportunities to positively impact sales tax businesses & drive economic development in the City of Morro Bay and positively impact transient occupancy tax (TOT) for the City of Morro Bay.

KEY CALIFORNIA TRENDS

When setting out to create or update an existing plan, it is important to look at the key trends and statistics that may impact your business. For Morro Bay, there are a series of resources to use when looking and indicators, trends and statistical information. Entities like Visit California, Destination Marketing Association International and many reputable research companies and publications that provide professional insight on the current status of the market as well as forecasting what is to come for the industry.

EXECUTION OF PLAN

The tourism department of the City of Morro Bay will work in concert with the selected marketing and public relations agency to develop an executable plan to reach the overall goals and objectives in this document. The areas of marketing will include, but not limited to public relations, digital marketing and outreach, social media, broadcast, print, direct mail, and shows. There will be goals established in these areas to assure the investment of the stakeholders will be reach through a return on investment while staying in budget.

PUBLIC RELATIONS

The goal of any outreach is the ability to reach established goals and objectives. In public relations, Morro Bay has been fortunate to attract the right type of media to further the visibility of the destination. In addition to this goal, was the desire to create and distribute original press releases for additional visibility and media coverage. As the destination marketing organization for Morro Bay, the organization and agency will continue the diversity and coverage of business and events in Morro Bay through visiting media as well as through press releases.

The tourism department will work on ways to reduce the overall hosting costs. Tourism was successful in utilizing the Morro Bay Adventure Pass to bring visibility to this product, but also to reduce costs. The public relations agency worked with this last fiscal year also helped in reducing costs with connecting us and sharing costs with other destinations on the central coast. In maximizing the needs and wants of visiting journalists, plus the desire to reduce costs for destinations, enabled the tourism department to extend the public relations budget.

DIGITAL MARKETING & OUTREACH

This area of marketing continues to change as technology changes. It is necessary for the organization to outsource the management of digital marketing to assure the performance of advertising and to keep up with the changes in algorithms of the digital space.

GOALS & OBJECTIVES

Goals set for Fiscal Year 2016-17 by Morro Bay Tourism Department are as follows:

- a. Increase overall occupancy & hotel/motel revenues, especially during midweek and shoulder season
- b. September, November – more aggressive
- c. Midweek – more aggressive
- d. Extend the number of average hotel/motel room nights beyond 1.5
- e. Help incrementally increase the hotel/motel Average Daily Rate (ADR)
- f. Bring exposure to Morro Bay as a viable domestic and international destination for individuals and groups
- g. Assist with the development and growth of competitions and events that attract overnight guests
- h. Create opportunities to positively impact sales tax businesses & drive economic development in the City of Morro Bay
- i. Positively impact transient occupancy tax (TOT) for the City of Morro Bay

MARKET TIERS

Growing towards the goal market tiers were set to continue reaching out to these primary markets throughout the year, taking into consideration the key trends and lifestyle of the audience the destination aims to attract. Overall, *Mental Marketing* established a media plan to reach these audiences to achieve the goals and objectives afore mentioned. The planned purpose of reaching out to these Tier 2 warmer markets is to create an appeal to escape to a beach setting with cooler climates, namely, Morro Bay.

Unfortunately, due to budget constraints and road closures requiring additional marketing into tier one, MB Tourism ended-up primarily focusing on tier one for this year. Support for tier two was done through co-op dollars with Visit SLO CAL, VISIT Ca and Central Coast Tourism Council (CCTC).

TIER 1:

- Year Round Placements
 - Los Angeles, California
 - Central Valley of California
 - San Francisco, California
 - San Jose, California
 - San Diego, California

TIER 2:

- April-October
 - Sacramento, California
 - Phoenix, Arizona
- May-August
 - Reno, Nevada
 - Las Vegas, Nevada
 - Houston, Texas

Plan Ahead for the Tourism Department FY 2017-18

To ensure Morro Bay achieves its growth awareness goals for the FY 2017-18, we conducted two interactive planning sessions with key Morro Bay tourism stakeholders. In addition, we researched current tourism trends, analyzed current fiscal year campaign results, database profiles, and key findings from a 2016 Visit SLO Cal awareness study Morro Bay Tourism commissioned that focused on where our visitors are coming from and what they spend their money on.

As a result new ideas were generated, new Morro Bay stories are waiting to be told and new approaches are being formulated for FY 2017–18 campaigns. We know that we have to remain nimble and stay up to date on market forces that can be a factor in decision making when implementing programs and tactics. For example, after Highways 41 and 1 were closed due to rain and mudslides, our team worked hard to analyze target audiences and refocus marketing outreach to best reflect Morro Bay’s accessibility. Our team is working hard to increase events in Morro Bay that generate overnight stays and help increase occupancy during mid-week and shoulder season. We are actively working with our tourism partner retail, restaurant and rental businesses to create passports that help increase their sales and city sales tax during slower times. We strive and make sure that the dollars we spend on tour and travel trade shows draw the best results possible to increase group business and media awareness.

Morro Bay Tourism

TBID Annual Report FY 17-18





DISCOVER
MORRO BAY



2016-17

YEAR IN REVIEW

2016-17



LOS ANGELES

CENTRAL VALLEY

SAN FRANCISCO

SAN JOSE

SAN DIEGO



2016-17



SACRAMENTO — *April-October*

PHOENIX — *April-October*

RENO — *May-August*

LAS VEGAS — *May-August*

HOUSTON — *May-August*



2016-17



AUSTRALIA



CANADA



CALIFORNIA'S
CENTRAL COAST

CHINA



DiscoverAmerica.com

BRAZIL



MEXICO





DISCOVER MORRO BAY

Distributed \$60,000 in grants

- Annual City Wide Yard Sale
- Avo-Marg & Taste of the Grove
- Crusin Morro Bay
- Harbor Festival
- Morro Bay Kite Festival
- Lighted Boat Parade
- Surfboard Art Festival

- Morro Bay Triathlon
- Pickleball
- San Salvador Tours
- Soupabration
- MBHS Volleyball Tourney
- MBHS Wrestling Tourney



DISCOVER
MORRO BAY

Hosted OWAC

- Outdoor Writer Conference
- Attended by 25+ journalists
- Original budget was \$20,000
final cost was \$14,000

Hosting the 2017 AMGEN
stage finish on May 16th





AMGEN TOUR of CALIFORNIA



Comparisons 2016 -vs- 2017

2016 AMGEN RACE

- Race Start am
- Took place on a Saturday
- Booked **300** rooms
- Limited exposure and impact on restaurant/retail due to early morning event

2017 AMGEN RACE

- Race Finish (2-4 pm)
- Takes place on a Tuesday
- **To date 512 rooms booked (\$74,761)**
- High impact on restaurant/retail
- **Anticipate 650+ rooms filled**
 - **(estimated \$91,961 in hotel stays)**
- *Not bad for a Tuesday*



LEVERAGING AMGEN FOR HOTEL ROOMS!

2017 AMGEN RACE

- Contract required guaranteed rooms filled with staff
- Contract required guaranteed rooms & food for 4-6 teams
- 100% of the Amgen Swag is being used for room incentives
- 100% of the VIP packages is being used for room incentives



DISCOVER
MORRO BAY



2016 Summer season –
Adventure Pass **FAILED**

Only sold 100 passes over May, June, July,
Aug, and Sept 2016

2017 –

- Discontinued the Adventure Pass
- Implemented an added-value for all hotel guests at ***no additional cost to visitors or hoteliers***

Primary focus for this program is mid-week and shoulder season

Kid's Passport (Nov/Dec)

- 717 redeemed

Restaurant Passport (Jan/Feb)

- 176 redeemed

Activity Passport (March/April)

- To date 2000 used



DISCOVER
MORRO BAY



2016 DATABASE STATISTICS

Group Name	% Cust	0%	10%	20%	30%
Age Range					
18-24	0.5%				
25-34	7.8%				
35-44	16.5%				
45-54	24.3%				

Income					
Under \$30K	14.4%				
\$30K-\$69K	33.6%				
\$70K-\$99K	23.4%				
\$100K-\$149K	14.5%				
\$150K & Up	14.0%				

Home Value	% Cust	0%	20%	40%
Under 100K	14.7%			
100-199K	31.4%			
200-299K	19.6%			

**48% income is
under \$69,000**

(primarily working families)

This database is good for summer promotions but Morro Bay tourism needs to grow:

- Mid-week stays
- Shoulder season



DISCOVER
MORRO BAY

Morro Bay Weekender 2015-16 & 2016-17



Weekender Launched in October 15, 2015 - 19,000 database

2016-17

- Removed name to not focus on “Weekend Travel”
- Audit and review of full database
- Purchase use of 160k Names in Tier 1 markets
 - HHI \$100k +
 - Promote mid-week and shoulder season
 - Promote Added values, events, and hotel offers



Trade Shows Tour & Travel and Consumer

TRAVEL/TRADE

GoWEST

38 meetings with Travel companies, agents and FIT organizers

ABA

52 scheduled meeting. Out of the 52 meeting only 18 were viable leads

IPW this June as part of Visit SLO CAL

CONSUMER TRADE SHOW

- Central Coast Women Conference, Fresno
- Bakersfield Women's Conference
- Arizona Women's Conference



DISCOVER
MORRO BAY

Marketing Year in Review July 2016 – Feb 2017

2016-17
Programs

Success
Criteria



DISCOVER
MORRO BAY

CAMPAIGNS W/ EXPERIENTIAL CTAS

- **JULY 2016 – SEPTEMBER 2016: Wine Month Promotion**
 - Book 2 nights get FREE bottle wine

2016-17
Programs

Feel free to
WINE ABOUT THIS OFFER!

*Free bottle of Central Coast wine
when you book 2 nights in Morro Bay*



DISCOVER
MORRO BAY



DISCOVER
MORRO BAY

CAMPAIGNS W/ EXPERIENTIAL CTAs

- **SEPTEMBER 2016 – OCTOBER 2016: Maritime Month Promotion**
 - Enter to win \$1000 getaway during Maritime Discovery Month

2016-17
Programs

Pack your bags
IT'S ANCHORS AWEIGH!

Win a \$1000 Getaway

to Morro Bay during Maritime Discovery Month



DISCOVER
MORRO BAY



DISCOVER
MORRO BAY

CAMPAIGNS W/ EXPERIENTIAL CTAS

- **OCTOBER 2016 - DECEMBER 2016: Kids Get Free Stuff**
 - Stay in MB, Kids Get Free Stuff

Stay in Morro Bay, CA
and Kids Get Free Stuff this November and December!

DISCOVER
MORRO BAY

2016-17
Programs



DISCOVER
MORRO BAY

CAMPAIGNS W/ EXPERIENTIAL CTAS

- **DECEMBER 2016 – FEBRUARY 2017: Winter is for the Birds**
 - Stay in MB, Free Restaurant Passport

Winter is for *the Birds!*

Stay 2 nights in Jan or Feb get 3rd night half off!



DISCOVER
MORRO BAY

2016-17
Programs



DISCOVER
MORRO BAY

CAMPAIGNS W/ EXPERIENTIAL CTAS

- **FEBRUARY 2017 – APRIL 2017: Take a Deep Breath**
 - Stay in MB, Free Activity Passport

Take a
deep
breath
AND SAVE!

Surf. Sail. Kayak. Paddleboard. ALL FOR LESS IN MORRO BAY!



2016-17
Programs



DISCOVER
MORRO BAY

CAMPAIGNS W/ EXPERIENTIAL CTAS

- **APRIL 2017 – JUNE 2017: Mid Week Promotion**
 - Stay in MB, Free Mid-Week Passport

Why wait for the *Weekend?*
IT'S ALL HAPPENING MIDWEEK!



DISCOVER
MORRO BAY

Get Rooms for Less Mid-Week in May and June

2016-17
Programs

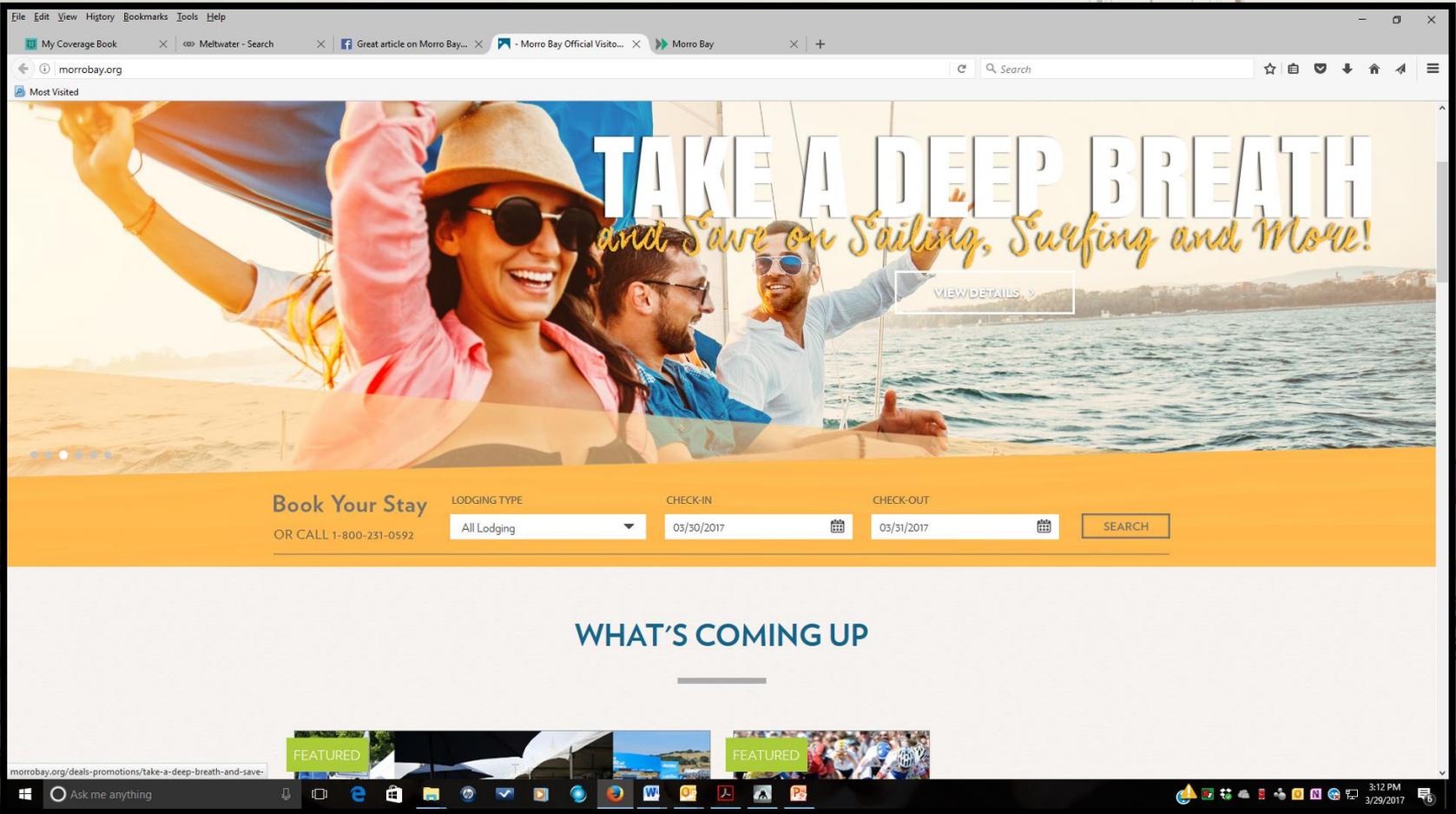


DISCOVER
MORRO BAY

DIGITAL/WEB/PRINT ANALYTICS Y/Y

1. **Paid Digital Impressions: 20.1 M**
2. **Clicks to Morrobay.org: 68,006**
3. **CTR: .34% (*industry average .1%*)**
4. **Website Unique Visitors: 182,183 (+32%)**
5. **Jack Rabbit Searches: 30,347 (+119%)**
6. **Jack Rabbit Lodging Referrals: 17,700 (+31%)**
7. **FB Ad Campaign Impressions: 2.14 M**
8. **FB Ad Campaign Clicks: 36,070**
9. **CTR: 1.68 % (*industry average for travel .9%*)**
10. **Paid Print Impressions: 2.6 M**

Success
Criteria



File Edit View History Bookmarks Tools Help

My Coverage Book Meltwater - Search Great article on Morro Bay... Morro Bay Official Visito... Morro Bay

morrobay.org

Most Visited

TAKE A DEEP BREATH

and Save on Sailing, Surfing and More!

VIEW DETAILS >

Book Your Stay OR CALL 1-800-231-0592

LODGING TYPE: All Lodging

CHECK-IN: 03/30/2017

CHECK-OUT: 03/31/2017

SEARCH

WHAT'S COMING UP

FEATURED

morrobay.org/deals-promotions/take-a-deep-breath-and-save-

Ask me anything

3:12 PM 3/29/2017

Success
Criteria





DISCOVER MORRO BAY



DISCOVER MORRO BAY



MEDIA GROUP TRAVEL SPORTS MEETINGS & EVENTS VISITOR INFORMATION CONTACT BLOG

THINGS TO DO EVENTS PLACES TO STAY EAT & DRINK DEALS & PROMOTIONS

37 LODGINGS found on Mar 31st - Apr 2nd

Hotel, Point of Interest, Location...

START A NEW SEARCH:

03/31/2017

04/02/2017

SEARCH >

FILTER BY:
Average Rate/Night

Lodging Type

Amenities

Sort:

All

37 properties match your customized search criteria

DISPLAY: Grid List Map



Morro Shores Inn & Suites

Lodging Type: All Lodging, Hotels, Motels & Inns

290 Atascadero Road
Morro Bay, CA

PHONE

Average Rate/Night
\$16182*

BOOK >> DIRECT

View Map Visit Website More Info

View Rates by Date



Seaside Inn

Lodging Type: All Lodging, Hotels, Motels & Inns

220 Beach Street
Morro Bay, CA

PHONE

Average Rate/Night
\$16799*

BOOK >> DIRECT

View Map Visit Website More Info

View Rates by Date



La Serena Inn

Lodging Type: Hotels, Motels & Inns, All Lodging

990 Morro Avenue
Morro Bay, CA

PHONE

Average Rate/Night
\$17999*

BOOK >> DIRECT

View Map Visit Website More Info

View Rates by Date



Success Criteria

MORRO BAY OYSTER



DISCOVER MORRO BAY

[More Info](#) [Map](#) [Rates By Date](#)



Morro Shores Inn & Suites

Lodging Type: All Lodging, Hotels, Motels & Inns

Average Rate/Night
\$161^{82*}

[BOOK >> DIRECT](#)

[View Rates by Date](#)

ADDRESS
290 Atascadero Road
Morro Bay, CA

PHONE
[View Phone](#)

ABOUT
A brand new craftsman style exterior, with a warm, inviting coastal decor interior with modern, stylish amenities and furnishings. Awaiting you is a beautiful courtyard with a four tier water fountain and sitting area allowing our guests to mingle outdoors. A selection of suites and deluxe rooms are furnished with pillow top mattresses and amenities including: 32" LCD HDTV, high speed Internet, mini-bar with refrigerator, microwave, iron, ironing board and hairdryer.

1.04 mi from current location

[Visit Website](#)

[Like 0](#)

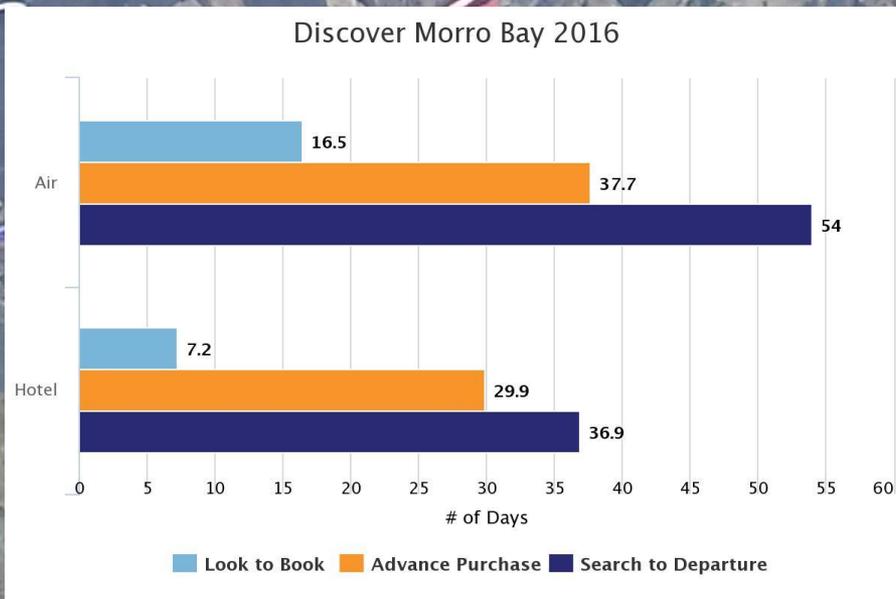
Success
Criteria

MORRO BAY OYSTER



**DISCOVER
MORRO BAY**

BOOKING METRICS



Discover Morro Bay (H)

Rank	City	Volume
1	Los Angeles	11,412
2	Santa Barbara	6,624
3	San Francisco	5,668
4	Fresno	3,284
5	Sacramento	2,270
6	Bakersfield	1,274
7	San Diego	920
8	Monterey	446
9	New York	154
10	Chico	112
11	Atlanta	100
12	Las Vegas	80
13	Palm Springs	70
14	Washington	70
15	Dallas	70
16	Phoenix	64
17	Odessa	64
18	St Louis	46
19	Seattle	44
20	Portland	40

Success
Criteria

Media/Site	Placement	Geo Target	Estimated Impressions	Clicks	CTR	Cume Revenue	Adara Partner Morro Bay.org visits
ADARA Media	Display Banners/tablet	Airline and Hotel Travelers	4,689,735	6,952	.15%	\$14,945.25	73,960



DISCOVER
MORRO BAY

Los Angeles Times



SOUTHERN CALIFORNIA
LOS ANGELES • ORANGE • RIVERSIDE • SAN BERNARDINO • VENTURA

The Fresno Bee



YAHOO!

Success
Criteria

PUBLIC RELATIONS RESULTS

Eventbrite

Blog

2016-17
Results

1. Earned Media Impressions: 1.69B
2. Estimated Coverage Views: 7.4M
3. Social Media Shares: 32,182
4. Ad Value: \$9.5 M
5. Publicity Value: \$28.5 M
6. Organic Web Crawlers Hits: 60.9K
7. Media Views: 4,997
8. Visiting Journalists: 21

NBC
BAY AREA

SF
Chronicle



DISCOVER
MORRO BAY

ORGANIC SOCIAL MEDIA RESULTS



Success
Criteria

1. **Facebook Likes:** 51,028 (+34% or +12,937 likes since July)
2. **Instagram Fans:** 9,500 (+40% since July)
3. **Twitter Fans:** 1,845 (+11%)



DISCOVER
MORRO BAY

Looking Ahead 2017 - 2018

2017-18
Goals

Market
Approach

Opportunities

2017-18
Target
Audience



DISCOVER
MORRO BAY

2017-18
Goals

MORRO BAY LODGING FOCUSED

- Increase overall occupancy & hotel/motel revenues, especially during mid-week and shoulder season
- Extend the number of average hotel/motel room nights beyond 1.5
- Help incrementally increase the hotel/motel Average Daily Rate (ADR)



MORRO BAY BUSINESS & EVENT FOCUSED

- Assist with the development and growth of competitions and events that attract overnight guests
- Bring exposure to Morro Bay as a viable destination for individuals and groups



DISCOVER
MORRO BAY

2017-18
Goals



MORRO BAY BUSINESS & CITY FOCUSED

- Create opportunities to positively impact sales tax businesses & drive economic development in the City of Morro Bay
- Positively impact transient occupancy tax (TOT) for the City of Morro Bay



Morro Bay's Target Market Approach 2017- 2018

Three factors were considered as part of the decision to change focus of targeted markets:

1. How to best leverage MB marketing dollar
2. To help mitigate an anticipated drop in international tourism
3. Tourism research commissioned through Visit SLO Cal and database profiles analysis

Tactics:

- Leverage co-op advertising opportunities
- Concentrate digital ad buys on Southern CA
- Central Valley to remain an important target audience for all digital campaigns



DISCOVER MORRO BAY

Market
Approach

- An additional ad buy of \$24K will be applied May – June 2017
- An additional \$9,000 for database of 160,000 potential visitors
- We will still engage the San Jose and Peninsula through social media
- Use PR messaging to keep Morro Bay top of mind
- International trade shows



HIGHWAY 1 CLOSURE INFORMATION

TALKING POINTS

As part of our ongoing communications regarding the closure of Pfeiffer Bridge on Highway 1, Visit SLO CAL has provided talking points for stakeholders. Please download the talking points [here](#). These talking points are not to be distributed publicly or given to media. If you receive media inquiries, please direct them to Visit SLO CAL at 805.541.8000. Also included in this pdf are the ways you can get involved.

Please proactively share with your tourism industry colleagues, other businesses and government leaders who may not receive Visit SLO CAL emails.

[Highway 1 Closure Talking Points & Ways to Get Involved](#)

VISITOR RESOURCES

We have also created two helpful fliers that you are welcome to print out and provide to guests.

[Highway 1 Closure Information Sheet](#)

[Sights to See Along the Detour](#): Ragged Point to Monterey County

[LA to Ragged Point: Sights along Highway 101 and 1](#)

CALTRANS UPDATES

We encourage you to check the [Caltrans QuickMap](#) and the [SLO County Public Works website](#) for the latest SLO CAL road conditions.

Highway 1: Please note that all SLO CAL Highway 1 destinations are open and accessible via Highway 1 from the south. If coming into SLO CAL from the north or traveling north into Monterey County, please be advised of the following:

- Highway 1 is closed from Ragged Point (NW SLO County) to 15 miles north of Big Sur at Palo Colorado in Monterey County.



DISCOVER
MORRO BAY



2017-18 OPPORTUNITIES

2017-18 OPPORTUNITY



2015	2016
\$126	\$138
REV PAR	

2015	2016
\$149	\$165
ADR	

2015	2016
85%	84%
OCC RATE	

JULY 2016

2015	2016
\$116	\$113
REV PAR	

2015	2016
\$143	\$151
ADR	

2015	2016
81%	75%
OCC RATE	

AUGUST 2016

2015	2016
\$92	\$93
REV PAR	

2015	2016
\$131	\$136
ADR	

2015	2016
70%	71%
OCC RATE	

SEPTEMBER 2016

2015	2016
\$79	\$79
REV PAR	

2015	2016
\$120	\$122
ADR	

2015	2016
65%	65%
OCC RATE	

OCTOBER 2016

2015	2016
\$55	\$62
REV PAR	

2015	2016
\$108	\$110
ADR	

2015	2016
51%	56%
OCC RATE	

NOVEMBER 2016

2015	2016
\$45	\$52
REV PAR	

2015	2016
\$100	\$107
ADR	

2015	2016
46%	50%
OCC RATE	

DECEMBER 2016

2016	2017
\$41	\$41
REV PAR	

2016	2017
\$94	\$93
ADR	

2016	2017
43%	44%
OCC RATE	

JANUARY 2017



DISCOVER
MORRO BAY

STRATEGY FOR 2017-18

Include VR/RV into the BID

Events

- Grow current events
- New large scale events
- Fall concert series

SEO contract

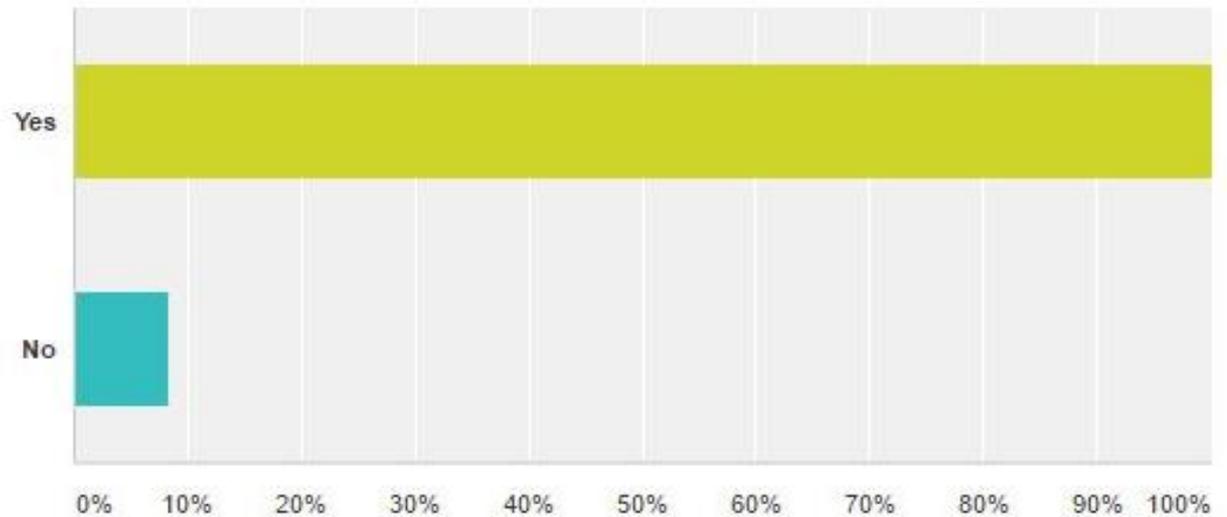
Added value for hotel
guests & visitors

Get Parks and Rec to step
up with Rec Dept led events



Expanding the BID - Should RV Parks/Vacation Rentals be added to the BID?

Answered: 12 Skipped: 0



OPPORTUNITY 2017-18

RFP for an Event Planner

- Assist existing events that would like to grow and would like help.
- Build new events in Morro Bay
- Bring anchor sponsors (PGE, Dignity Health, MindBody, Etc) to events

OPPORTUNITY 2017-18

SEO Contract

- MB Tourism is now under contract with Pacific Leisure and is in its first quarter of work.
- We expect to see measurable results by May



**DISCOVER
MORRO BAY**

Trade Shows Tour & Travel and Consumer

TRAVEL/TRADE

GoWEST

IPW

CONSUMER TRADE SHOW

Dollars that were used in 2016-17 for consumer trade events will be used to promote overnight stays through direct and paid media

OPPORTUNITY 2017-18 IN DEVELOPMENT

Concerts on the Bay, Saturdays in Sept-Oct

- Working in conjunction with SLO Jazz to bring Saturday concerts 4 Saturdays in Sept & Oct.
- Held on the Bay
- 5 year plan with year one; 300 seat venue
- Ticket Sales and concerts provided by SLO Jazz
- Venue, food and drinks provided by Giovanni's



OPPORTUNITY 2017-18 IN DEVELOPMENT

4-Week Fishing Tournament w/Virgs' Landing – Oct/Nov

- Each week the top 3 move on to the final week.
- TBID to supply large cash grand prize
- Potential to have 400-600 visitors for a 4 night stay



OPPORTUNITY 2017-18 IN DEVELOPMENT

Lighted Boat Parade - December

- Encourage Rotary to expand into a 2-day parade
- Encourage all water-front restaurants to sponsor a boat therefore doubling the total number of boats in the parade
- TBID supply a large cash prize for winning entries



OPPORTUNITY 2017-18 IN DEVELOPMENT

Butterflies & Bubbles – Feb (event planner required)

- Weekend event in support with SLO Wine Alliance
- Food & sparkling county wines event
- Tours & education of the Monarch grove
- Hosted at MB golf course



OPPORTUNITY 2017-18 IN DEVELOPMENT

SOAR into Morro Bay – April (event planner required)

- Wind-Energy event
- Weekend before the Kite Festival
- Basically a soap box derby on the beach
- Build your own vehicle – must run on wind power



OPPORTUNITY 2017-18

City of Morro Bay Recreation led events

- Hiking
- Sailing
- Monarch Grove Tours & teaching
- Bird Tours & teaching

Self-Guided Events/Tours

- Self-guided ecotourism events managed through the visitor's center
- Volun-tourism
- Beach clean up
- MB in Bloom volunteer



OPPORTUNITY 2017-18

Secured the 33rd^h Annual 2017 Central Coast Writer Conference Sept 27-30

- 400-450 Writers will be mainly houses in Morro Bay
- Dinner for 300 guests
- Lunch for 150 guests



OPPORTUNITY 2017-18

Continue to grow our added-value Passports
during shoulder season!

Kids Get Free Stuff
Restaurant Passport
Activity Passport



Appendix A

CA State Code: 36533 – TBID Annual Report Requirements

(a) The advisory board shall cause to be prepared a report for each fiscal year for which assessments are to be levied and collected to pay the costs of the improvements and activities described in the report. The report may propose changes, including, but not limited to, the boundaries of the parking and business improvement area or any benefit zones within the area, the basis and method of levying the assessments, and any changes in the classification of businesses, if a classification is used.

(b) The report shall be filed with the clerk and shall refer to the parking and business improvement area by name, specify the fiscal year to which the report applies, and, with respect to that fiscal year, shall contain all of the following:

(1) Any proposed changes in the boundaries of the parking and business improvement area or in any benefit zones within the area.

There are no proposed changes in the boundaries of the parking and business improvement area or in any of the benefit zones within the area. The boundaries will remain the same as fiscal year 2016-17.

(2) The improvements and activities to be provided for that fiscal year.

The improvements and activities for the Tourism Business Improvement District (TBID) are outlined in the following sections above: "Looking Ahead 2017-2018" and "2017-2018 Opportunities".

(3) An estimate of the cost of providing the improvements and the activities for that fiscal year.

A detailed budget has been provided above, outlining the goals, objectives, market tiers and activities.

(4) The method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for that fiscal year.

There are no changes or updates in this area. The funding mechanism for the tourism department is the process through a 3 percent self-assessment with the Morro Bay hotels and motels. This system is made possible by the formation of the Morro Bay Tourism Business Improvement District (TBID) through the City of Morro Bay. The tourism department intends to utilize the revenue below and translate it into sales and marketing activities to fulfill annual goals and objectives.

(5) The amount of any surplus or deficit revenues to be carried over from a previous fiscal year.

As of April 12, 2017 there is fund balance rolled over from previous Tourism Bureau funds. This was coded to General Fund code 007-3170-3990 (Other Misc. Revenues) for \$38,070.87.

(6) The amount of any contributions to be made from sources other than assessments levied pursuant to this part.

In the FY 2017-18 budget, there will be alternative revenue sources in relationship with advertising in the Official Morro Bay Visitor Guide ad sales, General Fund and TOT (proposed City contributions) transfers totaling ~\$134,928.

Proposed City Contribution includes \$60k transfer, per Resolution 3-16, and the 20% proposed incremental amount above \$3M total TOT base. Through current mid-year budget adjustments, TOT for current year will end at \$3,374,639. Based on this figure of 20% above \$3M, which is \$74,928, in addition to the annual contribution of \$60k, amounts to the proposed FY18 city contribution of \$134,928.

(c) The city council may approve the report as filed by the advisory board or may modify any particular contained in the report and approve it as modified. The city council shall not approve a change in the basis and method of levying assessments that would impair an authorized or executed contract to be paid from the revenues derived from the levy of assessments.

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AGENDA NO: C-1

MEETING DATE: April 25, 2017

Staff Report

DATE: April 18, 2017
TO: Honorable Mayor and City Council
FROM: Mike Nunley, PE – Water Reclamation Facility (WRF) Program Manager
SUBJECT: Discussion of Preliminary Findings from the Draft Sewer and Water Rate Study Update

RECOMMENDATION

Staff recommends the Council review the presentation summarizing the preliminary findings from the Draft Sewer and Water Rate Study Update and provide direction regarding the project alternative that establishes the basis for the proposed sewer and water rates. This item is scheduled to be brought back to Council on May 9 to receive authorization for noticing of Proposition 218 proceedings and the item on May 9 will include draft final figures/rates based on input from Council tonight.

DISCUSSION

With the denial of the permit for the wastewater treatment plant (WWTP) project in its current location in January 2013, the City has embarked on a process for a new Water Reclamation Facility (WRF). The City went through a series of planning and siting studies, with extensive community outreach, resulting in the development of community project goals, and selection of the South Bay Boulevard site in June 2016 for detailed studies, site planning and EIR analysis.

The City recently completed two main planning documents for the WRF project and the environmental impact review is currently underway. The Draft Water Reclamation Facility Master Plan (Draft FMP) was prepared by Black & Veatch and completed in November 2016. The Draft FMP provides a roadmap and budget for a new, cost-effective WRF that meets the community project goals. During community workshops, WRF Citizen Advisory Committee meetings, and City Council meetings, the City received input and direction that informed the FMP.

The Draft Master Water Reclamation Plan (Draft MWRP), paid in part by a grant from the State Water Resources Control Board, was prepared by MKN & Associates and completed in March 2017. The Draft MWRP was developed to assess recycled water opportunities and projects in light of the new WRF project.

The analyses and recommendations in both the Draft FMP and the Draft MWRP were driven by the Community Project Goals, summarized in Table 1.

Prepared By: MN Dept Review: RL
City Manager Review: CS City Attorney Review: CFN
CC 4.25.17 - Page 117 of 247

Table Error! No text of specified style in document.: WRF Project Community Goals		
Community Goal	Applicability for WRF	Applicability for Recycled Water
Produce tertiary disinfected recycled water	WRF project is to be designed accordingly	Allows for multitude of recycled water uses and provides basis for advanced treatment
Produce reclaimed wastewater cost-effectively	Draft FMP considered costs in treatment evaluation	Project alternative assessment will include capital and operating costs and consider total amount of recycled water produced
Allow for onsite composting	Reviewed as part of Draft FMP. Onsite composting is not recommended, regional facility composting will be more cost effective and more compatible for neighbors	Not Applicable
Design for energy recovery	Draft FMP considered energy recovery for WRF	Project alternatives analysis will consider energy usage
Design to treat for contaminants of emerging concern (CECs)	Draft FMP included consideration in treatment evaluation	Advanced treatment would provide additional treatment for CECs
Allow for other municipal uses	Draft FMP considered for WRF site planning	Not Applicable
Ensure compatibility with neighboring land uses	Draft FMP considered for WRF site planning	Consideration for major infrastructure siting
Operational WRF within five years	WRF project is on schedule	Project alternatives analysis will consider potential challenges that could delay the project.

Draft MWRP Alternatives Analysis

The Draft MWRP identified the following feasible project alternatives:

- Alternative 0: No Recycled Water Project
- Alternative 1: Urban Reuse
- Alternative 2: Agricultural Exchanges
- Alternatives 3 & 4: Indirect Potable Reuse (varying only by general injection well location)

The recycled water project alternatives were evaluated based on the criteria developed out of the community project goals. Evaluation criteria included capital cost, operating cost, neighborhood compatibility, reliability, and potential water supply benefit. The following main conclusions were reached:

- The highest water supply benefit would be realized through indirect potable reuse (IPR) (Alternatives 3 and 4). Based on preliminary modeling, it appears Alternative 4 could support

the majority, if not all, of the City's current water demand with an estimated water supply benefit of over 1100 AFY. This could significantly reduce or eliminate reliance on imported water.

- The least expensive alternative is no recycled water project (Alternative 0), followed by urban reuse (Alternative 1). Alternative 0 provides no water supply benefit and Alternative 1 provides the least, an estimated 45.4 AFY water supply benefit.
- The capital costs for agricultural exchange (Alternative 2) and IPR (Alternatives 3 and 4) are similar, but IPR has significantly higher water supply benefit if a higher exchange rate is not possible for Alternative 2. Agricultural exchange relies on successful contract negotiations with landowners, adding some uncertainty.

Recommendations and Program Cost Estimates

Based on the analyses presented in the Draft MWRP, the recommended recycled water project is IPR, Alternative 3 or 4, with the main difference consisting of the general locations for injection and extraction wells. The IPR alternative best fulfills the community project goals of producing reclaimed water and provides the highest and most reliable potential water supply benefit. Supplementing the potable water supply with highly treated recycled water is the best allowable beneficial reuse, and will allow the City to reduce or eliminate reliance on imported water.

The City is planning to construct the new WRF within the next five years. If a recycled water project is pursued, then there could be significant savings realized by completing the construction at the same time as the WRF. The estimated total program capital costs for Alternatives 0 through 4 are summarized in Table 2. The total program costs include the total cost for the WRF, as presented in the Facility Master Plan, and additional estimated program costs including decommissioning of the existing WWTP, property acquisition for the WRF, permitting and environmental mitigation, construction management, and estimated recycled water project costs.

Alternative 0 (No Recycled Water Project) presents a WRF that produces secondary disinfected effluent which is discharged to the ocean for an estimated total program cost of approximately \$124 million. Alternatives 3 and 4, the recommended recycled water project, consists of a WRF and full IPR recycled water program for an estimated total cost of approximately \$167 million.

Table 2: Comparison of Total Estimated Program Costs

	Alternative 0	Alternative 1	Alternative 2	Alternative 3	Alternative 4
	No Recycled Water Project (Secondary only)	Urban Reuse	Agricultural Exchange	IPR East	IPR West
Subtotal Program Capital Cost Opinion (rounded)	\$104,200,000	\$128,900,000	\$141,700,000	\$140,400,000	\$140,700,000
Construction Contingency	\$19,320,000	\$24,040,000	\$26,370,000	\$26,220,000	\$26,290,000
Total Program Capital Cost Opinion	\$123,520,000	\$152,940,000	\$167,570,000	\$166,620,000	\$166,990,000

Notes:

- 1) Subtotal Program Capital Cost Opinion includes the WRF Project (lift station, pipelines, and

Table 2: Comparison of Total Estimated Program Costs

	Alternative 0	Alternative 1	Alternative 2	Alternative 3	Alternative 4
	No Recycled Water Project (Secondary only)	Urban Reuse	Agricultural Exchange	IPR East	IPR West
<p>treatment plant); engineering and design; procurement; project administration and construction management; permitting, environmental monitoring and mitigation; demolition of the existing WWTP; property acquisition for the WRF; and recycled water project components as applicable (advanced treatment, operational storage, pump station, pipeline, and injection wells).</p> <p>2) Cost assumptions for Alternative 0 are based on secondary treatment only, SBR option from the Draft FMP. Alternative 0 does not fulfill the community project goals to produce tertiary disinfected wastewater or to produce reclaimed water.</p> <p>3) WRF costs for Alternatives 1 – 4 assume the MBR option from the Draft FMP. Based on estimates in the Draft FMP, the total program capital cost opinion for Alternatives 1 – 4 would be approximately \$2M less with the SBR and filtration option.</p> <p>4) Construction contingency consists of 25% of construction cost subtotal(s).</p>					

Sewer and Water Rate Study Update

The City has contracted with Bartle Wells Associates to perform the Sewer and Water Rate Study Update to assess potential impacts to the sewer and water rates from the WRF Project and financing alternatives. Preliminary findings from the assessment will be summarized in a presentation. The current adopted average water and sewer rates for a single family residential dwelling unit are summarized in Table 3. Table 4 shows the preliminary projected 2020/21 sewer and water impact for the recommended WRF Project Alternative (Alternative 3/4) and the “no recycled water project” alternative (Alternative 0). The future rate impact is shown as a total projected increase in sewer and water charges, as the split between the water and sewer funds is still being developed.

Table 3: Existing Adopted Monthly Water and Sewer Rates

	Current 2016/17	Adopted 2017/18	Adopted 2018/19	Adopted 2019/20
Sewer Charge per SFR	\$62.50	\$70.00	\$77.00	\$83.00
Water Charge per SFR	\$52.00	\$58.00	\$62.50	\$67.00
SFR = single-family residential dwelling unit. Water charge assumes average water use of 5 hundred cubic feet.				

Table 4: Preliminary Projected 2020/21 Increase for WRF Project Alternatives

	Alternative 0 – No Recycled Water Project (Secondary only)	Alternative 3 or 4 – Indirect potable Reuse

Projected Sewer and Water Charge Increase per SFR for WRF	\$62	\$97 ¹
Assumes financing through low interest loans from SRF and/or WIFIA. If public financing is not available, sale of bonds would increase rate requirements. The split between sewer and water funds will be determined as the rate study is finalized. The amounts reflected in the table are increases over the adopted sewer and water rates for 2019/20.		

The rate increases identified above assume the entire budgeted amount is used, the full contingency amounts are used due to unforeseen project construction challenges, and that no construction grants are awarded for the project. Grants or reductions in project cost would result in actual monthly charges that are lower than the rates identified above. Approval of a rate increase through the Proposition 218 process does not mandate that a City keep rates at the amount identified in the public notification if grants are awarded or if actual costs are less than budgeted costs. The City always retains flexibility to implement rates that are lower than initially adopted pursuant to the Proposition 218 process, if costs come in lower than currently projected. Value engineering will be critical to managing and reducing costs as the project proceeds into design and construction.

Potential Costs & Financial Benefits of Recycled Water

Cost savings associated with discontinuing the purchase of some or all of the City’s current State Water contract is not included, but could result in savings of \$1M to \$1.5M per year. As shown above, the incremental cost of \$35 per month between the two alternatives (for both operations and capital) could be considered the cost for the City to rely entirely on local groundwater and recycled water supplies, with no requirement to import water to meet City demands.

A potential transition to 100% local water supply from groundwater & recycled water increases reliability of supply and could eliminate the City’s future State Water contract costs. This transition of water supply may not save money in the near term, but over the longer-term State Water Project costs are expected to increase substantially due to the cost of the Bay Delta Conservation Plan, with potential construction of a peripheral canal or tunnels to divert water around the delta that could cost in the range of \$25 billion. We anticipate that the Department of Water Resources will enter into new water supply contracts with all State Water Contractors in order to secure financing for such a project. This could substantially increase the City’s fixed costs for State Water contract supply. Additionally, having a locally available water supply may protect the City from naturally occurring events such as drought, earthquake and other events that may interrupt the flow of water along the State’s series of reservoirs, pumping stations, canals and pipelines. The proposed transition to 100% local water supply could reduce long-term cost if the cost of State Water escalates, while adding certainty to the City’s water supply.

Advisory Board Input

Staff will provide a summary of the input received from the Citizens Finance Committee and the Public Works Advisory Board.

¹ This increase will be apportioned to either the wastewater (sewer) or water rates as appropriate, i.e. the amount of the increase needed to treat wastewater to the minimum discharge requirements will be apportioned to the wastewater rate, while the amount of the rate used to fund an increase in water supply will be apportioned to the water rate.

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AGENDA NO: C-2

MEETING DATE: April 25, 2017

Staff Report

TO: Honorable Mayor and City Council **DATE:** April 19, 2017
FROM: Scot Graham, Community Development Director
SUBJECT: Review of Preferred Land Use Alternatives for the General Plan/Local Coastal Program Update and Review of Project Timeline and Funding

This item was continued from the April 11, 2017 City Council Meeting. The original staff report and all supporting documents are included for reference.

Prepared By: DS Dept Review:
City Manager Review: City Attorney Review:



AGENDA NO: C-3

MEETING DATE: April 11, 2017

Staff Report

TO: Honorable Mayor and City Council **DATE:** April 05, 2017
FROM: Scot Graham, Community Development Director
SUBJECT: Review of Preferred Land Use alternatives for the General Plan/Local Coastal Program Update and Review of project timeline and funding

RECOMMENDATION

Staff recommends the Council review the presentation by staff, received public comment and review the prepared materials and provide feedback on the preferred Land Use Alternatives associated with the General Plan/Local Coastal Program update.

BACKGROUND

The Planning Commission met jointly with the City Council on March 28, 2017, as part of a special joint study session to review Preferred Land Use Alternatives for the General Plan/Local Coastal Program update. The Council and Planning Commission were unable to complete the review in the time allotted and it is therefore necessary to continue the evaluation effort at a regularly scheduled City Council meeting.

Staff has provided the Land Use Plan alternatives memo and associated attachment from the March 28th joint meeting (Attachments 1 & 2 to the staff report). The Council and Commission were able to complete review of the Land Use Plan Alternatives through Site E: North Main. The continued review will commence with Site F: Tri-W Site.

The Planning Commission reviewed the remainder of the Land Use Alternatives at their meeting on April 4, 2017. Planning Commission comment is included in Attachment 3 of the Staff report.

DISCUSSION

At the joint CC/PC meeting on March 28, 2017, the Council expressed an interest in discussing project timelines and overall funding. The General Plan/Local Coastal Program was scheduled for completion in December of 2017. It now appears that the likely completion date is closer to August of 2018. Extension of the overall timeline is due to a couple of factors:

- The GPAC has spent more time reviewing background material than initially anticipated
- The round three Coastal Commission grant was awarded in August of 2016, but the agreement was not finalized until January of 2017, which pushed back timelines on several deliverables. We are not able to start work covered by the grant until the agreement is in place.

The table below outlines the approximately timeline for the GP/LCP update moving forward.

Prepared By: ___SG___

Dept Review: _SG_

Task	Schedule
Zoning Code Diagnostic Memo	May 2017
ESHA layer update (Round 3 CCC)	June 2017
Administrative Draft Plan Morro Bay	July 2017
Sea Level Rise Adaptation/Evaluation (Round 3 CCC)	July 2017
Low Cost Accommodations Memo (Round 3 CCC)	July 2017
Lateral Access (Round 3 CCC)	August 2017
NOP/Scoping	July - August 2017
Staff Draft Zoning Code	August 2017
Admin Draft EIR	October 2017
Admin Draft Zoning Code	October 2017
Public Draft Plan Morro Bay	December 2017
Public Draft EIR	January 2018
Public Review Draft Zoning Code	January 2018
Public Hearings on GP/LCP	January – February 2018
Final Plan Morro Bay	March 2018
Final EIR	May 2018
Public Hearings - Zoning Code	May - July 2018
Final Zoning Code	August 2018
Updated Sea Level Rise Modeling	TBD 2018

The updated schedule completes all deliverables in August of 2018. Our grant deadline is December of 2018 for deliverables to the Coastal Commission, with certification taking place after that. Given the need to extend the project timeline it is appropriate to look at whether we need to add additional meetings for GPAC, PC and Council.

We currently have four budgeted and remaining GPAC meetings, Two Planning Commission only meetings and two joint Planning Commission/Council meetings remaining. The cost for additional meeting is provided below:

- The 6 additional GPAC meetings = \$1,500 (cost is low because we can leverage meetings that are scheduled for Zoning Code update)
- Additional GPAC meetings beyond 6 = \$2,640 per meeting
- Additional CC or PC meetings = \$2,000 per meeting

Budget Options for Additional Meetings

Preferred Alternative: Add 12 additional GPAC meetings and 6 Planning Commission and/or Council meetings. Total Cost: \$29,340

Minimum Alternative: 6 GPAC meetings and 4 Planning Commission meetings for a total cost of \$9,500. Council would likely need to meet with each advisory body to clearly outline expectations under this scenario.

Move Review Process to Planning Commission Only: Would likely require 8 to 10 additional meetings for cost range of \$16,000 to \$20,000. This is a viable option given that the GPAC has

helped develop the background documentation for the GP/LCP and we are now essentially complete with that process. All future review work will center on actual policy development.

CONCLUSION

Staff along with Michael Baker will compile comments from the Council on the remaining items, update the Preferred Land Use Alternatives and move forward with development of Land Use policies.

Staff has provided an updated project timeline and projected associated additional costs to cover the need for added meetings for GPAC and the Planning Commission. The Council should provide direction in relation to whether additional meetings are desired and if so in what amounts. With this direction staff will incorporate any added costs into the FY 17/18 budget process.

ATTACHMENTS

1. Michael Baker, March 28, 2017, Land Use Plan Memo
2. Attachment 1 to the March 28, 2017, Land Use Plan Memo
3. April 4, 2017 Planning Commission Comments on Land Use Preferred Alternatives



Land Use Alternatives

As part of the initial phases of **Plan Morro Bay**, the Michael Baker team worked with City staff and the General Plan Advisory Committee (GPAC) to collect and review existing plans, policies, and technical studies; conduct a community engagement program; develop community themes; prepare a Community Vision and Values; and identify key issues to be addressed in the updated General Plan and Local Coastal Plan. Next in the **Plan Morro Bay** process, City staff and the Michael Baker team used these materials to develop a number of land use alternatives for opportunity sites located throughout the community. We received input from the GPAC and the community related to the opportunity sites and alternatives regarding focused changes to land use designations that align with the Community Vision and Values. Input was received at a public workshop and through a hard copy and online survey. The memo reviewed by GPAC at their January and February 2017 meetings is provided as Attachment 1 to this staff report and has been updated to include a summary of input received on the alternatives.

This report presents preferred alternatives for ten opportunity sites in the city and four study areas outside the city limits identified by City staff and the GPAC where changes to existing land use have been considered. This process will lead to preparation of the General Plan Land Use Map and completion of a draft Land Use Element for the General Plan update.



Land Use Classifications

Existing Land Use Designations

The existing General Plan includes a variety of land use designations which pertain to residential, commercial, industrial, agricultural, mixed-use, visitor-serving, coastal-dependent, public facility, and other uses. The following sections provide an overview of the current land use designation categories. The Coastal Act requires that the LUP include a land use designation or designations that specifically accommodate visitor-serving and coastal-dependent/coastal-related uses. Under the existing Morro Bay General Plan and LUP, the designations that achieve this goal are Visitor Serving Commercial, Commercial/Recreational Fishing, Mariculture and Marine Research, Mixed Uses (Harbor), and Coastal Dependent Industrial.

Residential

The 1988 Morro Bay General Plan includes four residential land use categories based on the following density levels:

- **Low Density:** Up to 4 units per acre
- **Moderate Density:** 4 to 7 units per acre
- **Medium Density:** 7 to 15 units per acre
- **High Density:** 15 to 27 units per acre

The residential land use designations are the only designations in the existing General Plan with densities or intensities. The updated **Plan Morro Bay** will include these standards for the proposed land use designations. The majority of parcels designated for residential use in the General Plan are located in the northern and south-central portions of the planning area.

Commercial

In the General Plan, commercial land use categories are generally located along Highway 1 and in downtown, with one small additional commercial area located in the southern coastal area north of Fairbanks Point. Much of the commercial development in Morro

Bay is visitor-serving, a category which includes hotels and inns, restaurants, and shops. The five commercial land use categories are:

- Medium Density Residential/Neighborhood Commercial
- District Commercial
- Service Commercial
- Visitor Serving Commercial
- Commercial/Recreational Fishing

Industrial

The General Plan includes two industrial categories to differentiate coastal-dependent industry from noncoastal-dependent industry: **General (Light) Industrial** is used for noncoastal dependent uses, and **Coastal Dependent Industrial** is used for coastal-dependent uses. Coastal-dependent uses include thermal power plants, seawater intake structures, discharge structures, tanker support facilities, and other similar uses.

Mariculture and Marine Research

Uses allowed in the **Mariculture and Marine Research** designation are coastal-dependent and include the buildings, tanks, raceways, and pipelines for breeding, hatching, grow-out, and related research as well as administrative offices and educational facilities.

Golf Course

Uses in the **Golf Course** designation include golf courses and related facilities such as club houses, pro shops, maintenance buildings, parking areas, and irrigation systems, along with other passive recreational areas.

Harbor/Navigational Ways

The **Harbor and Navigational Ways** designation applies to areas of the city covered by seawater and includes areas from the mouth of the bay to the southern city limits. Uses are restricted to those which must be located on the water in order to function, such as mariculture, boating, fishing, habitat, and visitor-serving uses where public access is enhanced or facilitates coastal-dependent uses.



Open Space/Recreation

The **Open Space/Recreation** designation includes land which is not defined as environmentally sensitive habitat and is not intended to accommodate intensive recreational activities. Uses in this designation typically include athletic fields, campgrounds, horse stables, and other recreational uses.

Mixed Uses (Harbor)

A mixture of visitor-serving commercial uses and harbor-dependent land uses are accommodated in the **Mixed Uses (Harbor)** designation. Examples include sport fishing facilities, fish stores, gift shops, and recreational boat docks. Areas along the Embarcadero are located within this designation, and include restaurants and hotels as major uses.

Environmentally Sensitive Habitat

The **Environmentally Sensitive Habitat** designation includes protected areas which provide habitat for rare or especially valuable plant or animal life that could be easily disturbed or degraded by human activity. Fishing, clamming, and hiking may be allowed in these areas.

Agriculture

The **Agriculture** designation provides for the identification and preservation of agricultural land for cultivating crops and raising animals. Lands which fit this designation include those with prime soils, prime agriculture land, land in existing agricultural use, land with agricultural potential, and land under Williamson Act contracts. The agriculture designation allows one residential unit per parcel.

Mixed Use

Areas within the **Mixed Use** designation include parts of the city that generally feature a mixture of residential, office, commercial, visitor-serving, and recreational lands.



Overlays

The following overlays are included in the land classification system:

1. Planned Development
2. Restricted Areas
3. Park
4. School
5. Public/Institutional
6. Interim/Open Space Uses in Industrial Categories

Table 1 below compares the existing general plan land use designations with corresponding zoning districts. The Existing General Plan Land Use Map follows the table.



Table 1. General Plan Land Use Designation/Zoning Consistency

General Plan Land Use Designation	Description of LU Designation	Allowed Density	Corresponding Zoning Districts
Low Density	Detached single-family homes.	0-4 du/ac	AG, R-A, CRR
Moderate Density	Detached or attached single-family homes.	4-7 du/ac	R-1
Medium Density	Detached or attached single-family homes, townhomes, duplexes, and condominiums.	7-15 du/ac	R-2
High Density	Multifamily housing, including apartments, townhomes, and condominiums.	15-27 du/ac	R-3, R-4
Medium Density Residential/ Neighborhood Commercial	Detached or attached single-family homes, townhomes, duplexes, and condominiums. Provides for the daily needs of residents nearby and includes grocery stores, laundromats, pharmacies, and household stores.	7-15 du/ac	R-2, MCR
District Commercial	District commercial areas serve a regional commercial need such as shopping centers and major goods and services.		C-1, MCR
Service Commercial	Commercial uses that are not compatible with residential neighborhoods, as well as light industrial and manufacturing uses, particularly those related to commercial fishing.		C-2, MCR
Visitor Serving Commercial	Encourages tourist-oriented services and uses at easily accessible and destination locations, particularly along Highway 1.		R-4, C-VS
Commercial/ Recreational Fishing	Implements Measure D, which protects the tidelands area between Beach Street and Target Rock by limiting development and use permits to fishing activities only.		CF
General (Light) Industrial	Light industry uses which are not compatible with residential or most commercial uses.		M-1, C-2
Coastal-Dependent Industrial	Specifically for uses which must be located near the coast to function, and are thereby given priority pursuant to the California Coastal Act.		M-2
Mariculture and Marine Research	Areas considered suitable for the propagation and rearing of ocean fish and shellfish.		MMR
Golf Course	Golf courses and related facilities.		GC
Harbor/Navigational Ways	Areas of the city covered by seawater and used for boating, fishing, and visitor-serving uses.		H
Open Space/Recreation	Uses which are not intended for development or intensive recreational uses, but which are not classified as sensitive habitat.		OA

Land Use Alternatives Memo



General Plan Land Use Designation	Description of LU Designation	Allowed Density	Corresponding Zoning Districts
Mixed Uses (Harbor)	A mixture of visitor-serving commercial uses and harbor-dependent land uses.		WF
Environmentally Sensitive Habitat	Protection areas which serve as habitat for rare or especially valuable plant or animal life that could be easily disturbed or degraded by human activity.		ESH
Agriculture	Land for cultivating crops and raising animals.		AG
Mixed Use	Mixed-use areas apply to certain parts of the city that generally include a mixture of residential, office, commercial, visitor-serving, and recreational lands		MCR, G-O, Combining MU ¹
<i>Overlays</i>			
Planned Development	Areas which are part of a precise or specific development plan that has received discretionary City approval.		PD
Restricted Areas	Sensitive habitats which have critical or endangered plant or animal life that would be disturbed by even passive recreational uses.		ESH
Park	Existing or proposed public parks.		No corresponding district identified
School	Existing or proposed school facilities.		SCH
Public/Institutional	Facilities which serve the public, including government buildings and service facilities, or quasi-public facilities such as hospitals and cultural, civic, or religious resources.		No corresponding district identified
Interim/Open Space Uses in Industrial Categories	Areas being held for future use but which may have a temporary use in the meantime.		I

Zoning Districts Legend

R-A Suburban residential district

R-1 Single-family residential district

R-2 Duplex residential district

R-3 Multiple-family residential district

R-4 Multiple-family residential-hotel-professional district

CRR Coastal resource residential district

C-1 Central business district

C-2 General commercial district

MCR Mixed commercial/residential district

Note 1: Split zoning makes additional areas consistent with MU.

C-VS Visitor serving commercial district

G-O General office district

M-1 Light industrial district

M-2 Coastal-dependent industrial district

AG Agriculture district

OA Open area district

WF Waterfront district

CF Commercial/recreational fishing district

H Harbor and navigable ways district

MMR Mariculture and marine research

SCH School district

GC Golf course district

PD Planned development, overlay zone

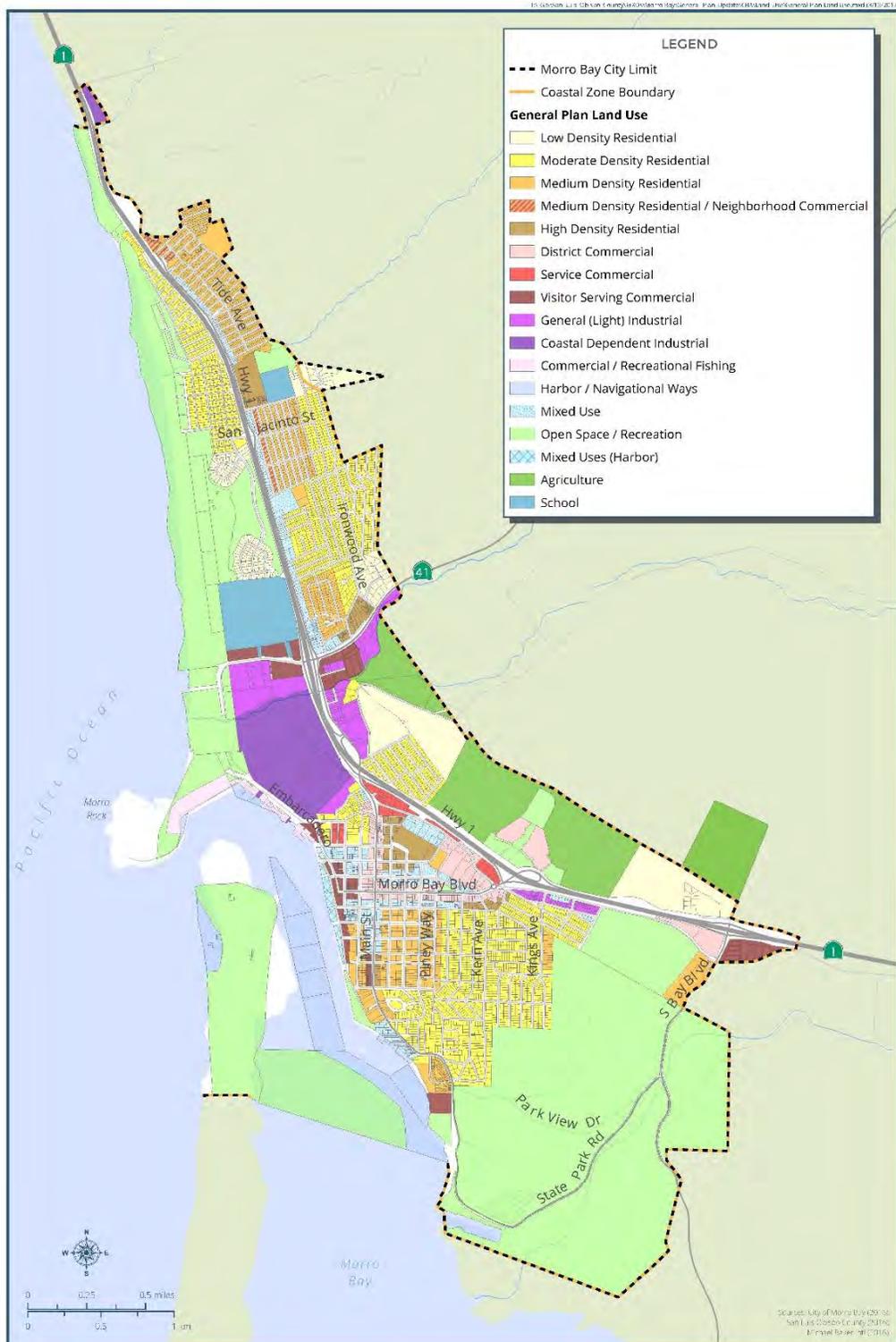
ESH Environmentally sensitive habitat overlay zone

S Special treatment overlay zone

Combining MU Combining mixed use overlay zone

I Interim use overlay zone

Existing General Plan Land Use Designations



Existing General Plan Land Use Designations



Proposed Changes to Land Use Designations

As part of the **Plan Morro Bay** process, staff recommends the addition of one new land use classification, and modifications to two existing designations:

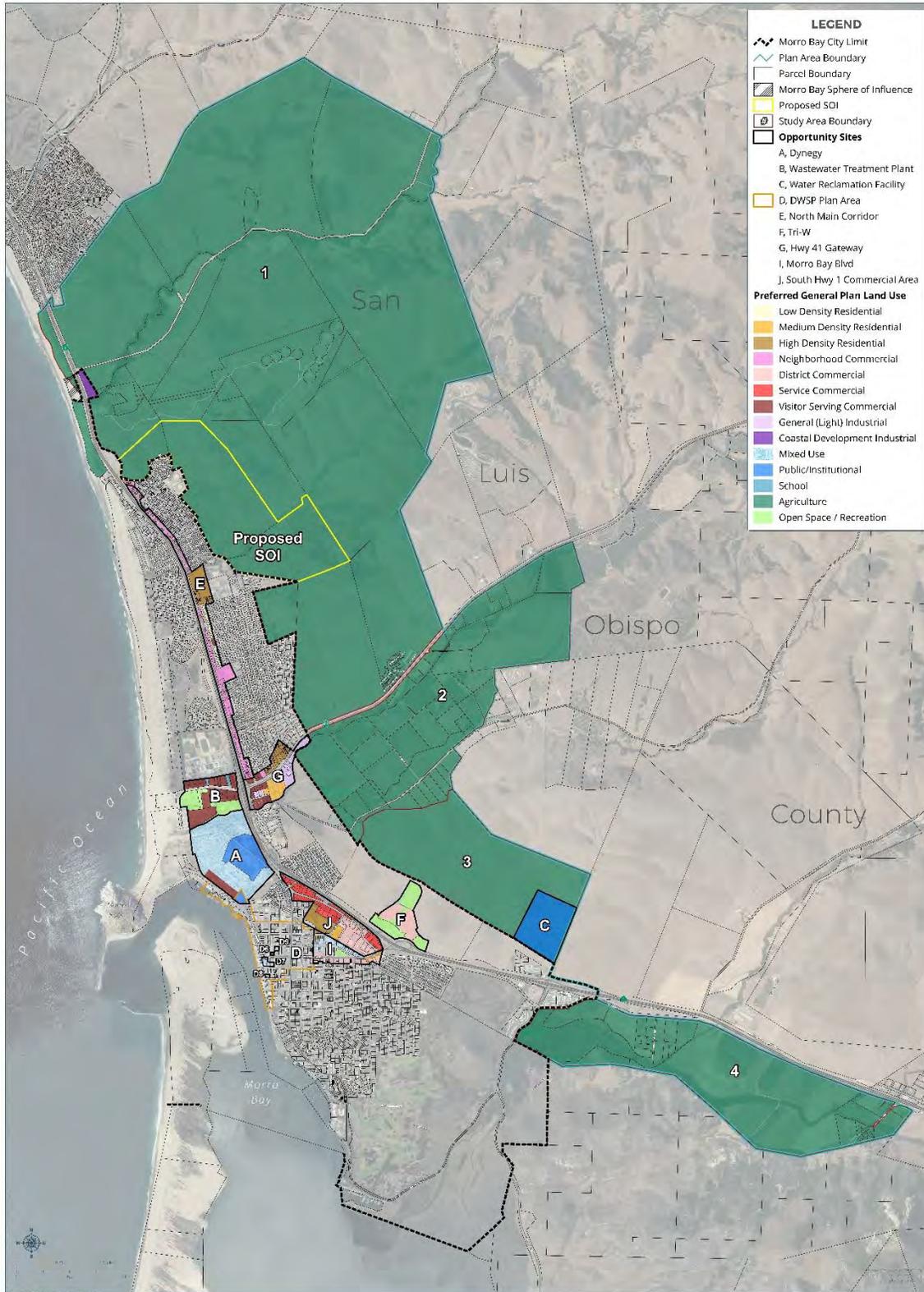
- The Medium Density Residential/Neighborhood Commercial combined classification should be eliminated and a stand-alone Neighborhood Commercial classification should be included.
- Remove Mariculture and Marine Research. This designation does not appear on the Land Use Map and will no longer appear on the Zoning Map after clean-up revisions are made for land use and zoning consistency. The uses it is intended to serve can be addressed through other land uses.
- Some changes to the purpose, standards, and allowed uses for the Mixed Use classification are proposed.
 - Existing Mixed Use Areas A through G will not be applied on the proposed Land Use Map.
 - The Mixed Use designation will be divided into two sub-categories: Mixed Use and Mixed Use-Visitor Serving. The Mixed Use designation will be consistent with the existing Mixed Use land use classification. Mixed Use-Visitor Serving will have the intent of developing mixed-use projects with visitor-serving uses in them.
 - The zoning code update will further define allowed uses and standards through a series of mixed-use zones.
- Changes to Overlays
 - Remove Planned Development overlay. Planned development should be used as a zoning tool.
 - Replace Restricted Areas overlay with the updated ESHA designation. This will correspond one-to-one with the updated ESHA zoning designation.
 - Remove the Park overlay and instead utilize the base designation of Open Space/Recreation and create an implementing zone of Park during the zoning code update.
 - Change the Public/Institutional overlay to a base designation.
 - Remove the School overlay and utilize the base designation of Public/Institutional.
 - Remove the Interim/Open Space Uses in Industrial Categories overlay and instead use a holding zone rather than a holding land use designation.



Preferred Land Use Alternatives

Based upon background research, City staff and GPAC input, and community engagement, ten opportunity sites have been identified (see Opportunity Sites Overview Map on the following page). These are parcels or areas that are likely to change or are seen as in need of change by the community. The Land Use Element provides policy direction to guide these changes and resulting physical development. Changes are primarily accomplished through the zoning code. Ten sites in the city were identified. One of those sites (Site D) is the Downtown Waterfront Strategic Plan (DWSP) area (see Site D figure). Within that site, there are 15 opportunity sites or corridors where change is anticipated. Each of those sites is discussed individually under Site D. Out of the nine other citywide sites, seven have proposed changes to land use. The remaining two were selected for policy recommendations only.

Opportunity Sites Overview Map



City of Morro Bay General Plan Update
 Preferred General Plan Land Use
 Opportunity Sites and Study Areas

Site D Map of DWSP Opportunity Sites





Site A: Dynegy Power Plant Site

Existing Conditions

The site of the decommissioned Morro Bay Power Plant owned by Dynegy is located just across from the north Embarcadero and the bay northeast of Morro Rock, north of the public parking lot and south of Morro Creek (see Site A figure). A smaller portion of this opportunity site is the substation owned by PG&E. It is located behind the Dynegy property, and is still operational. The City-owned Triangle Parking Lot parcel is also included at the southern end of this site. That parcel is 2.3 acres in size and is currently an unpaved vacant site used for parking.

Existing General Plan

The existing General Plan land use designation on the site is Coastal Dependent Industrial. Dynegy is actively looking to sell its property at the site. Potential future uses for the site could span a broad range including but not limited to recreation/public access, retail, restaurants, senior housing, and an office park. The vision and future land uses for this site will be further defined through a master plan process (or other site-specific planning process) once the site has been sold by Dynegy and before it is redeveloped. PG&E is planning on hardening and moving equipment into a structure on the substation parcel so the facility's footprint will be reduced on its parcel. The northern edge of this site is ESHA.

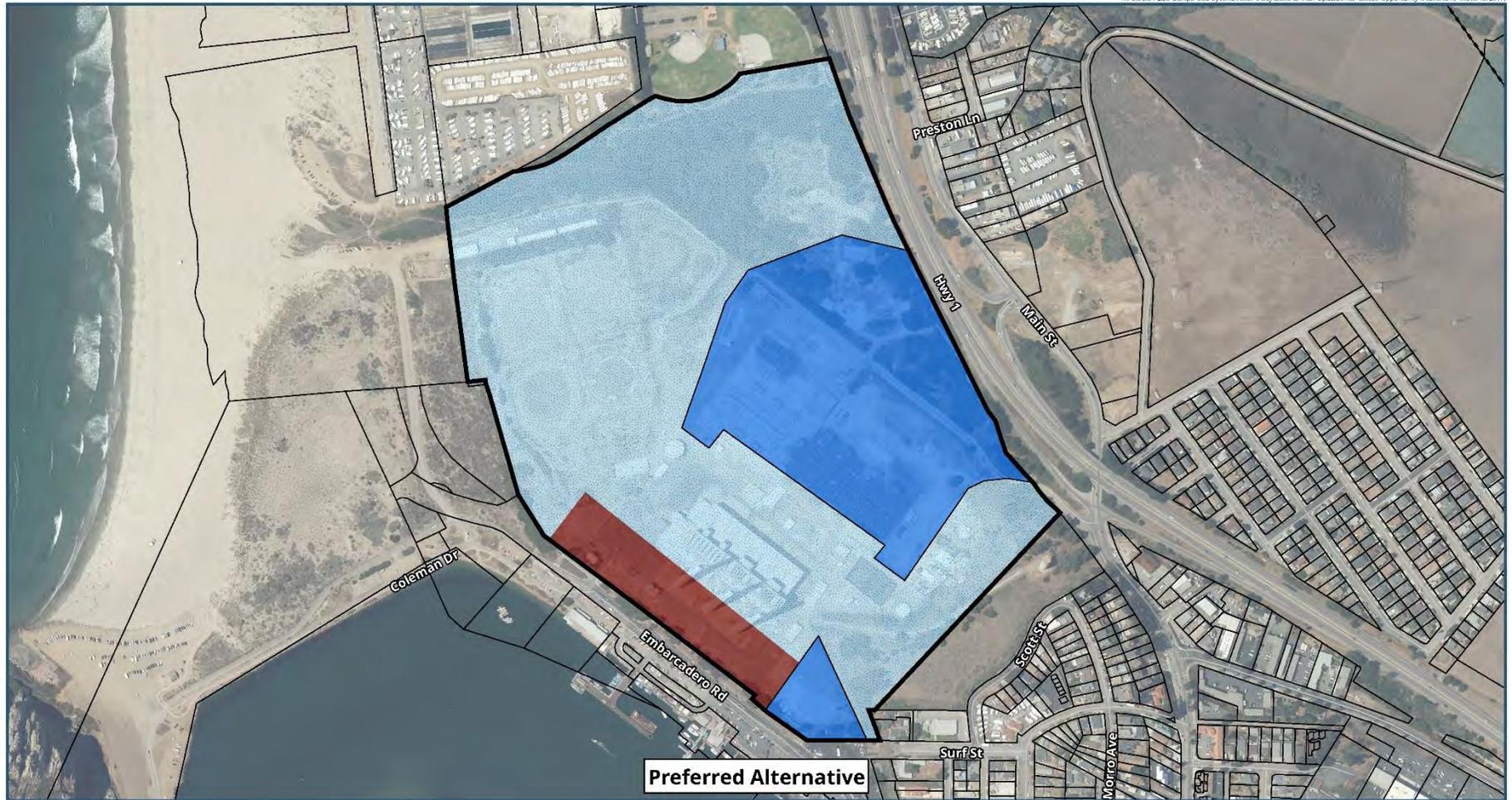
Preferred Alternative

Based on the site's location proximate to the coast, and the community input received to date, land use changes are anticipated for the portion of the site owned by Dynegy. The land use designation for the PG&E substation parcel would be Public/Institutional. The proposed land use designations for the future of the site are predominantly Mixed Use, with some Visitor Serving Commercial uses fronting Embarcadero.

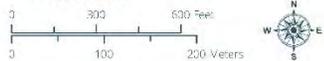
The anticipated future catalyst projects on the Triangle Parking Lot portion of this site are a market/seafood hall or a cultural, maritime, or historical museum, a boatyard, and a parking lot or structure. While progress is made toward a permanent catalyst project on this site, interim uses are anticipated to occur. These interim uses could include parking as is occurring now, passive recreation, or landscape maintenance.

SITE A: DYNEGY POWER PLANT

TS GIS\04-1_Luis Cisneros_County\MXD\Morro Bay\General Plan_Update\VA\Alternatives_Opportunity_Sites\Site A.mxd (3/13/2017)



Preferred Alternative



LEGEND

- Opportunity Site
- Parcels
- Morro Bay City Limit
- Visitor Serving Commercial
- Mixed Use
- Public/Institutional

Source: City of Morro Bay (2016); San Luis Obispo County (2016); Michael Baker Int. (2016).



Site B: Existing Wastewater Treatment Plant and Desalination Plant

Existing Conditions

This area is located near the coast along State Route (SR) 41 and Atascadero Road west of Highway 1 (see Site B figure). It includes the City's wastewater treatment plant (WWTP), desalination plant, and driveways to Morro Bay High School. Other uses include motels, the building formerly housing Flippo's roller rink, the skate park and teen center, Lila Keiser Park, and Morro Strand and Morro Dunes RV parks.

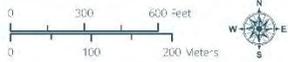
Existing General Plan

The existing land use designations on this site are General (Light) Industrial, Visitor Serving Commercial, School, and Open Space/Recreation.

Preferred Alternative

The future land uses for this site will be driven largely by plans to relocate the existing City WWTP within the next five years. Other potential land use changes in this area rely on less certain potential changes. Land uses are not proposed to change on the former Flippo's site. The Morro Dunes RV park on the south side of SR 41 is proposed to change to Visitor Serving Commercial to more closely align with the existing use and future vision. The existing land use at Lila Keiser Park does not match on-the-ground land use. The park's designation would be changed from General (Light) Industrial to Open Space/Recreation to reconcile this discrepancy. Public/Institutional is an overlay in the existing Land Use Element and would be proposed as a base designation in the update. After the WWTP closes and if the desalination plant closes or is relocated in the future, that portion of this site could be designated for either Visitor Serving Commercial or Open Space/Recreation use. This preferred alternative shows a configuration that would accommodate both uses.

SITE B: EXISTING WWTP/DESALINATION PLANT



LEGEND

Opportunity Site	General Plan Land Use
Parcels	Visitor Serving Commercial
Morro Bay City Limit	Open Space / Recreation
	School

Sources: City of Morro Bay (2010); San Luis Obispo County (2015); Michael Sever et al. (2015)



Site C: Proposed Water Reclamation Facility

Existing Conditions

This site is located outside the city limits just east of Highway 1 near the south end of Morro Bay (see Site C figure). The city limit is on the other edge of the highway.

Existing General Plan

The existing County land use designation on the site Agriculture. This site will be included in the Memorandum of Agreement with the County regarding SOI expansion and potential future annexation.

Preferred Alternative

This site is the preferred location for the proposed Morro Bay Water Reclamation Facility (WRF). If that project is approved, the City would propose annexation of this site into the City. If this site is annexed into the City, the proposed land use designation would be Public/Institutional.

Site D: Downtown Waterfront Strategic Plan Area

The sites discussed in this section are located in the Downtown Waterfront Strategic Plan (DWSP) area. Sites with proposed changes to land uses have one or more proposed catalyst projects associated with them in the DWSP. The change to land use on the site is necessary to allow for the catalyst project uses. Only the sites with proposed changes to land use are included here for consideration. (Some sites identified in the DWSP have suggested policy recommendations rather than proposed alternative land use classifications.)

Site D.6 Vacant Lots at Market Avenue and Morro Bay Boulevard

Existing Conditions

This site consists of three vacant parcels located at the northeast corner of Market Avenue and Morro Bay Boulevard (see Site D.6 figure) currently used as private surface parking lots. The three parcels total 0.22 acres.

Catalyst Projects

The anticipated future catalyst projects at this site are a full-service hotel and conference center or creative mixed-use project. If the chosen catalyst project was a full-service hotel and conference center a portion but not all of that type of facility could be accommodated on these lots. While progress is made towards a permanent catalyst project on this site it is anticipated interim uses may occur here. These interim uses could include parking, passive recreation and landscape maintenance.

Existing General Plan

The existing land use designation on the site is Visitor Serving Commercial. This designation would allow either the existing use (surface parking) or the full-service hotel and conference center catalyst project. It could also accommodate a wider range of alternative visitor-serving uses consistent with the Coastal Act.

SITE D.6: VACANT LOTS AT MARKET AVE AND MORRO BAY BLVD



Preferred Alternative



LEGEND

- Opportunity Site
- Parcels
- Morro Bay City Limit
- General Plan Land Use - Mixed Use

Source: City of Morro Bay (2016);
San Luis Obispo County (2016);
Michael Baker Intl (2016).

Land Use Alternatives Memo

Preferred Alternative

The creative mixed-use catalyst project would require a change in land use designation for this site to Mixed Use.

D.7 City-Owned Lots at Embarcadero and Pacific Street

Existing Conditions

This site consists of six City-owned vacant parcels at the northeast corner of Embarcadero and Pacific Street (see Site D.7 figure). The parcels total 1.43 acres.

Five of the parcels are on Embarcadero and one is on the other side of Market Avenue on Pacific Street. Many of these lots are currently used as public surface parking lots.

Catalyst Projects

The anticipated future catalyst projects at this site are a market/seafood hall, ecotourism, or a full-service hotel and conference center. While progress is made towards a permanent catalyst project on this site, it is anticipated interim uses may occur here. These interim uses could include parking, passive recreation and landscape maintenance.

Existing General Plan

The existing land use designations on the site are Visitor Serving Commercial and Mixed Use. These designations could accommodate the existing use (surface parking), or the market/seafood hall, museum, or full-service hotel and conference center. They could also accommodate a wider range of alternative visitor-serving uses consistent with the Coastal Act.

Preferred Alternative

Depending on the specific proposed use, ecotourism uses could require land use designation changes on a portion of the site from Visitor Serving Commercial to Mixed Use. This could impact the existing supply of public parking and reduce the amount of visitor-serving commercial area located within the coastal zone. Unless these reductions

Land Use Alternatives Memo

are offset by land use changes on other opportunity sites within the coastal zone, this could be determined to be in conflict with the Coastal Act by the California Coastal Commission.

D.8 Vacant Lot at Embarcadero and Marina Street

Existing Conditions

This site consists of one vacant 0.28-acre parcel located at the northeast corner of Embarcadero and Marina Street near the Shell Shop and aquarium (see Site D.8 figure). The site is currently unpaved and not in use.

Catalyst Projects

The anticipated future catalyst projects at this site are a market/seafood hall, family outdoor entertainment, ecotourism, a cultural, maritime, or historical museum, or full-service hotel and conference center. It may also be subject to the proposed Embarcadero streetscape furnishing palette. If the chosen catalyst project was a full-service hotel and conference center a portion but not all of that type of facility could be accommodated on these lots. While progress is made towards a permanent catalyst project on this site it is anticipated interim uses may occur here. These interim uses could include parking, passive recreation and landscape maintenance.

Existing General Plan

The existing land use designation on the site is Visitor Serving Commercial. This designation could accommodate the existing use or the market/seafood hall, family outdoor entertainment, museum, or full-service hotel and conference center (within the constraints of the size of these parcels as discussed above). It could also accommodate a wider range of alternative visitor-serving uses consistent with the Coastal Act.

SITE D.7: CITY LOTS AT EMBARCADERO AND PACIFIC ST



Preferred Alternative



LEGEND

-  Opportunity Site
-  Parcels
-  Morro Bay City Limit
-  General Plan Land Use
-  Mixed Use

Sources: City of Morro Bay (2016);
San Luis Obispo County (2016);
Michael Baker Intl (2016).

SITE D.8: VACANT LOT AT EMBARCADERO RD AND MARINA ST



Preferred Alternative



LEGEND

- Opportunity Site
- Parcels
- Morro Bay City Limit
- General Plan Land Use
- Mixed Use

Sources: City of Morro Bay (2016);
San Luis Obispo County (2015);
Michael Baker Intl (2015).

Preferred Alternative

Depending on the specific proposed use, ecotourism uses could require a land use designation change to Mixed Use. This could reduce the amount of visitor-serving commercial area located within the coastal zone. Unless this reduction is offset by land use changes on other opportunity sites within the coastal zone, this could be determined to be in conflict with the Coastal Act by the California Coastal Commission.

D.9 Vacant Lot at Harbor Street and Morro Avenue

Existing Conditions

This site consists of one 0.4-acre vacant parcel at the southwest corner of Harbor Street and Morro Avenue (see Site D.9 figure). It is currently an unpaved vacant lot.

Catalyst Projects

The anticipated future catalyst projects at this site are a creative mixed-use project or a cultural, maritime, or historical museum.

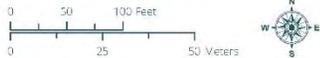
Existing General Plan

The existing land use designation on the site is Visitor Serving Commercial. This designation could accommodate the museum. It could also accommodate a wider range of alternative visitor-serving uses consistent with the Coastal Act.

Preferred Alternative

The creative mixed-use catalyst project would require a change in land use designation for this site to Mixed Use. This could impact the amount of visitor-serving commercial area located within the coastal zone. Unless this reduction is offset by land use changes on other opportunity sites within the coastal zone, this could be determined to be in conflict with the Coastal Act by the California Coastal Commission.

SITE D.9: VACANT LOT AT HARBOR ST AND MORRO AVE



LEGEND

Opportunity Site	General Plan Land Use Mixed Use
Parcels	
Morro Bay City Limit	

Sources: City of Morro Bay (2016);
San Luis Obispo County (2016);
Michael Baker Intl (2016).

Site E: North Main Street Corridor

Existing Conditions

This site makes up the commercial corridor along Main Street just east of Highway 1 in north Morro Bay (see Site E figure). It spans 1.9 miles from close to the northern city limit, just east of Highway 1, and includes crossings of Tahiti, Sequoia, San Jacinto, Elena, Bonita, and Hill Streets.

Existing General Plan

The existing land use designations along this corridor include Mixed Use, Medium Density Residential/Neighborhood Commercial, and High Density Residential. The purpose of the existing land use designations is to support highway-serving commercial uses, but the actual on-the-ground uses are mostly neighborhood-serving commercial uses.

Preferred Alternative

The future land uses for this site should address the actual neighborhood trends and on-the-ground land uses. There is a need for more neighborhood-serving commercial uses fronting Main Street. This can be accomplished by replacing the Mixed Use designation in this area with Neighborhood Commercial. Neighborhood Commercial should be applied independently from a residential designation (i.e., without the option for residential use) which contrasts with the practice identified in the existing Land Use Element and on the Land Use Map. Some nodes for focusing the neighborhood-serving commercial uses are suggested in circles on the Site E figure.

Existing commercial uses should be preserved rather than replaced with residential uses in this area. Residential uses should be allowed only above or behind other commercial uses in the Neighborhood Commercial areas. Between Sequoia Street and Elena Street, where the existing designation is Medium Density Residential/Neighborhood Commercial, the land uses should be changed to reflect the on-the-ground land uses. The existing motel should be designated Visitor Serving Commercial and the remainder of the parcels should be designated Low Density Residential.

SITE E: NORTH MAIN CORRIDOR



- LEGEND**
- Opportunity Site
 - Parcels
 - Morro Bay City Limit
 - General Plan Land Use - Low Density Residential
 - High Density Residential
 - Visitor Serving Commercial
 - Neighborhood Commercial

Sources: City of Morro Bay (2014); San Luis Obispo County (2014); V. Chert, J. K. (2014).



Site F: Tri-W Site

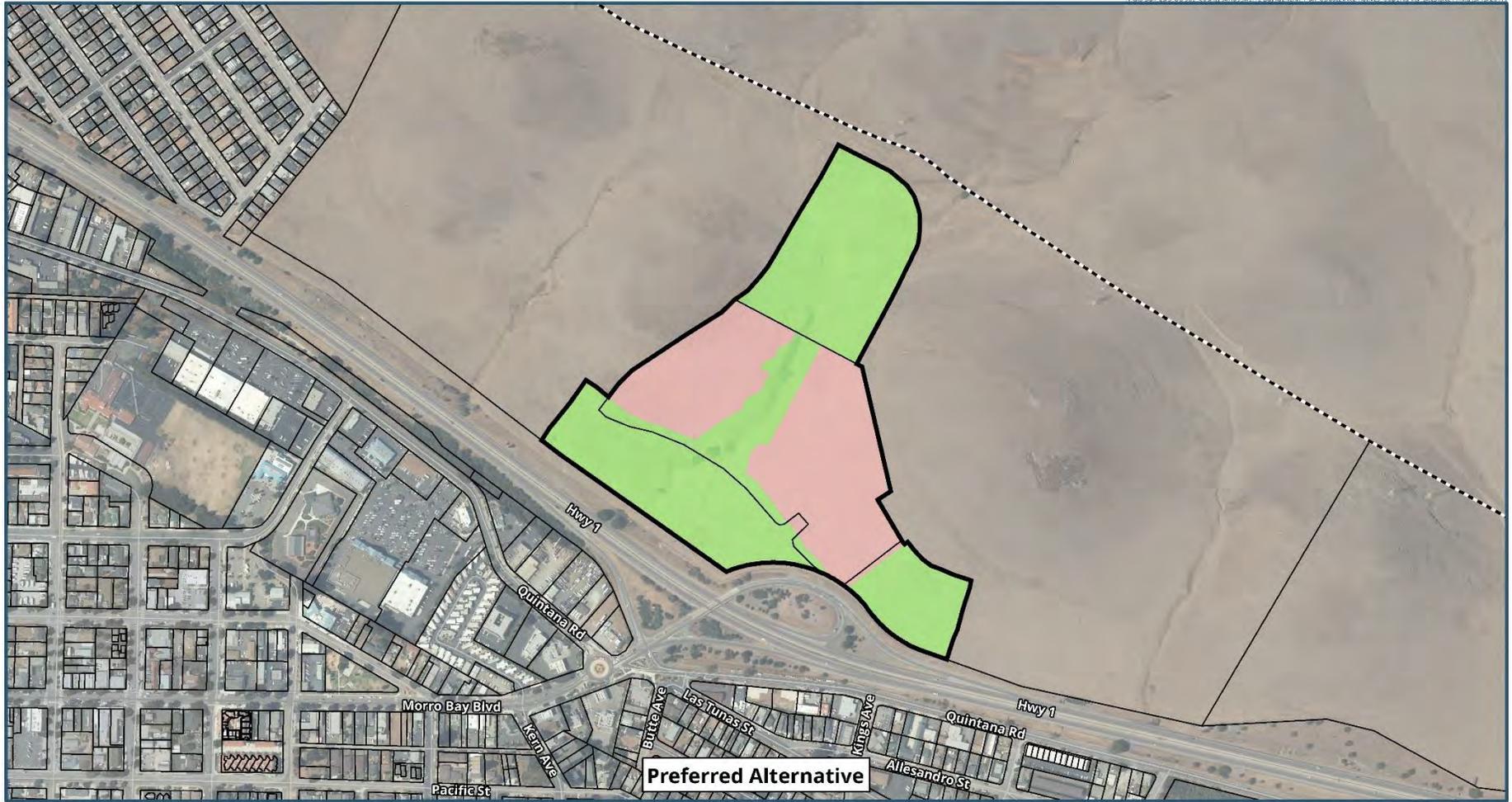
Existing Conditions

The Tri-W site is located on the north side of Highway 1 adjacent to the Morro Bay Boulevard exit (see Site F figure). It is a vacant area made up of four parcels of hilly topography covered in annual grasses. The site was a subject of a voter referendum in 1990. Measure H (Ordinance No. 389) limited the zones and uses at the Tri-W property. It allows commercial development on only 13 acres of the 30-acre property, and establishes the location of the commercial uses to be “generally located adjacent to Highway 1 and Morro Bay Boulevard.” Any changes to these land uses would require voter approval by the citizens of Morro Bay.

Preferred Alternative

The preferred alternative on this site is to maintain the existing land use designations of Open Space/Recreation and District Commercial and not revisit Measure H.

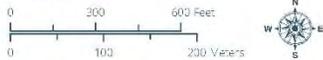
SITE F: TRI-W



Preferred Alternative

LEGEND

- Opportunity Site
- Parcels
- Morro Bay City Limit
- General Plan Land Use**
- District Commercial
- Open Space / Recreation



Sources: City of Morro Bay (2011);
San Luis Obispo County (2011);
Michael Baker Corp. (2011)



Site G: State Route 41 Gateway

Existing Conditions

This site is located on either side of SR 41 as it enters Morro Bay from the east. The area is a gateway to the city (see Site G figure). Existing on-the-ground uses include residential, commercial, visitor-serving commercial uses like gas stations and fast food, and landscaping, and the Silver City mobile home park. Future new development should improve this area as a gateway, including inviting-looking visitor-serving uses.

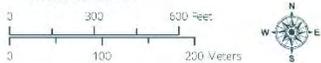
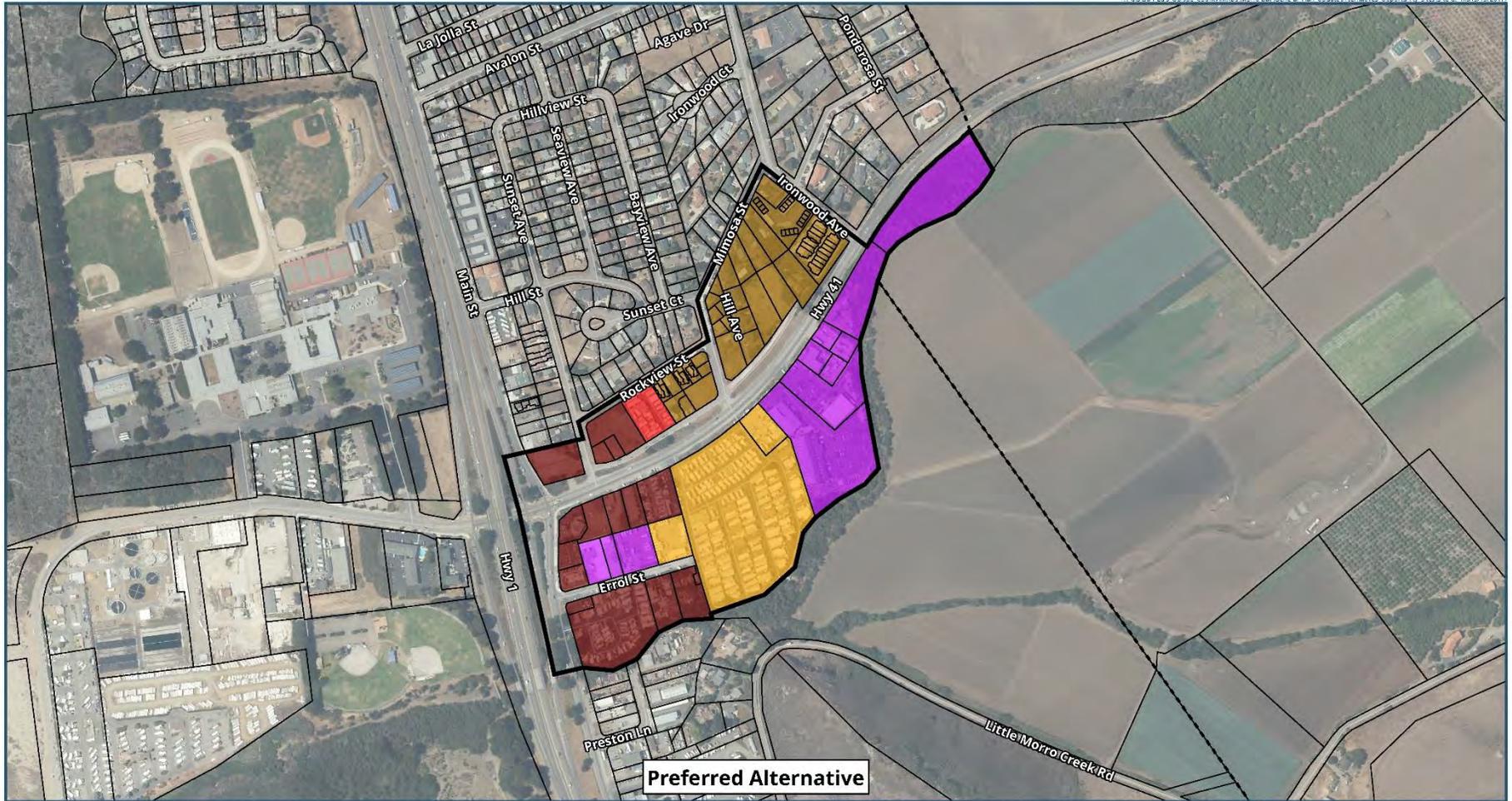
Existing General Plan

The existing land use designations on this site are Visitor Serving Commercial, General (Light) Industrial, Mixed Use, and High Density Residential. These designations would accommodate most of the existing uses and could support enhancing the areas as a gateway.

Alternative 1

Future land use changes in this area should reflect the on-the-ground land uses and encourage more visitor-serving uses along this gateway. The parcel where the mobile home park is located could be redesignated from Visitor Serving Commercial to Medium Density Residential. The area adjacent to Highway 41 on the north side closest to Highway 1 could be redesignated from Mixed Use to Visitor Serving Commercial. The rest of the land use designations are not proposed to change.

SITE G: HIGHWAY 41 GATEWAY



LEGEND

- Opportunity Site
- Parcels
- Morro Bay City Limit
- Preferred Alternative
- Medium Density Residential
- High Density Residential
- Neighborhood Commercial
- Visitor Serving Commercial
- General (Light) Industrial

Source: City of Morro Bay (2016),
San Luis Obispo County (2016),
Michael Baker Inc. (2015).



Site H: Measure D Area

Existing Conditions

This site sits along the north Embarcadero and includes the properties on the bay side of the Embarcadero as well as Coleman Park (see Site H figure). The site was a subject of a voter referendum in 1981. Measure D (Ordinance No. 207) restricts development on state-owned tidelands between Beach Street and Target Rock. Only development serving primarily commercial or recreational fishing is permitted. Any changes to these land uses would be subject to voter approval by the citizens of Morro Bay.

Existing General Plan

The majority of this site is currently designated Commercial/Recreational Fishing, along with a small amount of Coastal Dependent Industrial, and Open Space/Recreation.

There is a desire within the community and by the City to better define what is allowed in the Measure D area as the existing ordinance language has some ambiguities. However, no changes to the land use designations are proposed. Therefore, no land use alternatives are proposed for this area.

Preferred Alternative

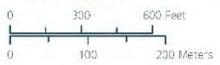
Except for minor changes to make land use and zoning consistent on this site, no changes to land use are proposed. Clarification of Measure D could be considered during the zoning code update.

Site I: Morro Bay Boulevard Gateway

Existing Conditions

This site centers on Morro Bay Boulevard from the traffic circle at the Highway 1 exit south to Napa Avenue (see Site I figure). City Park is included in this site. This area represents the main gateway to the city from Highway 1 as well as the entrance to downtown.

SITE H: MEASURE D/CF AREA

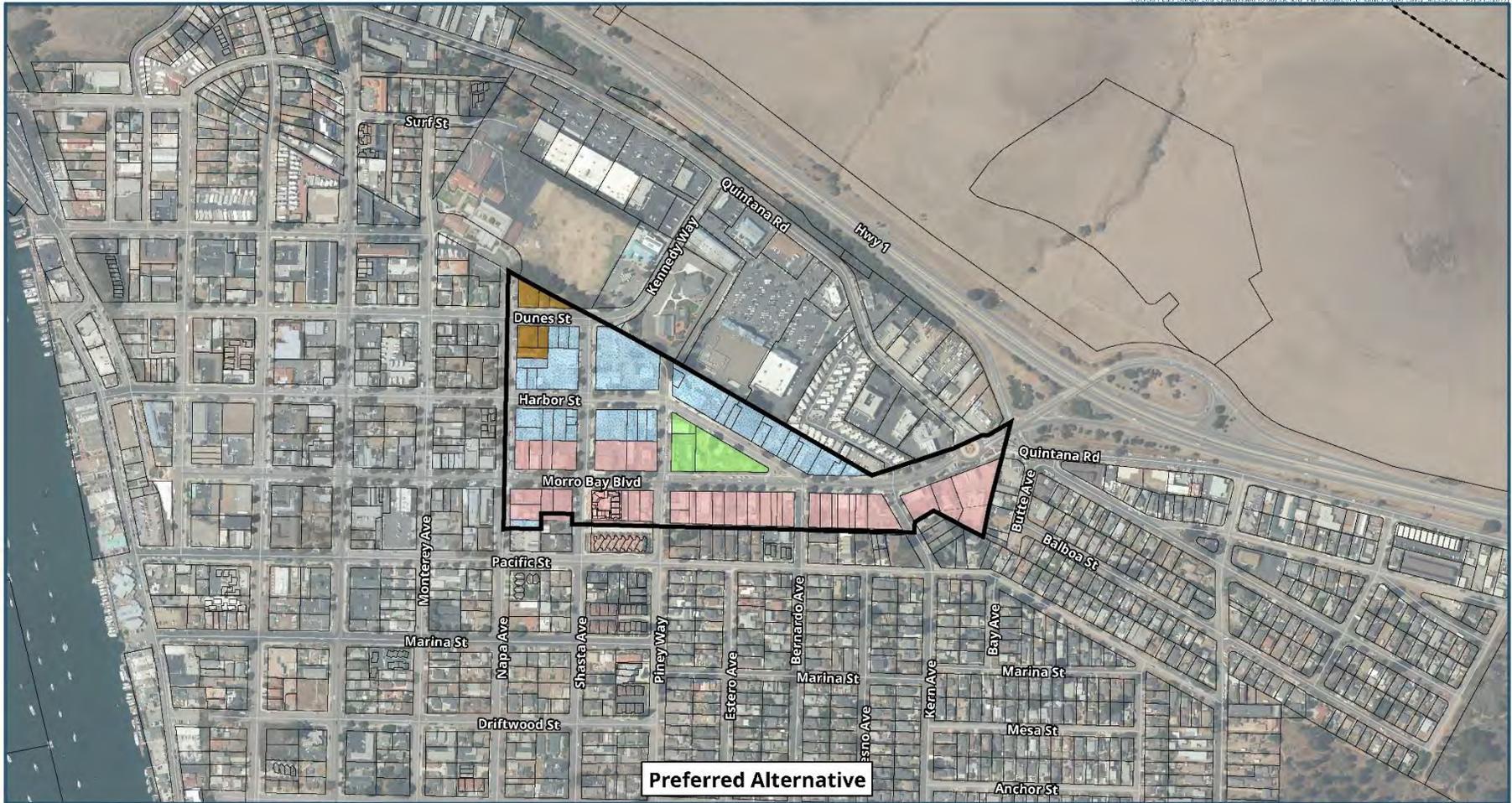


LEGEND

Opportunity Site	General Plan Land Use
Parcels	Coastal Development Industrial
Morro Bay City Limit	Commercial / Recreational Fishing
	Harbor / Navigational Ways
	Open Space / Recreation

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 San Luis Obispo County (2016)
 Michael Baker Inc (2015)

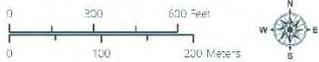
SITE I: DOWNTOWN AT HIGHWAY 1



Preferred Alternative

LEGEND

- Opportunity Site
- Parcels
- Morro Bay City Limit
- High Density Residential
- District Commercial
- Open Space / Recreation
- Mixed Use



Sources: City of Morro Bay (2015);
San Luis Obispo County (2015);
Michael Seidman (2015).

Existing General Plan

Existing land use designations on this site include Mixed Use, District Commercial, Open Space/Recreation (City Park), and a small amount of High Density Residential.

The future vision for this site is driven by the desire to improve the area as a welcoming gateway and further unify the proposed uses. Future development should include a trend away from residential development and standards could be changed to prohibit new street-fronting residential development. The City should also consider a Civic Center Master Plan for the City-owned properties included as part of this site. The master plan could include plans for future upgrades to existing buildings and for additional density on City-owned properties in the long term.

Preferred Alternative

As part of the desire to improve this area and create a welcoming environment, this alternative proposes to change the land use designation on the far western end of the block containing City Park from District Commercial to Open Space/Recreation. This creates a future opportunity to expand the park.

Site J Quintana Road North of Roundabout

Existing Conditions

This site runs west along Quintana Road from Morro Bay Boulevard to Main Street on the south side of Highway 1 (see Site J figure). Existing on-the-ground land uses include highway-serving commercial uses like grocery stores and other retail uses and non-retail commercial, as well as a closed elementary school located on property owned by the school district.

Existing General Plan

The existing General Plan land use designations on this site include Mixed Use, District Commercial, Medium Density Residential, High Density Residential (at the closed school site), and Service Commercial.

Land Use Alternatives Memo

Preferred Alternative

Minor changes are envisioned to the existing General Plan land use designations in this area to reflect the envisioned future character and consolidate land uses. Parcels located at the shopping center currently designated Mixed Use could be changed to Service Commercial.

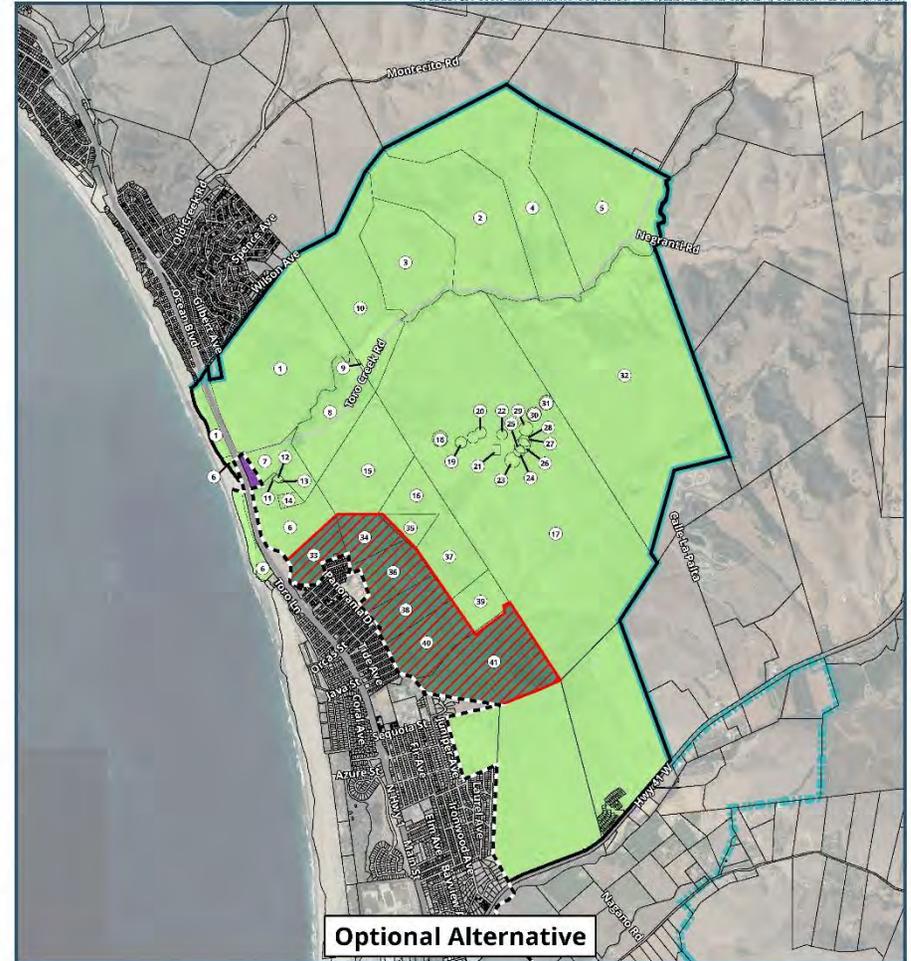
Planning Area and Sphere of Influence

The areas discussed in this section are currently located outside of the Morro Bay city limits. As part of **Plan Morro Bay**, the City is considering establishing a planning area that extends beyond the city limits. In the future, the City may consider adding certain parts of the planning area into its sphere of influence (SOI) or annexing parcels. (Annexation was discussed earlier in the memo for Site C.) These areas are different from the opportunity sites discussed above because they do not currently have City land use classifications applied to them and they are not currently within the City's land use jurisdiction. If these areas were placed in the planning area, the City would have greater influence in these areas and would request to be notified by the County when any land use applications or other planning processes occur in these areas. If any of these areas were to be included in the City's SOI, they would need to proceed through LAFCO's process to be included in the SOI. If any portions of these areas were to be annexed, they would proceed through LAFCO's process and a City annexation process.

Study Area 1

Study Area 1 is located east of the city limits from north of Toro Creek Road south to SR 41 (see Study Area 1 figure). It consists primarily of annual grasslands. Much of Study Area 1 includes the former site of the Estero Marine Terminal, which is owned by Chevron. The Estero Marine Terminal site includes marine terminal offices and a former tank farm. The area also contains a 200-acre parcel that includes a mobile home park in a portion of the area. About half of Area 1 is located in the coastal zone. Chevron is currently exploring options to divest from its property ownership in this area. Chevron has presented several times to the GPAC about its properties and potential options for future use of those properties. The figures and parcel numbers referenced in this section are based on maps Chevron presented. The City proposes to include part of this study area in its General Plan planning area and part in its SOI.

STUDY AREA 1



Preferred Alternative

Optional Alternative

LEGEND

- Study Area
- Proposed Sphere of Influence
- Proposed Plan Area Boundary
- Parcels
- Morro Bay City Limit
- General Plan Land Use
Coastal Development Industrial
- Agriculture
- Open Space/Recreation



Source: City of Morro Bay (2016); San Luis Obispo County (2016); Michael Baker Corp. (2016).



Proposed Sphere of Influence

About 25 percent of Study Area 1 is proposed for inclusion in the City's SOI. This area is all currently owned by Chevron and includes areas with potential for residential and commercial development.

Existing Conditions

This area includes the former marine terminal and all of the Chevron parcels on the west side of Highway 1. It also surrounds an area (east of Highway 1) that is already in the city limits. Much of the area proposed to be in the City's planning area (outside the SOI) is more pristine than the proposed SOI area and includes some high-quality natural habitat. However, this area also includes the former Chevron tank farm as well as some existing residential development adjacent to SR 41.

Existing General Plan

The property already located within the city limits is designated Coastal Dependent Industrial and is adjacent to another area (west of Highway 1) that is in the City's current SOI. The existing County General Plan land use designations in this area are Agriculture and Recreation.

Preferred Alternative

Under the preferred alternative, Chevron parcels 33, 34, 36, 38, 40, and 41 would become part of the City's SOI and be designated Agriculture with the restriction of one residential unit per parcel. Under this alternative, only six residential units would be allowed on parcels adjacent to the existing city limits and the balance of this site would be included in the City's planning area with a designation of Agriculture.

Optional Alternative

Under this slightly different optional alternative, Chevron parcels 33, 34, 36, 38, 40, and 41 would also become part of the City's SOI and be designated Agriculture with the restriction of one residential unit per parcel. Similarly under this alternative, only six residential units would be allowed on parcels adjacent to the existing city limits. The



balance of this site would be included in the City's planning area with a designation of Open Space/Recreation.

Study Area 2

Study Area 2 is located east of the Morro Bay city limits and south of SR 41 (see Study Area 2 figure). Most of the land in this area is located north of Little Morro Creek Road, although a few parcels extend south of the road. The area is entirely within the Coastal Zone.

Existing Conditions

Most of this area is under agricultural cultivation and is relatively flat. Avocado orchards are situated on many parcels, while other properties are used to grow field crops.

The vast majority of the land in Study Area 2 is designated as "prime soils." With the exception of some of the northeast portion of Study Area 2, large sections of the area are also considered prime agricultural land, and some parcels are under Williamson Act contracts.

Existing General Plan

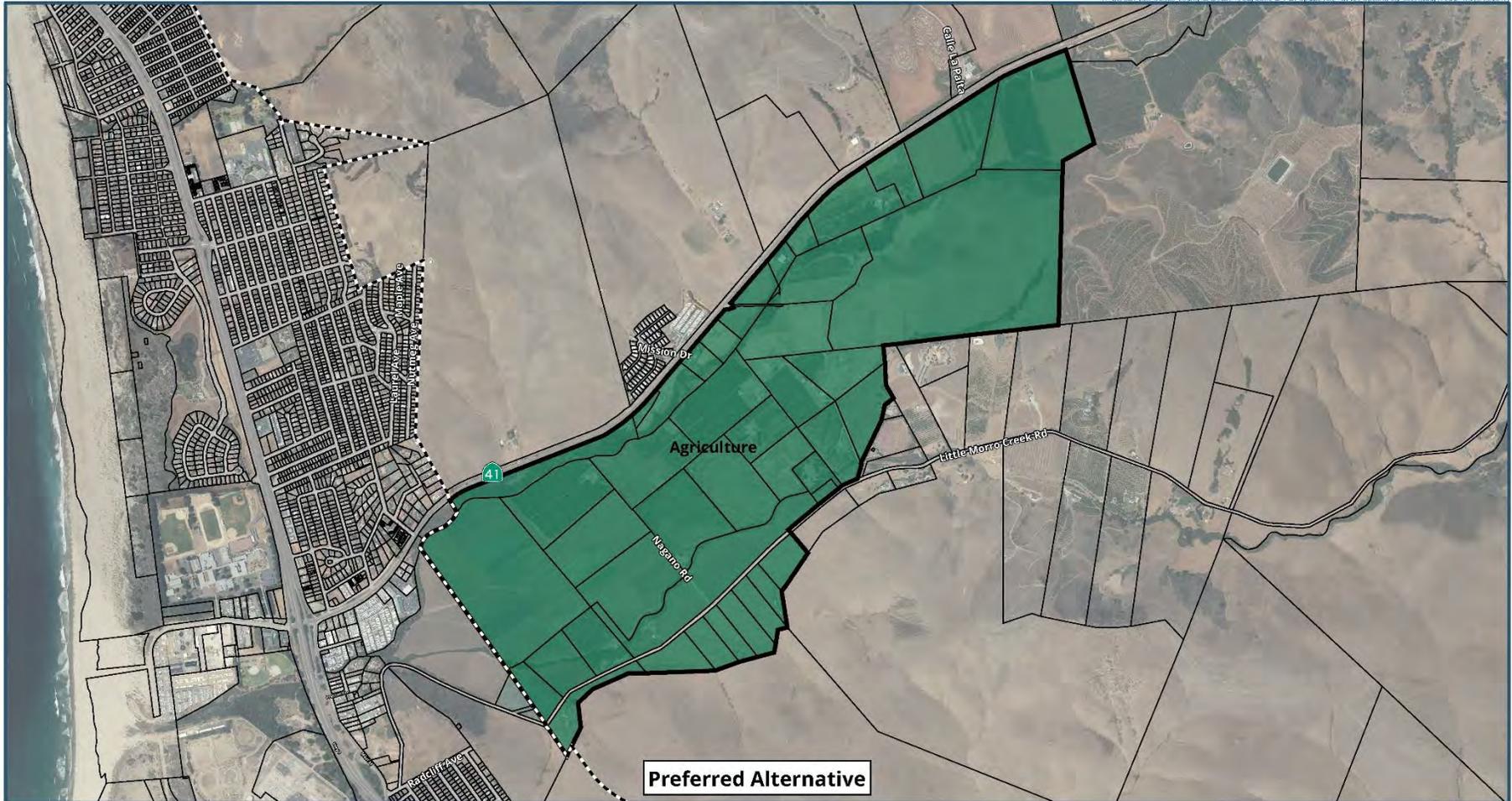
The existing County General Plan land use designation in this area is Agriculture.

Preferred Alternative

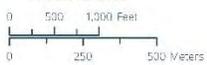
The City's future vision for this area would be to retain the area in agriculture with the potential for conservation/preservation in the long term. This site would be included in the City's planning area with a designation of Agriculture.

STUDY AREA 2

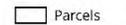
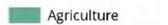
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Preferred Alternative



LEGEND

-  Study Area
-  Parcels
-  Morro Bay City Limit
-  General Plan Land Use
-  Agriculture

Sources: City of Morro Bay (2015);
San Luis Obispo County (2015);
Michael Baker Intl (2015).



Study Area 3

Study Area 3 is located north of Highway 1 adjacent to the Tri-W parcel that is located inside the city limits. It is east of Little Morro Creek Road and west of South Bay Boulevard (see Study Area 3 figure).

Existing Conditions

Most of this area is used for grazing and is quite hilly. It is currently undeveloped. The City is currently evaluating an area at the southeast corner of this study area for the future location of the City's WRF. If that facility is approved, that portion of the study would be annexed and designated Public Facility as detailed under Site C above.

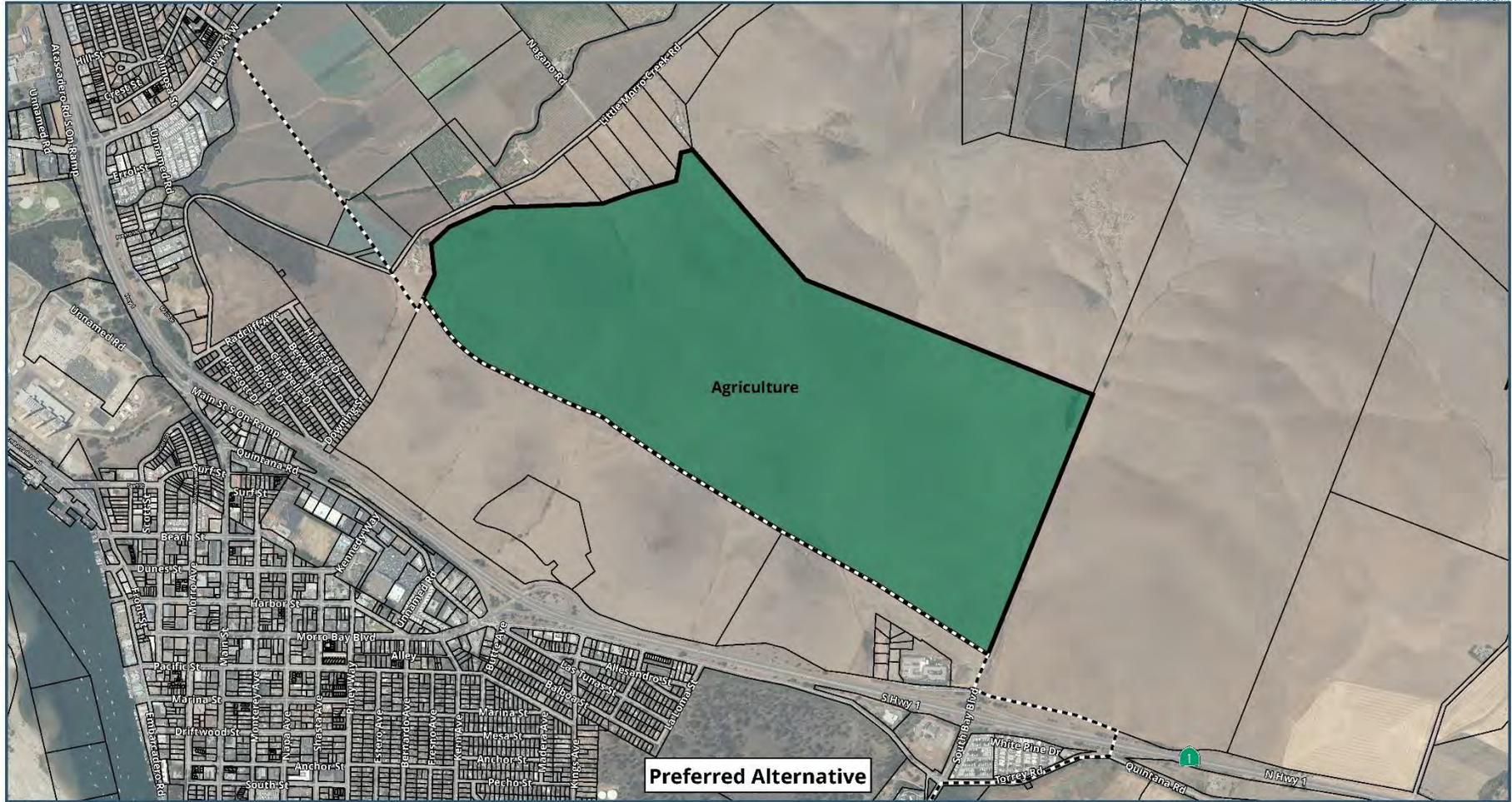
Existing General Plan

The existing County General Plan land use designation in this area is Agriculture.

Preferred Alternative

For the remainder of this area (aside from the WRF), or for the whole study area if the WRF location is not approved here, the City's future vision for this area would be to retain the area in agriculture with the potential for conservation/preservation in the long term. This site would be included in the City's planning area with a designation of Agriculture.

STUDY AREA 3



- LEGEND
- Study Area
 - Parcels
 - Morro Bay City Limit
 - General Plan Land Use
 - Agriculture

Source: City of Morro Bay (2016), San Luis Obispo County (2016), Michael Baker Corp. (2016).



Study Area 4

Study Area 4 is located east of the Morro Bay city limits and south of Highway 1, extending east almost to Hollister Peak (see Study Area 4 figure). The terrain of Study Area 4 is fairly flat, lying just north of Cerro Cabrillo and Hollister Peak. Morro Creek runs the length of this study area. The area is located entirely within the Coastal Zone.

Existing Conditions

Much of Study Area 4 is in agricultural cultivation, primarily as row crops. Almost all of the area is considered prime soil, and some parcels qualify as prime agricultural land. One large parcel is under a Williamson Act contract. The area known as Chorro Flats is owned by the Coastal San Luis Resource Conservation District, which maintains approximately 45 acres in active agricultural production and has restored the rest of the land to wetlands and other wildlife habitat.

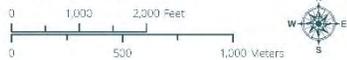
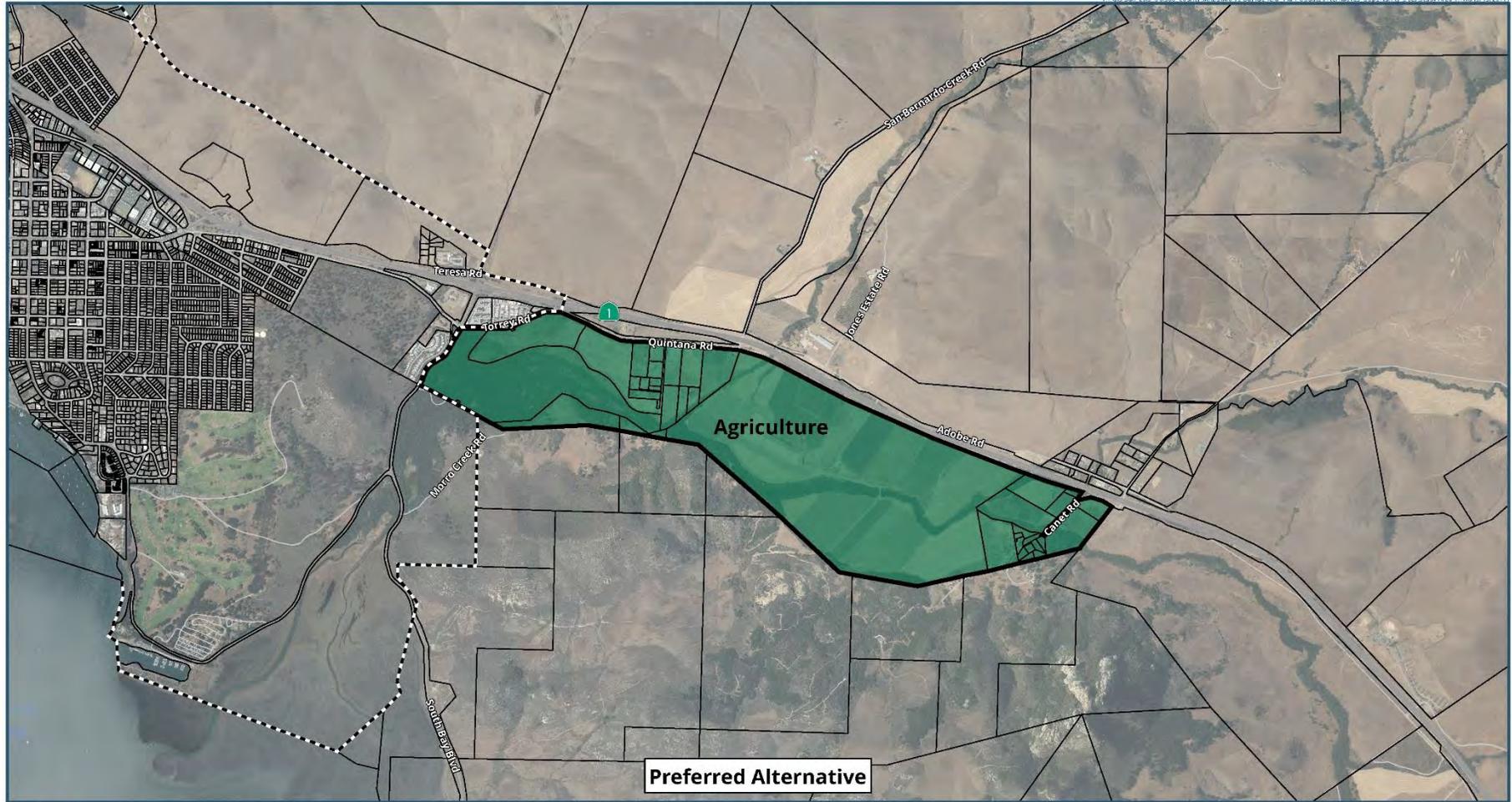
Existing General Plan

The existing County General Plan land use designation in this area is Agriculture.

Preferred Alternative

The City's future vision for this area would be to retain the area in agriculture with the potential for conservation/preservation in the long term. This site would be included in the City's planning area with a designation of Agriculture.

STUDY AREA 4



LEGEND

- Study Area
- Parcels
- Morro Bay City Limit
- General Plan Land Use**
- Agriculture

Sources: City of Morro Bay (2013);
San Luis Obispo County (2015);
Michée Baker Intl (2015).

AGENDA NO: C-3
ATTACHMENT: 2
MEETING DATE: April 11, 2017

Attachment:

January 19, 2017 GPAC Land Use Alternatives Memo

Land Use Alternatives

As part of the initial phases of Plan Morro Bay, the Michael Baker team worked with City staff and the General Plan Advisory Committee (GPAC) to collect and review existing plans, policies, and technical studies; conduct a community engagement program; develop community themes; prepare a Community Vision and Values; and identify key issues to be addressed in the updated General Plan and Local Coastal Plan. As a next step in the Plan Morro Bay process, City staff and the Michael Baker team have used these materials to develop a number of land use alternatives for opportunity sites located throughout the community. We are now seeking GPAC input related to the opportunity sites and alternatives that staff can use to inform recommendations to the Planning Commission and City Council regarding focused changes to land use designations that align with the Community Vision and Values.

This Land Use Alternatives Memorandum guides discussion regarding the selection of land use alternatives for ten opportunity sites and four study areas outside the city limits identified by City staff and the GPAC, where changes to existing land use or other changes to the vision for that site could be anticipated. These sites were presented to the GPAC at the November 17, 2016, meeting. Following that meeting, the project team identified policy approaches and land use alternatives for the opportunity sites for further discussion with the GPAC. Following GPAC discussion, staff and the Michael Baker team will present the opportunity sites and recommended alternatives to the Planning Commission and the City Council. This process will lead to preparation of the General Plan Land Use Map and completion of a draft Land Use Element for the General Plan update.

To facilitate discussion of proposed alternatives, GPAC members should review this document, and consider each site's recommended policies and proposed alternatives prior to the January 19, 2017, GPAC meeting. At the meeting, we will discuss each area and document GPAC comments and recommendations. This input will be used by the Planning Commission and City Council to identify a preferred alternative for each site, or to determine a combination of alternatives that best suits the needs of each area.

Land Use Classifications

Introduction

The Morro Bay General Plan guides the distribution of land use types in the planning area to provide efficient and compatible long-term development. California Government Code Section 65300 states the requirements for the preparation of a general plan, including scope and specific topics that must be covered by the plan. The existing General Plan was adopted in 1988, and includes the following elements:

- Introduction
- Land Use, Open Space, and Conservation
- Circulation
- Visual Resources and Scenic Highway
- Safety
- Noise
- Housing
- Access and Recreation

The land use portion of a general plan is required to establish the general locations for housing, business, industry, open space, and public facilities. It also must include population density and building standards for each district of the planning area. The Morro Bay General Plan land use section is combined with the open space and conservation sections, and includes the authority and purpose of a land use element, existing conditions and issues in Morro Bay, land use classifications, and objectives, policies, and programs regarding land use, open space, and conservation.

Plan Morro Bay also serves as the Local Coastal Program (LCP) for Morro Bay. The LCP consists of a Coastal Land Use Plan (LUP) and Local Implementation Plan; the land use portion of the General Plan will also serve as the LUP portion of the LCP.

Nearly all of Morro Bay is located in the coastal zone, with only the Church of Jesus Christ of Latter Day Saints and five residences on Sequoia Court located outside the coastal zone. Because of its location, the City must also accommodate visitor-serving and coastal-dependent uses adequately in its land use plan.

Existing Land Use Designations

The existing General Plan includes a variety of land use designations which pertain to residential, commercial, industrial, agricultural, mixed-use, visitor-serving, coastal-dependent, public facility, and other uses. The following sections provide an overview of the current land use designation categories. The Coastal Act requires that the LUP include a land use designation or designations that specifically accommodate visitor-serving and coastal-dependent/coastal-related uses. Under the existing Morro Bay General Plan and LUP, the designations that achieve this goal are Visitor Serving Commercial, Commercial/Recreational Fishing, Mariculture and Marine Research, Mixed Uses (Harbor), and Coastal Development Industrial.

Residential

The 1988 Morro Bay General Plan includes four residential land use categories based on the following density levels:

- **Low Density:** Up to 4 units per acre
- **Moderate Density:** 4 to 7 units per acre
- **Medium Density:** 7 to 15 units per acre
- **High Density:** 15 to 27 units per acre

The residential land use designations are the only designations in the existing General Plan with densities or intensities. The updated Plan Morro Bay will include these standards for the proposed land use designations. The majority of parcels designated for residential use in the General Plan are located in the northern and south-central portions of the planning area.

Commercial

In the General Plan, commercial land use categories are generally located along Highway 1 and in downtown, with one small additional commercial area located in the southern coastal area north of Fairbanks Point. Much of the commercial development in Morro Bay is visitor-serving, a category which includes hotels and inns, restaurants, and shops. The five commercial land use categories are:

- Medium Density Residential/Neighborhood Commercial
- District Commercial
- Service Commercial
- Visitor Serving Commercial
- Commercial/Recreational Fishing

Industrial

The General Plan includes two industrial categories to differentiate coastal-dependent industry from noncoastal-dependent industry: **General (Light) Industrial** is used for noncoastal dependent uses, and **Coastal Dependent Industrial** is used for coastal-dependent uses. Coastal-dependent uses include thermal power plants, seawater intake structures, discharge structures, tanker support facilities, and other similar uses.

Mariculture and Marine Research

Uses allowed in the **Mariculture and Marine Research** designation are coastal-dependent and include the buildings, tanks, raceways, and pipelines for breeding, hatching, grow-out, and related research as well as administrative offices and educational facilities.

Golf Course

Uses in the **Golf Course** designation include golf courses and related facilities such as club houses, pro shops, maintenance buildings, parking areas, and irrigation systems, along with other passive recreational areas.

Harbor/Navigational Ways

The **Harbor and Navigational Ways** designation applies to areas of the city covered by seawater and includes areas from the mouth of the bay to the southern city limits. Uses are restricted to those which must be located on the water in order to function, such as mariculture, boating, fishing, habitat, and visitor-serving uses where public access is enhanced or facilitates coastal-dependent uses.

Open Space/Recreation

The **Open Space/Recreation** designation includes land which is not defined as environmentally sensitive habitat and is not intended to accommodate intensive recreational activities. Uses in this designation typically include athletic fields, campgrounds, horse stables, and other recreational uses.

Mixed Uses (Harbor)

A mixture of visitor-serving commercial uses and harbor-dependent land uses are accommodated in the **Mixed Uses (Harbor)** designation. Examples include sport fishing facilities, fish stores, gift shops, and recreational boat docks. Areas along the Embarcadero are located within this designation, and include restaurants and hotels as major uses.

Environmentally Sensitive Habitat

The **Environmentally Sensitive Habitat** designation includes protected areas which provide habitat for rare or especially valuable plant or animal life that could be easily disturbed or degraded by human activity. Fishing, clamming, and hiking may be allowed in these areas.

Agriculture

The **Agriculture** designation provides for the identification and preservation of agricultural land for cultivating crops and raising animals. Lands which fit this designation include those with prime soils, prime agriculture land, land in existing agricultural use, land with agricultural potential, and land under Williamson Act contracts. The agriculture designation allows one residential unit per parcel.

Mixed Use

Areas within the **Mixed Use** designation include parts of the city that generally feature a mixture of residential, office, commercial, visitor-serving, and recreational lands.



Overlays

The following overlays are included in the land classification system:

1. Planned Development
2. Restricted Areas
3. Park
4. School
5. Public/Institutional
6. Interim/Open Space Uses in Industrial Categories

Table 1 below compares the existing general plan land use designations with corresponding zoning districts. The Existing General Plan Land Use Map follows the table.

Table 1. General Plan Land Use Designation/Zoning Consistency

General Plan Land Use Designation	Description of LU Designation	Allowed Density	Corresponding Zoning Districts
Low Density	Detached single-family homes.	0-4 du/ac	AG, R-A, CRR
Moderate Density	Detached or attached single-family homes.	4-7 du/ac	R-1
Medium Density	Detached or attached single-family homes, townhomes, duplexes, and condominiums.	7-15 du/ac	R-2
High Density	Multifamily housing, including apartments, townhomes, and condominiums.	15-27 du/ac	R-3, R-4
Medium Density Residential/ Neighborhood Commercial	Detached or attached single-family homes, townhomes, duplexes, and condominiums. Provides for the daily needs of residents nearby and includes grocery stores, laundromats, pharmacies, and household stores.	7-15 du/ac	R-2, MCR
District Commercial	District commercial areas serve a regional commercial need such as shopping centers and major goods and services.		C-1, MCR
Service Commercial	Commercial uses that are not compatible with residential neighborhoods, as well as light industrial and manufacturing uses, particularly those related to commercial fishing.		C-2, MCR
Visitor Serving Commercial	Encourages tourist-oriented services and uses at easily accessible and destination locations, particularly along Highway 1.		R-4, C-VS
Commercial/ Recreational Fishing	Implements Measure D, which protects the tidelands area between Beach Street and Target Rock by limiting development and use permits to fishing activities only.		CF
General (Light) Industrial	Light industry uses which are not compatible with residential or most commercial uses.		M-1, C-2
Coastal Dependent Industrial	Specifically for uses which must be located near the coast to function, and are thereby given priority pursuant to the California Coastal Act.		M-2
Mariculture and Marine Research	Areas considered suitable for the propagation and rearing of ocean fish and shellfish.		MMR
Golf Course	Golf courses and related facilities.		GC
Harbor/Navigational Ways	Areas of the city covered by seawater and used for boating, fishing, and visitor-serving uses.		H
Open Space/Recreation	Uses which are not intended for development or intensive recreational uses, but which are not classified as sensitive habitat.		OA

Land Use Alternatives Memo



General Plan Land Use Designation	Description of LU Designation	Allowed Density	Corresponding Zoning Districts
Mixed Uses (Harbor)	A mixture of visitor-serving commercial uses and harbor-dependent land uses.		WF
Environmentally Sensitive Habitat	Protection areas which serve as habitat for rare or especially valuable plant or animal life that could be easily disturbed or degraded by human activity.		ESH
Agriculture	Land for cultivating crops and raising animals.		AG
Mixed Use	Mixed-use areas apply to certain parts of the city that generally include a mixture of residential, office, commercial, visitor-serving, and recreational lands.		MCR, G-O, Combining MU ¹
<i>Overlays</i>			
Planned Development	Areas which are part of a precise or specific development plan that has received discretionary City approval.		PD
Restricted Areas	Sensitive habitats which have critical or endangered plant or animal life that would be disturbed by even passive recreational uses.		ESH
Park	Existing or proposed public parks.		No corresponding district identified
School	Existing or proposed school facilities.		SCH
Public/Institutional	Facilities which serve the public, including government buildings and service facilities, or quasi-public facilities such as hospitals and cultural, civic, or religious resources.		No corresponding district identified
Interim/Open Space Uses in Industrial Categories	Areas being held for future use but which may have a temporary use in the meantime.		I

Zoning Districts Legend

R-A Suburban residential district

R-1 Single-family residential district

R-2 Duplex residential district

R-3 Multiple-family residential district

R-4 Multiple-family residential-hotel-professional district

CRR Coastal resource residential district

C-1 Central business district

C-2 General commercial district

MCR Mixed commercial/residential district

Note 1: Split zoning makes additional areas consistent with MU.

C-VS Visitor serving commercial district

G-O General office district

M-1 Light industrial district

M-2 Coastal-dependent industrial district

AG Agriculture district

OA Open area district

WF Waterfront district

CF Commercial/recreational fishing district

H Harbor and navigable ways district

MMR Mariculture and marine research

SCH School district

GC Golf course district

PD Planned development, overlay zone

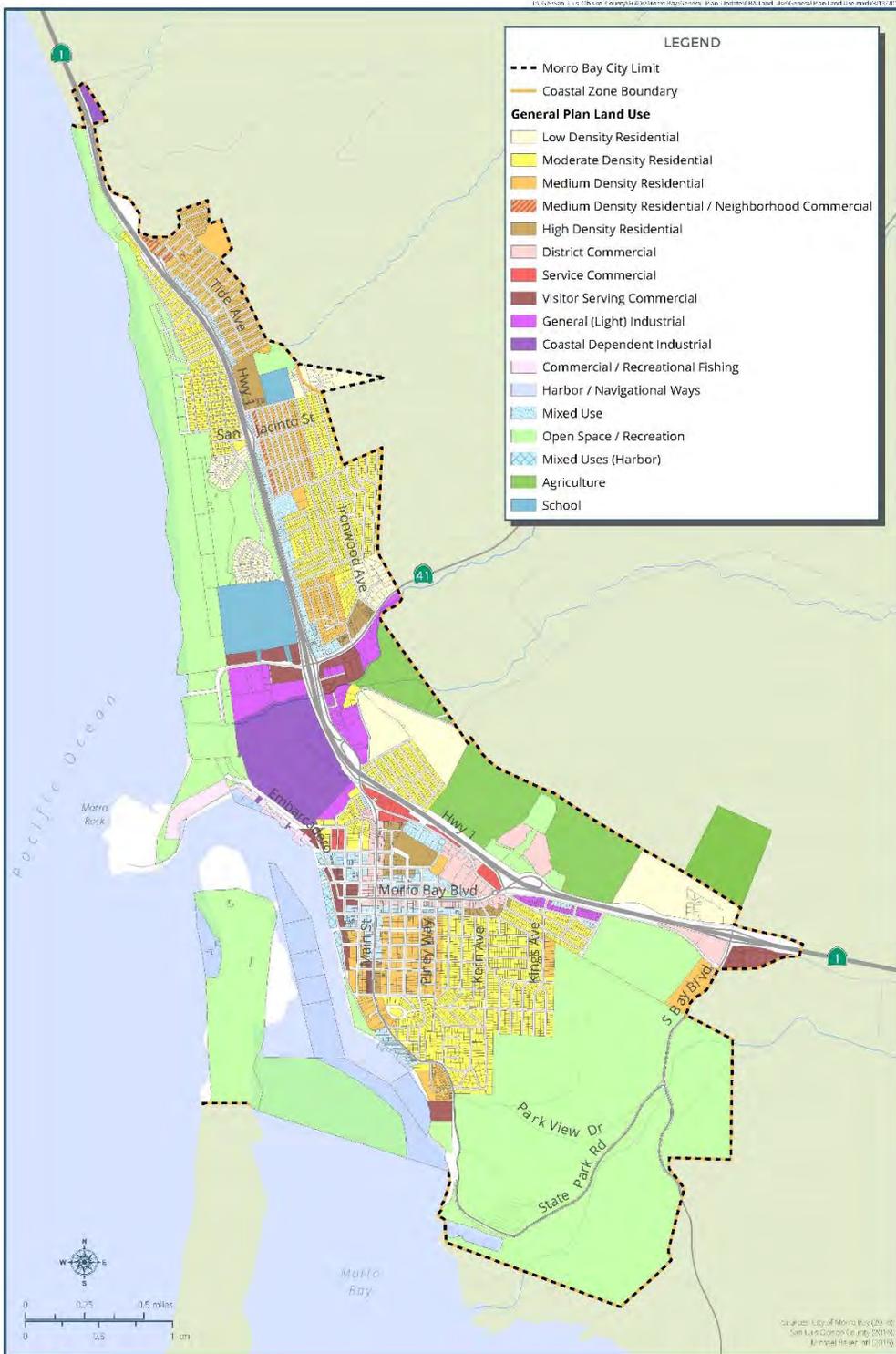
ESH Environmentally sensitive habitat overlay zone

S Special treatment overlay zone

Combining MU Combining mixed use overlay zone

I Interim use overlay zone

Existing General Plan Land Use Designations



Existing General Plan Land Use Designations

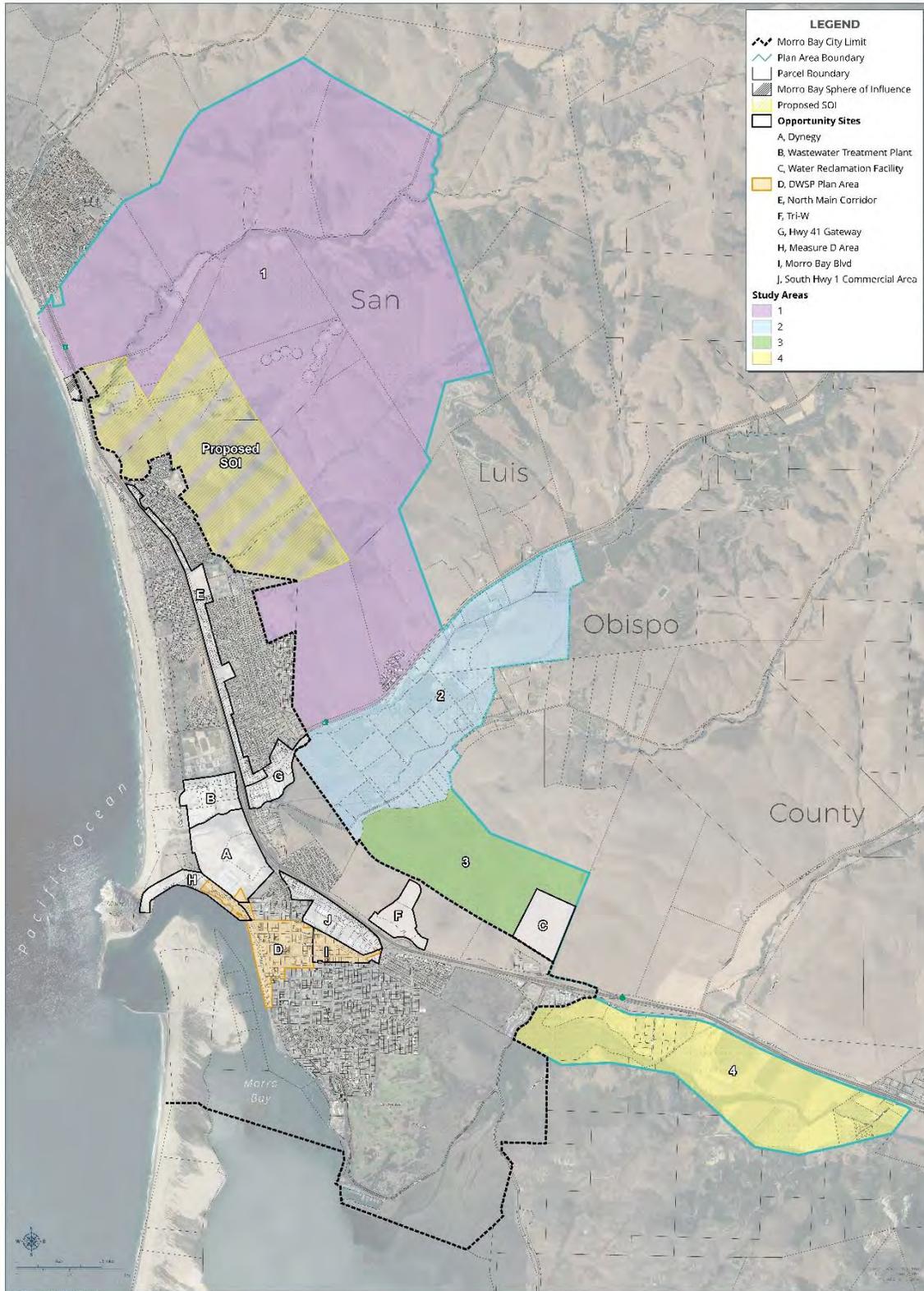




Opportunity Sites

Based upon background research, City staff and GPAC input, and community engagement, ten opportunity sites have been identified (see Opportunity Sites Overview Map on the following page). These are parcels or areas that are likely to change or are seen as in need of change by the community. The Land Use Element provides policy direction to guide these changes and resulting physical development. Changes are primarily accomplished through the zoning code. Ten sites in the city were identified. One of those sites (Site D) is the Downtown Waterfront Strategic Plan (DWSP) area (see Site D figure). Within that site, there are 15 opportunity sites or corridors where change is anticipated. Each of those sites is discussed individually under Site D. Out of the nine other citywide sites, seven have proposed changes to land use. The remaining two were selected for policy recommendations only.

Opportunity Sites Overview Map



City of Morro Bay General Plan Update
Opportunity Sites and Study Areas

Site D Map of DWSP Opportunity Sites



Site A: Dynegy Power Plant Site

Existing Conditions

The site of the decommissioned Morro Bay Power Plant owned by Dynegy is located just across from the north Embarcadero and the bay northeast of Morro Rock, north of the public parking lot and south of Morro Creek (see Site A figure). A smaller portion of this opportunity site is the substation owned by PG&E. It is located behind the Dynegy property, and is still operational. The City-owned Triangle Parking Lot parcel is also included at the southern end of this site. The Triangle Parking Lot site is Site D, subsite D.5.

Existing General Plan

The existing General Plan land use designation on the site is Coastal Development Industrial. Dynegy is actively looking to sell its property at the site. Potential future uses for the site could span a broad range including but not limited to recreation/public access, retail, restaurants, senior housing, and an office park. The vision and future land uses for this site will be further defined through a master plan process (or other site-specific planning process) once the site has been sold by Dynegy and before it is redeveloped. PG&E is planning on hardening and moving equipment into a structure on the substation parcel so the facilities footprint will be reduced on their parcel. The northern edge of this site is ESHA.

Alternative 1

Based on the site's location proximate to the coast, and the community input received to date, land use changes are anticipated for the portion of the site owned by Dynegy. The land use designation for the PG&E substation parcel would be Public Facility. The proposed land use designations for the future of the site are predominantly Mixed Use, with some Visitor Serving Commercial uses fronting Embarcadero.

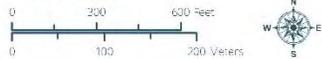
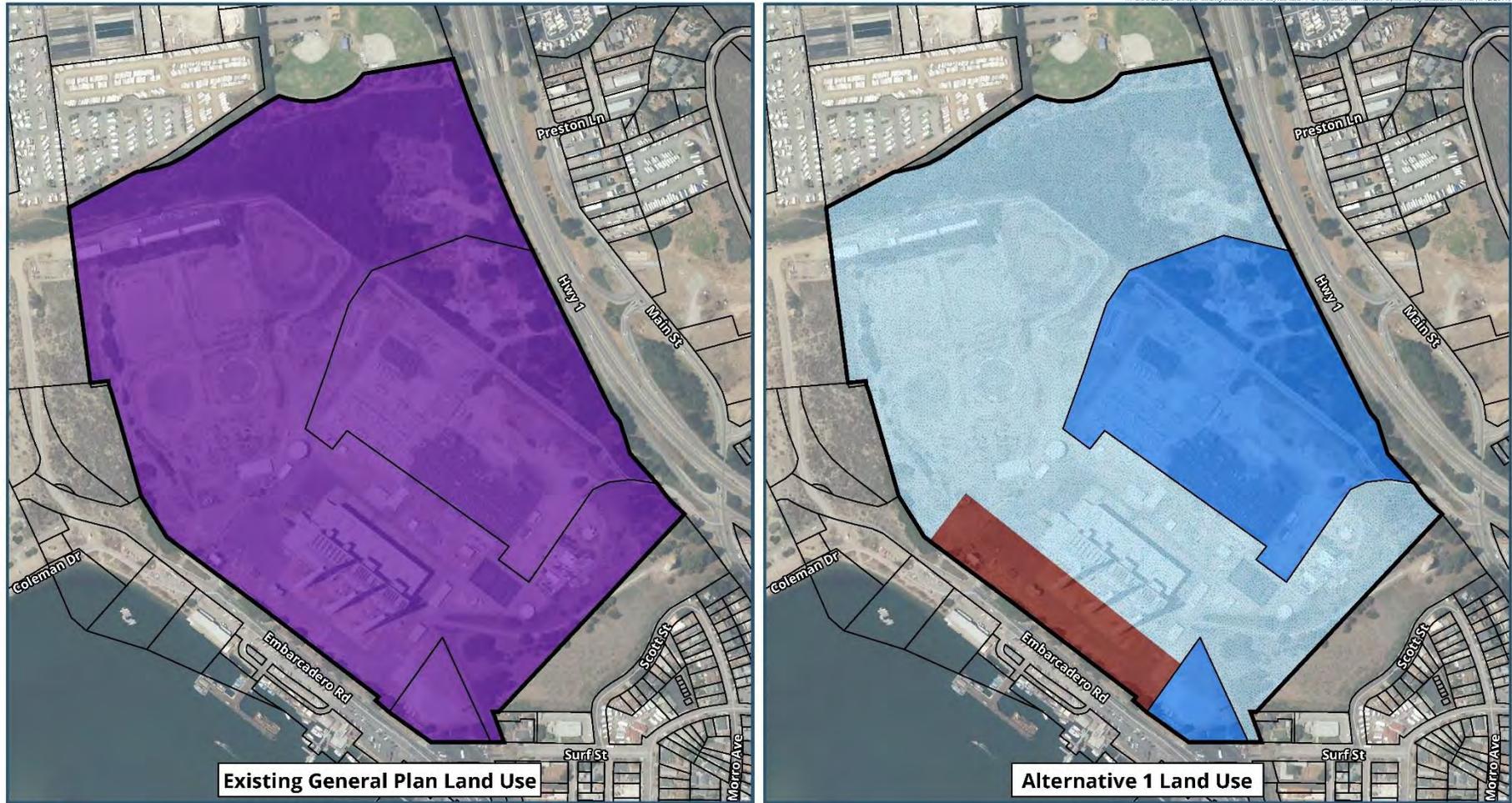
Input Received

- Conduct the master plan or other site-specific planning effort before making detailed land use decisions.



- A majority of those who provided input preferred Alternative 1 (mixed residential and commercial uses with public/institutional at the PG&E substation),
- Mixed-use, institutional, and maritime supporting (perhaps light industrial) uses were well supported by community members, particularly if the mixed-use development includes multifamily residential and affordable housing. The mixed use allowed on this site should not allow 100% residential development.
- Community members had mixed feelings about the proposed placement of visitor-serving commercial uses on part of the site. Some had more interest in institutional uses (museums, event space, wildlife rescue/rehab center, and nature-based education), housing, and art/cultural (studios, live/work) uses other than visitor-serving commercial.
- Could extend Visitor Serving Commercial to the other side of the creek.
- Community members wanted to preserve the natural areas of the creek by designating the land around it as open space.
- The community felt the triangle parking lot parcel portion of this site is suitable for expansion of the maritime museum and for a boat haulout facility.

SITE A: DYNEGY POWER PLANT



LEGEND

- Opportunity Site
- Parcels
- Morro Bay City Limit
- Visitor Serving Commercial
- Coastal Development Industrial
- Mixed Use
- Public Facility

Sources: City of Morro Bay (2016); San Luis Obispo County (2016); Michael Baker Int'l (2016).

Site B: Existing Wastewater Treatment Plant and Desalination Plant

Existing Conditions

This area is located near the coast along State Route (SR) 41 and Atascadero Road west of Highway 1 (see Site B figure). It includes the City's wastewater treatment plant (WWTP), desalination plant, and driveways to Morro Bay High School. Other uses include motels, the building formerly housing Flippo's roller rink, the skate park and teen center, Lila Keiser Park, and Morro Strand and Morro Dunes RV parks.

Existing General Plan

The existing land use designations on this site are General (Light) Industrial, Visitor Serving Commercial, School, and Open Space/Recreation.

Alternative 1

The future land uses for this site will be driven largely by plans to relocate the existing City WWTP within the next five years. Other potential land use changes in this area rely on less certain potential changes. Land uses are not proposed to change on the former Flippo's site or at the Morro Dunes RV park on the south side of SR 41. The existing land use at Lila Keiser Park does not match on-the-ground land use. This designation would be changed from General (Light) Industrial to Public Facility to reconcile this discrepancy. Public Facility represents a new land use designation proposed for creation in the General Plan update. After the WWTP closes and if the desalination plant closes or is relocated in the future, that portion of this site could be designated for either Visitor Serving Commercial or Open Space/Recreation use. This alternative shows a configuration that would accommodate both uses.

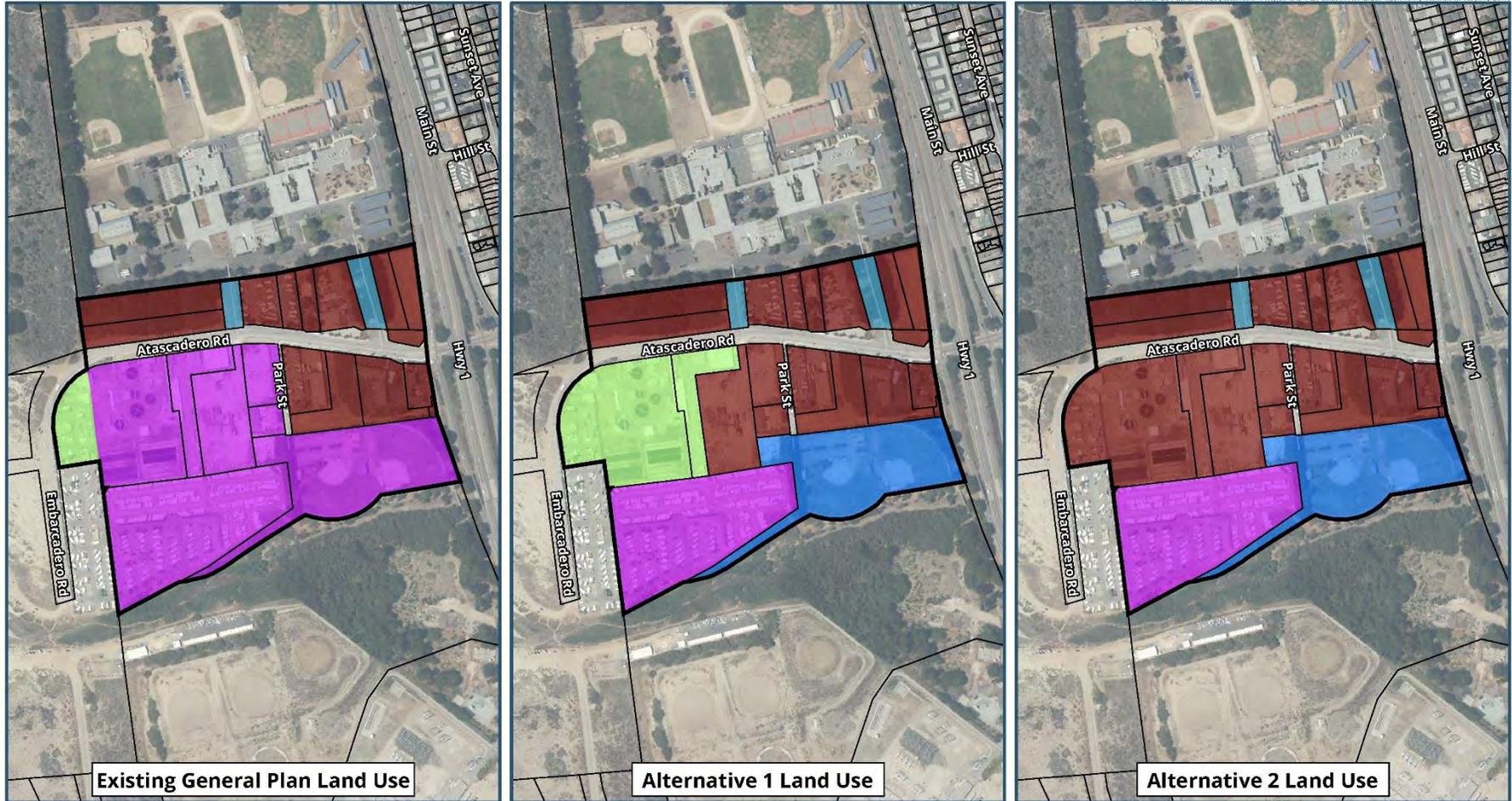
Alternative 2

This alternative would be the same as Alternative 1, except for the WWTP and desalination plant sites. Under this alternative, both of those sites would be designated as Visitor Serving Commercial uses.

Input Received

- Most of those providing input wanted to change the site to a mixture of open space and visitor-serving commercial land uses as called for under Alternative 1.
- Alternative 1 is preferred because the Open Space/Recreation is more resilient to potential flooding/inundation impacts. The preference among participants was to convert part of the site to open space uses, possibly with some recreational facilities or other activities that support neighboring Morro Bay High School.
- The community would like to see improved access to Lila Keiser Park from Highway 41 and improve access to the power plant site from Highway 1.
- Alternative 1 should also propose Visitor Serving Commercial on the more southern RV park part of this site.
- Alternative 1 should be changed to designate Lila Keiser Park as Public/Institutional rather than Park.

SITE B: EXISTING WWTP/DESALINATION PLANT



LEGEND

- Opportunity Site
- Parcels
- Morro Bay City Limit
- General Plan Land Use**
Visitor Serving Commercial
- General (Light) Industrial
- Open Space / Recreation
- Public Facility
- School

Source: City of Morro Bay (2016);
San Luis Obispo County (2016);
Merced Baker Inc. (2016).

Site C: Proposed Water Reclamation Facility

Existing Conditions

This site is located outside the city limits just east of Highway 1 near the south end of Morro Bay (see Site C figure). The city limit is on the other edge of the highway.

Existing General Plan

The existing County land use designation on the site Agriculture. This site will be included in the Memorandum of Agreement (MOA) with the County regarding SOI expansion and potential future annexation. This site would be included in the SOI and receive the designation decided on in this GP update process.

Alternative 1

This site is the preferred location for the proposed Morro Bay Water Reclamation Facility (WRF). If that project is approved, the City would propose annexation of this site into the City. If this site is annexed into the City, the proposed land use designation would be Public Facility.

Alternative 2

If this site is not approved for the WRF, it would not be annexed and would remain in the County. The land use designation would remain Agriculture.

Input Received

- The majority of respondents were in favor of Alternative 1—using the site for the Water Reclamation Facility and annexing it into the City.
- A minority of those providing input questioned the need to find a new location for a wastewater treatment facility.
- Some of those providing input supported installing renewable energy facilities at the Water Reclamation Facility, and wanted to ensure that the site would be hidden as much as possible from roads and surrounding properties.

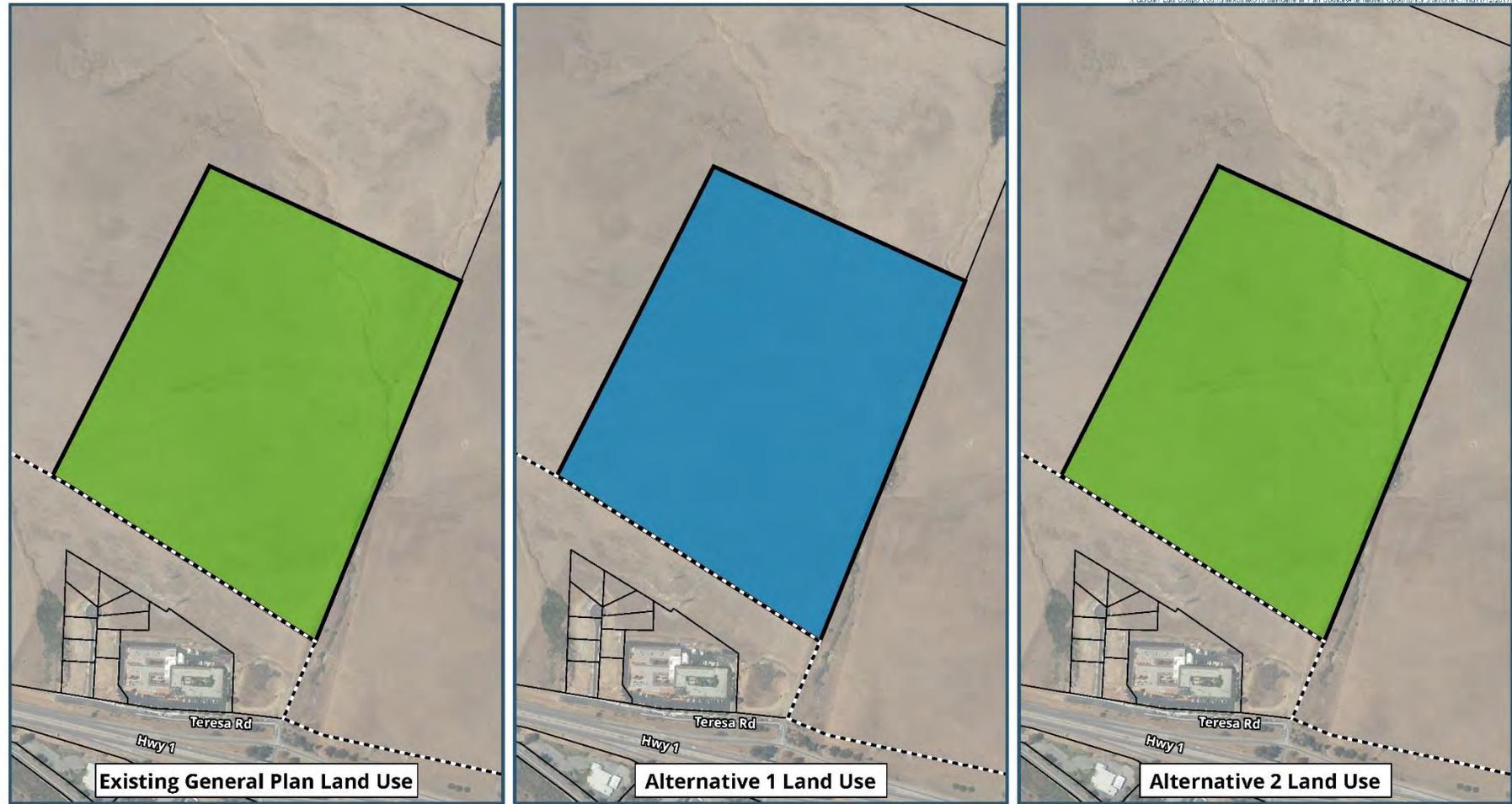
Site D: Downtown Waterfront Strategic Plan Area

The sites discussed under the Site D section are located in the Downtown Waterfront Strategic Plan (DWSP) area. Some of the sites are a set of parcels while others are a corridor that is a focus in the DWSP. Not all of the sites with land use classifications have proposed alternatives to those classifications but rather have suggested policy recommendations. Sites with proposed changes to land use have one or more proposed catalyst projects associated with them in the DWSP. The change to land use on the site is necessary to allow for the catalyst project uses.

Input Received

- Hard to provide input on sites in DWSP without circulation info.
- Many sites that are proposing a change from Visitor Serving Commercial to Mixed Use.
 - Need to get closer to defining Mixed Use moving forward.
 - Concerned because the City has allowed some prime Visitor Serving Commercial sites to become residential.
- Have property owners been contacted?
- 13 of the 15 opportunity sites are west of Monterey Avenue. That seems imbalanced. Should enlarge City Park to cover the whole block.
- There isn't an opportunity identified at Main and Morro Bay Boulevard. What about using that space for entertainment/market?
- Specific input was received on Site D.7 and is included under that site below.

SITE C: PROPOSED WRF SITE



LEGEND

 Opportunity Site	 Agriculture
 Parcels	 Public Facility
 Morro Bay City Limit	

Sources: City of Morro Bay (2013)
San Luis Obispo County (2016)
Michael Baker Int'l (2015)

D.1 Coastal Access

Existing Conditions

This site represents the coastal access corridor identified in the DWSP.

Catalyst Projects

The catalyst project identified in the DWSP for this site is a harbor walk providing lateral access along the coast.

Existing General Plan

Existing General Plan land use designations would support implementation of these catalyst projects. Therefore, no land use alternatives are proposed.

D.2 Centennial Parkway

Existing Conditions

The Centennial Parkway runs from the water across the Embarcadero to the top of the Centennial Staircase in between Dorn's Restaurant and Di Stasio's Restaurant (see Site D.2 figure). It includes the staircase, chessboard, plaza, and associated facilities as well as the parking area located between The Libertine and Rose's Landing on the harborside of the street.

Catalyst Projects

The anticipated future catalyst project at this site is family outdoor entertainment.

SITE D.2: CENTENNIAL PARKWAY



- LEGEND
- Opportunity Site
 - Parcels
 - Morro Bay City Limit
 - General Plan Land Use
Visitor Serving Commercial
 - Mixed Uses (Harbor)

Sources: City of Morro Bay (2016); San Luis Obispo County (2016); Michael Baker Int'l (2017)

Existing General Plan

The existing General Plan land use designations for this site are Mixed Use (Harbor) and Visitor Serving Commercial. These existing designations would support implementation of the catalyst project. Therefore, no land use alternatives are proposed.

D.3 Vacant Lot at Harbor Street and Front Street

Existing Conditions

This .39 acre vacant lot is located on the nonwater side of Embarcadero, just south of Harbor Street and north of the Sun-N-Buns Bakery and Espresso Bar (see Site D.3 figure). Front Street borders the eastern edge of this site. The site is located slightly north of Centennial Parkway.

Catalyst Projects

The anticipated future catalyst projects at this site are a market hall or family outdoor entertainment. While progress is made towards a permanent catalyst project on this site it is anticipated interim uses may occur here. These interim uses could include parking, passive recreation or landscape maintenance.

Existing General Plan

The existing General Plan land use designation on the site is Visitor Serving Commercial. This existing designation would support implementation of the catalyst projects. Therefore, no land use alternatives are proposed.

D.4 Embarcadero Corridor

The Embarcadero Corridor is generally identified in the DWSP as an opportunity site for future streetscape and landscaping improvements. The catalyst project is an Embarcadero streetscape furnishing palette. This catalyst project does not require land use approvals. Therefore, no land use alternatives are proposed.

SITE D.3: VACANT LOT AT FRONT ST AND HARBOR ST



LEGEND

Opportunity Site	General Plan Land Use
Parcels	Visitor Serving Commercial
Morro Bay City Limit	

Source: City of Morro Bay (2013); San Luis Obispo County (2016); Micro: Baker Inc. (2015).

D.5 Triangle Parking Lot

Existing Conditions

The Triangle Parking Lot parcel is located just south of the decommissioned Morro Bay Power Plant on the east side of the Embarcadero and is 2.3 acres in size (see Site D.5 figure). It is currently an unpaved vacant site used for parking.

Catalyst Projects

The anticipated future catalyst projects at this site are a market hall or a cultural, maritime, or historical museum, a boatyard, and a parking lot or structure. While progress is made towards a permanent catalyst project on this site it is anticipated interim uses may occur here. These interim uses could include parking as is occurring now, passive recreation or landscape maintenance.

Existing General Plan

The existing land use designation on the site is Coastal Development Industrial.

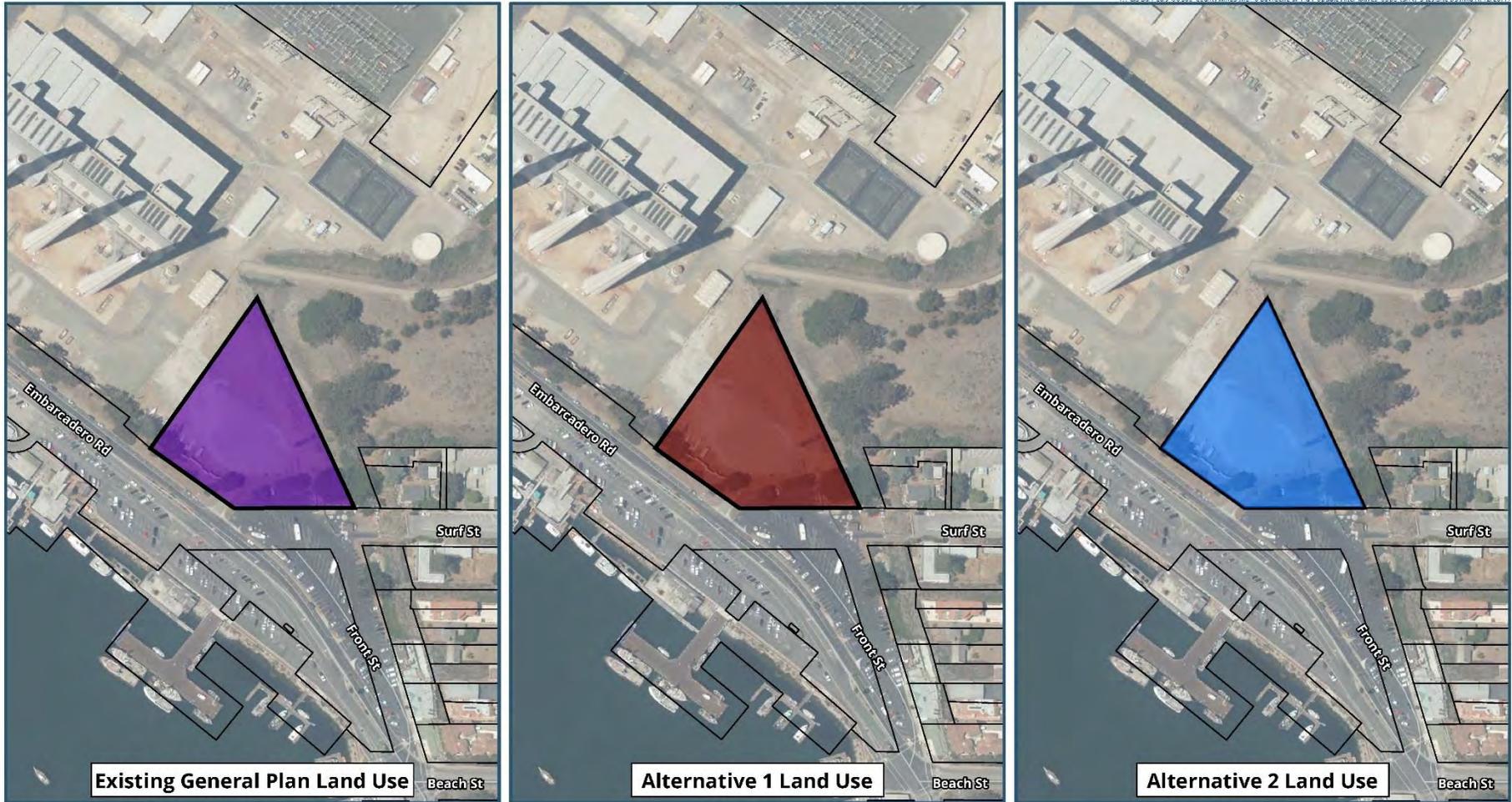
Alternative 1

If a privately owned and operated market hall or museum were built on the site, the site would require a different land use designation than Coastal Development Industrial. A Visitor Serving Commercial designation would be appropriate for these uses, and could also accommodate a wider range of alternative visitor-serving uses and accommodations consistent with the Coastal Act at a prime location near the bay and the adjacent Dynege site.

Alternative 2

If a publicly owned and operated market hall or museum were built on this site, the land use designation of all or a portion of the site could be Public Facility. This could limit the range of allowable uses on these portions of the site relative to the Coastal Act, but would apply only to portions of the site under public ownership.

SITE D.5: TRIANGLE PARKING LOT



LEGEND

Opportunity Site	General Plan Land Use
Parcels	Visitor Serving Commercial
Morro Bay City Limit	Coastal Development Industrial
	Public Facility

Source: City of Morro Bay (2013); San Luis Obispo County (2016); Michael Baker Intl (2013).

D.6 Vacant Lots at Market Avenue and Morro Bay Boulevard

Existing Conditions

This site consists of three vacant parcels located at the northeast corner of Market Avenue and Morro Bay Boulevard (see Site D.6 figure) currently used as private surface parking lots. The three parcels total .22 acres.

Catalyst Projects

The anticipated future catalyst projects at this site are a high-end hotel and conference center or creative mixed-use project. If the chosen catalyst project was a high-end hotel and conference center a portion but not all of that type of facility could be accommodated on these lots. While progress is made towards a permanent catalyst project on this site it is anticipated interim uses may occur here. These interim uses could include parking, passive recreation and landscape maintenance.

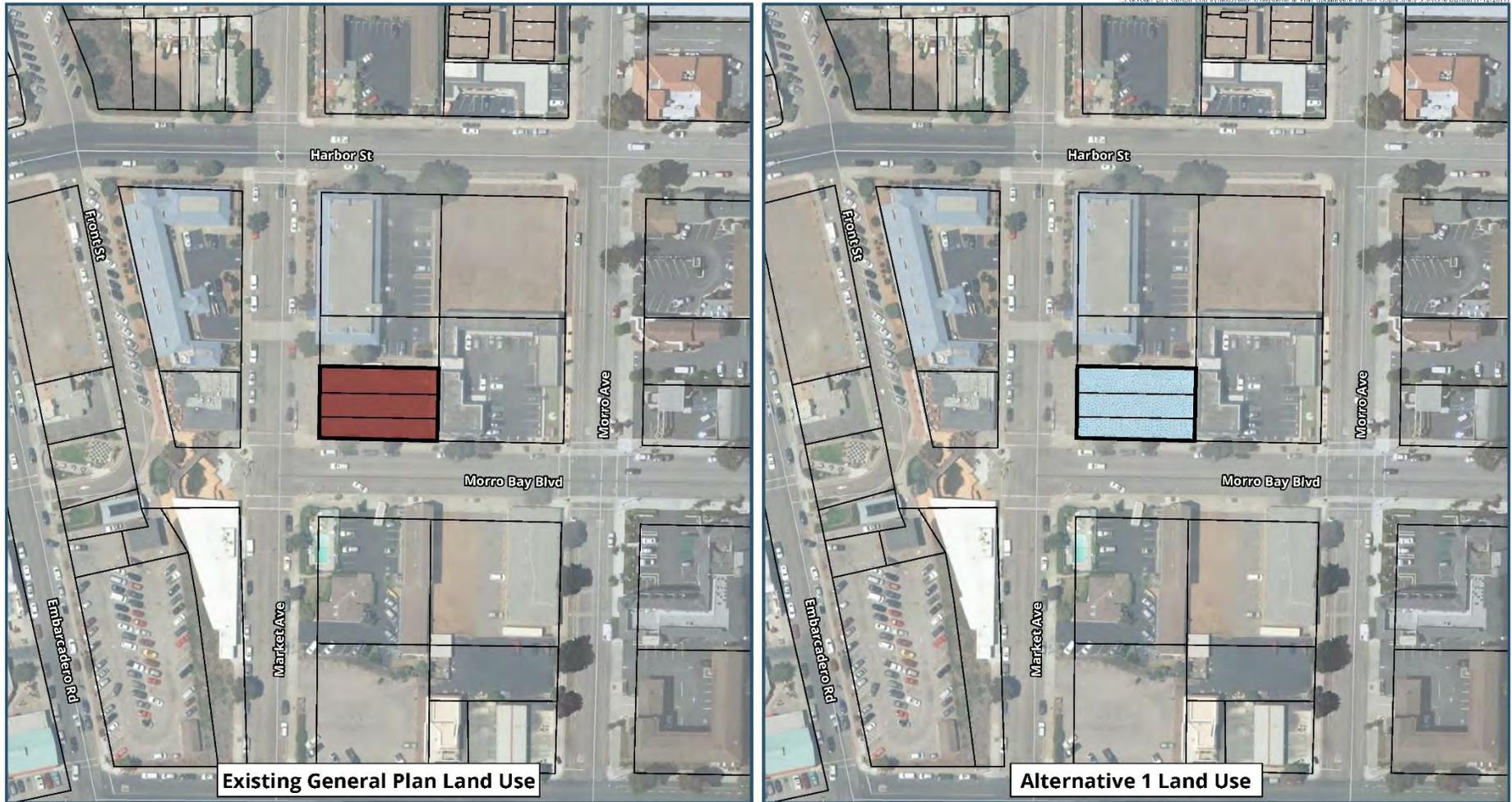
Existing General Plan

The existing land use designation on the site is Visitor Serving Commercial. This designation would allow either the existing use (surface parking) or the high-end hotel and conference center catalyst project. It could also accommodate a wider range of alternative visitor-serving uses consistent with the Coastal Act.

Alternative 1

The creative mixed-use catalyst project would require a change in land use designation for this site to Mixed Use.

SITE D.6: VACANT LOTS AT MARKET AVE AND MORRO BAY BLVD



LEGEND

- Opportunity Site
- Parcels
- Morro Bay City Limit
- Visitor Serving Commercial
- Mixed Use

Source: City of Morro Bay (2013), San Luis Obispo County (2016), Milner, Baker (2015).

Land Use Alternatives Memo

D.7 City-Owned Lots at Embarcadero and Pacific Street

Existing Conditions

This site consists of six City-owned vacant parcels at the northeast corner of Embarcadero and Pacific Street (see Site D.7 figure). The parcels total 1.43 acres.

Five of the parcels are on Embarcadero and one is on the other side of Market Avenue on Pacific Street. Many of these lots are currently used as public surface parking lots.

Catalyst Projects

The anticipated future catalyst projects at this site are a market hall, ecotourism, a cultural, maritime, or historical museum, or a high-end hotel and conference center. While progress is made towards a permanent catalyst project on this site it is anticipated interim uses may occur here. These interim uses could include parking, passive recreation and landscape maintenance.

Existing General Plan

The existing land use designations on the site are Visitor Serving Commercial and Mixed Use. These designations could accommodate the existing use (surface parking), or the market hall, museum, or high-end hotel and conference center. They could also accommodate a wider range of alternative visitor-serving uses consistent with the Coastal Act.

Alternative 1

Depending on the specific proposed use, ecotourism uses could require land use designation changes on all or a portion of the site from Visitor Serving Commercial to Mixed Use. This could impact the existing supply of public parking and reduce the amount of visitor-serving commercial area located within the coastal zone. Unless these reductions are offset by land use changes on other opportunity sites within the coastal zone, this could be determined to be in conflict with the Coastal Act by the California Coastal Commission.

Land Use Alternatives Memo

Input Received

- Consensus not to locate Maritime Museum on this site. It should go on the triangle parking lot site.
- Do not put high end hotel/conference center on this site.
- Is a seafood market commercially viable? Don't want to have to replace local food with t-shirts.
- A seafood market at this location could take out some who have been in the community for years. Don't undercut those who are already here/doing this.
- Decided to change terminology to "Full-Service Hotel" rather than "High End Hotel."
- Concerned about adding restaurants that might displace existing restaurants on this site.
- Could see underground parking on the vacant part of the site.
- Don't want to create an area that is only of interest of those staying in a hotel by locating a stand-alone hotel here.

SITE D.7: CITY LOTS AT EMBARCADERO AND PACIFIC ST



LEGEND

- Opportunity Site
- Parcels
- Morro Bay City Limit
- General Plan Land Use: Visitor Serving Commercial
- General Plan Land Use: Mixed Use

Source: City of Morro Bay (2013); San Luis Obispo County (2013); Michael Baker Inc. (2013).

Land Use Alternatives Memo

D.8 Vacant Lot at Embarcadero and Marina Street

Existing Conditions

This site consists of one vacant .28 acre parcel located at the northeast corner of Embarcadero and Marina Street near the Shell Shop and aquarium (see Site D.8 figure). The site is currently unpaved and not in use.

Catalyst Projects

The anticipated future catalyst projects at this site are a market hall, family outdoor entertainment, ecotourism, a cultural, maritime, or historical museum, or high-end hotel and conference center. It may also be subject to the proposed Embarcadero streetscape furnishing palette. If the chosen catalyst project was a high-end hotel and conference center a portion but not all of that type of facility could be accommodated on these lots. While progress is made towards a permanent catalyst project on this site it is anticipated interim uses may occur here. These interim uses could include parking, passive recreation and landscape maintenance.

Existing General Plan

The existing land use designation on the site is Visitor Serving Commercial. This designation could accommodate the existing use or the market hall, family outdoor entertainment, museum, or high-end hotel and conference center (within the constraints of the size of these parcels as discussed above). It could also accommodate a wider range of alternative visitor-serving uses consistent with the Coastal Act.

Alternative 1

Depending on the specific proposed use, ecotourism uses could require a land use designation change to Mixed Use. This could reduce the amount of visitor-serving commercial area located within the coastal zone. Unless this reduction is offset by land use changes on other opportunity sites within the coastal zone, this could be determined to be in conflict with the Coastal Act by the California Coastal Commission.

SITE D.8: VACANT LOT AT EMBARCADERO RD AND MARINA ST



LEGEND

- Opportunity Site
- Parcels
- Morro Bay City Limit
- Visitor Serving Commercial
- Mixed Use

Sources: City of Morro Bay (2016);
San Luis Obispo County (for SJ);
Michael Baker Corp. (2016)

D.9 Vacant Lot at Harbor Street and Morro Avenue

Existing Conditions

This site consists of one .4 acre vacant parcel at the southwest corner of Harbor Street and Morro Avenue (see Site D.9 figure). It is currently an unpaved vacant lot.

Catalyst Projects

The anticipated future catalyst projects at this site are a creative mixed-use project or a cultural, maritime, or historical museum.

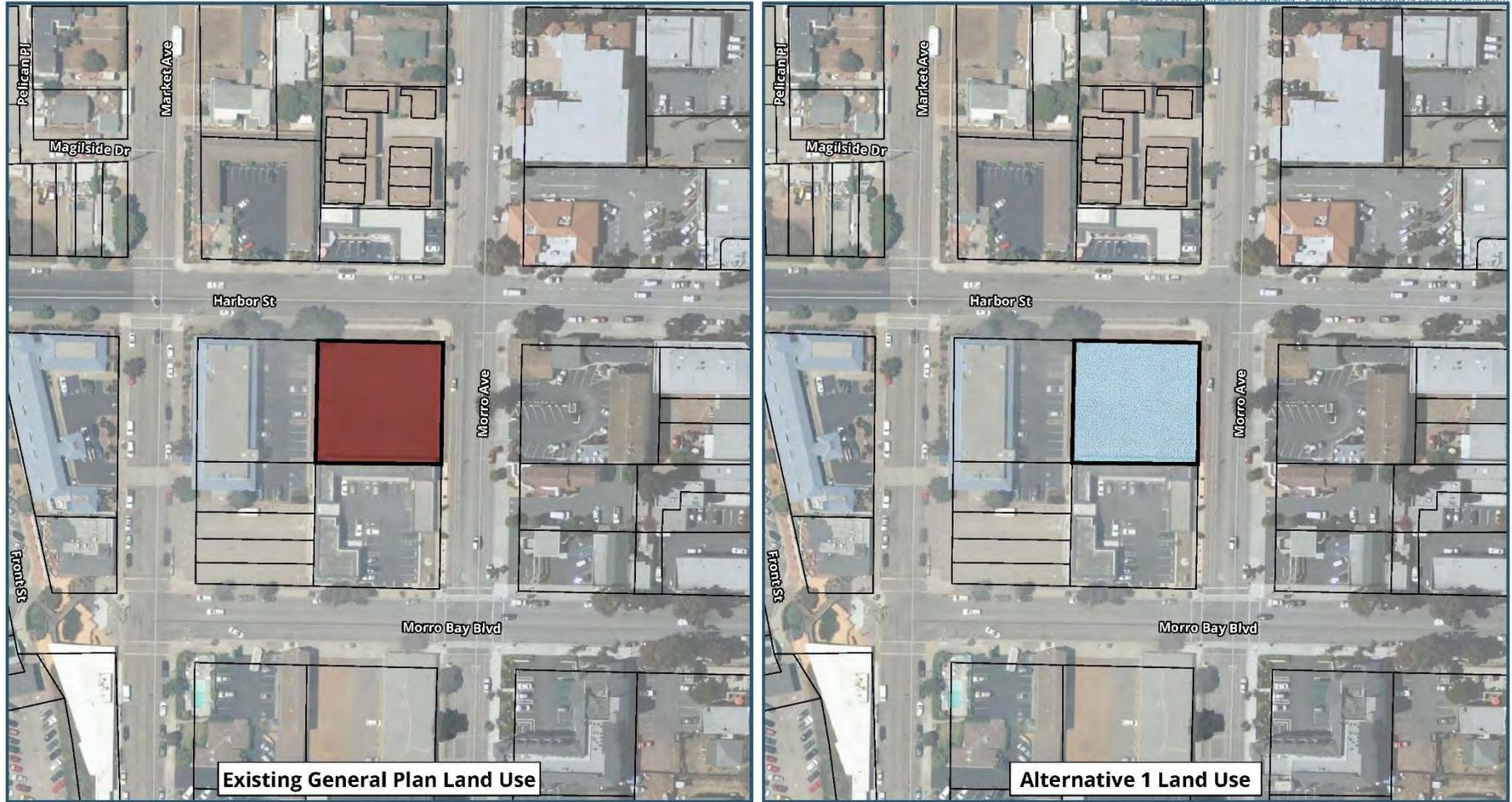
Existing General Plan

The existing land use designation on the site is Visitor Serving Commercial. This designation could accommodate the museum. It could also accommodate a wider range of alternative visitor-serving uses consistent with the Coastal Act.

Alternative 1

The creative mixed-use catalyst project would require a change in land use designation for this site to Mixed Use. This could impact the amount of visitor-serving commercial area located within the coastal zone. Unless this reduction is offset by land use changes on other opportunity sites within the coastal zone, this could be determined to be in conflict with the Coastal Act by the California Coastal Commission.

SITE D.9: VACANT LOT AT HARBOR ST AND MORRO AVE



LEGEND

- Opportunity Site
- Parcels
- Morro Bay City Limit
- General Plan Land Use
Visitor Serving Commercial
- Mixed Use

Sources: City of Morro Bay (2016);
San Luis Obispo County (2016);
Michael Baker Corp. (2016)

D.10 Underutilized Lots at Harbor and Monterey

Existing Conditions

This site consists of one vacant parcel and an adjacent parcel with an existing duplex located at the southwest corner of Harbor Street and Monterey Avenue (see Site D.10 figure). The two parcels total .4 acres.

Catalyst Projects

The anticipated future catalyst project at this site is a creative mixed-use project.

Existing General Plan

The existing land use designation on the site is Mixed Use. The existing designation would support implementation of the catalyst project. Therefore, no land use alternatives are proposed.

D.11 Morro Bay Boulevard Corridor

The Morro Bay Boulevard Corridor is generally identified in the DWSP as an opportunity site for future streetscape and parking improvements. It does not include any catalyst projects that would require land use approvals. Therefore, no land use alternatives are proposed.

D.12 Traffic Circle at Morro Bay Boulevard and Quintana Road

The traffic circle is generally identified in the DWSP as an opportunity site for future streetscape improvements. It does not include any catalyst projects that would require land use approvals. Therefore, no land use alternatives are proposed.

SITE D.10: UNDERUTILIZED LOTS AT HARBOR ST AND MONTEREY AVE



- LEGEND
- Opportunity Site
 - Parcels
 - Morro Bay City Limit
 - General Plan Land Use
Mixed Use

Sources: City of Morro Bay (2013); San Luis Obispo County (2016); Michael Ecker Inc. (2015)

D.13 Underutilized Area Northeast of City Park

Existing Conditions

This site consists of two parcels located on Harbor Street across from City Park (see Site D.13 figure). The two parcels total .38 acres. The site is currently occupied by four existing homes.

Catalyst Projects

The anticipated future catalyst project at this site is a creative mixed-use project.

Existing General Plan

The existing land use designation on the site is Mixed Use. The existing designation would support implementation of the catalyst project. Therefore, no land use alternatives are proposed.

D.14 Vacant Lots at Front Street and Harbor Street

Existing Conditions

This site consists of four parcels located at the northeast corner of Front Street and Harbor Street (see Site D.14 figure). The parcels total .28 acres. The site is currently vacant and covered with low-lying vegetation. There is steep topography on part of the site as it spans the bluff between downtown and the waterfront.

Catalyst Projects

The anticipated future catalyst projects at this site are family outdoor entertainment; a cultural, maritime, or historical museum; or visitor accommodations. While progress is made towards a permanent catalyst project on this site it is anticipated interim uses may occur here. These interim uses could include parking, passive recreation and landscape maintenance.

SITE D.13: UNDERUTILIZED AREA NORTHEAST OF MORRO BAY PARK

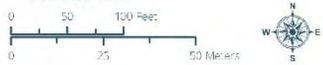


- LEGEND
- Opportunity Site
 - Parcels
 - Morro Bay City Limit
 - General Plan Land Use
Mixed Use

City of Morro Bay (2015)
San Luis Obispo County (2016)
Michael Baker Inc (2015)

SITE D.14: VACANT LOTS AT FRONT ST AND HARBOR ST

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LEGEND

- Opportunity Site
- Parcels
- Morro Bay City Limit
- General Plan Land Use
- Visitor Serving Commercial

Sources: City of Morro Bay (2016);
San Luis Obispo County (2016);
Michael Baker Corp. (2013).

Existing General Plan

The existing land use designation on the site is Visitor Serving Commercial. The existing designation would support implementation of the catalyst projects, in addition to a wide range of other visitor-serving uses and accommodations that would support the Coastal Act. Therefore, no land use alternatives are proposed.

D.15 Harbor Street Corridor

The Harbor Street Corridor is generally identified in the DWSP as an opportunity site for future streetscape improvements. It does not include any catalyst projects that would require land use approvals. Therefore, no land use alternatives are proposed.

Site E: North Main Street Corridor

Existing Conditions

This site makes up the commercial corridor along Main Street just east of Highway 1 in north Morro Bay (see Site E figure). It spans 1.9 miles from close to the northern city limit at the north, just east of Highway 1 and includes crossing of Tahiti, Sequoia, San Jacinto, Elena, Bonita and Hill.

Existing General Plan

The existing land use designations along this corridor include Mixed Use, Medium Density Residential/Neighborhood Commercial, and High Density Residential. The purpose of the existing land use designations is to support highway-serving commercial uses, but the actual on-the-ground uses are mostly neighborhood-serving commercial uses.

Alternative 1

The future land uses for this site should address the actual neighborhood trends and on-the-ground land uses. There is a need for more neighborhood-serving commercial uses fronting Main Street.

Input Received

- Housing is important but so is neighborhood commercial
- Concerned about the strip orientation of the Neighborhood Commercial. What about nodes or clusters of Neighborhood Commercial?
- Could buffer the housing from Main Street.
- Participants preferred using the area for low-density and medium-density residential uses, with some limited commercial activities (particularly on Main Street). The favored commercial uses were small office spaces, medical offices, and working spaces as part of a live/work unit.
- Is the large 10-acre site on this corridor at Sequoia designated high density residential? Yes, this site is zoned R-3 and designated high density residential and is a housing element site. There was support for using this site for assisted/senior living, affordable housing, and live-work spaces. Participants felt that high-density residential on this site would create traffic problems (particularly at the intersections of Main Street with San Jacinto Street and Yerba Buena Street).
- Community members favored limiting development in the area to one or two stories.
- The input of those who participated was divided between those favoring mostly neighborhood commercial land uses with limited residential (Alternative 1), and those who favored the current mix of commercial and residential land uses at the site (existing conditions).
- Based on review of Site E and Site G a portion at the southern end of Site E adjacent to Highway 41 will be removed from Site E and added to Site G.
- Some consensus to select Alternative 1 but investigate the idea of focusing the Neighborhood Commercial at nodes.

SITE E: NORTH MAIN CORRIDOR



LEGEND

Opportunity Site	General Plan Land Use	Neighborhood Commercial
Parcels	Low Density Residential	Medium Density Residential / Neighborhood Commercial
Morro Bay City Limit	High Density Residential	Mixed Use
	Visitor Serving Commercial	

Source: City of Morro Bay GIS; San Luis Obispo County (2016); Chase Baker Ltd (2013)

This can be accomplished by replacing the Mixed Use designation in this area with Neighborhood Commercial. Neighborhood Commercial should be applied independently from a residential designation (i.e., without the option for residential use) which contrasts with the practice identified in the existing Land Use Element and on the Land Use Map.

Existing commercial uses should be preserved rather than replaced with residential uses in this area. Residential uses should be allowed only above or behind other commercial uses in the Neighborhood Commercial areas. Between Sequoia Street and Elena Street, where the existing designation is Medium Density Residential/Neighborhood Commercial, the land uses should be changed to reflect the on-the-ground land uses. The existing motel should be designated Visitor Serving Commercial and the remainder of the parcels should be designated Low Density Residential.

Site F: Tri-W Site

Existing Conditions

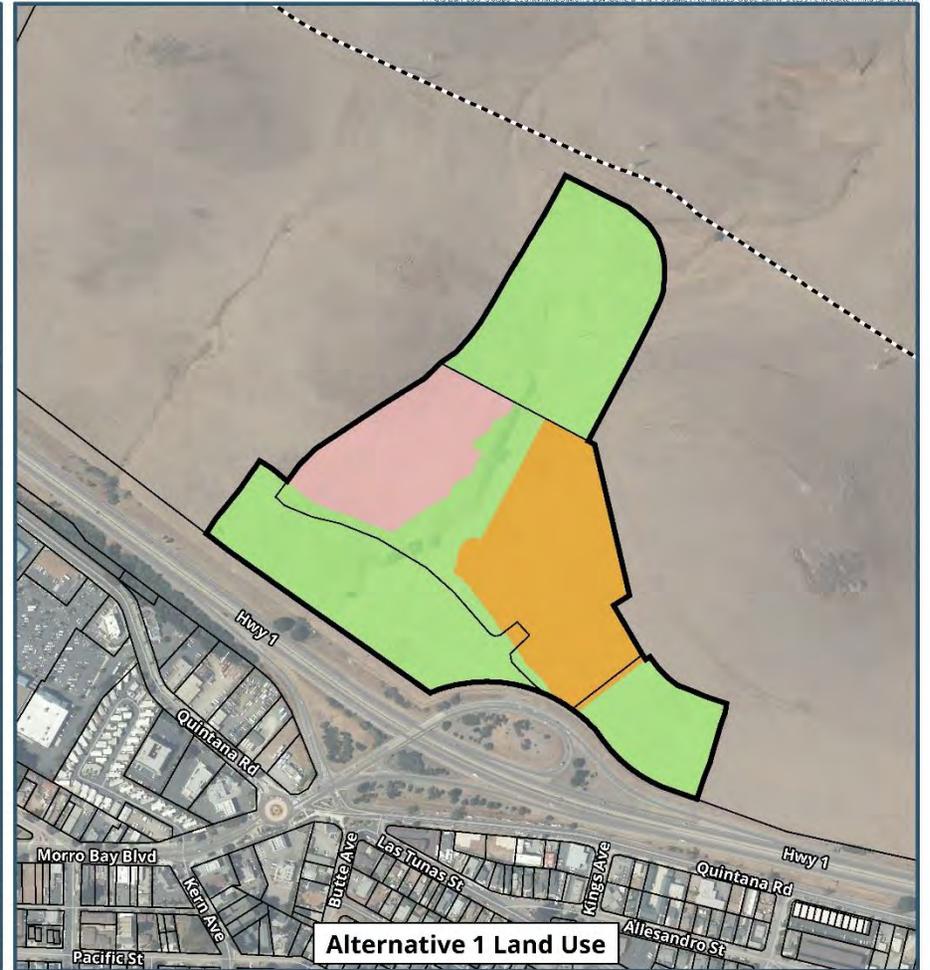
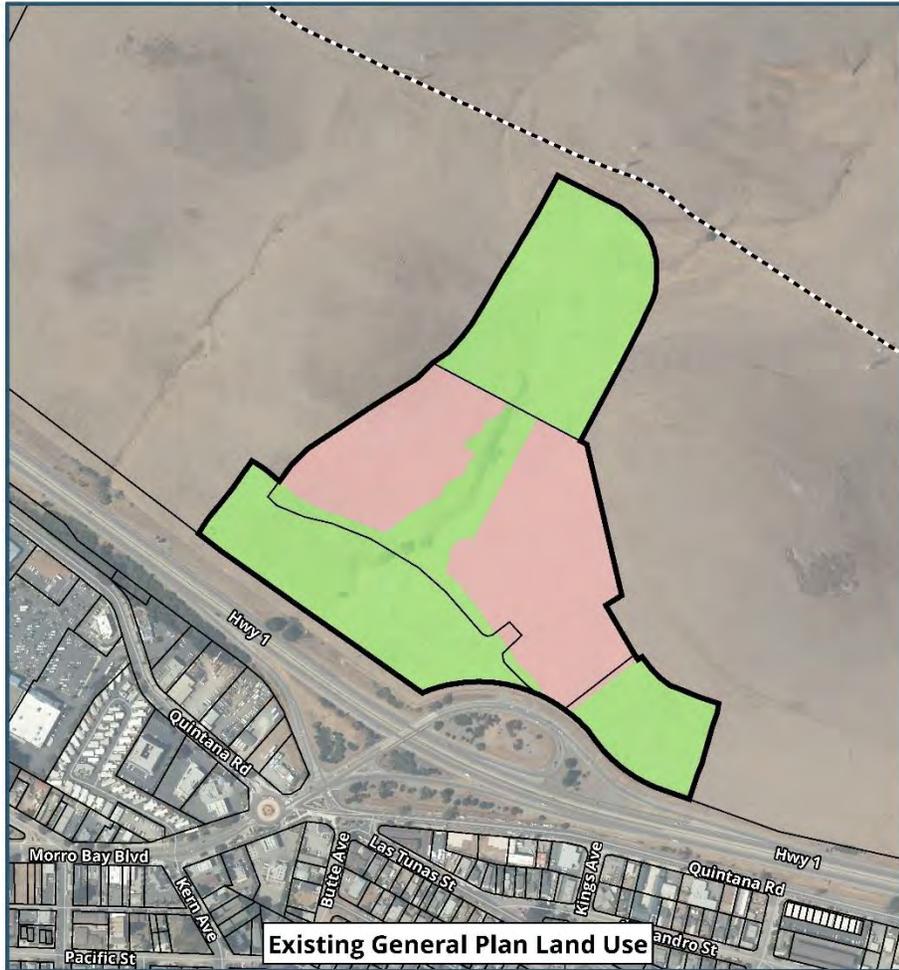
The Tri-W site is located on the north side of Highway 1 adjacent to the Morro Bay Boulevard exit (see Site F figure). It is a vacant area made up of four parcels of hilly topography covered in annual grasses. The site was a subject of a voter referendum in 1990. Measure H (Ordinance No. 389) limited the zones and uses at the Tri-W property. It allows commercial development on only 13 acres of the 30-acre property, and establishes the location of the commercial uses to be “generally located adjacent to Highway 1 and Morro Bay Boulevard.” Any changes to these land uses would require voter approval by the citizens of Morro Bay.

Existing General Plan

The existing land use designations on this site are Open Space/Recreation and District Commercial.

SITE F: TRI-W

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LEGEND

- Opportunity Site
- Parcels
- Morro Bay City Limit
- General Plan Land Use**
- Medium Density Residential
- District Commercial
- Open Space / Recreation

Sources: City of Morro Bay (2011)
San Luis Obispo County (2011)
Michael Baker Corp. (2011)

Alternative 1

If changes to the mix and location of the land uses on the site are considered by Morro Bay citizens, the following should also be considered. One option would be to move the developable area of the site south and closer to the proposed WRF site in order to cluster development and minimize visual and other environmental impacts. The current land use plan for this site creates an island of developable land in the middle of surrounding undeveloped parcels used for grazing. The allowed land uses could be changed to a mix of residential and commercial land uses, including higher-density residential to help accommodate the City's future regional housing needs.

Input Received

- A majority of those providing input did not want to consider residential uses on this site and wanted to stay within the confines of Measure H. However, a mix of more specific comments were received:
 - Seems like a good place for higher density/affordable housing. Wouldn't impact any existing neighborhoods.
 - Can the site be served in terms of water if residential is allowed?
 - Proposing a different land use on this site isn't genuine because it is controlled by Measure H. A lot of people don't want housing or any development on this site.
 - Not sure about the clustering idea – moving the area where development could occur south or towards WRF. Doesn't see it from a connectivity perspective because each of the sites C and F are close to connector roads on the other side of the highway.
 - Thinks there is currently an excess of residentially zoned land in Morro Bay. Thinks if residential is allowed there it should only be allowed in a mixed-use setting.
 - Not in favor of adding residential on the other side of Highway 1. Thinks there could be neighborhood quality issues. Would like to see low-rise industrial.
 - Perhaps when the population gets closer to 12,200 it might be the time to revisit this site for housing purposes.
 - Some of those providing input were supportive of residential uses on the site, if they were affordable.

- This site could be used for large highway-serving commercial, business park, or light industrial uses.

Site G: State Route 41 Gateway

Existing Conditions

This site is located on either side of SR 41 as it enters Morro Bay from the east. The area is a gateway to the city (see Site G figure). Existing on-the-ground uses include residential, commercial, visitor-serving commercial uses like gas stations and fast food, and landscaping, and the Silver City mobile home park. Future new development should improve this area as a gateway, including inviting-looking visitor-serving uses.

Existing General Plan

The existing land use designations on this site are Visitor Serving Commercial, General (Light) Industrial, and High Density Residential. These designations would accommodate most of the existing uses and could support enhancing the areas as a gateway.

Alternative 1

Future land use changes in this area should reflect the on-the-ground land uses. The parcel where the mobile home park is located could be redesignated from Visitor Serving Commercial to Medium Density Residential. The rest of the land use designations are not proposed to change under this alternative.

Input Received

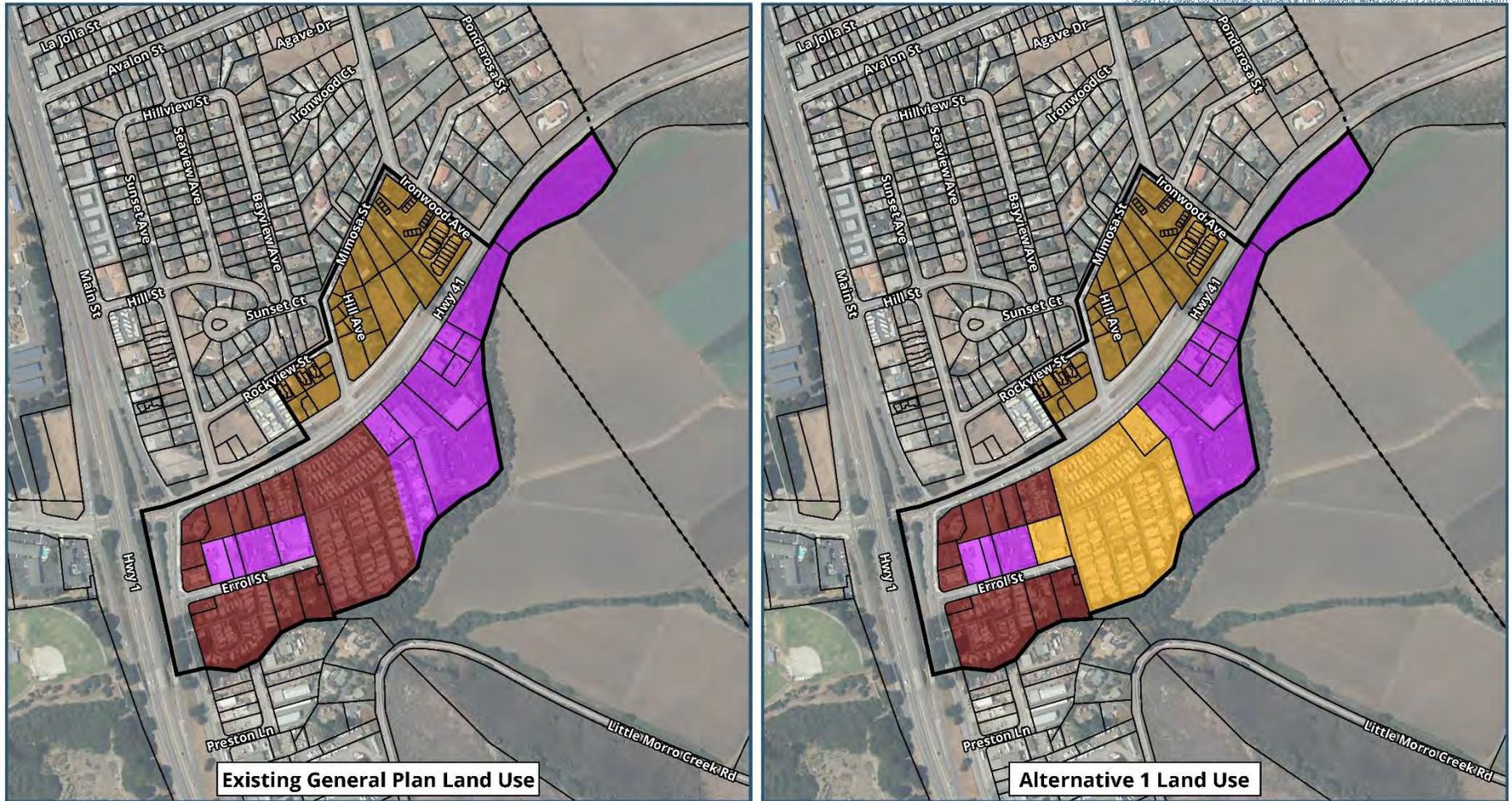
- Could the land use on the mobile home site be changed to HDR rather than MDR? Yes.
- Important to protect mobile home parks.
- Important to provide more visitor-serving and neighborhood serving commercial in this area
- Suggested a frontage of Visitor Serving Commercial or other commercial along Highway 41 instead of MDR all the way up to the highway.
- What about removing more of the Visitor Serving Commercial from Errol St?

Land Use Alternatives Memo



- Propose adding the north side of Hwy 1 (currently part of Site E) to Site G and proposing Visitor Serving Commercial there.
- Use both sides of Highway 41 for commercial uses.

SITE G: HIGHWAY 41 GATEWAY



LEGEND

Opportunity Site	General Plan Land Use
Parcels	Medium Density Residential
Morro Bay City Limit	High Density Residential
	Visitor Serving Commercial
	General (Light) Industrial

San Luis Obispo County Planning Department
 San Luis Obispo County (2016)
 Michael Haverland (2016)

Site H: Measure D Area

Existing Conditions

This site sits along the north Embarcadero and includes the properties on the bay side of the Embarcadero as well as Coleman Park (see Site H figure). The site was a subject of a voter referendum in 1981. Measure D (Ordinance No. 207) restricts development on state-owned tidelands between Beach Street and Target Rock. Only development serving primarily commercial or recreational fishing is permitted. Any changes to these land uses would be subject to voter approval by the citizens of Morro Bay.

Existing General Plan

The majority of this site is currently designated Commercial/Recreational Fishing, along with a small amount of Coastal Development Industrial, and Open Space/Recreation.

There is a desire within the community and by the City to better define what is allowed in the Measure D area as the existing ordinance language has some ambiguities. However, no changes to the land use designations are proposed. Therefore, no land use alternatives are proposed for this area.

Input Received

- Area close to the rock should be open space.
- Measure D shouldn't be on the ballot and the way it is being applied now is good but that approach it isn't formalized outside the ambiguous language of Measure D.

Site I: Morro Bay Boulevard Gateway

Existing Conditions

This site centers on Morro Bay Boulevard from the traffic circle at the Highway 1 exit south to Napa Avenue (see Site I figure). City Park is included in this site. This area represents the main gateway to the city from Highway 1 as well as the entrance to downtown.

Existing General Plan

Existing land use designations on this site include Mixed Use, District Commercial, Open Space/Recreation (City Park), and a small bit of High Density Residential.

The future vision for this site is driven by the desire to improve the area as a welcoming gateway and further unify the proposed uses. Future development should include a trend away from residential development and standards could be changed to prohibit new street-fronting residential development. The City should also consider a Civic Center Master Plan for the City-owned properties included as part of this site. The master plan could include plans for future upgrades to existing buildings and for additional density on City-owned properties in the long term. No changes to existing General Plan land use designations are proposed. Therefore, no land use alternatives are proposed for this area.

Input Received

- Shouldn't the civic properties/uses be designated Public/Institutional?
- There are some unsightly derelict areas that are in the Mixed Use area of this site. Would like to improve them.
- Propose changing the commercial on the same block as the park to Open Space/Recreation.
- From east of the fire station on the west side of the site should stipulate residential above/commercial below but not prohibit residential altogether.
- Need different mixed use zones.

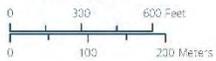
SITE H: MEASURE D/CF AREA



Existing General Plan Land Use

LEGEND

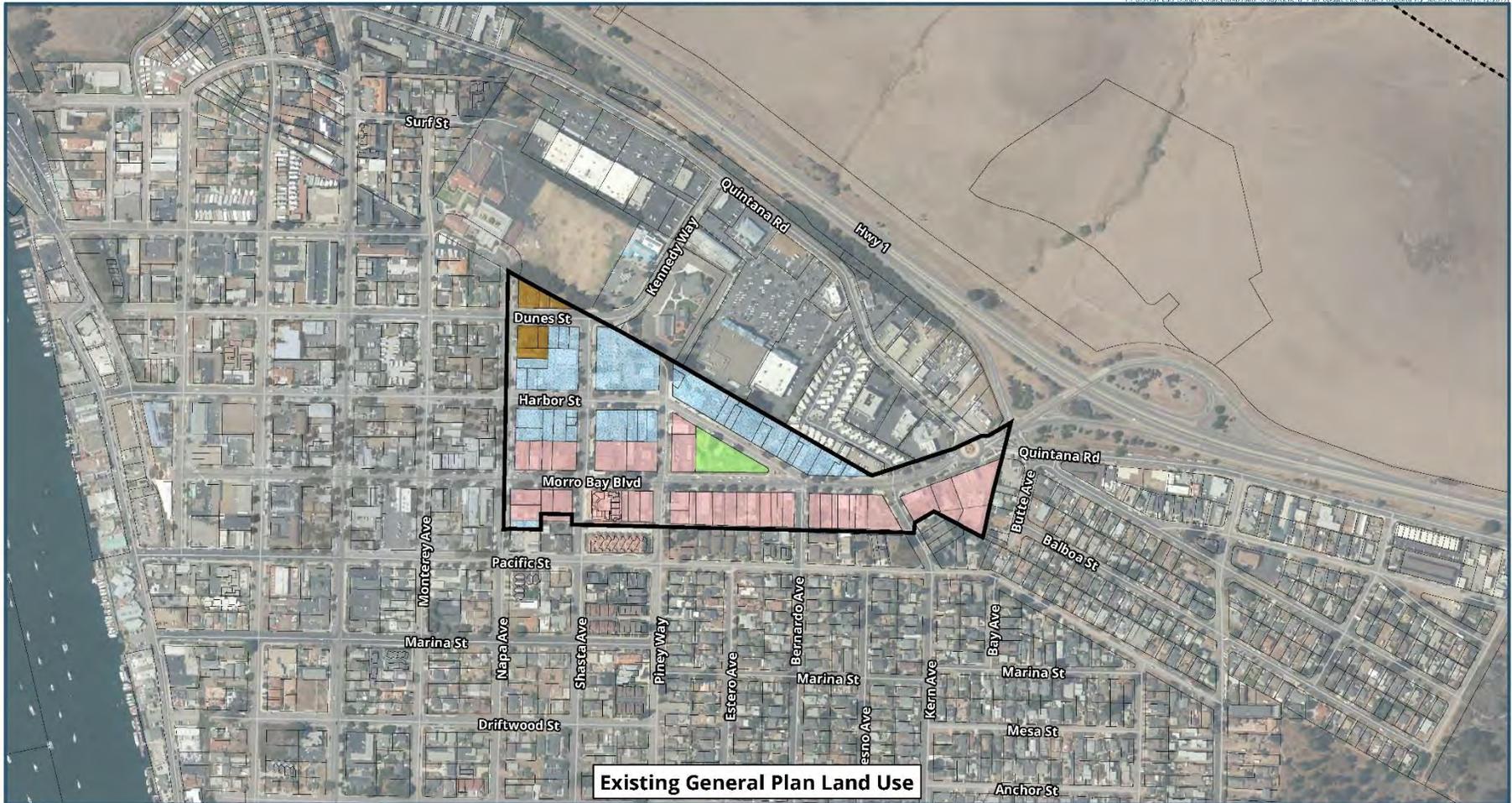
-  Opportunity Site
-  Parcels
-  Morro Bay City Limit
-  Coastal Development Industrial
-  Commercial / Recreational Fishing
-  Harbor / Navigational Ways
-  Open Space / Recreation



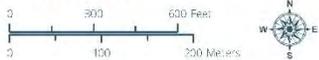
© 2017 City of Morro Bay (10/16)
 San Luis Obispo County (2/16)
 Michael Baker Inc (10/15)

SITE I: DOWNTOWN AT HIGHWAY 1

T:\GIS\m_143_General_Plan\MXD\Morro Bay\General_Plan_Updated\MapSeries_Export\Site I.mxd (1/12/2017)



Existing General Plan Land Use



LEGEND	
	Opportunity Site
	Parcels
	Morro Bay City Limit
	High Density Residential
	District Commercial
	Open Space / Recreation
	Mixed Use

Sources: City of Morro Bay (2016);
San Luis Obispo County (2015);
McCase Baker Inc (2016)

Site J Quintana Road North of Roundabout

Existing Conditions

This site runs west along Quintana Road from Morro Bay Boulevard to Main Street on the south side of Highway 1 (see Site J figure). Existing on-the-ground land uses include highway-serving commercial uses like grocery stores and other retail uses and non-retail commercial, as well as a closed elementary school located on property owned by the school district.

Existing General Plan

The existing General Plan land use designations on this site include Mixed Use, District Commercial, Medium Density Residential, High Density Residential (at the closed school site), and Service Commercial.

Alternative 1

Small changes are envisioned to the existing General Plan land use designations in this area to reflect the envisioned future character and consolidate land uses. Parcels located at the shopping center currently designated Mixed Use could be changed to Service Commercial.

Input Received

- A slight majority of those who provided input preferred Alternative 1 – to redesignate the Cookie Crock site to allow commercial land uses only.
- Why would one shopping center be one type of commercial and the other is another type?
- Some people said school and civic buildings should be designated to match on-the-ground land uses.
- It makes sense that vehicle-oriented uses are here. There is a big hill and this area topographically would never be very pedestrian friendly for anyone but the young.
- Supportive of commercial along Quintana but question the existing residential land uses on this site.

Land Use Alternatives Memo

- Community members wanted to see improved pedestrian infrastructure in the area.
- The Cookie Crock site would be suitable for visitor-serving commercial or other commercial activities.
- Some participants were not in favor of the old school to develop as residential. However, the field part of the school could be developed as residential.
- A greater number of participants supported building high-density housing in the area. Participants felt that the existing school building and/or playing field would be the best location for new housing (as currently designated in the General Plan).
- Some participants supported preserving the existing school building as a community space and for its historic value.

Planning Area and Sphere of Influence

The areas discussed in this section are currently located outside of the Morro Bay city limits. As part of Plan Morro Bay, the City is considering establishing a planning area that extends beyond the city limits. In the future, the City may consider adding certain parts of the planning area into its sphere of influence (SOI) or annexing parcels. (Annexation was discussed earlier in the memo for Site C.) These areas are different from the opportunity sites discussed above because they do not currently have City land use classifications applied to them and they are not currently within the City's land use jurisdiction. If these areas were placed in the planning area, the City would have greater influence in these areas and would request to be notified by the County when any land use applications or other planning processes occur in these areas. If any of these areas were to be included in the City's SOI, they would need to proceed through LAFCO's process to be included in the SOI. If any portions of these areas were to be annexed, they would proceed through LAFCO's process and a City annexation process.

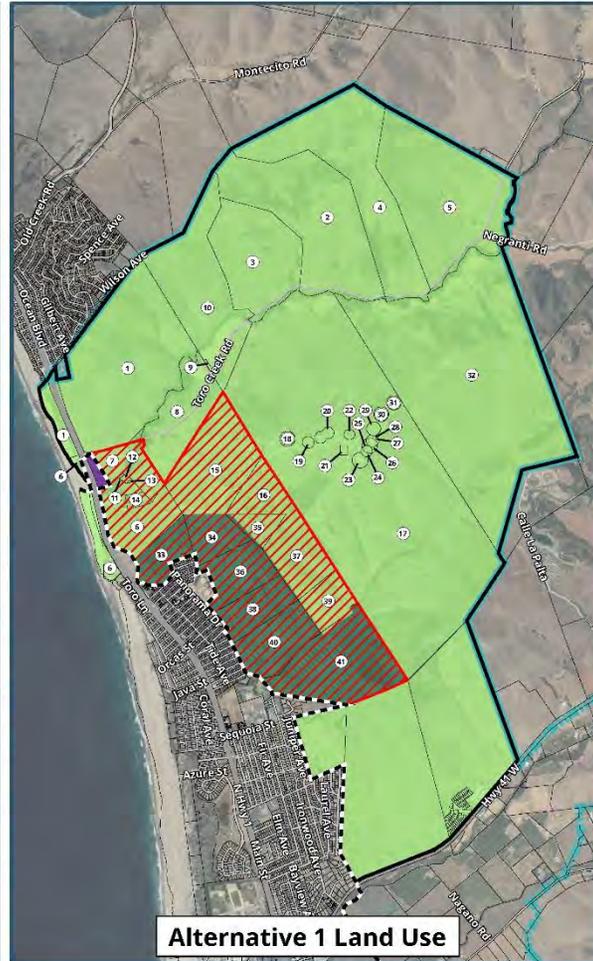
Study Area 1

Study Area 1 is located east of the city limits from north of Toro Creek Road south to SR 41 (see Study Area 1 figure). It consists primarily of annual grasslands. Much of Study Area 1 includes the former site of the Estero Marine Terminal, which is owned by Chevron. The Estero Marine Terminal site includes marine terminal offices and a former tank farm. The area also contains a 200-acre parcel that includes a mobile home park in a portion of the area. About half of Area 1 is located in the coastal zone. Chevron is currently exploring options to divest from its property ownership in this area. Chevron has presented twice to the GPAC about its properties and potential options for future use of those properties. The figures and parcel numbers referenced in this section are based on maps Chevron presented. The City proposes to include part of this study area in its General Plan Planning Area and part in its SOI.

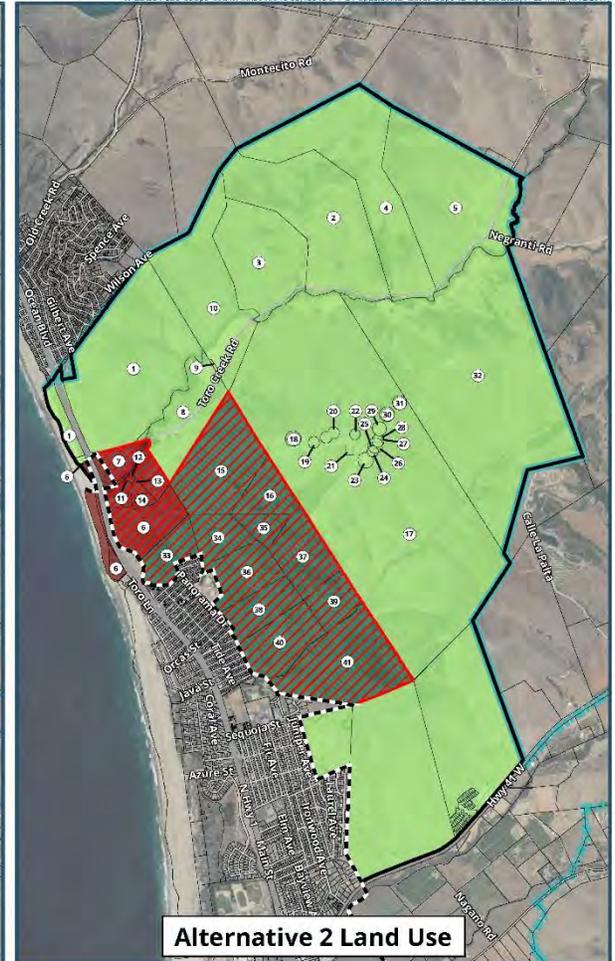
STUDY AREA 1



Existing General Plan Land Use



Alternative 1 Land Use



Alternative 2 Land Use

LEGEND

- | | | |
|------------------------------|--|--|
| Study Area | Morro Bay General Plan Land Use | San Luis Obispo County General Plan |
| Proposed Sphere of Influence | Visitor Serving Commercial | Agriculture |
| Proposed Plan Area Boundary | Coastal Development Industrial | Recreation |
| Parcels | Agriculture | Open Space/Recreation |
| Morro Bay City Limit | | |



San Luis Obispo County of Morro Bay BID, LLC
San Luis Obispo County (2016)
Morro Bay, CA (p. 5)

Proposed Sphere of Influence

About 25 percent of Study Area 1 is proposed for inclusion in the City's SOI. This area is all currently owned by Chevron and includes areas with potential for residential and commercial development.

Existing Conditions

This area includes the former marine terminal and all of the Chevron parcels on the west side of Highway 1. It also surrounds an area (east of Highway 1) that is already in the city limits.

Existing General Plan

The property already located within the city limits is designated Coastal Development Industrial and is adjacent to another area (west of Highway 1) that is in the City's current SOI. The existing County General Plan land use designations in this area are Agriculture and Recreation.

Alternative 1

If this area were annexed to the City under Alternative 1, Chevron parcels 33, 34, 36, 38, 40, and 41 would be designated Agriculture with the restriction of one residential unit per parcel. The balance of the potential SOI area would be designated Open Space/Recreation. Under this alternative, only six residential units would be allowed on parcels adjacent to the existing city limits and the balance of this site would be protected and preserved. This alternative corresponds to "Opportunity Area #1" presented by Chevron to the GPAC in November 2016.

Alternative 2

If this area were annexed to the City under Alternative 2, Chevron parcels 15, 16, 33, 34, 35, 36, 37, 38, 39, 40, and 41 would be designated Agriculture. Parcels 6, 7, 11, 12, 13, and 14 would be designated Visitor Serving Commercial. The parcel surrounded by this area that is currently inside the city limits would also be redesignated from Coastal Development Industrial to Visitor Serving Commercial. Under this alternative, a larger area of low density residential development or agricultural uses would be allowed on

parcels adjacent to the existing city limits (these parcels would be designated Agriculture, allowing one residence per parcel) and visitor-serving uses would be allowed close to the water. Also under this alternative, a smaller but still quite extensive area would be placed under conservation with the Open Space/Recreation designation and this would be consistent with aspects of Chevron's concept plan presented to the GPAC in November 2016.

Proposed Planning Area

The remainder of Study Area 1 north, east, and south of the proposed SOI area would be proposed for inclusion in the City's planning area.

Existing Conditions

Much of this area is more pristine than the proposed SOI area and includes some high-quality natural habitat. However, this area includes the former Chevron tank farm as well as some existing residential development adjacent to SR 41.

Existing General Plan

The existing County General Plan land use designation in this area is Agriculture.

Alternative 1

The City's long-term future vision for this area would be to retain the area as Open Space/Recreation use, which would allow for continued agricultural use.

Input Received

- The majority of those who provided input were not in favor of development in this area. A slight majority were in favor of the City extending their planning area or SOI into this area.
- Opinion was split about whether the area included in the City's planning area should be designated Agriculture or Open Space/Recreation.
- There were mixed feelings on including this area in the City's sphere of influence (SOI):

- Many community members saw merit in maintaining the area as County land and keeping it in agriculture, rather than evaluating it for inclusion in the City's SOI or annexing the land. Many participants were supportive of preserving the land as is, and felt that keeping County control would be the best way to accomplish this.
 - Some community members noted that if annexed the City would have to provide infrastructure for any development in the area, and were concerned about potentially high costs for infrastructure construction.
 - Some community members were hesitant to designate the study area as open space, feeling that the cost would be too high and that such a designation might eliminate the fire protection benefits afforded by the grazing activities that currently occur in the area.
 - Study Area 1, especially along Toro Creek Road, could be used as a county park.

- Others felt that there were clear benefits to including it in the City's SOI, such as to:
 - Ensure that no development would occur in landslide-prone areas within Parcels 38 and 40.
 - Limit density to one house and one barn per parcel.
 - Encourage development of recreational uses, such as trails for biking, hiking, and horseback riding.
 - Some participants were open to considering intensification of allowed residential density in some areas in exchange for preserving other areas
 - Maintain hillside views east of Highway 1 by keeping any development low.

- Participants felt that more time than was provided at the workshop would be needed to effectively offer feedback on this site. Could the City hold more meetings just on this area/issue?
- Participants wanted to preserve the dog beach in the area.

Study Area 2

Study Area 2 is located east of the Morro Bay city limits and south of SR 41 (see Study Area 2 figure). Most of the land in this area is located north of Little Morro Creek Road, although a few parcels extend south of the road. The area is entirely within the Coastal Zone.

Existing Conditions

Most of this area is under agricultural cultivation and is relatively flat. Avocado orchards are situated on many parcels, while other properties are used to grow field crops.

The vast majority of the land in Study Area 2 is designated as “prime soils.” With the exception of some of the northeast portion of Study Area 2, large sections of the area are also considered prime agricultural land, and some parcels are under Williamson Act contracts.

Existing General Plan

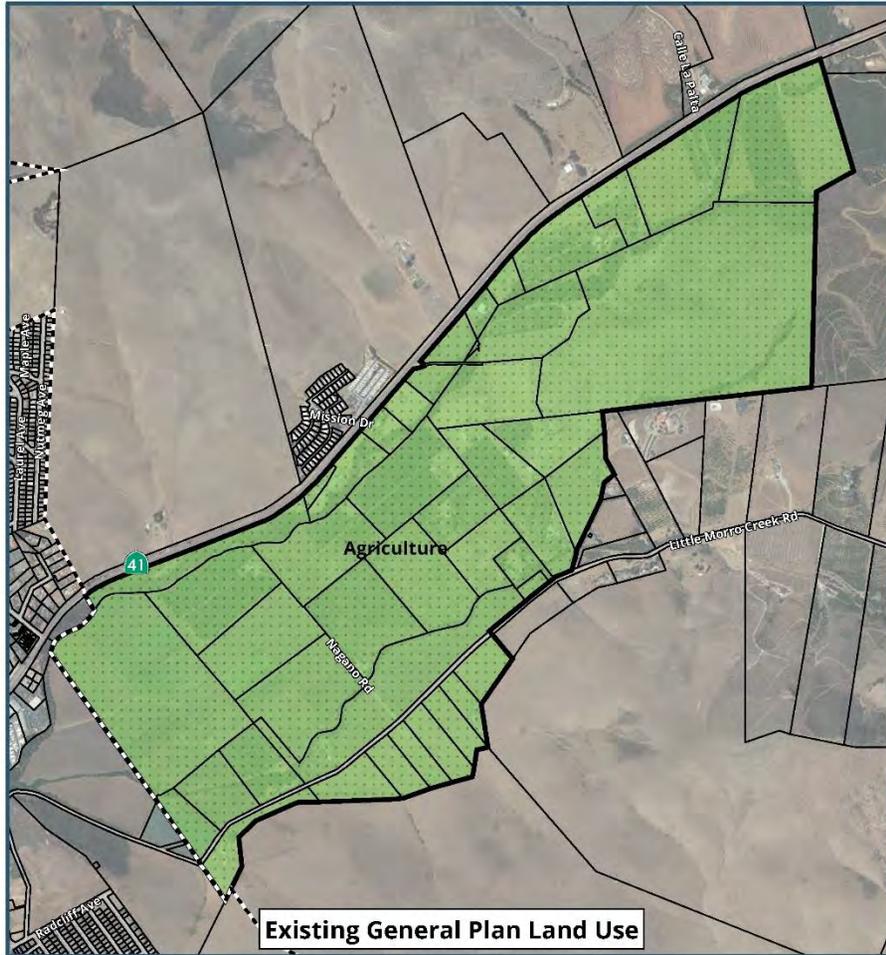
The existing County General Plan land use designation in this area is Agriculture.

Alternative 1

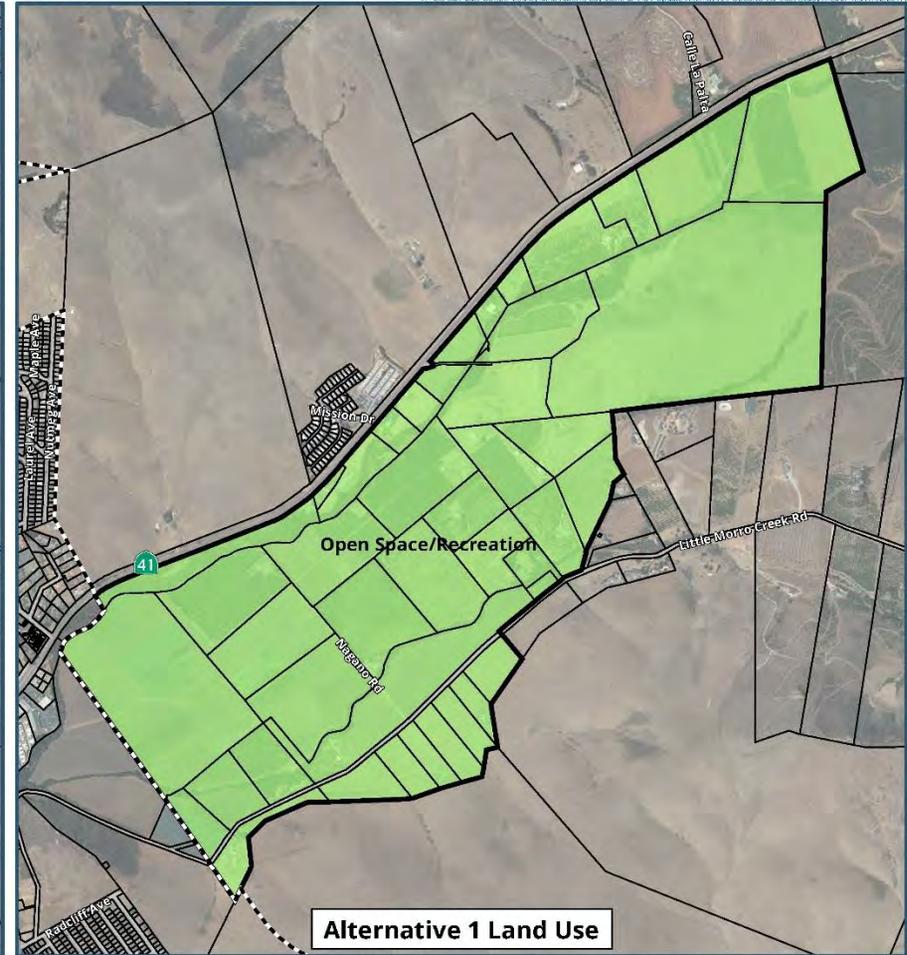
The City's long-term future vision for this area would be to retain the area as Open Space/Recreation, which would allow for continued agricultural use.

STUDY AREA 2

T:\GIS\San Luis Obispo County\GIS\Morro Bay\General_Plan_LandUse\San Luis Obispo County\GIS\StudyArea2.mxd (11/22/2016)



Existing General Plan Land Use



Alternative 1 Land Use



LEGEND

- | | | |
|----------------------|---------------------------------|-------------------------------------|
| Study Area | Morro Bay General Plan Land Use | San Luis Obispo County General Plan |
| Parcels | Open Space/Recreation | Agriculture |
| Morro Bay City Limit | | |

Sources: City of Morro Bay (2016);
San Luis Obispo County (2016);
Michael Baker Inc. (2016)

Study Area 3

Study Area 3 is located north of Highway 1 adjacent to the Tri-W parcel that is located inside the city limits. It is east of Little Morro Creek Road and west of South Bay Boulevard (see Study Area 3 figure).

Existing Conditions

Most of this area is used for grazing and is quite hilly. It is currently undeveloped. The City is currently evaluating an area at the southeast corner of this study area for the future location of the City's WRF. If that facility is approved, that portion of the study would be annexed and designated Public Facility as detailed under Site C above.

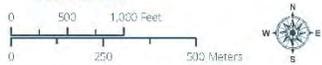
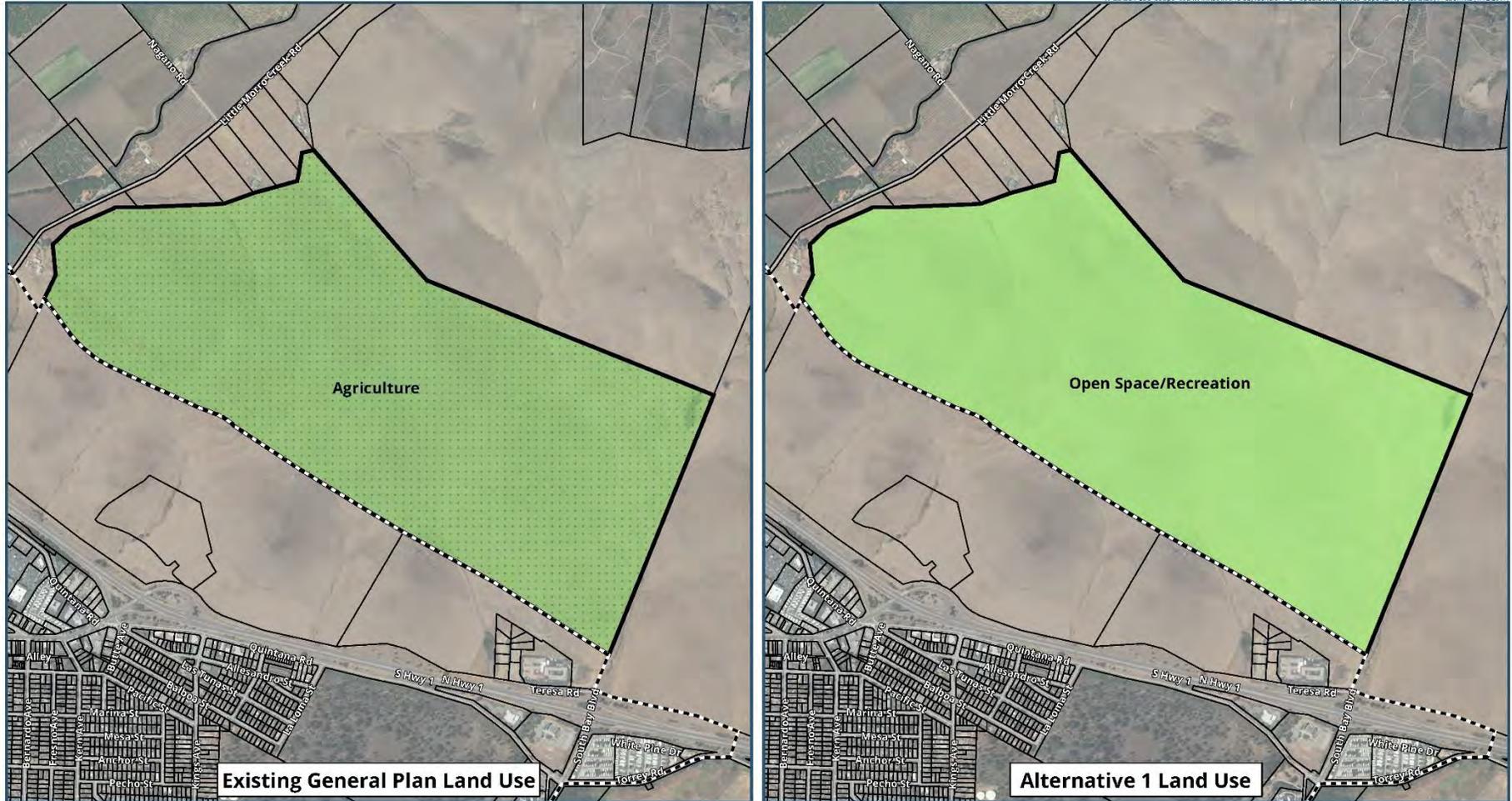
Existing General Plan

The existing County General Plan land use designation in this area is Agriculture.

Alternative 1

For the remainder of this area (aside from the WRF), or for the whole study area if the WRF location is not approved here, the City's long-term future vision for this area would be to retain the area as Open Space/Recreation, which would allow for continued agricultural use.

STUDY AREA 3



LEGEND

- | | | |
|----------------------|--|--|
| Study Area | Morro Bay General Plan Land Use | San Luis Obispo County General Plan |
| Parcels | Open Space/Recreation | Agriculture |
| Morro Bay City Limit | | |

San Luis Obispo County of Morro Bay (1/17/16)
San Luis Obispo County (12/16)
Michael Baker Inc (10/15)

Study Area 4

Study Area 4 is located east of the Morro Bay city limits and south of Highway 1, extending east almost to Hollister Peak (see Study Area 4 figure). The terrain of Study Area 4 is fairly flat, lying just north of Cerro Cabrillo and Hollister Peak. Morro Creek runs the length of this study area. The area is located entirely within the Coastal Zone.

Existing Conditions

Much of Study Area 4 is in agricultural cultivation, primarily as row crops. Almost all of the area is considered prime soil, and some parcels qualify as prime agricultural land. One large parcel is under a Williamson Act contract. The area known as Chorro Flats is owned by the Coastal San Luis Resource Conservation District, which maintains approximately 45 acres in active agricultural production and has restored the rest of the land to wetlands and other wildlife habitat.

Existing General Plan

The existing County General Plan land use designation in this area is Agriculture.

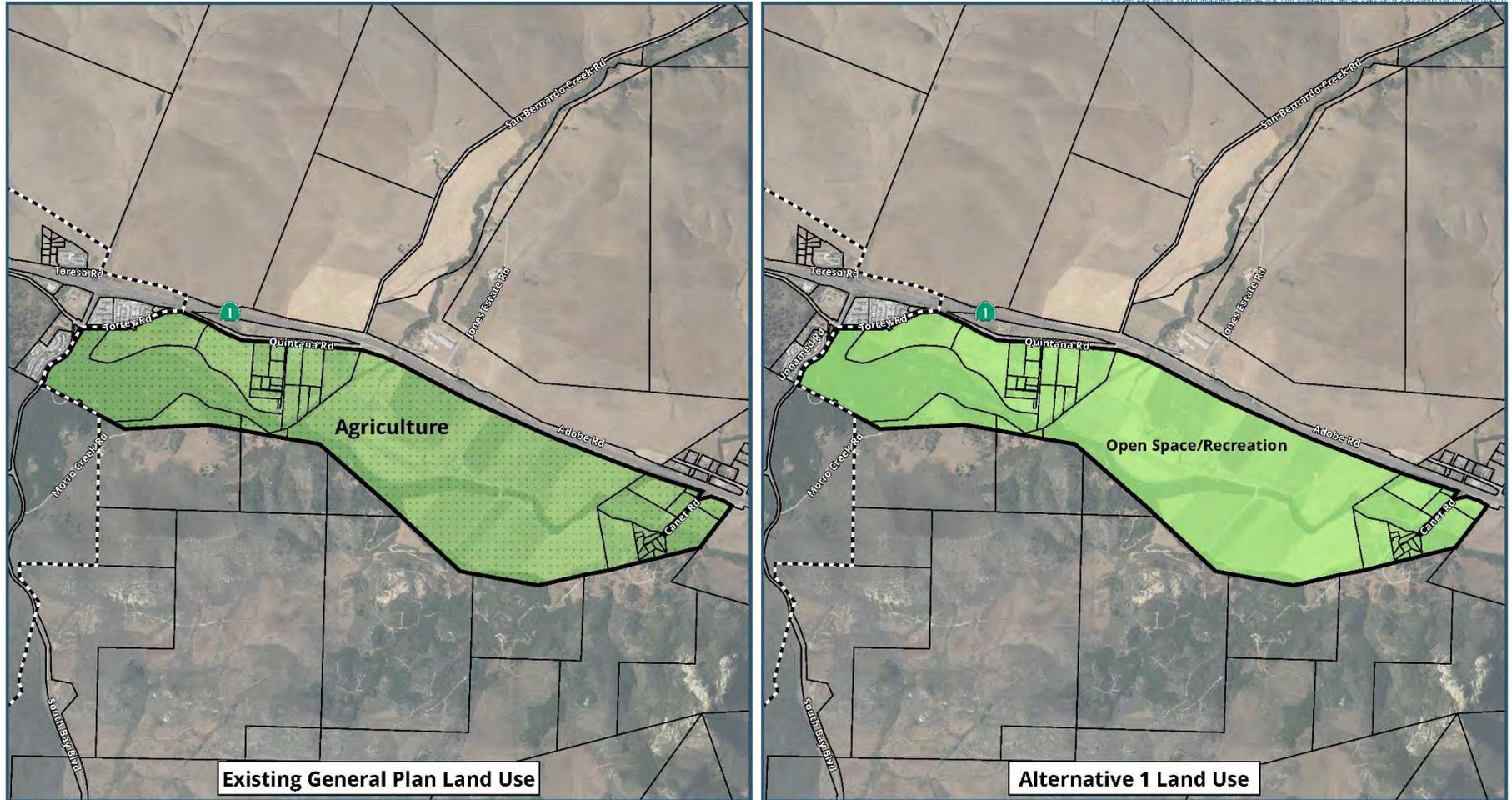
Alternative 1

The City's long-term future vision for this area would be to retain the area as Open Space/Recreation, which would allow for continued agricultural use.

Input Received for Study Areas 2, 3 and 4

- Many of those who provided input wanted the land kept under County jurisdiction, while some wanted the City or another organization to acquire the land and protect it as open space. Another segment of the participants wanted the land to be annexed by the City but retained as agriculture.
- Participants were opposed to any new development on hillsides, and would like to see these areas preserved as agriculture.
- Study Area 3 and Study Area 4 could be used for business park or light industrial uses.
- There was support for passive recreation within the study areas, as feasible.

STUDY AREA 4



LEGEND

- | | | |
|----------------------|---------------------------------|-------------------------------------|
| Study Area | Morro Bay General Plan Land Use | San Luis Obispo County General Plan |
| Parcels | Open Space/Recreation | Agriculture |
| Morro Bay City Limit | | |

Source: City of Morro Bay (2016); San Luis Obispo County (2016); Michael Baker Corp. (2016).

General Input from the Survey

- A number of respondents emphasized the need for affordable housing, especially for senior citizens. While many supported higher-density affordable/senior housing, a few respondents were concerned about increased traffic that may result from these developments.
- Survey respondents favored local retailers and other businesses over large chains, particularly in visitor-friendly locations such as downtown and the Embarcadero.
- Many respondents spoke strongly in favor of preserving hillside areas from development and protecting these sites as open space uses, with limited recreational opportunities such as hiking trails.
- A large number of people spoke in favor of maintaining the small-town, fishing village atmosphere that makes Morro Bay unique. Specific cities and areas were given (Southern California, Pismo Beach, etc.) to illustrate what they did not want to see Morro Bay turn into.
- While unrelated to the study area questions, a substantial number of respondents talked about fixing existing City streets and infrastructure that they feel are currently inadequate.

Next Steps

Following the GPAC's review and input, the following next steps will occur in the land use alternatives process:

- Public workshop on land use alternatives
- Planning Commission/City Council study session on land use alternatives
- Draft Plan Morro Bay

Attachment 3
Planning Commission April 4, 2017
Comments on Preferred Land Use Alternatives for the
GP/LCP

Site F (Tri-W):

- Keep as is

Will this support mixed-use? Measure H area that limits 13 acre commercial development is vague. Need to determine actual on-the-ground boundaries and determine optimal configuration. No context to this location because commercially isolated from other areas.

Site G (Hwy 41 Corridor):

- Does not support industrial land uses at gateway to City. The gateway to City should be improved and enhanced through better design standards to improve aesthetics.
- Consolidate land uses & re-think industrial use.
- Support higher density, but preserve transitions from County ag land to City ag/low density

Lucas: Okay with higher residential, does not support neighborhood commercial red area on map. Agree w/ Richard comments on industrial need but not in this area. Improve circulation.

Sadowski: Agree w/ Lucas on red neighborhood commercial area, should be something else. Need more jobs which can be accomplished through industrial land uses.

Luhr: Need design standards for City gateway. ESHA limitations to industrial land uses. Better off as Visitor Serving Commercial. Orange area (RV park) should be higher density housing land use. Support tiny homes. Need more industrial, but not here. Need good compatible design. The use not as important as the standards. Transition from County ag lands to City ag lands. South side of 41 could be R-A like north side. Major opportunity exists to reclaim this habitat & flood area and transform it into passive recreational use and habitat improvement.

Tefft: Agree with high density residential with varying heights depending on low or high ground. Improve circulation access to 41.

Ingraffia: Support higher density and preserve outer lands.

Site H (Measure D/ CF area):

- Need flexible land use, so as needed cannot expand description depending on future proposals
- Area north of Coleman Drive should not be Commercial/Recreational Fishing, should be Open Space/Rec if allowed by Measure D.
- Need secondary access route (ingress/egress) to reach Embarcadero to Hwy 1.

Tefft: Re-evaluate language of measure D. Why is Rock parking lot not included? Circulation through Power Plant and to Hwy 1 will be included as part of future redevelopment or Master Plan requirements.

Lucas: Need to accommodate traffic circulation changes when Power Plant redeveloped.

Luhr: Need secondary access route either via bridge over Morro Creek or across Power Plant site.

Sadowski: Look at integration of whole area – i.e. circulation through the Power Plant site.

Site I: (Downtown at Highway 1):

- Strip of parcels northeast of City park on Harbor Street are a unique area. Could be a more intense commercial area (family, entertainment area) since it backs up to shopping center.
- Eastern 3 “pink” lots (east of Kern) should be included as part of Site J.
- Support high density residential in northwestern corner of Site I.

Tefft: Blue area northeast of park (Harbor St) should be defined to include mixed uses like retail, entertainment uses, but not exclusive residential. Ideal area for outdoor family entertainment site. Why City buildings not identified as Public Facility use (Civic Area)? Important to deal with parking on mixed use projects that include a residential component. This area of downtown is a distinct area, needs to be treated differently than the Main St/Morro Bay Blvd area of downtown.

Ingraffia: Okay with residential above commercial to allow more density. Mixed use commercial first floor with residential above.

Luhr: Need design standards for this. Especially mixed uses. This is another gateway to the City.

Lucas: Not tall buildings/higher height on the east end by the roundabout , so that there is a lower silhouette when first arriving in town. Higher height buildings away from roundabout area. Difference between Mixed Use and District Commercial. Entertainment area focused on park? Park as focal point.

Sadowski: Agrees with Lucas. Does not support ground floor residential in mixed use areas.

Site J (Highway Serving Commercial Along Quintana Road):

- Combine District Commercial and Light Industrial uses and call it Commercial / Industrial
- Discussed whether to keep elementary school site as exclusive residential?

- The community center site should be designated as Public Facility

Lucas: Shopping center parking. Scenic value from Highway 1. Whether commercial or industrial land uses, the use needs to be real, and not create dead zones. Okay with consolidating land uses. Need more elderly housing. Okay with high density residential at elementary school site. Large parcel; keep it intact. Questioned whether school site needs to be exclusive residential if we have commensurate residential uses elsewhere (i.e RHNA goals of Housing Element).

Luhr: Create mechanism to add landscaping to parking. Lower section at Main & Quintana is more industrial. Could elementary school site be “site-planned”? This is a unique site that could be almost anything. We don’t have many large contiguous sites.

Tefft: Service Commercial versus Light Industrial difference? Should combine land uses and just call it Commercial / Industrial use to clarify. Housing not a bad thing, but we don’t have enough commercial. School site needs to be historically preserved.

Sadowski: Need to encourage local businesses. Prefers light industrial use.

Study Area 1:

- Expand City SOI to include lots to extend to 2nd ridgeline and low density residential along Panorama and visitor-serving commercial at north end in order to facilitate preservation and public access (As shown in proposal 3-B), not the presented preferred alternative.
- Keep Lot 6 (Dog Beach) as open space use

Lucas: Preserve views of our hill top background. Expand SOI to the ridgeline. This is key gateway, don’t want to miss this chance to have City influence on preservation.

Tefft: Changed his mind from GPAC meeting after having had a tour of the Chevron property site. He supports VSC land use, for a low-rise Asilomar-style conference center and horse-riding, beach access, public parking, recreation amenities; because it’s not visible from Hwy 1 or the City, and nor does it extend up the hill. On a mostly flat area. Allowing some visitor serving commercial could significantly mitigate the overall purchase price of \$30 million and accomplish City goals of preserving ridgeline views. This site and the Power Plant are viable areas for redevelopment. Might be possible to negotiate conservation easement. Should be part of bargain.

Sadowski: How much residential would be built up against Panorama if res. density transferred there? Concerned about landslide and safety factors/ impact to existing res. Panorama neighborhood. (GPAC discussed very low residential density e.g. ½ acre lots).

Ingraffia: Agrees to protect views. Supports option 3-B.

Luhr: Supports option 3-B. What about ag. Easements? Grazing would better than rows of trellis (wine). Lot 6 needs to stay as open space (Dog Beach).

Study Area 2:

- Include north side of Hwy 41 properties. (2 properties east of McElvaine property).

Study Area 3:

- Okay as proposed.

Study Area 4:

- Okay as proposed.