TO: MEMBERS, FORMATION COMMISSION

FROM: DAVID CHURCH, EXECUTIVE OFFICER
       MIKE PRATER, DEPUTY EXECUTIVE OFFICER

DATE: MAY 21, 2020

SUBJECT: STATUS REPORT: FIERO LANE, FROOM RANCH, GATEWAY, MORRO BAY, BOUNDARY CHANGES-SAN SIMEON CSD SOLID WASTE ACTIVATION

Recommendation: It is respectfully recommended that the Commission receive and file this report. (Information Only)

Summary

The report is to update the Commission and the public with regard to the proposals and projects currently being worked on by LAFCO. This report contains a brief status report for each of the following proposals:

1. Fiero Lane/Eastside Airport Annexation to the City of San Luis Obispo.
2. Froom Ranch Annexation to the City of San Luis Obispo
3. Gateway Annexation to the City of Paso Robles
4. Northern Morro Bay Boundary changes-MOU
5. San Simeon CSD Activation of the Solid Waste Authority

Also provided is an estimate regarding timing of these proposals and projects. This is not intended to be an in-depth study session for these activities, but rather an information session to inform the Commission and public about what is coming down the road in terms of applications.
1. **Fiero Lane/East Airport Annexation to the City of San Luis Obispo** - The Fiero Lane portion of this Annexation was submitted to LAFCO on March 6, 2020. The City is continuing to work on submitting the Eastside Airport portion. Both areas are largely built out in the County as business parks and manufacturing/service areas. An information hold letter has been sent to allow the City to complete the application. A Draft Notice to Commence Property Tax Negotiations was sent to the CAO’s office on April 20, 2020. This allows the City and County to begin the property tax agreement process.

Once all the necessary information is submitted and the Property Tax Agreement is approved by both jurisdictions, the annexation may be considered by the Commission. This is anticipated in late summer. Both annexation areas were included in the City’s Sphere of Influence. An Outside User Agreement was approved for water and sewer services with Fiero Lane Mutual Water Company by LAFCO in April 2016. Both areas are largely with manufacturing and business park development. Attachment A shows the boundaries of the Fiero Lane and East Airport Annexation areas.

2. **Froom Ranch Annexation to the City of San Luis Obispo** - The Froom Ranch Annexation is a development plan being considered by the City. It is a 110-acre area located off of Los Osos Valley Road south of Home Depot. The project proposes a senior living facility that would provide a range of services from independent living to memory care. The City of San Luis Obispo has released a Draft Environmental Impact Report (DEIR), and held a Planning Commission hearing on December 11, 2019.

The City anticipates additional public review by advisory bodies (Architectural Review Committee, Cultural Heritage Commission, Parks and Recreation Commission, Active Transportation Committee, Planning Commission, and City Council). The Final EIR and project entitlements should be considered by the City in Spring-Summer 2020. The application to LAFCO may be submitted in summer or early fall. Key issues to be considered include: conversion of agricultural land, and traffic and circulation. Attachment B shows the boundaries of the probable annexation.

3. **Gateway Annexation to the City of Paso Robles** - This proposal considers the Sphere of Influence Amendment and Annexation of the Gateway/Furlotti project area to the City of Paso Robles. The property is located within the unincorporated area of San Luis Obispo, adjacent to the southwest edge of Paso Robles City limits and northwest of the U.S. 101 and Highway 46 West interchange. The SOI Update and Memorandum of Agreement provided direction to proceed towards consideration of sphere amendment and annexation concurrently. This process allows a proposed project and EIR to be fully reviewed by the public, the City, and other agencies prior to LAFCO considering the proposal.

A land use approval and EIR have been prepared and are scheduled to be considered by the City this summer. The Land Use approval and Environmental Impact Report would address a variety of issues: the traffic and circulation system impacts, water supply issues, and agricultural issues. LAFCO Staff submitted a comment letter regarding the EIR. Attachment C shows the boundaries of the Annexation areas and has a summary of the project provided by the City, as well as, LAFCO’s comments regarding the Draft EIR.
4. **Northern Morro Bay Annexation to the City of Morro Bay** – Attachment D has a copy of the MOU agreed to by the Trust for Public Land, Chevron, the Cayucos Sanitary District and the City of Morro Bay. The agreement provides a framework for these parties to work together towards a related Sphere of Influence Amendment, a Detachment, and a transfer of property. LAFCO is not a party to the MOU and maintains its discretion in regard to actions under its jurisdiction.

The intent is to preserve a large portion of the acreage, amend the SOI to include the “Panorama Lots” adjacent to the City, Annex the Dog Beach area, and detach a small parcel east of highway one. This detached parcel would be eventually be annexed to the Cayucos Sanitary District. The City intends to submit the application for the SOI amendment and Detachment soon after Council approves the authorizing resolutions on May 26th. The City plans to submit the annexation application for the Dog Beach parcel at a later date.

LAFCO should carefully consider these proposals to ensure that the Open Space areas are set aside in perpetuity. This application may be submitted in late May or early June.

5. **San Simeon CSD Activation of the Solid Waste Authority** - The San Simeon CSD Board is scheduled to consider a Resolution of Application on May 13, 2020, that proposes activation of its solid waste power. This would allow the CSD to manage the franchise agreement with the service provider within its boundary. Franchise Fees for this area would be transferred from the County to the CSD. This enables those fees to be spent within the CSD’s boundary on solid waste projects that benefit the community. Otherwise the fees are allocated at the discretion of the County on a countywide basis.

The SSCSD will submit a Plan for Services which describes the San Simeon CSD goals, fiscal and service impacts associated with the activation. This proposal is anticipated to be considered by the Commission in July. Attachment E has a map of the District’s boundary.
Attachment A Fiero Lane/Clarion Court Annexation
Attachment B

Froom Ranch Annexation Map
Attachment B Froom Ranch Specific Plan Annexation
Attachment C

Gateway Annexation Map
City of Paso Robles Gateway project summary
LAFCO Gateway-Draft EIR Comments
GATEWAY ANNEXATION PROJECT SUMMARY

The City of Paso Robles is seeking a study session with LAFCO to discuss the proposed Gateway Annexation project.

The Gateway project consists of 170 acres and is located within the unincorporated area of San Luis Obispo County, adjacent to the southwest edge of the Paso Robles City limits and northwest of the U.S 101 and Highway 46 West interchange. The property is bounded by S.R. 46 West on the south, South Vine Street (frontage road) and U.S. 101 on the east, and vineyards and rural residential uses on the north and west. The project is located approximately 1,000 feet north of the Target shopping center and 1,000 feet west of the Firestone Walker Brewery. See Figure 1.

The project site currently has a County of San Luis Obispo general plan land use designation of Residential Suburban and Agriculture. (The County does not use independent zoning designations.) Existing and historical use of the site includes intermittent grazing and a non-irrigated almond orchard. The almond orchard is no longer in commercial production. There are approximately 200 oak trees on the property, most of which are found along several intermittent drainages that flow from west to east across the property.

The project includes a request for annexation into the City, a General Plan Amendment, and Pre-Zoning of the property by the City to establish land use designations and zoning for the proposed uses. If approved, LAFCO would need to amend the City’s Sphere of Influence and approve annexation of the land to the City before development could commence. Once the annexation process is formally completed, the zoning established during pre-zoning will apply to the property. Other approvals required for the project would include a Development Agreement, Lot Line Adjustment, Vesting Tentative Tract Map, and one or more Planned Development Permits or Conditional Use Permits to address phasing and conditions for the subareas of the project.

The conceptual development plan for the project provides for the development of two hotels, several commercial centers, and a limited number of high-density residential units or a third hotel. The project would retain approximately 98 acres of land for agriculture and open space uses, of which 32 acres would be placed into an agricultural conservation easement. See Figure 2 and Table 1 for more detailed information regarding the proposed uses.

The project would also facilitate the realignment and reconstruction of South Vine Street. The South Vine Street realignment was previously evaluated in the May 2008 Caltrans Mitigated Negative Declaration/Environmental Assessment with Finding of No Significant Impact (EA 05-451300). The August 2, 2016 Settlement Agreement dictates the terms of the property conveyance between the Quorum and CENCO properties and the offer of dedication for realignment and construction of Vine Street.

The project is currently undergoing environmental review and an EIR is being prepared. Staff anticipates a draft EIR for public review will be available late summer/early fall.
April 10, 2020

Darren Nash, City Planner
Community Development Department
City of Paso Robles
1000 Spring Street
Paso Robles, CA 93446

Subject: Comments on Draft Environmental Impact Report (EIR)
Gateway Annexation (Annexation Permit No. ANX 16-001 and Planned Development Permit No. PD 17-0090)

Dear Mr. Nash:

Thank you for the opportunity to comment on the draft Environmental Impact Report for the Gateway Annexation project. The Local Agency Formation Commission (LAFCO) is a Responsible Agency that may use this document for consideration of a future Sphere of Influence Amendment and Annexation to the City of Paso Robles. Please consider the following comments:

1. **Agricultural Resources comments.** The use of the Natural Resources Conservation Service (NRCS) classification for the definition of prime agricultural is one component of consideration of LAFCO’s definition under the Cortese-Knox-Hertzberg Act (CKH Act). The FEIR should clearly explain impacts and mitigation by identifying the prime agricultural land, per LAFCO’s entire definition, and any areas that are being converted. The Final EIR should be revised to include reference to LAFCO’s prime agricultural lands definition discussing all lands that meet this definition, discuss lands converted by the proposed development, and lands being preserved under conservation easements. A final analysis of compliance with LAFCO’s policies or any new mitigation that may be required to comply.

The applicant is proposing to provide an on-site agricultural/conservation easement of 32.3 acres to mitigate the conversion of prime agricultural land at greater than a 1:1 ratio. The on-site agricultural/conservation easement portion is of lesser quality than that being converted.
The mitigation to require irrigation of the agriculture would not set a good precedent or good use of water. The potential for dry-farming should remain available.

Having the on-site land placed under an easement that’s greater than 1:1 ratio would meet LAFCO’s Agricultural Policy. Because the quality of soil being protected is lesser than the quality of soil being converted, having a greater than 1:1 ratio for protecting agricultural land could be acceptable.

An additional, 49.7 acres identified in the Master Development Plan would be used as additional vineyard or other agricultural use, with an additional 16.6 acres remaining as habitat open space; these additional acres would not be under a conservation easement.

The Mitigation Monitoring Plan states the “Project applicant shall demonstrate on Project plans the areas of the Project site that will be designated for agricultural use before final plan approval. The Project applicant shall also submit proof of permanent agricultural/conservation easement prior to final plan approval.” LAFCO requires the agricultural easements be recorded prior to filing the annexation Certificate of Completion with the Clerk Recorder’s Office.

2. **Water Resource comments.** The projects potable water demand would be 144 AFY. The DEIR states the City has additional water supply from its Nacimiento water, groundwater from the basin and water from Salinas River. The City holds a 6,488 AFY delivery entitlement from Lake Nacimiento water. In order to directly use the Nacimiento entitlement, the City constructed a surface water treatment plant with an anticipated yield of approximately 2,017 AFY at City buildout in 2045. The DEIR also states the treatment plant operation could be increased to provide up to 2,688 AFY of water for City use, or 617 AFY more than currently anticipated by the 2045 demand. The FEIR should provide greater clarity about what increases or upgrades are needed for the City water supply to produce the demands needed to meet the City’s buildout plus the Gateway Project. The FEIR should identify what improvement, if any, are required to increase the water supply by the 617 AFY.

The DEIR completed a water supply assessment (WSA) report that concluded the City has adequate potable supply to provide a reliable long-term water supply for the project under normal and drought conditions. As noted, in the WSA, the Paso Robles Groundwater Basin is currently facing legal challenges with the next phase of the case to determine how much water public water suppliers have a right to pump. Should the rights to pump be decreased the FEIR should identify if the water supply is adequate at City buildout plus Gateway Project.
Concerns from other water purveyors, within the Atascadero Sub-Basin, have requested the existing wells be metered and water use be reported to the City. The City should consider a condition limiting pumping to ensure the groundwater levels don’t begin decline. The FEIR should address these concerns and consider adding mitigation to have the existing wells be metered and reports regarding the amount of water used be sent to the City.

The two existing wells on the Furlotti Ranch, that are within the Atascadero Sub-Basin, provide water to existing vineyard operations located west of the property and will continue to operate for existing purposes. Any future agricultural uses that are planned within the AG conservation easement areas may also utilize these wells. The DEIR identifies impacts and mitigation that these wells shall be continued as outlined in the Development Agreement. Mitigation is required for future use of the wells for additional agriculture uses on the project site and adjacent properties. As stated above, the mitigation to irrigate the agriculture uses would not set a good precedent or good use of water. The FEIR should consider deleting this mitigation.

3. **Wastewater comments.** According to the City’s 2019 Wastewater Collection System Renewal Strategy and Master Plan, two sewer main line segments that would receive flow from the Project are identified as capacity deficient under existing and five-year peak flow conditions. These lines must be upsized in order to accommodate any additional wastewater flow from the proposed development. These sewer main lines are located at the SR 46 West interchange with U.S. 101 and in Ramada Drive. As mitigation, the project would be required to contribute its equitable share to fund the sewer main line improvements in the vicinity of the Project site. Costs above and beyond the Project’s equitable share shall be addressed through such options as fee credits, reimbursement agreements, or development agreements, based on City requirements. The FEIR should provide analysis that adequate capacity will be available and the upsized pipelines will be completed prior to final occupancy permits.

4. **Traffic and Circulation comments.** A traffic study was included in the DEIR for this project. Environmental impacts and mitigation measures are identified. The Gateway project was identified as having an impact to the circulation system at the intersection of South Vine Street and Highway 46. The DEIR has identified added traffic to the U.S. 101/Main Street Interchange, where LOS currently exceeds the County LOS D target. The City will identify this impact as a Class I significant and unavoidable impact. However, mitigation to contribute to the Fair Share Funding to the Templeton Road Improvements Fee Program was identified to assist with offsetting the impact. A second Class I significant and unavoidable impact would occur along U.S. 101 mainline segments and intersection operations that would exceed the Caltrans LOS C target. The FEIR
should provide clear timelines for when traffic improvements will be constructed. Lastly, it is unclear if the traffic study considered additional traffic counts from neighboring communities that use these routes.

The Caltrans South Vine Street Alignment Project proposes shifting the alignment of South Vine Street towards the west in a broad “S” curve to meet State Route 46 west. Because the realigned South Vine Street crosses a small drainage course north of State Route 46 West, the City has prepared an alternative shorter bridge design to include a 165-foot-long free-span bridge that will be less expensive to complete than the 220-foot-long free-span bridge originally proposed by Caltrans. The DEIR includes an analysis of the effect on resources of both bridge options. The FEIR should provide a clear analysis after each of the Gateway Project Phases which physical traffic improvements would be implemented to alleviate traffic to both the U.S. 101 and State Route 46 West and the U.S. 101/Main Street Interchange. Both currently operate at a LOS below the acceptable standard.

Adequate funding and timing of that funding to make these necessary improvements will play an important part in seeing circulation enhancements in the area and could be a factor in the annexation decision.

5. **Affordable Housing comments.** The DEIR states the City of Paso Robles determined in the NOP and scoping process, there was no substantial evidence that the project would cause or otherwise result in significant environmental effects in the areas of Population/Housing. The DEIR does not provide further details or analysis regarding affordable housing issues.

The DEIR addresses some aspects of providing occupants of non-residential uses with alternative transportation and smart commute information. It discusses the projects proposed 17-workforce housing units; however, the FEIR and or City should clarify how the project fulfills the City demand for affordable housing. The DEIR considered alternative option 5(b) that would allow vacation rental tenancy. A VRBO-type of unit for vacation rentals are commonly seen as removing housing units from the housing inventory. They, also, are often viewed as commercial property (investor owned) rather than actual housing stock. The FEIR should provide more information regarding this alternative including, percentage of units, housing affordability, vacation rental stock, and operations of how these units will be inhabited.

Section 4.16.6 Population/Housing outlines SLOCOG projections for City growth by year 2050 and the City’s goal of maintaining a balanced community. Primarily, the proposed project is for vacation/visitor serving destination uses with a smaller element of housing options. The DEIR does not address where the approximate 311 workers of the resort and lower wage jobs associated with
the project will live, commute, or afford a living wage to meet the City, County, and State needs. The DEIR states the housing units will be for service personnel working in the hotels. The DEIR does not state or provide mitigation on any of the housing units that will be deed-restricted or set aside for lower wage employees. The FEIR should include mitigation measures that offer first priority to local workers, residents, or project employees, onsite housing opportunities with a preference on meeting the lower wage sector. Greater analysis and discussion should be included in the FEIR or City process before LAFCO’s consideration of the annexation.

We appreciate being contacted with regard to this project. If you have any questions regarding these comments please me at 805-781-5795.

Sincerely,

[Signature]

Mike Prater
LAFCO Deputy Executive Officer

cc. Brian Pierik, LAFCO Counsel
Commissioners
MEMORANDUM OF UNDERSTANDING
Chevron Estero Marine Terminal, Lot 6SW

This Memorandum of Understanding ("MOU"), dated January 31, 2020, constitutes a non-binding agreement among The Trust for Public Land, a California nonprofit public benefit corporation ("TPL"), the City of Morro Bay ("Morro Bay"), the Cayucos Sanitary District ("CSD"), and Chevron Land and Development Company, a Delaware Corporation ("Chevron"), each of which may individually be referred to herein as a "Party" and collectively as the "Parties."

RECITALS

A. The Parties are interested in achieving a common conservation goal and appropriate public ownership ("Project") for Lot 6SW, as shown in Exhibit A ("Property"), which has been historically used by the general public and is commonly known as "Dog Beach."

B. Chevron sold the Property to CSD on September 17, 2019 pursuant to that certain Grant Deed but also subject to that certain Memorandum of Repurchase Rights/Option recorded concurrently with the Grant Deed, which Memorandum contains certain rights in favor of Chevron ("Residual Rights").

C. CSD is willing to sell the Property to TPL, which will concurrently sell it to Morro Bay, with the ultimate intention that the Property will continue to be used for the benefit of the public.

D. TPL’s purchase of the Property and concurrent sale to Morro Bay will be contingent on TPL’s receipt of certain public and private funding, which funding and acquisition, in turn, is contingent on Chevron’s termination of the Residual Rights.

E. Chevron ultimately desires to have its lots shown in Exhibit A in the Estero Marine Terminal ("Panorama Lots") annexed into the City of Morro Bay. Chevron is willing to terminate its Residual Rights upon certain conditions specified below.

The Parties agree as follows:

1. **Option Agreement:** TPL and CSD will negotiate in good faith to enter into an option agreement whereby TPL will have the right to purchase the Property from CSD subject to the termination of the Residual Rights and securing funding for the acquisition ("Option Agreement"). TPL shall remain the principal Party involved with negotiating the terms and provisions of the Option Agreement and the concurrent sale with Morro Bay.

2. **Public Funding:** TPL will use its best efforts to secure public and philanthropic funding sources to support the acquisition of the Property from CSD and concurrent sale to Morro Bay. TPL shall be solely responsible for all aspects of requesting, securing and reporting associated with the funding sources.

3. **Obligations of Chevron:** Chevron agrees to execute and acknowledge and deliver to
TPL and Morro Bay a document in a form satisfactory to Chevron, TPL and Morro Bay to terminate or transfer the Residual Rights following Morro Bay’s submission of an application to the Local Agency Formation Commission (“LAFCO”) to place the Panorama Lots within the City’s Sphere of Influence and the LAFCO staff indicates support for same (“LAFCO Application”).

4. **OBLIGATIONS OF MORRO BAY:** Morro Bay shall seek City Council approval to proceed with filing the LAFCO Application. The LAFCO Application shall also seek to annex Lot 6NW into the City of Morro Bay and to de-annex Lot 6NE, both of which respective lots are shown on Exhibit A. Morro Bay will make best efforts to (i) complete the LAFCO Application such that LAFCO can make a decision at its May 2020 meeting, and (ii) file the LAFCO Application as soon as feasible but no later than April 25th, 2020. The Parties understand that nothing in this MOU commits the City Council to approve the LAFCO Application and that such decision must be made by the City Council pursuant to applicable law, including, but not limited to, the Brown Act.

5. **OBLIGATIONS OF ALL PARTIES:** The Parties acknowledge that (i) funding for acquisition of the Property and other Estero properties planned for acquisition and public ownership are interdependent; and (ii) time is of the essence to obtain the LAFCO decision regarding the LAFCO Application. All Parties agree to make best efforts to support the LAFCO Application for review at the LAFCO May meeting or as soon thereafter as feasible.

6. **OBLIGATIONS OF CSD:** CSD agrees to negotiate the terms of the Option Agreement with TPL, which will include standard provisions for the purchase of real property including the issuance of title insurance. CSD and TPL intend that the Option Agreement will be executed by the end of January 2020.

7. **OBLIGATIONS OF MORRO BAY AND TPL:** Concurrently with the negotiations between TPL and CSD as to the Option Agreement, Morro Bay and TPL will negotiate a purchase and sale agreement (“PSA”) to be consummated concurrently with TPL’s acquisition of title to the Property under the Option Agreement.

8. **OPTION TERMINATION:** If the Property is not acquired by TPL pursuant to the terms of the Option Agreement (as may be extended), all Parties shall be relieved of further obligations under this MOU. In such event, TPL shall be solely responsible for returning funds that it raised for the acquisition of the Property where such funds need to be returned in the event the Property is not acquired.

9. **INTENT:** This MOU is intended to memorialize the Parties’ intent and desire to work together to perform the tasks required (including the Option Agreement and PSA) in connection with the acquisition of the Property by Morro Bay for continued public use free of the Residual Rights, while Morro Bay concurrently seeks City Council approval to file the LAFCO Application. Chevron intends, after LAFCO approval of the LAFCO Application, to request that Morro Bay annex the Panorama Lots into the City of Morro Bay (“Annexation”). The Parties understand that Morro Bay is not committing to approve
the Annexation, as such action must be made by the City Council and in compliance with applicable law, including the City of Morro Bay Municipal Code.

10. **Non-Binding; Termination**: This MOU is non-binding and is intended only to provide a framework for continued discussions between the Parties in connection with the Project. It is an expression of the current intent of the Parties but is not intended to constitute an agreement that will be legally binding on any Party. No Party has any obligation, responsibility, or liability to any other Party for failure to complete the items set forth above. This MOU is not binding and may be terminated in accordance with the terms set out in Section 8 above, or by any Party delivering written notice to the other Parties. Upon the termination of this MOU, no Party will have any liability under this MOU to any other Party, and the Parties will be released from all of their obligations under this MOU.

11. **Counterpart Execution**: The Parties may execute this MOU in counterparts which together will constitute the entire MOU.

**TPL**
The Trust for Public Land, a California nonprofit public benefit corporation

By: __________________________
Its: __________________________

**CSD**
Cayucos Sanitary District, a political subdivision of the State of California

By: __________________________
Its: __________________________

**CHEVRON**
Chevron Land and Development Company, a Delaware Corporation

By: __________________________
Its: __________________________

**MORRO BAY**
City of Morro Bay, a municipal corporation

By: __________________________
Its: __________________________
Toro Coast Preserve
SAN LUIS OBISPO COUNTY, CALIFORNIA