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September 22, 2017

Mayor Jamie Irons and City Council  
City of Morro Bay  
595 Harbor Street  
Morro Bay, CA 93442

**Subject: City Council Hearing on the Updated Site Comparison Report for the City's  
Proposed Water Reclamation Facility**

Mayor Irons and Honorable Councilmembers:

Thank you for the opportunity to comment on the Updated Site Comparison Report (Report) and the status of the City's proposed Water Reclamation Facility (Facility) more broadly. Since your July 11 hearing in which you directed staff to both develop this Report detailing options associated with opportunities and constraints of various Facility site locations, as well as to discuss these options with Coastal Commission staff, your staff and members of the public have actively engaged with us on these critically important issues. We would thus first like to thank the City's Facility team and members of the Morro Bay community for this engagement, including the ways in which they have thoughtfully articulated the various issues associated with the options being considered. We understand these are important decisions to be made with lasting impacts on the City and its residents, including with respect to cost to both the City and its utility ratepayers. Thus, we want to make clear that we understand and respect the key issues identified by both the City and members of the public. We also want to clearly state that regardless of the site the Council ultimately chooses to pursue for the Facility, we will continue to actively work with the City during the local process to identify and address project issues with the goal of developing a Coastal Act and Local Coastal Program (LCP) consistent Facility project. As you know, we have a long history of working with the City on this project, and will continue our active engagement as it progresses through the planning and permitting process.

That all being said, we would like to provide the Council and the community with our perspective of the Coastal Act and LCP issues associated with the Report sites. Specifically, we want to reiterate our position from our July 11 letter to the City Council on this topic that the City not pursue a site west of Highway 1, but rather continue its efforts in pursuing a new Facility at the South Bay Boulevard site (or other inland site, such as the Righetti site). Again, this assessment is not without acknowledgement of the issues raised by some members of the public; it is based on our review of the Coastal Act and LCP issues raised by the various sites analyzed. Notably, we believe that the South Bay Boulevard site provides for far greater regulatory certainty than do sites west of Highway 1, and that that certainty will help the City achieve its goal of a long-term Facility that will serve Morro Bay's wastewater needs quicker and most likely less expensive in the long run than alternative sites west of Highway 1. The primary reason for this is because the South Bay Boulevard site simply does not raise the same

type of core Coastal Act and LCP consistency issues associated with coastal hazards that the sites west of Highway 1 do. In addition, at least the Hanson site would also require an LCP amendment to allow the Facility there (and the City may also want to amend the LCP if the Dynegy site were chosen given the City is currently in the process of LCP update), whereas no such amendment would be needed for the South Bay Boulevard or Righetti sites as such a facility is currently allowed for both sites under the San Luis Obispo County LCP that applies in both cases. In short, the sites west of the highway raise a series of important coastal hazard and related questions which make pursuit of them more difficult (including because there is significant uncertainty regarding potential outcomes) and more time intensive. While we have not drawn final conclusions, it is clear to us that these sites would pose significant regulatory hurdles and challenges that would take more time and resources to address than would the inland sites. In addition, while the Regional Water Quality Control Board has allowed the City some timing compliance latitude as it has worked towards moving its Facility and bringing it up to current standards, changing course at this point in time would result in further delay and would lead to a less certain outcome, and could pose issues for the Board – and thus the City – in that regard.

With respect to coastal hazards, the South Bay Boulevard site is not subject to the same coastal hazards, including ocean and riverine flooding and tsunami all as exacerbated by potential sea level rise, that were among the key reasons for the Coastal Commission's denial of a coastal development permit (CDP) for the then proposed Facility west of Highway 1 in 2013. That denial included Coastal Commission direction that the City pursue a new Facility at an inland location where such critical infrastructure would avoid these coastal hazards, including sites such as South Bay Boulevard and Righetti, and we have worked diligently and cooperatively with the City and its Facility team for many years towards that goal. The concept of relocating critical public infrastructure away from lower lying shoreline areas to higher/safer more inland locations, including to avoid the need for shoreline armoring and related development and its attendant coastal resource impacts, and to ensure that shoreline property is used for higher priority uses such as public access and recreation, is a key Commission goal statewide, including as described in the Commission's adopted Sea Level Rise Policy Guidance. And again, the Commission already denied the City's proposed project west of Highway 1 in 2013 for these reasons. As such, we want to be clear that a Facility proposed west of Highway 1 faces significant planning and permitting uncertainties, including the unambiguous possibility that the Commission does not approve such a Facility through an LCP amendment or a CDP.

And, even if the Commission did approve a Facility west of Highway 1, such approval would most likely not meet the City's primary objectives. Namely, when the Commission has most recently approved CDPs for critical infrastructure, including wastewater treatment plants, in areas subject to coastal hazards, the Commission has imposed specific requirements and triggers designed to eventually move these facilities inland and way from such hazards. In many ways, these types of approvals can be considered temporary approvals meant to allow local governments the time to plan for and pursue relocation. These types of 'interim' CDPs have allowed for such facilities in question to remain operational for the short term, but with

restrictions on the type of allowable responses to coastal hazards, including with respect to shoreline armoring and other types of hazard abatement measures, and with the requirement that a longer term effort to relocate such facilities inland away from coastal hazards is undertaken. In other words, the Commission has recently *not* given authorization for permanent infrastructure in these types of more hazardous shoreline areas. We want to highlight this fact, because even if the Commission were to eventually approve a CDP for a Facility west of Highway 1, it would most likely *not* be for the long-term permanent Facility the City desires and needs if these types of conditions were applied. And this could subject the City and its residents to additional costs in terms of the requirement to find another replacement site and to build another relocated Facility in the relative short term. These are additional costs that appear likely to be associated with the west of highway sites if they were ultimately to be approved (and not denied). And again, there may be additional Regional Board 'costs' that accrue during the time that any such options were pursued. Conversely, sites inland of Highway 1, including at South Bay Boulevard, would not be subject to these types of conditions and restrictions, and thus would be able to meet the primary objective of finding a long-term home for the City's critical wastewater infrastructure in the shortest period of time with the most certainty in outcome. This is the path that the Regional Board has also embraced to date. The 'permanency' of a Facility at South Bay Boulevard would therefore better provide the certainty the City needs for successful permitting, construction, and operation of the Facility in the shortest amount of time.

We also understand that the City is in the midst of applying for some \$83 million from the Environmental Protection Agency in low-interest loans for the Facility (as well as funds from the State Water Resources Control Board that are dependent on those federal funds), regardless of location. It seems unlikely if not impossible that the type of near term certainty that is needed to be successful in that process can be found through a west of the highway site. Both any potential LCP amendments and any CDP applications would have to work through the same types of coastal hazards issues that eventually led to denial of the City's 2013 proposal after two years of process. It would be expected that similar analyses and time frames would apply here as well, and that the outcome is unlikely to be without significant conditions and problems of the type described above. Conversely, no LCP amendment is needed for the South Bay Boulevard site (it is already an allowable use in the San Luis Obispo County LCP), it does not present the types of coastal hazard issues that the west of the highway sites do, it could be pursued on a fairly short permitting time frame, and it would be expected to avoid conditions and problems of the type described above that would lead to expenditure of additional time and resources.

In conclusion, we fully appreciate the concerns that some parties have articulated with respect to pursuing a more inland Facility site, where these concerns are fundamentally rooted in a perceived higher cost for such a Facility. However, we respectfully submit that we believe that the inland sites will lead to successful development of the Facility sooner, with more certainty and with less significant requirements such as those expected to be attached to any approval (if one is even granted) for a Facility on a site with the coastal hazard issues present west of the highway. In other words, additional costs accrue to the sites west of the highway, and additional benefits (cost savings) apply to the inland sites for this reason. The Report does not capture these

kinds of costs/cost savings, which would be difficult for it to do at the current juncture as it depends on outcomes and potential requirements for the sites west of the highway that are uncertain, as described above. In any case, we would encourage you to understand the options before you in that context.

Thank you for the opportunity to provide you our perspectives on these important Facility siting questions. We hope that these comments are helpful as you consider the City's next steps moving forward. As described, we continue to believe that the South Bay Boulevard site (or the Righetti site) remains the City's best option at this juncture, including because it is not encumbered by the uncertainties associated with sites west of Highway 1, including needed LCP amendments and CDP restrictions, or even project denial, from the Coastal Commission due to coastal hazards issues. In any case, we continue to stand ready to work with the City on whatever site it decides to pursue moving forward, and we look forward to continued collaboration and dialogue with you, your staff, and the public throughout this process. Please do not hesitate to contact me or Kevin Kahn of my staff if you have any questions or would like to discuss this matter further.

Sincerely,



Dan Carl  
District Director  
Central Coast District  
California Coastal Commission

cc: Rob Livick, City of Morro Bay Public Works Director  
Scot Graham, City of Morro Bay Community Development Director  
John Robertson, RWQCB Executive Officer