June 2009

Redevelopment Feasibility Study Prepared for the City of Morro Bay

CITY OF MORRO BAY

In association with

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Alfred Gobar Associates
Redevelopment
Feasibility Study

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**ES.0 EXECUTIVE SUMMARY**

**ES.1 ASSIGNMENT**

The city of Morro Bay (the "City") has retained Urban Futures Inc. (UFI) to prepare a Redevelopment Feasibility Study to evaluate the potential for including some or all of an "Area of Interest" identified by City staff within a redevelopment project area, subsequent to activation of the City’s redevelopment agency (the “Agency”), through adoption of a redevelopment plan. All redevelopment planning actions are to be implemented pursuant to authority promulgated under the California Community Redevelopment Law (CCRL).

**ES.2 KEY POINTS**

The following key points are derived from information contained within the body of the Feasibility Study. Please note that all caveats and conditions set forth in the Feasibility Study are germane to the discussion below.

**ES.2.1 Blight**

Fundamental to the establishment of a redevelopment project area under authority of the CCRL is the required presence of blight as defined in CCRL Sections 33030 and 33031. Section 33031 requires that a redevelopment agency proposing to create a redevelopment project area find, among other prerequisites, that conditions of physical and economic blight are "...so prevalent and so substantial...that it constitutes a serious physical and economic burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment."

The Feasibility Study concludes that there are indications of substantial and prevalent blight throughout the Potential Project Area (alternatives both with and without the Power Plant site) that might be found to represent a serious physical and economic burden on the community, and that these conditions have not been, and probably cannot be, alleviated by private enterprise, governmental action or both, without redevelopment. To help City decision makers determine the legal correctness and probability of completing the redevelopment plan adoption process successfully, even in the event of legal challenge, UFI has included a comparative analysis of certain recently created new redevelopment project areas, and existing redevelopment Project Areas amended to add new territory to existing redevelopment project areas.

**ES.2.2 Urbanization**

The second criteria it is necessary to meet for establishing a redevelopment project area relates to the assessment of total urbanized land within the project area. The CCRL requires that a project area be "predominantly urbanized," that no more than 20 percent of a project area be vacant land. The Feasibility Study concludes that
the Area of Interest and Potential Project Area are highly urbanized and that the urbanization requirement will not be an issue if the City elects to move ahead with the redevelopment plan adoption process.

**ES.2.3 Necessity**

The third criteria it is necessary to meet provides that non-blighted parcels may be included in a project area because they are necessary for effective redevelopment, and therefore, not all parcels included in a redevelopment project area must be blighted; courts have found that blight is in fact an area wide phenomenon. This Feasibility Study concludes that those parcels that are in fact not blighted, but nevertheless have been recommended for inclusion within the Potential Project Area, are necessary for effective redevelopment, e.g., are necessary for effective planning and development. A reason for the inclusion of non-blighted parcels also falls within the realm of the “principle of externalities” as explained in detail in subsequent sections of this Feasibility Study.

**ES.2.4 Other Factors Affecting Potential Project Area Delineation**

In the effort to craft the most appropriate redevelopment project area for Morro Bay, every effort was made to maintain a close relationship to the average degree of blight severity found to exist in the Comparable Projects, all of which were successfully adopted. Also, with respect to the physical blight analysis, careful consideration was given to sewer, water and other infrastructure and utilities deficiencies identified in the Area of Interest that might have a bearing on the legal and practical aspects of redevelopment project area formation.

**ES.2.5 Boundaries of a Potential Project Area**

This Feasibility Study provides two different geographic descriptions for a potential redevelopment project area from within the Area of Interest. The Feasibility Study concludes that there are approximately 331 acres of land and parcels, which would likely qualify for inclusion within a redevelopment project area under a conservative interpretation of the law; this area has been defined as the "Potential Project Area". Shown in Figure ES 1, the Potential Project Area was selected because most parcels within its borders appear to meet the three criteria necessary for inclusion within a redevelopment project area pursuant to the CCRL: blight, urbanization, and necessity.

The preferred Potential Project Area boundary includes the Dynegy Power Plant facility; however, the City faces a conundrum in this regard. While the facility demonstrates a high number of Blight Indicators that would benefit blight finding requirements, given the negative physical, economic and legal conditions currently affecting the Power Plant site, it is reasonable to project that its assessed valuation will continue to decline in the near-term. This trend would negatively affect the Agency’s authority to collect tax increment from within the larger redevelopment project area for an indeterminable period of time, and hinder its ability to issue long-term debt. Therefore, this alternative presents somewhat of a short-term gamble if a principle objective of redevelopment is to provide tax increment funds for use in remedying redevelopment project area deficiencies as quickly as possible. However, if the Agency elected this alternative and Power Plant assessed values did not stabilize in the near term as projected, the area could be
removed from the Project Area by plan amendment, thereby eliminating the downward pull of total Potential Project Area assessed values to below the established Base Year value.

The second, but more conservative Potential Project Area alternative includes the same general area described above but excludes the Power Plant facility. This alternative would eliminate the problems associated with including the Power Plant Facility, but the potential long-term gain to the Agency would also be lost when the Power Plant site is eventually modernized or recycled to an alternative use. However, if this alternative was selected, the adopted redevelopment plan might be amended at a later date to include the Power Plant site at a time after its assessed property value had stabilized.

**ES.2.6 Financial Feasibility of Redevelopment Plan Adoption**

This Feasibility Study concludes that adoption of a redevelopment plan for the Potential Project Area (including the Power Plant facility) could generate an estimated $25.4 million for the City over the 45 years the Agency would be eligible to collect tax increment, net of statutory pass through payments. Of this amount, about $14.3 million would have to be dedicated to the Agency's LMI fund. A portion of the tax increments projected to be received by the Agency would be diverted from the City's General Fund for the use by the Agency; however, a percentage of these funds could be passed back to the City’s General Fund, at the direction of the City Council. Redevelopment, based on this alternative, is projected to realize a net increase in total community development revenues (including funding for affordable housing) of about $14.1 million over the same 45-year period.

As projections for the alternative excluding the Power Plant show, given the projected continuing decline of the site’s assessed value, the amount of lost tax increment to the Agency would be minimal when compared to the alternative. Projecting an increase in values beyond those used in the subject analysis at this time would involve too high a level of speculation and are not recommended until additional facts regarding site modernization or reuse are available.

**ES.2.7 Short-Term Borrowing Capacity**

If the Agency chose the Potential Project Area excluding the Power Plant site, projections indicate it could borrow, through issuance of tax allocation notes, approximately $1.3 million, as early as October 1, 2014. Under the presented scenarios, this same funding option would not be available to the Agency if the alternative including the Power Plant site was chosen because of the projected decline in total Potential Project Area assessed valuation caused by projected Power Plant valuation declines.
Figure ES-1  Potential Project Area
ES.3 RECOMMENDATIONS

ES.3.1 Boundaries

The decision as to whether or not portions of a community should be made subject to redevelopment under authority of the CCRL is driven by both policy and technical considerations. Only the legislative body can determine whether it wishes to use redevelopment as a tool for economic development in those portions of the community which it perceives to be suffering from physical or economic dislocations. UFI can make no recommendation regarding the Morro Bay City Council's policy-making decisions, including those relating to the possible inclusion of the Power Plant facility within the Potential Project Area. However, the issue of whether "physical and economic dislocations" rises to the status of blight, as defined in the CCRL, is essentially technical in nature, one which the Feasibility Study does address.

If the City elects to use redevelopment as an economic development tool this Study recommends that it include, at a minimum, all properties within the Potential Project Area shown in Figure ES-1 of this Executive Summary (including the Power Plant), in a redevelopment survey area (as defined in CCRL Section 33310). The reasons for this are that, in UFI's professional opinion, the total area within the Potential Project Area appears to be: i) substantially blighted, ii) urbanized, and iii) necessary for effective redevelopment.

In UFI's professional opinion, those areas included within the Potential Project Area (with or without the Power Plant facility) could probably be found to be appropriate for inclusion in a redevelopment project area if the City elected to proceed with Agency activation and redevelopment plan adoption processes.

ES.3.2 Timing and Next Steps

If the City elects to pursue a redevelopment program, UFI recommends that it act as early as possible to activate its redevelopment agency and to then complete the approximately 12-14 month-long redevelopment plan adoption process. The next available base year for tax increment collection purposes available to the City would be FY 2009-10. Capturing this base year would require that the plan adopting ordinance be effective on or before August 20, 2010.
1.0 DEFINITIONS, PURPOSE, & REDEVELOPMENT BACKGROUND

This Redevelopment Feasibility Study has been prepared for the City of Morro Bay. The purpose of the Study is to evaluate the legal, fiscal and practical feasibility of the Morro Bay City Council activating its redevelopment agency, pursuing adoption of a redevelopment plan and creating a redevelopment project area in certain parts of the City under authority of the California Community Redevelopment Law (CCRL). The scope and organization of this Feasibility Study is generally modeled after a CCRL Section 33344.5 Preliminary Report which must be prepared by a redevelopment agency proposing to adopt a redevelopment plan under authority of the CCRL. As a part of the redevelopment plan adoption process the completed preliminary report, which presents an agency’s best evidence and argument for needing the unique authority and tools made available to redevelopment agencies by State law, would have to be transmitted to each taxing entity affected by the proposed redevelopment project, as well as to certain State departments for purposes of review and possible comment as may be deemed necessary and appropriate by each respective entity.

1.1 DEFINITIONS

The following bold terms will have the following meanings unless the context in which they are used clearly requires otherwise:

"AGA" means Alfred Gobar Associates, real estate economic consultants.

"Agency" means an activated Morro Bay Redevelopment Agency.

"Agency Board" means the Board of Directors of an activated Morro Bay Redevelopment Agency.

"Area of Interest" means the area of the City that is the focus of this Redevelopment Feasibility Study. The Area of Interest was defined by City staff and is discussed in further detail within Section 2.1 of this Feasibility Study.

"Base Year Value" means the total estimated current sum of the assessed value of all taxable property in the Potential Project Area. For purposes of feasibility assessment this sum would include only secured values provided by Metro Scan. Unitary values as available for certain parcels have been provided by the California State Board of Equalization.

"Blight Indicators" means the list of 40 conditions identified in Appendices D and E and more fully described in Section 3.2.1 of this Feasibility Study. Blight Indicators are those conditions that cause physical and economic blight based upon the definitions of such conditions established in CCRL Sections 33030 and 33031.
"CCRL" means the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) as currently drafted or as it may be amended from time to time.

"City" means the City of Morro Bay.

"City Council" means the City Council of the City. The members of the City Council might also constitute the Agency Board.

"County" means the County of San Luis Obispo, State of California.

"deterioration" or "physical deterioration" means the cumulative and deleterious effects of wear and tear on a structure over time. Such deterioration may be the result of use or excessive use of a structure, or of the effects of the elements on a structure, which use or effects have not been rectified through a program of ongoing and adequate maintenance. Deterioration includes both conditions of "dilapidation" and "deterioration" as more particularly set forth in CCRL Section 33031(a)(1).

"external obsolescence" means the diminished utility of a structure on a parcel due to negative influences exterior to subject parcel, and which conditions are usually incurable on the part of the land owner, landlord, or tenant and is further described in Appendix H of this Feasibility Study.

"Feasibility Study" or "Study" means this redevelopment feasibility study prepared for the City of Morro Bay by Urban Futures Inc. in association with Alfred Gobar Associates. The principle purpose of the Feasibility Study is to evaluate the Area of Interest for possible inclusion within a redevelopment project area under authority of the CCRL.

"Field Reconnaissance" means the reconnaissance completed by UFI (and AGA) of all parcels in the Area of Interest, and is more completely described in Section 3.2.1 of this Feasibility Study.

"functional obsolescence" means a loss in value resulting from defects in design, or changes that, over time, have made some aspect of a structure obsolete by current standards.

"FY" means fiscal year and runs from July 1 of any given calendar year to June 30 of the subsequent year.

"General Plan" means the present City of Morro Bay General Plan, as it may be amended from time to time.

"LMI Fund" means the Low and Moderate Income Housing Fund of the Agency that would be established pursuant to CCRL Section 33334.3.
"Metro Scan" means First American Real Estate Solutions software program allowing access to recent records of the County Assessor. First American Real Estate Solutions provides the following caveat: "Information compiled from various sources. Real Estate Solutions makes no representations or warranties as to the accuracy or completeness contained in [any] report."

“Other Surveyed Areas” means those portions of the Area of Interest which, based upon the evidence contained within this Feasibility Study, the City Council is not likely to find appropriate for inclusion within the Potential Project Area, as defined below.

"Planning Commission" means the Planning Commission of the City.

"Potential Redevelopment Project" or "Potential Project Area" means some portion of the Area of Interest, more fully described in subsequent sections of this Feasibility Study, that the Morro Bay City Council might find appropriate as a redevelopment project under authority of the CCRL, subsequent to Agency activation and subject to future compliance with redevelopment plan adoption and redevelopment project area creation procedures promulgated under the CCRL.

"Preliminary Report" means the report prepared in compliance with CCRL Section 33344.5.

"Redevelopment Plan" means a redevelopment plan that might be adopted for the Potential Project Area subsequent to Agency activation; under provisions of the CCRL a redevelopment plan is the legal basis for an agency to implement its redevelopment project.

“SB 1206” means California Senate Bill No. 1206, which modified language in various portions of the CCRL, most notably the definition of “blight” codified in CCRL Sections 33030 and 33031, effective January 1, 2007.

"State" means the State of California.

"Tax Increment" means a share of property tax funds that would be allocated to the Agency from assessable properties located within the Potential Project Area pursuant to CCRL Section 33670(b).

"UFI" mean Urban Futures, Inc., City redevelopment advisors.

"Zoning Ordinance" means the zoning ordinance of the City in effect at the time of Feasibility Study preparation. The Zoning Ordinance is codified as Title 17, Zoning, of the City's Municipal Code.
1.2 LOCAL USE OF REDEVELOPMENT

According to City officials recent revenue reductions and rising inflation have caused the City to make spending cuts in both non-personnel and personnel costs which have affected the City's ability to provide essential services, maintain public facilities and initiate capital improvement projects. City officials hope that adoption of a redevelopment plan and creation of a redevelopment project area will help it to address some of the physical and economic conditions of deficiency (Blight Indicators) thought to now be affecting portions of the City.

Discussions between City decision makers, staff, and community members about using the tools and authority available to redevelopment agencies under authority of the CCRL to help revitalize, redevelop and otherwise reverse certain adverse physical and economic deficiencies in areas of the City, have been ongoing for a number of years. However, partly due to complexities and perceived mysteries of redevelopment under the CCRL, the City's decision to more fully consider activation of its redevelopment agency and then adopt and implement a redevelopment project have been hindered. Recent steps to formally study the feasibility of redevelopment in the City have now put it on a course to more fully understand legal parameters, processes, related costs and benefits. The completed Feasibility Study should give City decision makers and staff sufficient information to help them make a final determination as to how the City should proceed.

1.3 PURPOSES AND USE OF REDEVELOPMENT AUTHORITY

The purposes of the CCRL are to protect and promote the sound development and redevelopment of blighted areas, and improve the general welfare of the inhabitants of the community. In Morro Bay, these purposes could be attained where blight is found to be prevalent and substantial in the community, and would include, without limitation, planning, developing, replanning, redesigning, clearing, reconstructing or rehabilitating (or any combination of the foregoing) structures or remediating contaminated soils within a redevelopment project area.

Redevelopment in designated areas of the City might also attain the purposes of the CCRL by: i) stimulating residential, commercial, and manufacturing construction and rehabilitation activity; and ii) increasing employment opportunities in commercial and manufacturing areas by providing financial assistance in connection with the construction and reconstruction of walkways, lighting, landscaping, and other public facilities. Such purposes would also be attained by attracting residential, commercial, and manufacturing uses to stagnant, unproductive, obsolete and/or under-productive areas including the recycling of land uses into viable productive uses consistent with goals and strategies of the General Plan. Such purposes would also be attained through use of the low- and moderate-income housing fund (LMI) to increase, improve, and preserve the community's supply of low- and moderate-income housing.
Within the limits of legal and fiscal feasibility, and local need the City's activated redevelopment agency would likely look to provide some amount of financial assistance for the development of residential, commercial, and industrial construction and rehabilitation in a manner which would make such development more economically feasible. Pursuit of these purposes should ensure that potential redevelopment activities in the City would attain the objectives and purposes of the CCRL.

1.4 USE OF TAX INCREMENT TO IMPLEMENT A REDEVELOPMENT PLAN

The use of tax increment collected by an agency under authority of the CCRL (Section 33670) is appropriate to fund such major public improvements as (but would not necessarily be limited to): i) infrastructure improvements such as street improvements, storm drain facilities and systems, parking facilities, utilities improvements, water and wastewater systems, traffic signals and transportation management, and other such infrastructure improvements; ii) community facilities improvements such as public facilities improvements, street lighting and streetscape improvements, bicycle and pedestrian plans and improvements, and other such community facilities improvements; iii) community development programs such as planning and design services, graffiti abatement, historic preservation, soil/water contamination remediation, infrastructure construction assistance for residential, commercial, and manufacturing development, commercial and manufacturing rehabilitation and expansion assistance, marketing/promotions, seismic retrofitting, code enforcement, and other such community development activities; and iv) funding for and construction/reconstruction of affordable housing, residential rehabilitation assistance programs, and other affordable housing programs as permitted in accordance with the General Plan and the CCRL. However, a redevelopment plan does not have to contain tax increment collection authority and one could be adopted to achieve other, non-fiscal purposes.

1.5 ADDITIONAL MATTERS OF IMPORTANCE

1.5.1 Fiscal Consultations and Tax Increment Sharing

The CCRL requires a redevelopment agency to “pass-through” a portion of the tax increment received to the affected taxing agencies having boundaries within a redevelopment project area. The calculation and implementation of such pass-through payments is based on a mandatory formula included within the CCRL. Prior to adopting a redevelopment plan, redevelopment agencies must “consult” with affected taxing entities with respect to the plan and the allocation of taxes to the agency authorized by the plan.

The State mandated tax increment pass-through formula should cause an agency to be prudent about what areas it proposes for inclusion within a redevelopment project area because, within the strictest terms of the law, the only way for a taxing entity to mitigate a potentially intolerable, redevelopment-related fiscal burden (whether real or perceived) is to challenge the validity of the newly adopted
redevelopment plan in a court of law. Nevertheless, in the event of what might be a credible challenge by a taxing entity, during consultation an agency could propose to work with that taxing entity to develop “joint venture” project(s), whereby the agency and taxing entity(s) realize a mutual benefit from an agency-sponsored project as a means of mitigating potential fiscal burden.

The Area of Interest includes a portion of the San Luis Coastal Unified School District (SLCUSD) which is a basic aid school district. To help mitigate losses to basic aid districts affected by tax increment financing, the CCRL mandates a special pass-through provision in the formula requiring a greater portion of tax increment to be paid to the affected district.

Unless the proposed redevelopment project is especially egregious in its compliance with legally mandated processes, special districts typically do not have incentive to challenge adoption of a proposed redevelopment plan due to their lower overall share of the property tax base. Therefore, except as described above, typically, the only agency having a fiscal incentive to increase its vigilance over redevelopment agency activities is county government, because counties generally receive the largest share of the property tax distribution. Past UFI experience in San Luis Obispo County (Arroyo Grande, Grover Beach, Pismo Beach, City and County of San Luis Obispo) has shown that if a proposed redevelopment plan meets the standards established by law, the Agency should experience minimal confrontation with most affected taxing agencies, including the County.

1.5.2 Affordable Housing

The CCRL provides that redevelopment agencies use a minimum of twenty percent of gross tax increment to increase, improve and preserve the community's supply of affordable housing available at affordable housing cost to, and occupied by, persons and families of low- or moderate- income, lower income households, very low income households, and extremely low income households. Also, agencies must comply with replacement and inclusionary housing requirements established in CCRL Section 33413, and others.

Agencies are required to replace housing units and bedrooms destroyed, or that are taken out of the affordable market, as part of a redevelopment project that is subject to a written agreement with the redevelopment agency with an equal or greater number of units and bedrooms within four years of their destruction or removal from the affordable market. Agencies are also responsible for making a certain percentage of all dwelling units, either developed by the agency or by others, available at a cost affordable to qualifying persons and families; of course, other housing requirements must also be met by agencies.

1.5.3 Property Acquisition and Eminent Domain

CCRL Section 33342 provides that "[r]edevelopment plans may provide for the agency to acquire by gift, purchase, lease, or condemnation all or part of the real property in the project area." Historically, many redevelopment agencies have used the power of condemnation as a last resort in their efforts to assemble parcels for redevelopment. Use of the power of eminent domain is one of the only activities of an agency board of directors which requires a two thirds majority
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(Effectively four out of five votes). CCRL Section 33333.2(a)(4) provides that all redevelopment plans must contain a time limit, not to exceed twelve years from the date of plan adoption for the "commencement of eminent domain proceedings to acquire property within the project area."

Should the City Council elect to move forward with the redevelopment planning process, eventually approving and adopting a redevelopment plan, the Agency could elect to: i) make all parcels within its new redevelopment project area subject to eminent domain, ii) adopt an eminent domain provision for selected land use types only (e.g., prohibit the taking of residential properties), or iii) elect not to have any eminent domain authority contained within the redevelopment plan. The determination as to which path to take depends in large measure on the types of activities that an agency might pursue in implementing its redevelopment plan and the needs and desires of the local community. For instance, infrastructure projects generally do not require that an agency assume the power of eminent domain (the City always retains that power for public projects whose ownership will ultimately be public). Careful consideration of this authority and its real potential for use within 12 years after plan adoption should be given by the Agency and its staff. Intense public concern over redevelopment agencies’ eminent domain authority has derailed proposed plan adoptions in other communities.

The City Council should also note that the recent passage of Proposition 99, which amended Article I, Section 19 of the California Constitution, with certain exceptions, prohibits State and local governments, including redevelopment agencies, from acquiring an owner-occupied residence by eminent domain for the purpose of conveying that property to a private person; other provisions apply.

1.5.4 Conflict of Interest

The Political Reform Act of 1974, California Government Code, Section 87100, prohibits any public official from making or participating in any governmental decision in which he/she knows or has reason to know he/she has a financial interest. All members of the future agency board, the City Council, the City's Planning Commission and the project area committee (should one be formed) are considered "public officials" for the purpose of applying this rule. A public official is considered to have a financial interest in the decision to adopt a redevelopment plan if a property in which the public official has a financial interest is located within 500 feet of the proposed boundaries of a redevelopment plan area.

Based upon the above, three basic questions must be answered:

- Is there a foreseeable financial effect on the public official's property from the decision?
- If so, is that effect "material"?
- If so, is that material effect distinguishable from the effect on the public generally, or a significant segment of the public?

These three questions generally frame the conflict of interest analysis and must be evaluated by agency legal counsel and/or City attorney prior to official designation of a redevelopment survey area or initial actions by other public officials taking official actions as a part of the redevelopment plan adoption process.
1.5.5 Agency Activation

Agency activation authority and procedures are codified under Chapter 2, Article 1 of the CCRL. Every City and County within the State is authorized to establish a redevelopment agency by adopting an Ordinance. Certain other requirements also must be met (filings and adoption of Agency by laws-for example), but these are generally administrative in nature.
2.0 LEGAL BASIS FOR SELECTING PARCELS TO BE INCLUDED WITHIN A REDEVELOPMENT PROJECT AREA

The CCRL prescribes the legal basis for making one or more parcels subject to redevelopment and it is up to members of a sponsoring community's city council, redevelopment agency and planning commission to determine that parcels proposed for inclusion within a redevelopment project area meet the legal tests for inclusion promulgated under the CCRL.

The definition of a redevelopment project area is found in CCRL Sections 33320.1 and 33321; direct citations of the applicable CCRL Sections are included herewith as Appendix A to this Feasibility Study.

Blight, a term that has significant bearing on the legality of establishing a redevelopment project area, is defined in CCRL Sections 33030 and 33031; direct citations also included within Appendix A.

2.1 DESCRIPTION OF THE AREA OF INTEREST AND STATUS OF ITS LAND USE CONTROLS

The Area of Interest for redevelopment feasibility analysis purposes is shown on Figure 1, and was designated by City staff, based upon an awareness of physical and economic conditions in the City, and preliminary discussions with UFI/AGA regarding the basic criteria affecting adoption of a redevelopment plan and establishment of a redevelopment project area. The Area of Interest is located completely within the corporate limits of the City and includes approximately 618 acres, and 1,711 publicly and privately held parcels. If the City elects to move forward with the redevelopment planning process, the Area of Interest, or some other geography, may become the redevelopment survey area as defined under CCRL Chapter 4, Article 2. All area ultimately included within a redevelopment project area must have first been included within a redevelopment survey area.

If a redevelopment plan is adopted by the City, the General Plan would continue to govern land use policy within the potential redevelopment project area as it would within other areas of the City, exterior to redevelopment authority. Implementation of Redevelopment activities should help the City to implement a number of General Plan goals and objectives within and near the selected redevelopment project area. A description of these General Plan goals is included under Appendix B; maps showing the land use designations contained within the General Plan are included herewith as Appendices C-1 and C-2.
Figure 1  Area of Interest Map
3.0 METHODOLOGY USED TO GATHER AND ANALYZE DATA USED IN THE FEASIBILITY STUDY

3.1 DATA SOURCES AND HIERARCHY OF USE

Under current CCRL provisions, in order to adopt a redevelopment plan, the City Council would have to make a series of findings, (CCRL Section 33367) relating to the land within a Potential Project Area. This Feasibility Study presents evidence which was gathered and analyzed in a manner that might be found to be sufficient to meet or exceed threshold conditions set forth in the CCRL, and in various appellate court cases which bear upon redevelopment plan adoption actions. The method used to gather, analyze, and report upon such evidence within the Area of Interest is discussed below.

The evidence presented in this Feasibility Study is derived from four sources: i) the Field Reconnaissance, ii) a review of primary research and secondary source documents by UFI and AGA, iii) interviews and testimonials of key City department staff, and iv) UFI's professional experience with redevelopment and generally accepted planning principles. The evidence so gathered is divided into four hierarchies based upon the degree to which the source of the data can be related specifically to any given parcel, with the most parcel-specific layers identified as "Foundation" and "Layer 1," the next most parcel-specific layer identified as "Layer 2," and the least parcel-specific layer identified as "Layer 3." Data used to evidence urbanization are found in the "Foundation" layer; so labeled because, regardless of any additional conditions, only "predominantly urbanized" portions (as defined in CCRL Section 33320.1) of a community may be made subject to redevelopment pursuant to current CCRL provisions.

Figure 2 graphically illustrates the hierarchal nature of the data used to evidence urbanization, blight, and necessity.
Figure 2  Methodology Hierarchy
3.2 METHODOLOGY USED TO GATHER INFORMATION FROM EACH DATA SOURCE

3.2.1 Field Reconnaissance

The Field Reconnaissance provides data relating to the type, severity, and amount of physical conditions, and to some extent economic conditions, which the City Council may rely upon to make appropriate findings about the presence of physical and economic blight in a potential project area. UFI and AGA conducted Field Reconnaissance activities within the Area of Interest during the first quarter of 2009.

The Field Reconnaissance activities were conducted during daylight hours by teams of two individuals in automobiles and by foot as necessary and appropriate. Field notes were recorded on copies of assessor's parcel maps or other map resources, and included such items as the condition of primary structures capable of containing a major land use activity; the condition of public infrastructure including streets, curbs, gutters and sidewalks; inappropriate or conflicting land uses; indications of criminal activity such as graffiti; the general condition of neighborhoods; and land and building use data. The surveyors did not enter into the interiors of buildings and no conclusions regarding the conditions of interiors of buildings have been made. All notes and other data generated during Field Reconnaissance activities are incorporated herein by this reference and are on file at the offices of UFI and AGA.

In preparation for the assessment of physical Blight Indicators during the Field Reconnaissance, senior UFI staff have defined a set of 40 physical conditions determined to be adverse to the public health, safety and welfare ("Blight Indicators"), and derived from a review of the following sources:

- CCRL Section 33031(a) (physical) and (b) (economic);
- California Health and Safety Code Sections 14875 and 17920.3;
- California Vehicle Code Sections 23152 and 23153;
- California Penal Code Sections 191.5 and 192;
- The 1997 Uniform Housing Code;

A list of these 40 Blight Indicators was provided to the field team both as written definitions (see Appendix D) and as a catalog of photographs (see Appendix E) each of which shows a "minimum threshold" of severity for the appropriate Blight Indicator. A review of both Appendices D and E will show that the catalog of Blight Indicators is intended to provide a standard set of conditions and is not necessarily tailored to any specific community; consequently, the Blight Indicator photographs in Appendix E were not taken in the Area of Interest; however each photo referenced reflects a condition that may have been found in the Area of Interest during the UFI Field Reconnaissance. It should also be noted that if the field team did not find a case of any one or more of the 40 Blight Indicators, that Blight Indicator(s) would not be shown on the field reports or be reflected in this Feasibility Study.
During the Field Reconnaissance for physical Blight Indicators, the field team noted two types of information for each parcel within the Area of Interest: i) the primary and any secondary (if applicable) land uses for that parcel, and; ii) the specific Blight Indicator(s), if any, which met or exceeded the minimum defined thresholds described above. As appropriate certain Blight Indicator findings have been verified by City staff.

Appendix F provides a table of all Blight Indicators identified for each parcel located within the Area of Interest.

### 3.2.3 Professional Experience of Key Staff

Summaries of the qualifications of key staff members who participated in the Field Reconnaissance and/or subsequent review and analysis of data are provided below. This Feasibility Study including the Field Reconnaissance, was completed by UFI, and AGA staff under the direction of Mr. Jon Huffman, Managing Principal, UFI and Mr. Alonzo Pedrin, Principal, AGA, respectively. Other key participating professional UFI staff included Mr. Douglas P. Anderson, Managing Principal, Mr. Jung Seo, Planner, and Mr. Ryan Bensley, Planner. Participating professional AGA staff included Mr. James W. Wolf, CRE, Principal, and Mr. Ryan Early, Senior Research Associate.

**Urban Futures, Inc.**

Mr. Huffman holds a Bachelor of Architecture Degree from the University of Oregon, a Masters of Landscape Architecture Degree from the California State Polytechnic University, Pomona and Certificates in Real Estate Appraisal from the California State University, Fullerton, and has personally participated in over 80 field reconnaissances and managed over 175 redevelopment plan adoptions and amendments; he has been with UFI since 1987.

Mr. Anderson earned a Bachelor of Science Degree from San Diego State University in Business Administration, with a Finance emphasis, is responsible for the research and analysis necessary to structure tax allocation bond issues, including tax increment revenue projections and analysis of the revenue created by new development, and has led or assisted in the completion of 200+ tax allocation bond issues in his UFI tenure since 1985.

Mr. Seo holds a Bachelor of Engineering in Architecture and Urban Planning from the Handong University, South Korea, and a Masters in Planning from the University of Southern California, heads the Firm's GIS division, has participated in field reconnaissance activities, and is instrumental to preparing site analyses and GIS/fiscal projections for numerous redevelopment projects. Mr. Bensley holds a Bachelor of Arts Degree in Geography from the California State University, Long Beach, and has completed numerous field investigations for UFI and has over six years’ experience with municipalities in Southern California and the private real estate sector.
Alfred Gobar and Associates

Mr. Pedrin holds a Bachelor of Urban and Regional Planning from California State Polytechnic University, Pomona, a Masters of Business Administration from the University of California, Irvine, and has been the project manager and senior research analyst for numerous private and public sector studies since 1986. Mr. Wolf holds a Bachelor of Arts in Real Estate and Urban Planning from the University of Wisconsin, and has collected and analyzed data in the development of various residential, office, industrial, retail, hotel, recreational, and mixed-use feasibility studies since 1980. Mr. Early holds a Bachelor of Science Degree from the University of Oregon, and is directly responsible for field data collection, market research, data synthesis, and supplemental analysis for a variety of real estate consulting assignments.

UFI and AGA use their professional experience and expertise as identified above, and that of City staff and other professionals to derive reasonable and professionally defensible definitions of terms used in the CCRL (see Section 3.3.1 of this Feasibility Study), and subsequently test these definitions against the evidence gathered during the Field Reconnaissance and through examination of the secondary evidence. Such analysis might include: i) interpreting real estate trends, ii) determining necessity for effective redevelopment (based upon generally accepted urban planning and appraisal principles), iii) rationalizing apparently conflicting data, and iv) selecting comparable data sets of parcels from within the Area of Interest and the larger community.

3.3 METHODOLOGY USED TO ANALYZE THE DATA

3.3.1 Definitions of Blight Terminology Used in the CCRL

While SB 1206 has "clarified" certain definitions of blight, the CCRL still does not define the specific conditions which cause physical or economic blight through the use of any quantifiable metrics or minimum threshold conditions. Such core terms as "prevalent," "substantial," or "necessary for effective redevelopment" are not defined. Therefore, it becomes incumbent upon a city council to make its own determination as to how the "facts on the ground" do, or do not, fit definitions of these terms. For instance, CCRL Section 33031(a)(1) lists "dilapidation and deterioration" as one of the physical conditions that "may" cause physical blight. SB 1206 has stated how dilapidation and deterioration may be "caused" (through "long-term neglect, construction that is vulnerable to serious damage from seismic or geologic hazards, and faulty or inadequate water or sewer utilities"), but still does not state what, exactly, dilapidation and deterioration is. Nor, after an exhaustive document search, can any cohesive and specific definition be found in the planning or real estate literature.

The U.S. Census provides that "dilapidated housing does not provide safe and adequate shelter. It has one or more critical defects; or has a combination of intermediate defects in sufficient number to require extensive repair or rebuilding; or is of inadequate original construction. Critical defects result from continued neglect or indicate serious damage to the structure." Unfortunately, this definition was found in the 1960 Census (Series HC (3)-68, p. x) and has not been found in
subsequent census reports. UFI research has found countless "definitions" of deterioration, dilapidation or substandard, but none which provide a quantifiable and indisputable description of what makes a structure either deteriorated or dilapidated.

A dictionary definition of "dilapidation" is "to bring into a condition of decay or partial ruin"; "deterioration" means "the action or process of deteriorating" while "deteriorate" means "to become impaired in quality, functioning, or condition."10 Both definitions, as well as the Census definition, provide for: i) the potential that the deterioration or dilapidation might not be based upon any one condition, but rather a series of lesser conditions which together cause the condition ("partial," "impaired," "a combination of intermediate defects"), and ii) the exacerbating effect of these conditions over time ("to bring into," "to become," "continued neglect"). In fact, the State Legislature has clarified its intention that dilapidation and deterioration may be caused by "long-term neglect" in SB 1206. Therefore, it follows the State Legislature must have intended a "condition which causes blight" need not, by itself, be found to be "blight," but rather may be one of many conditions which, when added together, cause blight as defined in the CCRL.

For instance, chipped or peeling paint, per se, is not "blight" and a structure whose only deleterious condition is chipped or peeling paint would not be considered "blighted." However, chipped or peeling paint may be found in combination with a number of other, "conditions which cause blight" each of which, alone, might not be "blight."11 If a sufficient number of these conditions are found on one or more structures on a parcel, the legislative body of a community may appropriately find the parcel is blighted, unless it could also determine that private enterprise or governmental action, or both, would rectify this situation in a reasonable period of time. The point at which private enterprise or governmental action can no longer rectify a situation "without redevelopment" is the point at which a parcel is blighted pursuant to CCRL Section 33031 and is in an area which is blighted pursuant to CCRL Section 33030(b).

Furthermore, during the 2006 State Legislative Session, the State Legislature had an opportunity to adopt legislation which provided specific metrics to define blight, thereby taking away local discretion as to what "blight" actually meant. While the State Legislature modified certain descriptive statements in CCRL Section 33031 to further provide guidance to local legislative bodies (SB 1206), it specifically chose not to adopt hard standards or "metrics." Consequently, it remains the providence of the local legislature, using the vaguely descriptive terms found in the CCRL, to specifically find that an area is or is not a blighted area. It is, in short, up to each legislative body to examine the evidence before it to determine if the evidence, in its entirety, is sufficient for it to make a finding of blight.

As an example, CCRL Section 33030(b) defines a "blighted area" as a predominantly urbanized area in which "the combination of conditions set forth in Section 33031 is prevalent and substantial so that it causes a reduction of, or lack, of proper utilization of the area" which cannot be reversed or alleviated without redevelopment [italics added for emphasis].
3.3.2 Standard for Degree of Blight Indicators Measurement

Inasmuch as the CCRL contains no quantifiable thresholds with respect to the terms “prevalent” and “substantial,” UFI believes that it is reasonable to summarize conditions found within redevelopment project areas recently adopted by certain other California municipalities in order to give the Morro Bay City Council a sampling of recent projects for comparison purposes.

Within about the past three years, UFI has advised the cities of Redlands and McFarland regarding the adoption of new redevelopment project areas (McFarland represents what we believe is an extreme case, which serves only to fortify the blight standard ultimately proposed for use in Morro Bay). During the same time period, UFI also assisted redevelopment agencies in the communities of Galt and Wasco in amending their existing redevelopment project areas for the purpose of including additional territory. Each of these plan adoption/amendment projects (collectively the “Comparable Projects”) employed a methodology similar to the one used in preparing this Feasibility Study, and each received extensive scrutiny from an affected county and/or other affected taxing entity(s). Representative photos and a brief description of these recently adopted/amended redevelopment project areas are included herein as Appendix G.12

For purposes of this Feasibility Study, the substantial and prevalent threshold for blighted parcels in Morro Bay has been targeted to be at or near the average for the Comparable Projects discussed above and profiled in Figure 3 (number of blighted parcels at 29.5 percent and land area at about 20 percent). It is the opinion of UFI that if the percentage of parcels identified as having a high number of Blight Indicators in the Potential Project Area is comparable to the average of the Comparable Projects, an acceptable benchmark from which to consider subsequent steps in the redevelopment planning process has been achieved. As shown in Figure 4, the exclusion of the Power Plant from within the Potential Project Area boundary would significantly decrease the total area being proposed for inclusion, but would leave the percentage of blighted parcels virtually unchanged. When compared to the Comparable Projects, the total land area remains above the average, but the total number of parcels changed by only three tenths of one percent.

Under the methodology employed in this Feasibility Study, the requirement that a redevelopment project area include a degree of blight that is both substantial and prevalent is satisfied by including, at a minimum, those parcels which garnered at least twenty blight points and that exhibit at least one Blight Indicator totaling at least five points (see Section 3.3.4 for additional discussion regarding this aspect of the methodology) during the Field Reconnaissance. The total number of parcels assigned 20 or more blight points and overall acreage of the area is also considered.

The assignment of parcel specific blight “points” does not take into consideration area wide infrastructure deficiencies including those affecting sewer, water, drainage, or roadways. Consideration of these deficiencies in the delineation of a redevelopment project area under the employed methodology is discussed below. Vacant parcels are included in the percentage calculations.
The discussion in the balance of this Section 3.3 describes the methodology used to "quantify" deleterious conditions in a manner which would allow the legislative body to make findings of blight within the boundaries of the Potential Project Area pursuant to CCRL Section 33031.
Figure 3  Comparative Blight Analysis with Comparable Projects (Including Power Plant Site)
Figure 4  Comparative Blight Analysis with Comparable Projects (Excluding Power Plant Site)
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3.3.3 Methodology Used to Analyze Data Derived from the Field Reconnaissance

3.3.3.1 Blight Severity Weighting by Parcel

The first step in the process to analyze field data is to determine a level of severity for each Blight Indicator. In UFI's opinion not all Blight Indicators merit equal weight when determining whether a parcel actually exhibits conditions which cause blight. For instance, and as described above, under the methodology employed by UFI, a parcel with a structure whose only Blight Indicator is chipped or peeling paint would not be considered substantially "blighted"; conversely, a parcel with a structure whose only Blight Indicator is severely deteriorated exterior walls which could be in danger of imminent collapse could be considered substantially "blighted."

Additionally, it should be noted that a number of economic Blight Indicators (found in CCRL Section 33031(b)) are considered such only to the extent that they exist on more than one parcel in any given area. For instance, CCRL Section 33031(b)(3) lists "[a]bnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings," and CCRL Section 33031(b)(6) lists "excess of bars, liquor stores, or adult-oriented businesses that has resulted in significant public health, safety, or welfare problems" as indicators of economic conditions that cause blight. Therefore, while one bar or one retail establishment with a low lease rate presumably is not a condition that causes blight, the cumulative effect of a number of such conditions is considered to be such a condition, assuming the case can also be made that these conditions lead to problems of public safety and welfare.

To respond both to specific physical and economic conditions that cause blight and to the cumulative effect of a number of conditions which together cause blight, each of the 40 Blight Indicators is assigned one of five possible "values" by senior UFI staff. The "values" were assigned as described below.

There are four Blight Indicators whose presence on a parcel of land would, by itself, allow the City Council to make a finding that the specific parcel is substantially “blighted" (hereafter termed "Primary Blight Indicators"). These Primary Blight Indicators are identified in Appendices D and E as exterior structural walls which are deteriorated to such an extent they are likely to collapse and cause severe structural failure, functional obsolescence, incompatible land uses, and irregular parcelization.13

Senior UFI staff has identified a second series of ten Blight Indicators which are considered to be half as serious as the Primary Blight Indicators and, as such, are given a value which is half that given to the Primary Blight Indicators. Examples of these Blight Indicators found in Appendices D and E are: additions not permitted (ANPA), fire hazards (FH), garage conversion (not permitted [GC]), or inadequate or impaired access to building exits (IEX).

A third series of sixteen Blight Indicators is considered by UFI to be only a fourth as serious as the Primary Blight Indicators and, as such, are given a value of one quarter that given to the Primary Blight Indicator. Examples of these Blight
Indicators found in Appendices D and E are: apparent electrical hazards (AEH), occupied structures with one or more openings boarded up (BU), obstruction of the public right-of-way (OPR), or unsafe or missing stairways or walkways (UST).

A fourth series of nine Blight Indicators is considered to be only a tenth as serious as the Primary Blight Indicators and, as such, are given a value of one tenth that given to the Primary Blight Indicator. Examples of these Blight Indicators found in Appendices D and E are: defective outdoor walls or fences (FBW) and fenestration issues (FEN).

Finally there is one Blight Indicator, Inadequate Public Improvements (PUI) which, for two reasons, is not assigned any Blight Points. In the first place, CCRL Section 33030(c) does not specifically define a PUI condition as "blight." Secondly, the negative effects of inadequate public improvements do not necessarily accrue to any individual parcel, but rather to the block or neighborhood in which they are located.

After having established the relationships among the various importance levels of Blight Indicators, it becomes a matter of calculation to actually establish the values. In this particular case, any parcel which receives a total value of twenty or more points may, we believe, with one exception described below, be considered by a legislative body to be characterized by conditions that cause blight as that term is used in the CCRL. Consequently, the Primary Blight Indicators were assigned a value of twenty points by UFI, meaning that the presence of any one of the Primary Blight Indicators on any given parcel would be sufficient to allow the City Council to find that parcel to be blighted, as defined. In descending order, those Blight Indicators which were half as serious as the Primary Blight Indicators were assigned a value of ten points, the next series of Blight Indicators were assigned a value of five points, and the final series of Blight Indicators were assigned a value of two points, one tenth that of the Primary Blight Indicators.

However, it is not necessarily true that any parcel which accumulates ten of the least serious Blight Indicators would necessarily be found by a legislative body to be substantially blighted. Therefore, the employed methodology provides that, in order to be considered as a substantially blighted parcel, any such parcel must accumulate twenty points as described above and must contain at least one Blight Indicator which is valued at five or more points. While not considered substantially "blighted" under the methodology, parcels that were assigned Blight Indicator scores of between one and nineteen are parcels that have conditions that may contribute to the prevalence of blight within the neighborhood in which they are located.

Based upon information from the Field Reconnaissance, any one parcel may exhibit none of the 40 conditions or one or more of these 40 conditions. As previously stated, Appendix F identifies each parcel in the Area of Interest and all of the Blight Indicators attached to that parcel.

3.3.3.2 Blight Severity Weighting by Incompatible Uses

Enactment of SB 1206 significantly modified the definition of how an incompatible use can cause physical blight. Prior to January 1, 2007, CCRL Section
33031(a)(3) used to provide that incompatible uses could cause blight if they prevented "the economic development of those [incompatible] parcels or other portions of the project area." [Italics added] This definition provided that an incompatible use of, say Parcel A, which could be shown to cause the uneconomic development of Parcel B (where Parcel B could still conceivably be developed to a lesser intensity or use than otherwise allowed) would be a physical condition that caused blight. SB 1206 (2007) deleted the word "economic" from the definition of incompatible use. The legislature appears to have intended that, "incompatibility" is to be a condition which causes blight only if it could be shown that one of the incompatible land uses had no development at all; i.e., was an undeveloped parcel. Consequently, UFI has assigned an "incompatible use" code only to parcels which are: i) incompatible with the neighborhood; and ii) which are adjacent to one or more undeveloped parcels under separate ownership.

3.3.3.3 Blight Severity Weighting by Irregular Parcelization

This condition of blight relates to the difficulty of providing for rationalized development where there are irregular lots, under separate ownership, which cannot be developed as a whole. This situation occurs when these irregularly formed lots have been sold to various individuals, each of whom retains his/her own property rights to develop when and how she/he wishes, subject only to municipal regulation and his/her perceptions of value. The potential for this condition to "hamstring" cohesive development/redevelopment patterns could significantly affect redevelopment plan implementation.

3.3.3.4 Blight Severity Weighting: Conclusion

The employed methodology provides that structures on parcels which have received at least twenty blight points and exhibit one Blight Indicator totaling at least five points might be found by the legislative body to exhibit physical deterioration or are otherwise substandard or are functionally obsolete and are unsafe or unhealthy for persons to live or work in. As discussed earlier, these structures generate negative influences on neighboring properties (external obsolescence), which may or may not demonstrate on-site blight indicators, so that the values of these adjacent or nearby properties are negatively affected by their proximity to these structures. Per the employed methodology, all these conditions allow a legislative body to make findings of project area blight.  

3.3.4 Methodology Used to Determine Urbanization, Blight, and Necessity

3.3.4.1 Methodology to Establish Urbanization (Foundation Level)

For a potential project area to qualify for redevelopment the City Council would have to determine that the area is "predominantly urbanized" as that term is defined in pertinent sections of the CCRL. The methodology used to determine "urbanization" is quite straightforward and consists of identifying the land use for each parcel as a task undertaken during Field Reconnaissance. This information is then analyzed by UFI staff to generate a series of tables describing the land uses and how each land use category is either an "urban use" as defined in the CCRL, or is not. Since urbanization is a prerequisite condition of any successful action to adopt a redevelopment project area, it is considered the "foundation"
finding necessary to create a redevelopment project area. A review of Figure 2 above illustrates this concept.

3.3.4.2 Methodology to Establish Blight (Layers 1 and 2)

Determining that a portion of a community is blighted is not an easy task for at least two reasons: i) the definition of a blighted area is not specifically provided in the CCRL, and ii) appellate court decisions have found fault with: (a) the "conclusionary" nature of the discussion found in the documents under appellate review upon which legislative bodies have relied to make findings of blight, (b) an insufficient amount of such blight evidenced in the proposed project area, and (c) the apparent "boilerplate" nature of the assertions made in the evidentiary material.

It therefore becomes incumbent upon each respective legislative body to carefully and expressly identify the specific conditions which, together, negatively affect a proposed redevelopment project area to the degree specified by law so that it can find that, together, they are prevalent and substantial, and they place an undue burden on the community. In order to be in the position to do this, the legislative body must have before it a thorough and complete record, more objective than subjective, more analytical than anecdotal, whose conclusions are drawn from an objective analysis of the evidentiary record and not, to paraphrase one appellate court finding, from the consultant's word processor.

As such, this Feasibility Study has identified a threshold standard which the City Council might employ in the future in order to make the finding required by the CCRL that the incidence of blight within a potential project area is prevalent and substantial (refer to Sections 3.3.1 and 3.3.2 for further discussion regarding this threshold).

3.3.4.3 Methodology to Establish Necessity for Effective Redevelopment (Layer 3)

While results of the Layer 1 and 2 blight analyses described above would probably allow a legislative body to determine the existence of blight for most of a potential project area, the case remains that there may be certain parcels, or more probably groups of parcels which, as discussed earlier in this study, neither exhibit parcel specific deleterious conditions uncovered in the Field Reconnaissance or subsequent parcel data analysis. If it can be shown that these parcels or groups of parcels are "necessary for effective redevelopment," they may be included within a project area even if they do not exhibit a substantial number of Blight Indicators or are not affected by area wide sewer and water utility inadequacies. Such parcels may be found to be necessary for effective redevelopment if their exclusion would add an undue burden on the ability of the redevelopment agency to:

- Plan for and implement its programs in an effective and efficient fashion (a determination which the legislative body would make based upon the professional advice from consultants and its own staff); and
- Provide for low- or moderate-income housing and/or the provision of areas for appropriate relocation of uses displaced in furtherance of the redevelopment plan (determinations which the legislative body would make based upon its own political considerations as well as professional advice from consultants and its own staff).
Consequently, identifying such parcels is more a process of applying and articulating professional expertise in a specific context than analyzing data and drawing conclusions (please reference Section 6.0 of this Feasibility Study for further discussion and identification of parcels necessary for effective redevelopment).
4.0 **URBANIZATION ANALYSIS**

In order to adopt a redevelopment plan, the City Council must determine the Potential Project Area is "predominantly urbanized" as that term is defined in CCRL Section 33320.1(b). Current land uses identified by the Field Reconnaissance within the Area of Interest are shown in Figure 5. Table 1 below provides an acreage breakdown of current land uses identified within the Area of Interest.

A redevelopment project area is "predominantly urbanized" if 80 percent or more of the territory contained within it meets at least one of the two tests set forth in CCRL Section 33320.1(b). These "tests" are described below.

<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>EXISTING LAND USE ACREAGES IN THE AREA OF INTEREST</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LAND USES</strong></td>
<td><strong>AREA OF INTEREST</strong></td>
</tr>
<tr>
<td>Single-Family Residential</td>
<td></td>
</tr>
<tr>
<td>Multi-Family Residential</td>
<td></td>
</tr>
<tr>
<td>Condominium</td>
<td></td>
</tr>
<tr>
<td>Residential/Commercial</td>
<td></td>
</tr>
<tr>
<td>Mobile Home Park</td>
<td></td>
</tr>
<tr>
<td>Commercial/Industrial</td>
<td></td>
</tr>
<tr>
<td>Retail Commercial</td>
<td></td>
</tr>
<tr>
<td>Office Commercial</td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td></td>
</tr>
<tr>
<td>Quasi-Public</td>
<td></td>
</tr>
<tr>
<td>Halted Construction$^{18}$</td>
<td></td>
</tr>
<tr>
<td>Previously Urbanized</td>
<td></td>
</tr>
<tr>
<td>Vacant (undeveloped)</td>
<td></td>
</tr>
<tr>
<td>Public Rights-of-Way$^{19}$</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
</tr>
</tbody>
</table>

All acreages are approximate.

4.1 **URBAN USE TEST**

A parcel of land meets the "urban use" test if it "has been or is developed for urban uses" (CCRL Section 33320.1(b)(1)). With the exception of the vacant (undeveloped) land use designation, those uses identified in Table 1 and shown in Figure 5 can be classified as "urban" uses for purposes of the CCRL without any further consideration. In the Area of Interest, these uses total approximately 575 acres.
The field team found evidence of previous urban development on approximately one acre within the Area of Interest. Evidence typically includes abandoned buildings when buildings are standing, existing foundations of buildings which had previously been demolished, or curb cuts which indicate previous vehicular access to private property.

Altogether, of the approximately 627 acres in the Area of Interest, approximately 576 acres (or 92 percent) have been or are developed for urban uses and require no further consideration.

### 4.2 INTEGRAL PART TEST

A vacant parcel meets the "integral part" test if it is "an integral part of one or more areas developed for urban uses that are surrounded or substantially surrounded by parcels that have been or are developed for urban uses" (CCRL Section 33320.1(b)(2)).

Figure 6 identifies all parcels in the Area of Interest which are a part of "one or more areas developed for urban use" and are therefore "integral." A comparison of Figures 5 and 6 will show that, with one exception, all of the vacant parcels in the Area of Interest are "integral" parcels.

There are approximately 33 acres in the Area of Interest which are an integral part of an urban area although not developed or previously developed for urban uses.

### 4.3 SUMMARY OF URBANIZATION ANALYSIS

As shown in Figure 6, the entire Area of Interest (with the exception of one parcel) would comply with one (or both) of the tests in CCRL Section 33320.1(b); therefore, virtually all of the Area of Interest could be found to be predominantly "urbanized" as that term is defined in CCRL Section 33320.1(b) and used in CCRL Section 33320.1(a).
Figure 5  Existing Land Use Map
Figure 6  Urbanization Analysis Map
5.0 INTRODUCTION OF THE POTENTIAL PROJECT AREA AND DESCRIPTION OF IDENTIFIED PHYSICAL AND ECONOMIC CONDITIONS

5.1 INTRODUCTION OF THE POTENTIAL PROJECT AREA

Figure 7 shows the location of parcels within the Area of Interest that were found to exhibit a high number of Blight Points based upon the methodology employed in this Study. Review of this Figure shows that in many instances these parcels are generally located in fairly close proximity to one another. With some exceptions, when the 100 foot external obsolescence ring (see additional discussion regarding external obsolescence in Appendix H) is overlaid on each designated parcel as shown in Figure 8, it becomes evident that there are actually clusters of blight impacted parcels within the Area of Interest.

Based upon UFI’s experience concerning the establishment of redevelopment project areas and consideration of the Comparable Projects analysis presented earlier in this Study, it is our most conservative opinion that these parcel clusters are the most likely portions of the Area of Interest to qualify for inclusion within a potential redevelopment project area because: i) the percentage of parcels with a high number of Blight Indicators within the clusters is comparable to or exceeds the threshold average for prevalence of blighted parcels (and/or total land area) established in the Comparable Projects analysis; ii) the impacts of external obsolescence (100 foot ring) appear to be most consistent within this portion of the Area of Interest; and iii) identified infrastructure deficiencies affecting sewer, water, drainage, and circulation systems, and the location of integral part parcels all further support the inclusion of these parcel clusters; UFI has therefore, designated these areas as the Potential Project Area (Figures 7 and 8).

A description of the physical blight conditions identified within the entire Area of Interest is provided below along with a comparative analysis regarding the prevalence of blighting conditions specific to the Potential Project Area. A summary photographic description of the Potential Project Area and Other Surveyed Areas is included herewith as Appendix I.

5.2 PHYSICAL CONDITIONS DESCRIBED

The purpose of this section is to describe the existing physical conditions as provided for in CCRL Section 33031(a) within the Area of Interest. Information contained in this Section could be used by the City Council to determine whether any portion of the Area of Interest exhibits prevalent and substantial conditions of physical blight and would therefore potentially qualify for inclusion within a potential project area (pursuant to CCRL Section 33030(b)(1)).
Figure 7 Preliminary Blight Summary Map
Figure 8 Impact of External Obsolescence
5.2.1 Buildings in which it is Unsafe or Unhealthy for Persons to Live or Work

Deteriorated buildings are considered to be unhealthy or unsafe for persons to live and work in to the extent such conditions are caused by serious building code violations, serious dilapidation and deterioration caused by long-term neglect, construction that is vulnerable to serious damage from seismic or geologic hazards, and faulty or inadequate water or sewer utilities and, as such, constitute a physical condition that causes blight in accordance with CCRL Section 33031(a)(1). Such buildings suffer some form of physical deterioration which is dangerous to inhabitants; peeling paint is often lead-based and dangerous to the health of occupants (especially given the age of buildings involved); hazardous electrical wiring is a serious fire or shock hazard; leaking roofs, cracks around windows and doors, cracked plaster and loose joints all potentially lead to bodily injury, illness, or, in extreme cases, death. Cracked and/or poorly designed windows are an obvious indication of an unhealthful environment; boarded up windows do not provide the light and ventilation which, ever since the late 1800s, have been understood to be necessary for healthy living and working conditions.

The State Legislature at CCRL Section 33031(a) has found that serious dilapidation and deterioration is one of the "physical conditions that cause blight" and that such conditions, when present, cause buildings to be "unsafe or unhealthy for persons to live or work". Inasmuch as State law provides the nexus between deterioration and dilapidation, and unhealthy and unsafe conditions, one of the conditions causing blight, evidence of such deterioration and dilapidation will, in and of itself, be evidence of blight, although the discussion included in Appendix D additionally draws the direct link between observed conditions and how those conditions result in buildings that are unsafe or unhealthy to live or work. Since this section discusses those blighting factors in the built environment which make buildings unsafe or unhealthy for persons to live or work, the emphasis will be on the effects that serious deteriorated and dilapidated building conditions have on human health and safety, and not on how they negatively affect the built environment. Consequently, discussion of physical blight in this section is limited to its effect on human habitation.

As described above in Section 3 of this Feasibility Study, evidence of "unsafe and unhealthy buildings" has been assembled through the Field Reconnaissance and the analysis of the blighting indicators on each parcel in the Area of Interest. This analysis is discussed below.

5.2.1.1 Lead-Based Paint and Asbestos

According to the Centers for Disease Control, between 83 and 86 percent of all homes built prior to 1978 in the U.S. contain lead-based paint. In addition, a study of public buildings by the State of California Department of Health Services revealed that 83 percent of structures built before 1976 contain bulk-material asbestos. Information regarding the health hazards associated with asbestos and lead-based paint exposure is included herewith as Appendix J.
A review of U.S. Census data for the five block groups which most closely coincide with the boundaries of the Area of Interest reveals that approximately 37 percent of the structures located within these block groups were constructed in or before 1979.21 The Census data is aggregated in a manner which does not permit the precise number of structures within the Area of Interest (as well as the exact year in which each structure was built) to be determined. Nevertheless, it is reasonable to conclude that, as shown in Figure 9, about 31 percent of the structures located within the Area of Interest (83 percent of the structures built in or before 1979) are potential sources for exposure to lead-based paint and asbestos because they were constructed prior to the abolition of these building materials. The EPA also estimates that 24 percent of properties with lead-based paint are likely to have contaminated soil; as shown in Figure 9, this would suggest that approximately seven percent of the properties located within the Area of Interest also have soil contamination problems.

The presence of lead-based paint and asbestos frequently limits the ability of property owners to expand, modernize, or otherwise rehabilitate their structures because of the high costs typically involved with maintenance, or removal and disposal of these hazardous materials. The costs to alleviate the health and safety risks related to asbestos, lead-based paint, and other such materials are approaching a national average of $10,000 per structure.22

![Figure 9](image_url)

**FIGURE 9**

PRESENCE OF ASBESTOS AND LEAD-BASED PAINT IN AREA OF INTEREST STRUCTURES

1 This figure shows the statistical probability that structures within the Area of Interest contain asbestos and/or lead-based paint. Source: U.S. Census Bureau, Census 2000 Summary File.
5.2.1.2 Serious Building Code Violations

Specific Blight Indicators relating to serious building code violations found on each parcel in the Area of Interest are identified in Appendix F.23

As shown in Figure 10, the field team identified a small percentage of parcels in the Area of Interest which exhibited indications of serious building code violations.

5.2.1.3 Serious Dilapidation and Deterioration

Cumulative and deleterious effects of wear and tear on a structure over time are exhibited in many ways. Specific Blight Indicators relating to "Deterioration" identified on each parcel in the Area of Interest are identified in Appendix F.24

The percentage of parcels on which the field team identified conditions which indicate serious dilapidation and deterioration in the Area of Interest is shown in Figure 11. The Field Reconnaissance identified the most prevalent conditions which indicate serious dilapidation and deterioration in the Area of Interest to be paint-related issues (P), deteriorated secondary structures (SS), overgrown vegetation (OV), and unsafe stairways or walkways (UST).
These conditions are identified and defined in Appendix D. The Field Reconnaissance did not identify any structure with deteriorated exterior support walls (ESW) or structures that were boarded and occupied (BO) in the Area of Interest; as such this Blight Indicator is not represented in the Figure.
Of the 469 individual parcels in the Potential Project Area, 185 parcels (39 percent of all parcels) exhibited one or more indications of long-term structural dilapidation or deterioration discussed in this subsection compared with 19 percent of all parcels in the Other Surveyed Areas.

5.2.1.4 Construction that is Vulnerable to Serious Damage

Unsafe and unhealthy conditions can also be found on properties where inadequate construction or certain alterations create conditions of blight. Specific Blight Indicators relating to construction vulnerable to serious damage that were observed on each parcel in the Area of Interest are identified in Appendix F.25

The percentage of parcels in which the field team identified conditions which are indicative of construction that is vulnerable to serious damage in the Area of Interest is shown in Figure 12. The Field Reconnaissance identified the most prevalent conditions which indicate construction that is vulnerable to serious damage in the Area of Interest to be unsafe stairs or walkways (UST), inadequate building exits (IEX), faulty construction materials (FCM), and unreinforced masonry buildings (UM).
These conditions are identified and defined in Appendix D. The Field Reconnaissance did not identify any structure with deteriorated exterior support walls (ESW) in the Area of Interest; as such this Blight Indicator is not represented in the Figure.
Of the 469 individual parcels in the Potential Project Area, 97 parcels (21 percent of all parcels) exhibited one or more indications of construction vulnerable to serious damage discussed in this subsection. By comparison, eight percent of all parcels in the Other Surveyed Areas exhibited one or more indications of poor construction, as discussed above.

5.2.1.5 Faulty or Inadequate Water or Sewer Utilities

Buildings may become “unsafe or unhealthy” if they are not properly served by specific public utilities. Under current law, the legislature has limited the relevant public utilities to water and sewer services. A number of areas within the Area of Interest are affected by such faulty utilities to some degree. The location of these faulty or inadequate water or sewer utilities and lists of need repairs/improvements and related costs are shown in Figure 13.

Sewer Deficiencies

The City’s wastewater collection system includes over 40 miles of pipe ranging in diameter from four-inch force mains to eighteen-inch gravity transmission lines. The majority of the collection system pipe material is vitrified clay pipe with portions of poly-vinyl chloride, cast iron pipe, asbestos cement pipe, and ductile iron pipe. It is estimated that the original piping in portions of the collection system dates back to the early 1920’s, with replacement and upgrades completed as needed. Wastewater collection lines were installed in large sections of the City during the 1950s.

City staff report that many of the lines in the City’s wastewater collection system are in poor condition or are nearing the end of their useful life and will need to be replaced in coming years. The City’s budget has been strained for the greater part of the last decade as a result of fiscal impacts related to the partial shutdown of the Morro Bay Power Plant and other reasons. According to City staff budget cuts have forced the City to complete only emergency repairs to its wastewater collection system and defer all other repairs and improvements until funding sources become available. Also, according to City staff, “significant investment” will be required in order to remedy the deficiencies currently affecting the City’s wastewater collection system, some of which are located within the Area of Interest.

The City’s wastewater collection system also suffers from deficiencies in one of its pump and lift stations. City staff convey that Lift Station 2, which is located near the bay on the Embarcadero, is at risk for coastal flooding and, as currently configured, requires that City crews service the pump equipment on a nearly weekly basis which represents a costly maintenance schedule.

Although many of the needed improvements included in this list are related to the replacement of aging and deteriorated collection lines in the Area of Interest, this list also includes improvements to Lift Station 2, and the replacement of a major trunk line which is shared with the Cayucos Sanitary District. The location of these needed improvements is also shown in Figure 13.
Figure 13  Faulty or Inadequate Water and Sewer Utilities Map
City staff note that portions of the City’s collection system, particularly those located on the north side of the City (above Highway 41), are subject to accelerated deterioration due to the presence of expansive soils in this section of the City. Accordingly, the majority of the sewer repairs identified as Improvement No. S-10 in Figure 13, are expected to be undertaken in that portion of the Area of Interest located to the north of Highway 41.

**Water Deficiencies**

The City operates a water distribution system comprised of six hydraulic pressure zones, five storage tank sites, three booster stations, one main pressure-regulator, and receives water supply from two well fields, the Morro and Chorro Basin Wells. The City has also received water supplied by the State Water Project since 1997. In general, the water system is operated in two main sub-areas. The northern sub-area (Blanca, Elena, and Nutmeg Zones) is supplied by the Morro Basin Wells. The southern sub-area (Upper Kings, Lower Kings, and Ridgeway Zones) is supplied by the Chorro Basin Wells and receive State Water at the Upper Kings Tanks. The City also owns a seawater desalination plant which is operated only on a back-up basis during periods of severe drought conditions or other water emergencies (such as the annual three-week shutdown of the State Water Project).

Providing adequate fire flow protection is an important aspect of the City’s water distribution system because it directly affects the ability of the City’s fire department to extinguish structural fires. The City conducted a comprehensive review of critical structures (schools, restaurants, major industrial and commercial uses, and places of worship) throughout its water service area in 1992 and established fire flow requirements for each of these structures. The City’s 1997 Water Master Plan Update (the “Water Master Plan”) subsequently concluded that portions of the Morro Bay water system were unable to supply fire flow levels consistent with the standards set forth earlier in the decade. Some of the deficiencies identified previously in the Water Master Plan still exist in the Area of Interest.

According to City Staff, expansive soils in the northern part of the City have also helped to cause premature a deterioration and/or line failures in many of the City’s water mains in this area. (This condition affects neighborhoods located both inside and outside the boundaries of the Area of Interest and poses a serious concern to City officials).

**Sewer System Deficiencies Considered as a Basis for Extended Potential Project Area**

Trunk line sewer (or water) system deficiencies are not identifiable on a parcel specific basis (CCRL Section 33031(a)(1)), and as such have been used to fortify other, parcel specific Blight Indicator findings (CCRL Section 33030(c); this is similar to the way inadequate public improvements are factored into the physical blight analysis. Nevertheless, it might be suggested that the severity of the existing sewer system deficiencies affecting the portion of the Area of Interest northeast of Highway 41, and north of Highway 1, (see Figure 14) is great enough that they should be categorized under the CCRL Section 33031(a)(1) definition and that alone this deficiency could define substantial and prevalent physical blight. In the
opinion of UFI the level of severity could not independently support the inclusion of the larger area within the Potential Project Area, or a smaller geography, because i) an assessment of sewer system stoppages over a period of 10 years suggests that many stoppage problems are not associated with the trunk line, but were identified by officials as specific homeowner issues (see Figure 15 for location); ii) as shown on Figure 16, including the additional parcels severely dilutes the blight point average when compared to the Comparable Projects or the Potential Project Area; and iii) total identified water system deficiencies are limited and actually affect only limited portions of the Potential Project Area as otherwise defined.

The entire Area of Interest (as well as the remainder of the City and the surrounding community of Cayucos) is served by the Morro Bay-Cayucos Wastewater Treatment Plant, which is currently undergoing an eight-year upgrade to replace many of its major treatment components. However, the eight-year upgrade is ongoing (completion anticipated by March 2014), and the majority of the funds required to complete the projected $25 million upgrade are expected to be provided by sewer rate increases. In UFI’s opinion, the need for upgrades to the treatment plant does not represent a sewer system deficiency necessitating inclusion of a larger portion of the entire Area of Interest within the Potential Project Area. Nevertheless, deficiencies identified within this section can be coupled with other inadequate public improvements and parcel specific Blight Indicators to fortify the required blight findings vis-a-vis the Potential Project Area or possibly some marginally larger area.

Notwithstanding issues discussed above it is permissible for an agency to address infrastructure deficiencies outside a redevelopment project area if findings are made that the improvements are of benefit to the project area.

5.2.2 Conditions that Prevent or Substantially Hinder the Viable Use or Capacity of Buildings or Lots

The physical blight caused by structures of substandard, defective or obsolete design or construction is caused by many of the same conditions as those which make these same buildings unsafe or unhealthy for persons to live or work in (see Appendix D). A "substandard" or "defective" structure will be substandard or deficient specifically because, for instance, electrical hazards, deteriorated exterior structural support walls, or non-permitted garage conversions make it substandard or deficient or because its design is either substandard in and of itself or has become obsolete due to changing demands or requirements.

Because conditions identified in CCRL Section 33031(a)(2) are, in many ways, similar to those identified in CCRL Section 33031(a)(1), much of the information used in this section has previously been addressed. The evidence here is used to show its negative impact on the viable use of buildings and land parcels rather than its negative impact on human health and safety. Specific Blight Indicators relating to conditions that prevent or hinder the viable use or capacity of buildings or lots identified on each parcel in the Area of Interest are identified in Appendix F.33 34

The percentage of parcels in which the field team identified conditions that prevent or substantial hinder the viable use or capacity of buildings or lots in the Area of Interest is shown in Figure 17. The Field Reconnaissance identified the most
prevalent of these conditions to be deteriorated/absent private infrastructure (PRI), poor site layout (PSL), poor quality construction (PQ), and inoperable vehicles (IV).
Figure 14  Map Showing Extended Potential Project Area
Figure 15  Map Showing Locations of Sewer Stoppages
Figure 16  Graph Showing Comparative Blight Analysis with Extended Potential Project Area
These conditions are identified and defined in Appendix D. The Field Reconnaissance did not identify any structures with deteriorated exterior support walls (ESW) or inadequate loading or docking facilities (ILD) in the Area of Interest; as such these Blight Indicators are not represented in this Figure.
Of the 469 individual parcels in the Potential Project Area, 230 parcels (49 percent of all parcels) contained one or more conditions that prevent or substantially hinder the viable use or capacity of buildings or lots, as described in Appendix D. By comparison, the Field Reconnaissance identified one or more such conditions on approximately 22 percent of the parcels located within the Other Surveyed Areas.

5.2.3 **Adjacent or Nearby Incompatible Land Uses that Prevent the Development of those Parcels**

CCRL Section 33031(a)(3) recognizes “adjacent or nearby incompatible land uses,” but stipulates that incompatible land uses must “prevent the development of [nearby] parcels or other portions of the project area.”

Given current CCRL provisions regarding this Blight Indicator, the presence of adjacent or nearby incompatible land uses does not appear to represent a significant physical blight consideration anywhere in the Area of Interest.

5.2.4 **The Existence of Irregular, Subdivided Lots in Multiple Ownership Whose Physical Development Has Been Impaired Given Present Conditions**

CCRL Section 33031(a)(4) provides that a physical condition which causes blight consists of subdivided lots which are in multiple ownership and whose physical development has been impaired by their irregular shape and size, given present general plan and zoning standards, and present market conditions.

There are a limited number of vacant parcels within the Area of Interest and many of them are smaller residential lots located in residential neighborhoods. However, a review of the General Plan and Zoning Ordinance does not suggest that any of these parcels are unable to be developed because they are inadequately sized or shaped, based on development standards contained within the General Plan or Zoning Ordinance.

5.2.5 **Physical Blight Related to the Presence of the Morro Bay Power Plant Facility and Related Issues**

The Morro Bay Power Plant facility occupies a prominent location near Morro Rock and has long been closely tied to the community with regard to both its economic and visual prominence. It is now common knowledge that the more than 50 year old monolithic industrial facility is nearing the end of its useful life, and that its presence inhibits the City’s ability to more fully maximize the potential of its coastal environmental assets.

The Field Reconnaissance conducted by UFI identified a number of Blight Indicators on the two parcels that contain the Power Plant facility. Based upon the methodology employed within this Study, these parcels garnered about 50 blight points, a total which exceeds the number required for a parcel to be considered substantially blighted. Of the conditions defined in CCRL Section 33030(a)(2), the Blight Indicator of greatest importance in this case appears to be functional obsolescence. The facility, which was constructed in the 1950s, depends on systems that are now considered obsolete by the modern power industry. According to documents reviewed by UFI and AGA, and information gathered
during conversations with City staff, the facility uses inefficient natural gas-fired steam boilers to generate electricity and cools its generators through the use of a once-through cooling water intake system, an inefficient process which requires the facility to draw a large volume of seawater from the Morro Bay estuary on a nearly constant basis. The modern power industry also considers once-through cooling systems to be an obsolete technology because, unlike recently-developed “green” power sources (solar, wind and geothermal power), they affect significant, and now considered unacceptable, damage to marine life by impingement and entrainment caused by required water cooling process intake and output functions.

City Officials and past and current owners of the Power Plant have been engaged in efforts to demolish and replace the existing plant with a more efficient, less visually obtrusive, and environmentally-friendlier facility for more than a decade. Many of the negative aesthetic impacts and inefficiencies of the Power Plant are recognized in a non-binding memorandum of understanding (MOU) signed in 2000 by the City and Duke Energy Morro Bay LLC (Duke), the former owners of the Power Plant. The principle purpose of the MOU was to ensure that Duke agreed to enter into a legally binding commitment to “retire, dismantle and remove the existing [Power] Plant, including all three 450 foot stacks and the turbine/boiler building” by a date certain. The MOU also required the replacement of the existing Power Plant with a facility which is “physically smaller” and “located farther from the City’s waterfront.” The existence of this MOU (including a specific timeframe for the retirement and demolition of the facility) helps to provide clear and substantial evidence that the Power Plant is functionally obsolete. Further evidence of the inefficiency and obsolescence of the Power Plant vis-à-vis today’s industry performance standards is apparent in the decision by its current owners, Dynegy, to limit power generation at the facility to approximately five percent of its total output capacity.

Years after the MOU was crafted it remains unclear whether Dynegy intends to move forward with the proposal to modernize the Power Plant. In fact, today there are several factors that are likely to have a significant bearing on decisions regarding future disposition and re-use of the Power Plant site that are not controllable by Dynegy, and that give further evidence of functional obsolescence. These include: i) proposed State legislation (Senate Bill 42; SB 42) which would prohibit power plants on the California coast from using once-through cooling systems;36 ii) a recent U.S. Supreme Court decision regarding once-through cooling and the federal Clean Water Act; and iii) the presence of hazardous substances on-site (a Phase II Environmental Site Assessment Report previously conducted at the Power Plant site identified a number of soil and groundwater contaminants [total petroleum hydrocarbons, total extractable hydrocarbons, volatile organic compounds, polyaromatic hydrocarbons, metals, and asbestos] and noted that additional hazardous substances could be identified following the removal of the six oil storage tanks on the property), and related remediation costs (should the City Council elect to move forward with the redevelopment planning process, the Agency could elect to use authority codified under Chapter 4, Article 12.5 of the CCRL [the “Polanco Redevelopment Act”37] to facilitate remediation activities).

It also remains unclear whether the continued use of once-through cooling at the Power Plant will violate Section 316(b) of the federal Clean Water Act, which
requires power plants to use the best technology available (BTA) to avoid adverse impacts to the aquatic environment. The most recent U.S. Supreme Court decision regarding this issue ruled that the use of a cost-benefit analysis is not expressly prohibited when determining the BTA for an existing power plant. In this regard officials have determined that the cost of a dry cooling system is far too high and cannot be justified when compared to the preferred habitat enhancement program option.

In the event that SB 42 becomes law, the Power Plant’s structures and systems, which are currently functionally obsolete, would also become legally obsolete. It is therefore reasonable to conclude that the passage of SB 42 would force decommissioning of the Power Plant.

5.2.6 Summary of Physical Blight Conditions Identified in the Potential Project Area

Pursuant to the methodology employed in this Feasibility Study, in order for a parcel to be considered substantially “blighted”, it will exhibit two conditions with reference to the twenty-point scale: i) the parcel must exhibit at least one Blight Indicator which reaches a level of seriousness to equal at least five points, and ii) the parcel must exhibit a sufficient number of Blight Indicators so that the combined total equals at least twenty points (refer to Section 3.3.3 for a full explanation regarding this methodology). Based upon the employed methodology, the City Council might find that a substantial and prevalent amount of physical blight exists on those parcels in the Potential Project Area which are shown in Figure 18. One hundred and thirty-two (132) of the 469 parcels (approximately 28 percent of such parcels) and 169 acres of 250 parcelized acres (68 percent of such developable acres) in the Potential Project Area exhibit a substantial number of physical Blight Indicators. Inasmuch as the percentage of substantially blighted parcels in the Potential Project Area (about 28 percent) is proximate to the threshold standard established in this Feasibility Study (29.5%; the Comparable Projects), the City Council might make the finding that the incidence of physical blighting conditions in the Potential Project Area is both prevalent and substantial.

5.3 ECONOMIC CONDITIONS DESCRIBED

The purpose of this section is to describe and evaluate existing economic conditions within an Area of Interest and Potential Project Area to determine if current conditions indicate the presence of economic blight as recognized under CCRL provisions. Economic conditions known to cause “blight” are explicitly defined in the Health and Safety Code and to a great extent involve the following social and economic circumstances within a given area:

- Depreciated or Stagnant Property Value
- Poverty and Residential Overcrowding
- Adequacy of Commercial Facilities
- Public Safety and Crime
Figure 18  Blight Summary Map
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In contrast to the many physical attributes of blight, related economic circumstances may not be as readily evident from a visual inspection of the area under investigation. Such economic circumstances, nonetheless, contribute to an environment that can effectively create economic dislocation or diminish efforts undertaken by private entities or the local government agency.

This section discusses economic conditions describing the Area of Interest and Potential Project Area to determine whether such circumstances are so prevalent and substantial that they reduce asset utilization to such a level that constitutes an economic burden on the community. This section also determines whether identified circumstances are so prevalent and substantial within the Potential Project Area that the burden imposed cannot be reasonably expected to be reversed or alleviated by independent or cooperative efforts of private enterprise or local government, without redevelopment. A unique component of this investigation is the special consideration given to the influence of visitor activity in the community and the related economic dynamics associated with this visitor activity as detailed in Appendix K-11.

For this investigation, AGA utilized a variety of data sources including address-specific/parcel-specific data (retail-commercial facilities, retail-commercial vacancies, Police dispatches, and single-family property sales) to exactly replicate the area of investigation and Census Block Group data (poverty and overcrowding statistics) which closely replicates the area of investigation.

### 5.3.1 Depreciated and Stagnant Property Values

Economic dislocation in real estate occurs when property resources in an area fail to attract market interest and investment that otherwise benefits similar property resources in the surrounding area. Economic dislocation in an area is generally evident whenever local property values experience absolute decline, continue to lag, or fail to keep pace with values being supported by similar kinds of property in the surrounding area. The cause and severity of such dislocation is often complex and can be driven by a diversity of factors, such as dilapidated or technically obsolete buildings, ill-configured or undersized lots, local crime problems, circulation or parking problems, discovery of hazardous materials, etc. Regardless of the root cause, depreciated or stagnant property values are an indicator of economic blight.

With respect to this economic blight analysis, the blight evaluation of property value trends is based on a comparison of transacted values reported within the Potential Project Area against the corresponding value of similar land use in a relevant surrounding market area setting – in this case, coastal communities spanning an area from Cambria to Grover Beach. This comparative analysis considers reported values over a defined period to determine if improved property within the Potential Project Area suffers from depreciated values or continues to lag behind benchmark values in the surrounding market area. Due to factors that create a wide variation in real estate improvement value (size of home, floor-area-ratio, architectural design and finish materials, etc.), sales data is compared in terms of the value per square foot of transacted land area (as distinct from land and improvement value combined). Land value is a common measure of “utility” measured from many alternate buyer perspectives (site yield, land residual, highest and best use, etc.).
Transacted land values are compared according to distinct classes of land use (residential, commercial, vacant land, etc.). The comparative analysis relies on electronic appraisal data compiled by First American Real Estate Solutions, a prominent purveyor of recorded real estate transaction data commonly used in connection with conventional market studies and property appraisals.

The Potential Project Area includes a diverse mix of land use including residential, retail, office, and industrial activity. The comparison timeframe used to gauge market value typically covers a period of 12 to 24 months. For purpose of this analysis, a period of 28 months was selected due to a limited amount of resale activity within the Potential Project Area. The selected period remains of short enough duration to minimize distortions associated with the widespread market decline that began to erode property values since the end of 2006.

Optimally, sufficient sales comps can be found for the numerous forms of land use that comprise the Potential Project Area. An initial tabulation of extensive data records did not generate enough sales comps to objectively evaluate retail, office, or industrial land use within the Potential Project Area against other surrounding coastal communities. The analysis of property value conditions is, therefore, limited to a comparison of single-family residential property. A total of 2,913 single-family sales transactions were initially downloaded for comparison, a number of which were eliminated due to either incomplete data or unrealistic price per square foot values when compared against analogous sales comparables. This culling-down process netted 1,996 complete and defensible sales comparables utilized in this investigation.

Appendix K-1 summarizes annual and year-to-date resale activity involving single-family residential properties within the Potential Project Area, surrounding coastal communities (investigated by City ZIP Code boundaries), and the overall region – City ZIP Code areas plus areas comprising the balance of this region. Identified are the number of sales transactions, the average land price, average lot size, and average price paid per square foot of land area by data reference – 2007, 2008, and year-to-date (April 23) 2009. Also shown are absolute and percentage differences that distinguish property sales within the Potential Project Area from similar property sales in surrounding coastal communities. As shown, there were a very limited number of single-family sales transactions (nine total) within the Potential Project Area over the last 28 months. By comparison, the comparably high volume of transactions in other coastal communities provides an excellent pool of sales comps to establish defensible benchmark references (lot size, sale price, etc.) to be compared to the Potential Project Area sales comparables.

The data in Appendix K-1 indicates the average per square foot land value of single-family property within the Potential Project Area decreased 21.1 percent from 2007 to 2008, nearly double the percentage decline in land value observed across the entire base of sales comparables – 12.1 percent. The Citywide decrease in land value (on a size-adjusted basis) between 2007 and 2008 (14.0 percent) coincides with value declines observed for six of the seven coastal communities investigated. Of the coastal communities which experienced a decline in single-family land value between 2007 and 2008, these declines varied from 1.8 percent (Cayucos) to 27.9 percent (Grover Beach); an average decline of 19.1 percent. These value losses were offset by an increase in land value
observed in Oceano where single-family land values actually increased 10.4 percent from 2007 (an average single-family land value of $73.16 per square foot) to 2008 (an average single-family land value of $80.79 per square foot).

While the absence of 2009 single-family sales comparables within the Potential Project Area negates comparisons to surrounding coastal communities, it should be noted that land values declined throughout the Morro Bay area by 19.6 percent in contrast to an overall decline of only 5.6 percent across the entire base of sales comparables. The statistics in Appendix K-1 indicate that five of the seven coastal communities experienced a decline in single-family land value from 2008 to year-to-date 2009 declines from 14.8 percent (San Luis Obispo) to 30.2 percent (Oceano). In contrast, two coastal communities Grover Beach and Cambria experienced land values increases in 2009 of 5.2 percent and 32.2 percent, respectively.

Appendix K-2 displays time series pricing trends for each of the seven coastal communities investigated from January 2007 through April 23, 2009. The downward pricing line indicated for the Potential Project Area through December 2008 closely replicates the downward slope for most competing coastal communities, the exception involving the pricing line for Oceano, the only upward sloping pricing line.

Appendix K-3 isolates land value by lot size for each of the seven coastal communities along with a separate breakout of the nine sales comparables located within the Potential Project Area. With minor exception, lot values associated with single-family sales transactions within the Potential Project Area have generally involved price per square foot land values below comparably-sized lots in competing coastal communities, with the exception of Grover Beach, the latter impacted by the lowest price per square foot lot values of the seven coastal communities investigated over the last 28 months. In contrast, single-family lot values in Cayucos command a considerable price premium in relation to comparably-sized lots for each of the six competing coastal communities.

5.3.2 Poverty and Residential Overcrowding

5.3.2.1 Prevalence of Poverty

Poverty reflects a structural economic deficiency that affects nearly every community to various degrees. Poverty conditions tend to breed disincentives for market-driven investment and limit economic growth of individual households, the resident community, and local businesses. When poverty conditions are prevalent, economic objectives of households and businesses face inordinate challenges. Increased risk of failure faces individual households that undertake property improvements (i.e., home repair, home remodeling, etc.) because a disproportionate number of surrounding households lack financial resources to respond in like manner. Property improvement by local merchants and landlords (i.e., property maintenance, center/store remodeling, etc.) also face increased risk of failure often because the effort is not echoed by enough adjoining businesses to have meaningful long-term impact in the community. When poverty conditions are prevalent, risk of inadequate commercial facilities is elevated because a disproportionate share of households lack the financial resources to support
business investments aimed at providing products and services needed in the community (such as consumer merchandise, personal services, health insurance, banking and financial services, etc.).

The U.S. Bureau of Census is one of the two federal agencies that calculate poverty income levels (the U.S. Department of Health and Human Services prepares similar calculations) to determine the number of American households living in poverty. The Census prepares poverty income calculations and utilizes such calculations to provide a comprehensive assessment of poverty households as part of the decennial Census. The poverty level is determined from a nationwide survey, without adjustment for geographic differences, and in 2000 ranged (on a weighted average basis) from $8,794 per year for a single-person household to $17,603 per year for a four-person household. Due to the rigid method used to calculate poverty since the late 1950’s and shifting patterns of household consumption for staple products, most experts contend that today’s poverty level households face more adverse economic challenges than earlier poverty households [Economic Policy Institute-FAQ].

The methodology used to evaluate conditions of poverty and overcrowding is summarized as follows. Poverty data describing the Potential Project Area households is based on the 2000 Census – latest comprehensive data describing household poverty and overcrowding. Poverty and overcrowding Census data is reported according to Block Groups – the smallest geographic reporting unit used to measure conditions endemic of the individual Census Blocks being grouped together. Each sub-area of the Potential Project Area and Census Block Group are compared to select the closest physical match possible for analysis.

Based on 2000 Census data summarized in Appendix K-4, roughly 16.3 percent of the Potential Project Area households lived in poverty conditions in 2000 compared to 13.2 percent of households throughout the City of Morro Bay and 11.8 percent of households throughout San Luis Obispo County. The data in Appendix K-indicates the proportion of poverty level households within the Potential Project Area is approximately 1.24 times greater than is true for the City overall and 1.38 times greater than is true for the County. Further review of the data also indicates that a disproportionate share of poverty-level households in the Potential Project Area involves “non-family” households (either an adult living alone or with a group of unrelated persons). Non-family households account for 73.0 percent of impoverished households in the Potential Project Area (11.9 percent divided by 16.3 percent) versus 67.4 percent of impoverished households throughout the City of Morro Bay and 63.6 percent throughout San Luis Obispo County.

The prevalence of poverty is particularly evident when the age structure of residents detailed in Appendix K-4 is considered. The proportion of Potential Project Area children and teenagers (those under eighteen years) impacted by poverty conditions is greater than that of the City of Morro Bay. About 23.7 percent of poverty-stricken residents throughout the Potential Project Area are under eighteen years of age versus 19.0 percent of poverty-stricken residents throughout the City of Morro Bay and 20.9 percent for the County. These factors indicate that the Potential Project Area has a higher proportion of “high risk” children and teenagers living in poverty. As a result, there exists a significant risk that children and teenagers are more likely to be influenced or impacted by unemployment, illicit
drug activity, truancy, loitering, petty crime, abuse, gang-related activity, and other byproducts of poverty and social displacement that contribute to crime and public safety problems.

Appendix K-5 provides a graphic comparison of the proportion of Potential Project Area household residents that live below the poverty level and at alternate income levels described as a ratio of the poverty level income in relation to poverty level households throughout the City and County. As shown, residents within households reporting income levels below the poverty level constitute a higher proportion of the total population within the Potential Project Area than is true for the City or County. On a combined basis, the number of Potential Project Area residents living below the poverty level is 1.2 times the rate describing the City at large. In contrast, the proportion of Potential Project Area residents within households reporting income at least 2.0 times the poverty level is lower than the representative share for the City. These factors clearly suggest that an above-average share of Potential Project Area households lack the financial resources necessary for real property maintenance or to undertake household activities (transportation, medical, educational, cultural, etc.) conducive to a quality standard of living and creating opportunities for socio-economic advancement.

5.3.2.2 Prevalence of Overcrowding

The economic health of the Potential Project Area can be affected by overcrowded conditions in the same manner economic dislocation resulting from poverty impacts an area. Overcrowding reflects a structural economic deficiency that affects nearly every community to various degrees. Overcrowded housing conditions tend to fuel disincentives for market-driven investment and limit economic growth of individual households, the resident community as a whole, and even local businesses. Residential overcrowding is widely recognized as an important housing problem, and per room density of people (persons per habitable room – PPR) reflects a common standard used to measure the incidence of overcrowding. Habitable rooms are recognized to include bedrooms, living rooms, dining rooms, etc., but exclude kitchens, baths, hallways, and garages.

CCRL Section 33031(b)(5) cites overcrowding as an economic condition indicative of blight. The particular PPR standard used to measure overcrowding has changed over time. The conventional standard applied by local and federal governments in 1940 was 2.00 PPR, but it was lowered to 1.50 PPR by 1950 and down to 1.00 PPR in 1960. [Journal of the American Planning Association, v. 62 (Winter ’96) p. 66-84] The U.S. Department of Housing and Urban Development currently defines “overcrowding” as housing that has more than 1.00 PPR and “severe overcrowding” as housing with more than 1.50 PPR. A prevalence of overcrowded housing conditions is also indicative of individuals and families who are economically disadvantaged and more likely to be exposed and/or impacted by social challenges (unemployment, alcohol and substance abuse, crime, truancy, language and literacy deficiencies, etc.) that contribute to blight within a local environment.

The methodology used to evaluate conditions of overcrowding is summarized as follows. Data describing Potential Project Area households is based on the 2000 Census – latest comprehensive data describing household overcrowding for non-
standardized Census geographies. Overcrowding data is reported by the Census according to Block Groups – the smallest geographic reporting unit used to measure conditions endemic of the individual Census Blocks being grouped together. Distinct sub-areas that make up residential portions of the Potential Project Area and Census Block Groups are compared to select the best-fit physical match possible for analysis. The physical alignment and overlap of Block Group and the Potential Project Area boundaries are evaluated to determine the extent conditions that describe all Block Group households are indicative of study area conditions.

Appendix K-6 provides a detailed comparison of household occupancy in the Potential Project Area, benchmarked against the City of Morro Bay, and San Luis Obispo County. Described is the proportionate mix of households according to distinct levels of occupancy per habitable room and by type of tenure. For all occupied housing (both owner and renter households), the proportion of overcrowded Potential Project Area households with 1.01 PPR and higher (7.2 percent) is 1.3 times higher than the City of Morro Bay (5.5 percent) and San Luis Obispo County (5.4 percent). By comparison, the proportion of severely-overcrowded households throughout the Potential Project Area as defined by a ratio of 1.5 PPR or higher (4.3 percent) is 1.2 times higher than the corresponding representation of severe overcrowding in the City of Morro Bay (3.6 percent) and nearly 1.5 times higher than San Luis Obispo County (2.9 percent).

Homeownership is a significant factor that contributes to social and economic stability within a community and fosters long-term potential for discretionary household investment in the maintenance and care of property. The level-payment structure that characterizes traditional long-term mortgages generally enables moderate-income homeowner households to redirect future income to either improve property, add living space, or redirect accumulated equity into a larger home. Overcrowded and severely-overcrowded living conditions present logistics problems associated with overutilization of available space and heavy use of furnishings, fixtures, and equipment that can limit a homeowner’s ability to undertake significant improvement, maintenance, and repair projects. The share of Potential Project Area homeowner households that suffer from overcrowded living conditions (2.2 percent) is about 1.6 times the level that is true for corresponding households throughout the City of Morro Bay (1.4 percent) but lower than the overall level describing San Luis Obispo County (2.8 percent), which is significantly affected by the student enrollment population of California State Polytechnic University – San Luis Obispo (Cal-Poly).

Neighborhoods with a heavy mix of renter households (including the Potential Project Area) tend to host a transient population base, which most often demands a higher level of police protection service. In addition, landowner maintenance of property tends to erode in neighborhoods heavily dominated by low-income renter households. Renters are much more prone to crowding than are owners. [Myers, Dowell.; Baer, William C.; Choi, Seong-Youn. 1996 The Changing Problem of Overcrowded Housing. Journal of American Planning Association., v.62 (Winter ’96) p. 66-84]. Renter-occupied housing accounts for 49.1 percent of all occupied housing in the Potential Project Area. The overall share of renter-occupied housing units in the Potential Project Area is 1.1 times higher than is true for the City of Morro Bay (44.5 percent) and 1.3 times higher than the County (38.5
percent). In addition, the relatively high incidence of renter households within the Potential Project Area is also affected by an incidence of overcrowding (4.0 percent) that is 1.3 times higher than is true of the City of Morro Bay overall. The incidence of renter-household overcrowding within the Potential Project Area is lower than is true for the County overall due to the influence of Cal-Poly student enrollment and off-campus housing. By contrast, the incidence of severely overcrowded renter households within the Potential Project Area (8.5 percent) is 1.14 times higher than is true for the City (7.5 percent) and 1.6 times higher than is true for San Luis Obispo County (5.3 percent).

Appendix K-7 provides a graphic comparison of overall household occupancy (owner and renter households combined) within the Potential Project Area, the City of Morro Bay, and San Luis Obispo County according to the alternate number of occupants per room across all occupied dwelling units. As shown, the share of overcrowded households (1.01 to 1.50 occupants per habitable room) and severely-overcrowded households (1.51 or more occupants per habitable room) does not account for a substantial share of all occupied housing but is higher in the Potential Project Area than is true for the City and County.

### 5.3.3 Adequacy of Commercial Facilities

Retail-commercial facilities constitute an important business vital to the consumer needs of a community. Whether or not retail-commercial facilities within the Potential Project Area adequately serve consumer need is influenced by a multitude of factors including the type of retail facilities within the Potential Project Area and corresponding merchandising strength of retailers, to name a few. In addition, the operating performance of existing retail-commercial facilities within the Potential Project Area may reflect a broader set of challenges facing Morro Bay and its ability to adequately serve the needs of community residents. Factors recognized under the CCRL that indicate existing retail-commercial facilities are inadequate include abnormally high vacancy rates, abnormally low lease rates, high number of abandoned buildings, and serious lack of adequate commercial facilities to serve adjacent neighborhoods.

#### 5.3.3.1 Serious Lack of Adequate retail Commercial Facilities

Retail-commercial adequacy, measured in terms of the ability to serve the needs of consumers residing within a relevant trade area, is not only defined by the number of storefronts that are represented but also the competitive strength of retail merchandisers occupying existing storefront locations. A retail-commercial business plagued by weak sales performance strongly suggests the retailer may lack sufficient floor space, offer inferior products or services, or is not otherwise able to effectively merchandise in a way that appeals to consumer needs and preferences. When the retail-commercial base of a community includes several weak retailers, the capacity to adequately serve community residents is weakened and potential sales are lost to other retail-commercial facilities in the surrounding area.

Morro Bay presents a unique challenge in assessing the adequacy of retail-commercial facilities. The community’s strong visitor orientation and corresponding influx of visitors certainly benefits elements of the community’s retail base but can also mask deficiencies that limit the ability to adequately serve the day-to-day
consumption needs of community residents. A significant lack of adequate retail-commercial facilities may plague the community and Potential Project Area, particularly if the City’s retail sector is characterized by a proliferation of retail activities primarily geared toward serving the leisure-oriented purchase demands of visitors. In this regard, existing retail-commercial facilities may not be characterized by a serious lack of storefronts represented but lack of effective retailers able to adequately serve the resident population, once the visitor population is taken into account.

The City of Morro Bay hosts approximately 10,350 permanent residents. This modest population base also constitutes the principal pool of consumers demanding goods and services to satisfy day-to-day consumption needs. The City of Morro Bay also plays host to a year-round influx of visitors, including day-visitors and overnight visitors attracted to the community for its scenic estuaries, landmark rock outcropping, working harbor, and its pleasant seaside atmosphere. Overall, sales performance of the City’s retail sector is a reflection of both the resident and visitor elements of consumer support.

In 2007, overall sales performance describing the City’s retail sector was equal to $120.4 million in taxable sales. Appendix K-8 provides comparison and contrast of sales performance describing major store type activities within the City of Morro Bay and other relevant reference areas including the City of San Luis Obispo, County of San Luis Obispo, and State of California. Sales performance for each area is described in terms of the per capita equivalent level of sales (total sales divided by the area’s population base), and average sales per establishment (total sales divided by the number of establishment permits in the area). Per capita sales provides a useful means of gauging how effective a City’s retail sector is in attracting the consumer support of its resident population. Sales per establishment is useful in determining if a City’s retail sector is dominated by weak or strong retailers or may by suffering from an oversupply of competing retailers.

With regard to per capita sales, a measure of the effective support from community residents and visitors combined, the City’s retail sector appears quite strong in many areas. Compared to San Luis Obispo County and State of California, the level of per capita sales in Morro Bay is extraordinarily high for food stores, eating and drinking establishments, service stations, and other specialty stores. Consequently, the 2007 level of overall per capita sales in Morro Bay ($11,447 per capita) was higher than the County ($11,374 per capita) and State ($10,206 per capita) but still trailed the City of San Luis Obispo ($23,821 per capita), the latter benefited by its dominant historical role as a commercial hub serving resident consumers and visitors throughout the surrounding region.

The profile of Morro Bay’s retail sector does not appear as strong when evaluated in terms of average sales per establishment. Overall, the 2007 level of sales per establishment ($421,000 per year) was substantially lower than the County ($781,000 per year) and State ($822,000 per year). Store type activities with particularly weak per establishment sales performance include apparel stores, general merchandise stores, home furnishing-electronics-appliance stores, auto dealerships, and other specialty retail stores. Overnight visitor activity within Morro Bay fluctuates substantially between the peak-season months of July and August and the low-season months of January and February. A large base of shops is
needed to accommodate the peak season rush of visitors but similarly dictates a large share of establishments remain closed or operate on a limited schedule during the low season. Retailers’ interest in capitalizing on the significant ramp-up in retail sales volume during the peak tourist season has contributed to a comparably high representation of retail establishments on a per capita basis, as summarized below in Table 2:

### Table 2

<table>
<thead>
<tr>
<th>Type of Retail Establishment</th>
<th>SLO County 2007</th>
<th>SLO City 2007</th>
<th>Morro Bay 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel Stores</td>
<td>1.11</td>
<td>2.04</td>
<td>1.90</td>
</tr>
<tr>
<td>General Merchandise</td>
<td>0.31</td>
<td>0.45</td>
<td>0.86</td>
</tr>
<tr>
<td>Drug Stores</td>
<td>0.13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food Stores</td>
<td>0.58</td>
<td>0.74</td>
<td>1.24</td>
</tr>
<tr>
<td>Packaged Liquor Stores</td>
<td>0.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eating and Drinking Stores</td>
<td>3.01</td>
<td>4.19</td>
<td>5.99</td>
</tr>
<tr>
<td>Home Furnishings and Appliances</td>
<td>1.05</td>
<td>1.66</td>
<td>1.52</td>
</tr>
<tr>
<td>Building Materials and Farm Impl.</td>
<td>0.96</td>
<td>0.67</td>
<td></td>
</tr>
<tr>
<td>Auto Dealers and Auto Supplies</td>
<td>0.84</td>
<td>1.41</td>
<td>1.14</td>
</tr>
<tr>
<td>Service Stations</td>
<td>0.40</td>
<td>0.54</td>
<td>0.76</td>
</tr>
<tr>
<td>Other Retail Stores</td>
<td>5.87</td>
<td>8.03</td>
<td>13.11</td>
</tr>
<tr>
<td>All Retail Stores</td>
<td>14.56</td>
<td>19.73</td>
<td>27.18</td>
</tr>
</tbody>
</table>

Source: California State Board of Equalization; California Department of Finance.

While a number of these businesses would prefer to cease operations during the low season, this luxury is rarely available in a bricks and mortar retail setting where multi-year lease agreements are typically required. A more common practice is reduced operation hours during the low season, a practice which results in lower annualized sales per establishment, particularly during non-peak operating periods.

Effective sales performance over time provides another measure of strengths or weaknesses that may exist within the City’s retail sector. Appendix K-9 tracks constant dollar (inflation adjusted) sales trends over the latest five-year period (2003 to 2007) based on special tabulations provided by the State Board of Equalization (SBOE). All five years are not identified for some store-type activities because the SBOE suppresses sales data that may disclose confidential operating information (i.e., sales involving only a limited number of merchants within a particular category). A review of tabulated data indicates that overall retail sales during the last five years has been relatively flat or declining, when adjusted for inflation (inflation adjustments based on changes in purchase-specific consumer price indexing). Retail store type activities experiencing an effective decline over the last five years include food stores (-4.88 percent per year), home furnishings-electronics-appliances (-2.57 percent per year), auto dealer and supplies (-7.16 percent per year), and other specialty retail (-3.26 percent per year). Service station sales fluctuated within a set range between 2003 and 2006 but jumped significantly in 2007 as a result of rising fuel cost. Sales at the City’s apparel
stores and eating and drinking establishments have risen consistently over the latest five-year period.

A conventional analysis of sales leakage, without adjustment for sales support from a recurring visitor population, is summarized in Appendix K-10. The analysis considers the City of Morro Bay and San Luis Obispo County and identifies the corresponding inflow and outflow of retail sales potential, depending on whether or not the level of 2007 taxable sales realized is above or below a corresponding level used to describe expenditure potential of the resident population. Without adjustment for the influx of visitor spending, the analysis suggests the City’s retail sector has been able to attract an inflow of overall sales at a level that exceeds what should be expected given its population of about 10,500 residents. The annual inflow is equal to approximately $13.0 million a year or 12.2 percent above indicated potential. A similar level of overall retail inflow is also indicated for San Luis Obispo County. This analysis also indicates that the store type activities generating the largest inflow of sales support (on a percentage basis) to the City of Morro Bay include food stores (124 percent inflow), eating and drinking establishments (133 percent), and service stations (124 percent).

The above discussion paints a mixed picture about the adequacy of the City’s retail sector. Overall existing stores pull in more overall sales support than would be expected for a town of about 10,500 inhabitants, but Morro Bay is more than an isolated community of residents. The net inflow of taxable sales ($13.0 million per year) largely results from the sales performance describing two store-type activities. The inflow of sales support generated by eating and drinking establishment equates to $19.1 million a year, while the corresponding inflow from service stations is equal to $16.3 million per year. Without the strong sales performance of these two store-type activities, overall taxable sales would amount to $85.1 million per year, about $22.3 million below indicated potential for the City of Morro Bay. In addition, the two strongest store-type activities in the community are closely associated with visitor travel and related travel and leisure spending.

**Visitor Based Spending Influence**

To more accurately determine if the City’s retail sector is adequately serving the day-to-day consumption needs of its residents, it is useful to identify the extent visitors contribute to overall sales performance in Morro Bay. A directed analysis of tourism-based visitation and corresponding visitor spending activity within Morro Bay is detailed in Appendix K-11. In 2007 Morro Bay’s visitor population exceeded an estimated 1.44 million day-tripper, overnight lodger and camping visitors. Retail spending by visitors at city-based establishments was equal to nearly $41.0 million in 2007 or 34.0 percent of total retail sales activity as summarized in Table 3:
### Table 3
**Estimated Visitor Spending as Share of Taxable Retail Sales – 2007**

<table>
<thead>
<tr>
<th>Store Type Activity</th>
<th>Total Taxable Sales</th>
<th>Visitor-Driven Taxable Sales</th>
<th>Visitor Share of City Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel Stores</td>
<td>$4,780</td>
<td>$2,817</td>
<td>59%</td>
</tr>
<tr>
<td>General Merchandise</td>
<td>7,434</td>
<td>2,191</td>
<td>29%</td>
</tr>
<tr>
<td>Drug Stores</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food Stores</td>
<td>14,011</td>
<td>2,837</td>
<td>20%</td>
</tr>
<tr>
<td>Packaged Liquor Stores</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eating and Drinking Stores</td>
<td>33,506</td>
<td>19,250</td>
<td>57%</td>
</tr>
<tr>
<td>Home Furnish/Elect/Appl.</td>
<td>4,782</td>
<td></td>
<td>Neg’l</td>
</tr>
<tr>
<td>Building Materials</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto Dealers and Auto Parts</td>
<td>2,919</td>
<td></td>
<td>Neg’l</td>
</tr>
<tr>
<td>Service Stations</td>
<td>29,388</td>
<td>6,668</td>
<td>23%</td>
</tr>
<tr>
<td>Other Retail Stores</td>
<td>23,628</td>
<td>6,963</td>
<td>29%</td>
</tr>
<tr>
<td>All Retail Stores</td>
<td>$120,448</td>
<td>$40,726</td>
<td>34%</td>
</tr>
</tbody>
</table>

Note: Visitor-driven taxable retail sales excludes spending on accommodations and has been further adjusted to exclude non-taxable food and drug items.

*Source:* State Board of Equalization - Special Tabulations; Alfred Gobar Associates.

### Retail-Commercial Adequacy (Visitor Adjusted)

Appendix K-12 summarizes an alternate analysis of sales leakage for the City of Morro Bay. The alternate analysis deducts that portion of overall taxable retail sales attributed to visitor spending during 2007. Excluding visitor spending, overall taxable sales that reflects support by community residents amounted to approximately $79.7 million in 2007. The corresponding level of potential support remains at $107.4 million (the sales level that should be achieved based on the number of inhabitants). After adjusting for sales support from the annual influx of visitors, the City’s retail sector suffers an outflow of roughly $27.7 million, or 26 percent of overall potential.

Store-type activities evaluated in Appendix K-12 generally fall into three groups: sales activities that continue to attract a significant inflow of support; activities whose sales are roughly on par with the resident population served; and activities seriously failing to serve local consumption need as indicated by a significant outflow of potential. A significant inflow of sales support continues for food stores ($4.9 million per year) and service stations ($9.7 million per year), most likely from surrounding rural area enclaves to the east and north. Effective sales performance describing City dining establishments and home furnishings-electronics-appliance stores is within three percentage points of the theoretical tipping point used to determine if consumer needs have been adequately served. The store-type activities identified above likely do not suffer from a serious lack of commercial adequacy, even if the available selection of storefronts may appear limited to local residents.
In terms of store-type activities that fail to adequately satisfy consumption needs, it is very unlikely the outflow of auto dealer sales support ($15.4 million per year) can be reversed given the difficulties facing the auto industry and small size of Morro Bay’s population base. By contrast, three retail store-type activities that closely align with day-to-day consumption needs of community residents are experiencing a significant outflow (loss) of support and include apparel ($3.8 million per year), general merchandise ($11.4 million per year), and other specialty retail ($11.5 million per year). The above findings do indicate that under-performing retail establishments represented among these three retail store-type activities contribute to a serious lack of retail-commercial facilities needed to serve the community.

**Retail-Commercial Facilities in the Potential Project Area**

Alfred Gobar Associates conducted an in-field audit of existing retail-commercial facilities in the Morro Bay “Area of Interest” and the “Potential Project Area” in March 2009 as part of its portion of the Field Reconnaissance. The purpose of the field audit is to identify the supply of existing retail-commercial facilities in order to determine if conditions endemic to the larger retail sector of Morro Bay likely exist within each of the two defined areas. Appendix K-13 summarizes the general results of the field audit conducted as part of the AGA Field Reconnaissance. In all, about 330 storefronts representing 710,000 square feet of retail commercial space currently exists within the Area of Interest. Of this total, the Potential Project Area accounts for 103 storefronts and approximately 282,000 square feet of retail-commercial floor space.

The Area of Interest entails virtually the entire base of existing retail facilities within the City of Morro Bay, with the exception of retail-commercial facilities along the Embarcadero north of Surf Street and south of Pacific Avenue. In fact, the number of establishments classified as retail merchandisers (the predominant retail sales tax generating store group) during the AGA Field Reconnaissance (187 retail storefronts) exceeds the corresponding number reported by the SBOE (138 permit establishments) in 2007. By comparison, the Potential Project Area accounts for 31 percent of retail merchandising storefronts within the overall Area of Interest and 42 percent of corresponding floor space. The Potential Project Area makes up a significant portion of retail facilities within the City of Morro Bay and most likely suffers many of the same low sales performance problems contributing to the City’s net outflow of $27.7 million a year in potential sales support.

Appendix K-14 illustrates a bar graph comparison of the mix of occupied retail-commercial storefronts audited within the Potential Project Area and the Area of Interests, and summarizes the mix according to 11 store-group categories. The bar graph also illustrates the corresponding mix of storefronts that typifies a contemporary neighborhood-community retail center or district, based on a large sampling of retailers as reported in the Urban Land Institute – 2006 Dollars and Cents of Shopping Centers. Store group categories identified in the bar graph are further distinguished in terms of businesses engaged in the sale of retail products (core sales tax generating activity); businesses engaged in providing consumer-business services (incidental sales tax generating activity); and businesses engaged in professional practices and other non-retail office services (negligible sales tax generating activity).
As shown in Appendix K-14, the Potential Project Area is distinguished by a significant lack of apparel, general merchandise, drug, food and grocery, and eating & drinking establishments in comparison to the storefront mix that typifies a retail-commercial district that serves a neighborhood-community environment. By contrast, the Potential Project Area has a particular heavy mix of home furnishings, home improvement, automotive repair, and miscellaneous business-consumer service establishments (hair salons, pet grooming, upholstery, rental centers, etc.). The storefront mix within the Potential Project Area reflects the range of retail options available to immediately adjacent neighborhoods.

Appendix K-15 provides a similar comparison with respect to the amount of occupied floor space. Again, the Potential Project Area has a relative deficiency of occupied floor space directed to meet day-to-day consumption needs such as drug and sundry items, and food and groceries. There is also a substantial lack of floor space being utilized for the sale of apparel, general merchandise, and specialty retail products. A relative absence among these five store type activities necessitates driving into the central area of Morro Bay and is a likely factor contributing to the significant outflow of sales support for apparel, general merchandise, and specialty retail products.

Appendix K-15 also illustrates that a relatively large share of occupied floor space in the Potential Project Area is directed to the sale of home furnishings, home improvement and building products, automotive repair and maintenance services, business-consumer services, and non-retail activities (tax accounting, office-based functions, real estate, etc.). Retail floor space occupied for business-consumer and non-retail activities amounts to more than 25 percent of total occupied floor space and effectively limits the role of the Potential Project Area as an attractive retail option for adjacent residents. Business activities of limited retail focus rarely account for more than 10 percent of total occupied floor space within competitive retail districts that adequately serve their respective trade area setting. The Potential Project Area hosts a relatively limited supply of retail establishments geared to serve day-to-day purchase needs of local residents. In addition, this limited supply is scattered amongst non-retail establishments which greatly increases the convenience and appeal of alternate retail choices located within a more cohesive retail setting such as the downtown area of Morro Bay, anchored-retail centers along Quintana Road, or surrounding area communities.

5.3.3.2 Abnormally High Vacancy

Potential Project Area

The Field Reconnaissance of retail-commercial facilities identified the following vacancy rate for the Area of Interest (effective proxy for the City) and Potential Project Area as summarized in Table 4:
The effective vacancy rate within the Potential Project Area is equal to 10.3 percent. By comparison, the vacancy rate for the overall Area of Interest (which includes the Potential Project Area) is 7.8 percent. If the retail floor base of the Potential Project Area is removed from the Area of Interest, the disproportionately high vacancy rate that prevails within the Potential Project Area becomes clear. The effective vacancy rate within the Potential Project Area (10.3 percent) is nearly 1.7 times higher than is true for all other areas of the Morro Bay community (6.1 percent). Nationally, retail vacancy rates have been on the rise due to the adverse affects the recession is having on consumer spending. Similarly, retail vacancy rates characterizing many major West Coast have also been affected by the retrenchment in consumer spending. Vacancy rates generally describing West Coast retail markets offer a reasonable point of reference to assess the vacancy rate within the City and Potential Project Area. Current vacancy describing the major West Coast markets compares closely with all areas of Morro Bay outside of the Potential Project Area, based on the National Association of Realtors retail report for First Quarter 2009. Key retail vacancy rates for surrounding West Coast markets are summarized below in Table 5:

In comparison to the rate that characterizes the above major-metro retail markets, vacancy within the Potential Project Area is abnormally high.
Morro Bay Harbor

Within the context of research directed to the Area of Interest, special consideration was given to the economic challenges that have plagued the local fishing industry and what impact low fishing yields may be having on vacancies within the Harbor. As part of the Field Reconnaissance, AGA met with the Harbor Director to review factors that have created economic hardship among the local fishing fleet. Under the authority of a State Tidelands Grant, the Morro Bay Harbor District (Harbor District) is tasked with increasing public access to the coastal waterway and marine habitat in a manner that also preserves and protects the sensitive environment of the harbor and estuary. The broad service directive of the Harbor District can be generally described in terms of the two major areas of focus—recreational interests of the public and commercial interests of the fishing industry.

District programming in support of the fishing industry primarily focuses on providing facilities (piers, moorings, ice equipment, etc.) needed to support the local fleet and other marine-based natural resource industries. Due to increased regulation, the yield from area fisheries has seen a dramatic drop threatening the very livelihood of the fishing industry. Despite the decline in yield and corresponding hardship, there is a structural shortage of mooring and pier facilities along the Central California coast. This longstanding shortage has served to create an excess level of demand in relation to the limited number of facilities that exist. The Harbor District invested over $1.0 million several years ago for a new ice machine on a leasable pier landing. After a period of difficulty, the pier landing was eventually leased. Fishing regulation has taken a toll on the local fleet and related operations, and has served to diminish excess demand that has historically existed but has not led to significant vacancy of commercial fishing facilities.

District programming in support of recreational interests has been served through the installment and maintenance of several boating facilities and through 35 commercial ground leases along the Embarcadero. A structural shortage of recreational slips and moorings along the Central California coast remains, despite the current economic downtown. In addition, the Harbor District has not suffered any recent defaults on payment due under its ground lease arrangements. The Harbor District ground lease reflects a long-term agreement that permits an investor to construct retail facilities on a designated site which in turn are leased out to retail establishments along the Embarcadero. Terms of the ground lease ensure that the Harbor District receives minimum payments, based on underlying value of the improved lease area, plus participation in operating revenue of the retail businesses leasing space from the holder of the ground lease. Several retail buildings along the Embarcadero Area were measured as part of the AGA Field Reconnaissance. Of the 86,650 square feet audited, only 3,530 square feet was vacant and equates to a vacancy rate of 4.1 percent.

Morro Bay Power Plant

The presence of the Morro Bay Power Plant has been described as an inhibiting factor in Morro Bay’s ability to maximize its capture of tourists (and related tourism revenue).
Several factors indicate economic blight conditions currently exist at the Power Plant, the most significant of which are described below:

**Plant Utilization:** Despite the absence of physical and mechanical constraints, the Plant has operated at an exceptionally low capacity for each of the last four years for which operating statistics were available 2003 through 2006 an average plant capacity of only 4.0 percent, or approximately 83.4 percent below the operating performance of comparable coastal power plants over this same timeframe, as illustrated below in Figure 19:

![Coastal Power Plants With Once-Through Cooling](image)

**Source:** California Energy Commission QFER Database; Alfred Gobar Associates.

The Morro Bay facility achieved either the lowest operating performance of the 19 comparable plants or was within 1.0 percent of the lowest operating facility for each of the last four years identified above. Exceptionally low levels of plant utilization not only highlight a tremendously underutilized asset (in one of Morro Bay’s most sought-after locations) but also the possibility of a functionally obsolete asset. Detailed operating statistics for each of the nineteen Coastal power plants are included in Appendix K-16.

**Cost/Benefit:** The underlying desire to own and operate a modernized system of environmentally-friendly power plants can be reasonably expected to reflect a core mission objective of an energy provider such as Duke Energy. Less clear is the business rationale that warrants a very expensive demolition/clean-up/new construction effort (cost estimated at approximately $800 million) for the benefit of increasing the Morro Bay Power Plant capacity by a negligible amount from 16.5 to 19.7 percent – from 1,002/1,030 MW current plant capacity to a new plant capacity of only 1,200 MW. The tenuous nature of such a high cost expansion objective is underscored by the fact that six (6) new power plants are currently under
construction, fourteen (14) have been approved by the California Energy Commission, and evidence that there is a significant surplus plant capacity at existing facilities, as described above.

Recognized conditions describing on-site contaminants also indicate strong potential for an undeterminable level of increased cost associated with the modernization of the Power Plant, which further diminishes the cost-benefit of such an undertaking. A Phase II Environmental Site Assessment Report previously conducted on the Power Plant identified a number of soil and groundwater contaminants total petroleum hydrocarbons, total extractable hydrocarbons, volatile organic compounds, polyaromatic hydrocarbons, metals, and asbestos and indicated additional sources of hazardous waste could easily be identified following the removal of the six fossil fuel oil storage tanks currently in place on the property, further ramping up clean-up costs accordingly. Furthermore, while the technology associated with the replacement plant is considered more environmentally-friendly, the new plant would still have the potential of placing a significant stress on the ecosystem of the bay (in effect a harmful use of this area’s natural resources), particularly in light of the numerous alternative energy resources available (including fusion energy plants scheduled to come online by 2030 plants which will obsolete most fuel-burning power plants) and ongoing challenges to once-through cooling plants by the courts and other State agencies. Finally, plant operating requirements and limitations on once-through cooling systems associated with the pending legislative Senate Bill 42 suggest very expensive retrofitting costs for the existing plant and/or the possibility of plant closure in the event retrofitting costs are deemed too prohibitive.

Memorandum of Understanding (MOU): Duke Energy and the City of Morro Bay established a MOU to serve as a procedural framework to create more specific and legally-binding contracts and documents, also known as “implementing documents.” The MOU identifies Duke Energy as responsible for the “sole cost and expense” of entire plant demolition and removal. Also included in the MOU was an established timeline to commence new plant construction and removal of the existing plant latter to be completed no later than December 31, 2015, establishing a maximum 15-year timeframe as a reasonable period to facilitate this demolition and clean-up effort and stipulation of guaranteed revenue streams to be paid to the City in connection with the Modernization Project. Duke realistically forecasted a seven-year plant clean-up/new construction period. There is no information to suggest that similar MOUs were established between the City and subsequent/current plant owners.

Ownership Changes: Over the period 2006 to 2007, the Morro Bay Power Plant was sold and purchased by two different entities transferring from Duke Energy to LS Power Group on May 4, 2006 and from LS Power Group to Dynegy in 2007. The recent disposition of this asset suggests the possibility of a financially challenged asset, particularly after owner’s identification of all revenue and operating costs and determination of future financial obligations and potential legal obligations associated with the demolition and clean-up efforts of the existing plant, exclusive of new plant construction costs. Periods of short-term ownership followed by near-term disposition also infers a greater likelihood of deferred maintenance, the latter contributing to the physical blight described earlier. Frequent ownership changes in recent years have also minimized the benefits of
the MOU established between Duke Energy and the City of Morro Bay and the related timeframes established to execute the Plant Modernization Project.

**Capacity to Perform:** Dynegy’s claimed financial losses associated with six of their power plants (including Morro Bay) could ultimately challenge their ability to financially facilitate the Plant Modernization Project or even the plant demolition and clean-up effort if plant is ultimately retired. As identified in Appendix K-17, Duke Energy estimated it would mothball the entire plant in October 2004 if demand during the summer of 2004 did not expand; subsequently a Request for Offer (RFO) to sell up to 650 megawatts of power to stave off plant retirement due to ongoing financial losses. An agreement signed between Duke Energy and PG&E on February 23, 2005 to extend up to 650 megawatts of power to PG&E (as needed) through 2007 enabled Duke Energy to maintain operations in two of the plant’s four generating units the two newest and largest capacity units. Challenges to the short-term financial solvency of this plant questions Dynegy’s ability to assemble the financial resources necessary for the new plant construction and, more importantly, the cost associated with demolition and clean-up of the existing plant.

**Fiscal-Economic Burden:** The Power Plant has previously served as a major economic contributor to the area and a facilitator in the City’s incorporation effort. While owners of the Power Plant have routinely provided tax revenues to the City based on natural gas burned at the plant, the revenue streams have steadily reduced over time in conjunction with diminished plant production. Stagnant and declining levels of plant utilization, in recent years, have effectively served to diminish future revenue expectations beyond 2012. The renewed Outfall Agreement between the City and the owner/operator of the plant calls for an annual lease payment of $750,000 through November 2012. The City 2009-2011 Preliminary Budget, however, only projects revenue of approximately $500,000 per year in the form of lease payment pursuant to the Dynegy Agreement.

**Fiscal Effect of Depreciated Property Value:** Previous Phase I and Phase II research of site contaminants provides a strong indication that soil and groundwater contaminants identified at the power plant by the EPA can be expected to contribute to a significant reduction in property value that would otherwise exist if not for the impact of contaminant materials (including a similar related affect on property tax revenue received by the City). Reductions in property values associated with real estate assets impacted by some form of contaminant (groundwater contamination, leaking storage tanks, leaking pipelines, airborne pollutants, etc.) involve the cost to identify the level of contaminants, the actual cleanup cost, the potential loss of income associated with a disruption in on-site activities during cleanup effort, and related loss in value associated with the stigma of a potentially-contaminated property (see Appendix K-18 for additional information regarding property value depreciation as a result of this stigma effect).

### 5.3.4 Public Safety and Crime

Public Safety is a top priority of governance due to its influence on critical socio-economic factors including the quality of life for area residents, operating success of local businesses, and general economic health of the community. Police protection services constitute the most common form of public safety affecting the
socioeconomic wellbeing of a community and the single-most costly of public safety services that the City of Morro Bay must provide in response to taxpayer demands. Consequently, police protection services monopolize a substantial share of relatively limited fiscal resources available to the City as it seeks to respond to heightened demand for such protection.

The City Police Department is composed of safety personnel, equipment, and safety program operations, which constitute a form of readiness capacity available to the community through a structure of police patrol districts, or beats. As such, mobilization of police resources in response to a call for service effectively monopolizes a portion of available readiness capacity for the duration of the response call. The interim monopoly of readiness capacity is an operational aspect of providing police protection that is managed in the form of second responders, mutual aid, back-up patrol, etc. When a given locale generates a disproportionate number of calls for service (relative to other land uses of a similar nature), it burdens the City’s ability to provide satisfactory readiness capabilities for the community at large. In effect, a locale that generates a disproportionately high rate of service calls is itself a public safety risk but also increases the public safety risk for other areas of the community because it unduly monopolizes readiness capacity and places an economic-fiscal burden on limited City resources.

Estimates of public safety requirements often rely on a personnel index (e.g. sworn officers per 1,000 population) to calculate funding resources required per increment of development activity. Population-based estimates fail to consider service demands represented by nonresidential forms of land use such as retail complexes and offices. In a given location, both nonresidential and residential land uses drive police protection service demand. Alfred Gobar Associates employs a methodology that assigns the incidence of public safety response on the basis of demand per increment of land use served. This approach reflects the notion that different forms of land use demand different levels of protective service and associated resources. For example, the amount of protection demanded per acre of low-density residential housing is different than demanded for an acre of retail development. The following assessment of police protection services demanded throughout the City and within the Potential Project Area reflects an assessment of City response capacity, further distinguished on the basis of land use activity served.

5.3.4.1 Police Related Crime Risk

Response call activity reflects the level of safety response that private households and businesses (requesting service) and the public protection agency (providing or initiating service) have determined is necessary to address socio-economic and crime-related circumstances posing a public safety risk domestic abuse, drunk and disorderly conduct, burglary, loitering, pandering, drug use, sexual assault, suspicious activity, etc.

The incident rate describing a variety of communities provides a broad benchmark reference to determine whether or not land uses within the Potential Project Area are generating an excessive number of calls and pose a corresponding crime and public safety risk. Response call activity, however, can vary significantly from community to community due to the complex nature of land use, social conditions,
and fiscal influences. Some communities require a higher level of deterrence and intervention in order to address the threat of crime and public safety risk. To account for variability that may distinguish one community from the next, Police activity describing a range of communities of varying size and population density serves to establish a reasonably good normative benchmark reference about the level of response activity that should be expected in order to protect residents, businesses, visitors, and various forms of land use from the threat of crime.

Appendix K-19 details the incident rate of Police response activity per acre of land use describing a diverse selection of California communities arranged according to overall population. The identified selection of communities is based on previous economic blight and fiscal impact studies conducted by AGA during the past eight years and provides a reasonably good indication about the level of Police protection service (defined on the basis of response call activity) required by alternate forms of land use in differing community settings (rural, suburban, urban). Morro Bay is a relatively small coastal community with about 10,500 residents. To account for the City’s population base, geographic expanse, and density characteristics, an incident rate describing communities with a total population below 25,000 residents is used to represent “benchmark demand.”

The City of Morro Bay maintains dispatch records of response activity from its own dispatch center, which provided its record log for purposes of this analysis. Police dispatch records chronicle response activity by address, cross street, and reference location (whether initiated by a citizen call for service or officer-initiated response while on patrol). Based on dispatch records, a total of 15,181 responses calls were generated throughout the City in 2008.

Appendix K-20 summarizes the incidence rate of response call activity per acre of developed land use throughout the Potential Project Area. The identified rate (calls per acre) describes incidence of demand for Police protection services generated by various forms of land use and building development among select communities in Appendix K-19 (populations below 25,000 residents). The first analysis identifies the number of annual response calls that should be generated in the Potential Project Area (1,834 total calls per year Benchmark Demand). The analysis then identifies the number of annual service calls actually generated within the Potential Project Area (2,983 total calls per year) based on address range and spatial/geographic data with relation to the Potential Project Area boundaries. Comparison of the benchmark demand reference (1,834 total calls per year) and the actual incidence of demand (2,983 total calls per year) indicates the perceived risk and actual incidence of crime in the Potential Project Area is requiring 1.62 times the level of service associated with a corresponding mix of land use in similarly populated areas. The indicated rate of Police response activity in the Potential Project Area is excessive in relation to the level of protection response that is normally associated within similarly-sized communities.

The public safety burden generated by socio-economic and crime-related circumstances within the Potential Project Area is graphically illustrated in Appendix K-21 as an indexed ratio of crime and public safety protection currently demanded for similar-sized communities by land use (Appendix K-19). The incident rate of demand for protection services in the Potential Project Area provides a strong indication that trained officers, residents, business owners, and
visitors are being adversely affected by a disproportionately high threat of crime and public safety risk than should be reasonably expected, given the size of the community and its semi-rural setting.

5.3.5 Statement of Blight Findings

The key findings generated from each of the four main areas of investigation along with their related blight implications for the Potential Project Area are summarized below:

- Single-family lot values in the Potential Project Area have steadily declined in value since January 2007. A similar trend has been observed for six of the seven nearby coastal communities, stretching from Cambria to Grover Beach, used as a benchmark reference to evaluate property value in the Potential Project Area. Single-family lot values in the Potential Project Area, however, consistently track below the corresponding benchmark values for the City of Morro Bay as a whole and five of the reference coastal communities. Grover Beach was the only coastal community evaluated which recorded single-family lot values below the per square foot value describing comparably-sized lots sold in the Potential Project Area. While declining property values within the Potential Project Area over the last two-plus years can be attributed to macro-level economic decline, single-family land values in the Potential Project Area remain depreciated relative to benchmark values observed within neighboring coastal communities. Consistently low performance in relation to surrounding coastal communities also indicates market value within the Potential Project Area is stagnant. The depreciated and stagnant nature of single-family property value performance is an indication that blight conditions are prevalent within the Potential Project Area.

- Households within the Potential Project Area are 1.2 times more likely to be impacted by poverty than is true for all households within Morro Bay and 1.4 times more likely than is true of the County. The prevalence of poverty in the Potential Project Area also impacts a disproportionately rate of children and teenagers than is true for poverty-level households residing in other areas of Morro Bay or throughout San Luis Obispo County. Poverty conditions places children at a significantly greater risk of being adversely impacted by negative household influences including protracted unemployment, illicit drug activity, truancy, loitering, petty crime, abuse, gang-related activity, and other byproducts of poverty and social displacement.

- The incidence of overcrowding is 1.33 times higher among all households residing within the Potential Project Area than is true for Morro Bay and San Luis Obispo County. The latest HUD guidelines consider households with more than 1.00 persons per habitable room to be overcrowded and more than 1.50 persons per habitable room to be severely overcrowded. The incidence of severe overcrowding is 1.22 times higher than is true of Morro Bay and 1.48 times greater than is true of San Luis Obispo County. The adverse effects of severe overcrowding are most likely to affect renter households within the Potential Project Area.
Area. The share of renter households living in severely overcrowding conditions is 1.15 times higher within the Potential Project Area than is true of Morro Bay and 1.60 times higher than is true for San Luis Obispo County. Overcrowding housing circumstances identified provide a moderately strong indication that blight conditions are prevalent and adversely affect a disproportionately high number of households within the Potential Project Area.

- The local economy within Morro Bay is a benefactor of significant visitor spending – estimated at $65.0 million dollars during 2007, including approximately $41.0 million in taxable retail spending, most notably restaurant expenditures. Business opportunity associated with the annual influx of visitors has attracted a greater number of retail establishments than would normally be required of the City’s population level – a ratio of 27.2 storefronts per 1,000 population compared to 14.6 for San Luis Obispo County and 19.7 for the City of San Luis Obispo. The high incidence of retail establishments, however, is largely made up of dining establishments and specialty retail shops geared at serving the leisure activities of visitors and not the day-to-day consumption needs of community residents. Once the estimated influx of visitor spending is excluded, SBOE reported sales activity among retail-commercial facilities indicates the City suffers sales leakage (outflow) equal to more than 25.0 percent of expenditure potential describing the consumption needs of community residents. In effect, community residents must leave the community in order to adequately satisfy their consumption needs. Retail store-type activities that appear most deficient in meeting community consumption needs include apparel, general merchandise, and other specialty retail – which collectively account for roughly $26.7 million in lost retail sales to surrounding communities.

- An extensive audit was conducted of retail-commercial facilities within Morro Bay. The audit identified over 330 retail storefront locations representing over 710,000 square feet of retail-commercial floor space, virtually all retail facilities within the City of Morro Bay. The Potential Project Area was also included in the AGA Field Reconnaissance and roughly accounts for about 30.0 percent of all retail storefronts and 40.0 percent of retail-commercial floor space within Morro Bay. Due to the significant share of Citywide retail within the Potential Project Area, overall inadequacies that currently describe the City retail sector as a whole are also emblematic of deficiencies that prevail among Potential Project Area retailers. A relatively large share of retail-commercial space within the Potential Project Area is directed to the sale of home furnishings, home improvement and building products, automotive repair and maintenance services, business-consumer services, and non-retail activities. As a result, the Potential Project Area includes a disproportionately low and inadequate supply of retail-commercial facilities targeted to the everyday needs of local residents – food and groceries, drug and sundry items – and other regular consumption items – apparel items, general merchandise, and eating and drinking establishments. Retail-commercial facilities within the Potential Project Area host a disproportionately large number of automotive repair,
business service, and non-retail establishments. The heavy mix of non-retail storefront activity effectively diminishes the competitive attraction of retail-commercial facilities within the Potential Project Area as a venue to merchandise products and services and as a viable shopping option for neighborhood consumers. The diminished adequacy of retail-commercial space within the Potential Project Area is a significant factor contributing to the outflow of resident consumer expenditure potential (roughly 25.0 percent or $26.7 million annually) to surrounding area communities.

- Retail commercial facilities within the Potential Project Area are affected by abnormally high rates of vacancy. The effective vacancy describing 282,000 square feet of retail commercial space within the Potential Project Area was 10.3 percent at the time of the AGA Field Reconnaissance, or 1.69 times higher than is true of retail-commercial facilities in other areas of Morro Bay.

- A review of economic circumstances affecting the local fishing industry and the working operation of Morro Bay Harbor was undertaken through a review of published material and direct interview with harbor management. Although, the commercial fishing fleet has been significantly impacted by a substantial and prolonged decline in annual yield, the adverse effect on individual operators has not translated to adverse economic impacts on the leasing of boat slips, commercial dock facilities, or ground leases supporting leisure retail facilities. Economic challenges faced by individual fishers and the fleet industry has not manifest itself in a way that would indicate Morro Bay Harbor is being adversely affected by economic blight, as recognized under the CCRL.

- Several factors reflect circumstances that indicate marketable operation of the Morro Bay Power Plant is adversely affected by economic blight conditions. Most notable circumstances evaluated include: plant utilization at less than five percent of operating capacity; successive changes in plant ownership; delays in scheduled renovation and modernization of antiquated power generating facilities; inability to make full payment of agreed lease payments for use of outfall facilities; pending legislation and environmental regulation effectively targeting the elimination of primary cooling system used in power generation at the plant; and identified presence of known and undetermined hazardous materials requiring environmental mitigation. The above factors position the land area hosting the Morro Bay Power Plant within a redevelopment project area to facilitate potential funding assistance with the remediation of hazardous substances in the event this facility is voluntarily or involuntarily shut down.

- A comparison of Police dispatch records for the City of Morro Bay, the Potential Project Area, and other California communities of comparable size and density indicates the Potential Project Area is burdened by an inordinately high level of crime and public safety risk. Overall, the rate of Police response activity demanded per acre of developed land use within the Potential Project Area is 1.6 times higher than should be reasonably
expected based on the response rate for similar land use in other communities of similar population density. The relatively high level of Police response activity within the Potential Project Area constitutes an inefficient use of limited fiscal resources and places an undue economic burden on the community, reduces the level of public protection that residents, visitors, and businesses throughout the community are entitled to receive, and indicates a moderately high likelihood the Potential Project Area is adversely by the threat of crime and public safety.

5.4 ADDITIONAL CONDITIONS DESCRIBED

This section describes the existing, additional conditions as provided for in CCRL Section 33030(c) within the Area of Interest. Inadequate public improvements (characterized generally as the storm drain system, deficient streets and roads and missing or broken curbs, gutters and sidewalks), or utilities negatively affect a community and add to the existence of blight in the community. Figure 20 shows the location of deteriorated or absent public infrastructure found within the Area of Interest during the UFI Field Reconnaissance. However, current CCRL provisions do not permit the inclusion of land within a redevelopment project area based solely on the existence of the inadequate public improvements described above, regardless of severity.

Redevelopment agencies can expend tax increment for improvements outside of a redevelopment project area if required findings are made that the improvements are of benefit to the redevelopment project area.
Figure 20  Inadequate Public Infrastructure Map
6.0 INCLUSION OF PARCELS NECESSARY FOR EFFECTIVE REDEVELOPMENT

Based upon evidence assembled using the project area delineation methodology employed as a part of this Feasibility Study, it is the opinion of UFI and AGA that the City Council might find that conditions of physical and economic blight are prevalent and substantial throughout the Potential Project Area. Under State law blight is an area-wide concept and, therefore, a blighted area may also include (and for practical reasons must include) non-blighted parcels because they are necessary for effective redevelopment of the overall project area (CCRL Section 33321). These parcels are an "integral part" of an area where conditions detrimental or inimical to the public health, safety, or welfare predominate and injuriously affect the area.

As described in Section 5.2.6 of this Feasibility Study, there are 132 parcels in the Potential Project Area that have been assigned blight assessment values of twenty or more points and contain at least one Blight Indicator which is valued at five or more points; based upon the methodology employed as a part of this Feasibility Study to evaluate the conditions of blight, it is the opinion of UFI that these parcels could be considered by the City Council to be "blighted" as that term is used in the CCRL.

While not considered blighted under the methodology, the 156 parcels in the Potential Project Area which were assigned physical Blight Indicator assessment values of between one and nineteen (shown in Figure 21) are parcels that have conditions that may contribute to blight within the neighborhood in which they are located (see discussion of external obsolescence presented in Appendix H). These parcels, as well as the 181 parcels which garnered a blight indicator assessment value of zero, have been included within the Potential Project Area for the following reasons: i) they are located directly adjacent to parcels that may, based up the methodology employed, may be found to be blighted and are therefore probably subject to the negative effects of external obsolescence and certain physical repercussions; and ii) their exclusion would result in an excessively disjointed redevelopment project area in which it would be difficult to effectively plan, implement and administer projects and programs.

Additionally, some of these parcels, those which are vacant, previously urbanized or underutilized, may be used, as described in CCRL Section 33320.2, for the purpose of providing for: i) the relocation of owners or tenants from other portions of the Potential Project Area, if necessary over the life of the controlling redevelopment plan; or ii) the construction and rehabilitation of low- or moderate-income housing, within the parameters of the General Plan and other development provisions.
Figure 21  Map Showing Parcels Necessary for Effective Redevelopment
7.0 PRELIMINARY ASSESSMENT OF PROPOSED METHOD OF FINANCING REDEVELOPMENT OF THE POTENTIAL PROJECT AREA

7.1 GENERAL FINANCING METHODS AVAILABLE TO THE AGENCY

A redevelopment plan would provide the framework for the various "tools" of financing available to the Agency. The following is a summary of financing methods.

If the Agency is activated and a redevelopment plan is adopted by the City Council, the Agency would be authorized to finance the redevelopment of the Potential Project Area with tax increment, interest income, Agency bonds, loans from private institutions, proceeds from the sale or lease of property, financial assistance from the County, State of California, Federal Government, or any other public agency, or any other legally available source.

The City could, in accordance with law, make advances and expend money as necessary to assist the Agency in carrying out the redevelopment of the Potential Project Area. Any such assistance shall be on terms established by an agreement between the City and the Agency.

The City has available to it various public infrastructure funds including gas tax funds. As available and appropriate, gas tax funds would be used for the street system. Also, federal loans and grants may be used to finance portions of redevelopment costs in the Potential Project Area.

The Agency would be authorized to issue tax exempt or taxable bonds and notes if appropriate and feasible in an amount sufficient to finance all or any part of the redevelopment of the Potential Project Area. Bonds could be issued to finance mortgages, to establish a revolving loan fund, or to establish any other kind of housing assistance program. Loans could be with deferred interest to keep monthly housing costs down for eligible low and moderate income households. Mortgage Revenue Bond money could also be used for construction in rehabilitation areas. In addition, tax increment secured bonds or notes could be used for both single-family and multi-family rehabilitation programs. Assessment district bonds can be used for the financing of infrastructure, landscape and lighting improvements; however, since the repayment of such bonds becomes an additional burden on the properties, such financing schemes are not always appropriate for blighted property. This is particularly the case where rents are already "maxed" out and cannot absorb a greater burden.

The Agency would be authorized to obtain advances, borrow funds and create indebtedness in carrying out the redevelopment of the Potential Project Area. The
principal and interest on such advances, funds, and indebtedness could be paid from tax increments or any other funds available to the Agency.

The Agency would be authorized to make such pledges as to specific advances, loans and indebtedness as appropriate in carrying out the redevelopment of the Potential Project Area. Taxes would be allocated and paid to the Agency consistent with the provisions of an adopted redevelopment plan only to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the Agency to finance or refinance, in whole or in part, the redevelopment of the Potential Project Area.

Any other loans, grants, guarantees, or financial assistance from the federal government or any other public or private source would be utilized if available as appropriate in carrying out the redevelopment of the Potential Project Area.

7.2 PRELIMINARY TAX INCREMENT ANALYSIS

Tax Increment Financing

Authority for the use of tax increment financing comes from Article XVI, Section 16 of the California Constitution, which was adopted as a Constitutional Amendment by the voters of California in 1952, to authorize the use of property tax increments for paying the indebtedness of redevelopment agencies. The authority found in the Article has been implemented by the State Legislature in Section 33670 et seq. of the CCRL. Simply stated, tax increment financing involves the establishment, normally at the time of redevelopment plan adoption, of a "frozen base" of ad valorem taxes assessed against those properties located within the redevelopment project area. Increased property tax revenues above the frozen base (tax increments) are shared by redevelopment agencies and all other taxing entities pursuant to a State-mandated tax sharing formula (CCRL Section 33607.5).42

Determining Projected Growth Rate

Projections of assessed value growth rates which extend more than a few years into the future are necessarily "inexact." Macro-economic conditions such as national or regional recessions or periods of heightened economic prosperity, changes in the global economy which affect local business conditions, industry-group obsolescence or expansion, or even extreme weather conditions can dramatically affect future assessed value growth. Micro-economic conditions such as a large employer's decision to relocate outside the community (note the Power Plant facility), a local rezoning, infrastructure construction (or lack thereof), or the perception that an area is improving or deteriorating can incrementally affect future growth.

The Tax Increment Projection (TIP) formula employed in the Feasibility Study has been structured to reflect what UFI believes to be a realistic picture of property values in the post housing boom, recessionary period the region, State and country are currently in, and may be suffering for an unknown period of time. As such, the TIPs are based on the conservative assumption that the real estate market on the Central Coast will slowly recover within the next few years, at which point local
property values will move upward to a point of stabilizing. The formula projects a half-a-percent annual increase in assessed valuation during the first two years in which the Agency could collect tax increments, increasing to two percent per annum in the third and fourth year, three percent in the fifth and sixth year, finally increasing to 3.5 percent per year over the remainder of the 45-year tax increment collection period.

With respect to the two parcels which comprise the Power Plant site, UFI has estimated an 8.1 percent annual decrease in property value until FY 2014-15, based upon the compounded annual growth rate decline for these parcels over the previous five-year period, FY 2003-04 to FY 2008-09, with a 3.5 percent annual growth rate applied thereafter. More aggressive growth rate assumptions are not recommended until such time as more specific information is available regarding modernization or reuse of this property.

Discussion of Projected Tax Increment Allocations by Alternative

Tables 6 through 9 below show the total amount of tax increment projected to be generated within the Potential Project Area over 45 years, for each Potential Project Area alternative.

Should the City Council elect to pursue adoption of the Potential Project Area alternative that excludes the Power Plant site, Column 4 of Table 6 shows the Agency is projected to receive approximately $24.9 million in tax increment, net of statutory pass through payments. Of this $24.9 million, approximately $13.5 million (20 percent of gross tax increment) would have to be set aside for affordable housing projects and programs (the Agency’s LMI Fund), leaving approximately $11.4 million available for infrastructure projects, community facilities improvements, and community development programs.

As indicated in Column 3 of Table 7, approximately $10.7 million would be diverted from the City’s general fund over the 45-year tax increment collection period for use by the Agency. However, as shown in Column 4 of Table 7, the City Council could reduce the amount of funds diverted from the City’s general fund by electing to receive a pass-through payment of $2.1 million, as provided for in CCRL Section 33607.5. Overall, implementation of redevelopment in the Potential Project Area (excluding Power Plant) could provide a net gain to Morro Bay of some $14.2 million over the 45-year tax increment collection period.

Column 4 of Table 8 indicates that adoption of the Potential Project Area alternative that includes the Power Plant site could generate an estimated total of approximately $25.4 million in net tax increment. As shown in Column 5 of Table 8, the Agency would be required to deposit approximately $14.3 million of this tax increment into its LMI Fund.

As shown in Table 9, Column 3, approximately $11.3 million would be diverted from the City’s general fund for use by the Agency. As discussed above, the City may opt to receive a pass-through payment of about $2.3 million from the Agency or it may forgo pass-through payments in order to provide the Agency with additional funds. Adoption of this Potential Project Area geography (including the
Power Plant) is projected to provide a net gain to the community of about $14.1 million over the 45-year tax increment collection period.

The TIPs show Morro Bay would receive nearly the same amount of net new funds (approximately $14.1 to 14.2 million) from a Potential Project Area whether or not the Power Plant is included. However, the TIPs show that with the Power Plant included increment would begin to accrue later in time (FY 2015-16). It must be reiterated that there is a high level of uncertainty related to the future of the Power Plant site.

**Potential Initial Borrowing Capacity**

A decrease in the assessed value of the Potential Project Area below its Base Year value would prevent the Agency from receiving tax increment, which in turn would delay the Agency from issuing tax allocation notes/bonds.

If the City Council were to adopt the Potential Project Area *excluding* the Power Plant site, the Agency is projected to begin receiving tax increments as early as FY 2010-11 (Table 6, Column 4), five years earlier than it would if the Power Plant was included. Exclusion of the Power Plant would permit the Agency to borrow, through issuance of tax allocation notes, approximately $1.3 million, as early as October 1, 2014. Typically, within four to five years, bonds could be issued to retire the notes and to provide additional funds for Agency use.
TABLE 6 TAX INCREMENT PROJECTIONS SUMMARY (POTENTIAL PROJECT AREA EXCLUDING POWER PLANT SITE)
TABLE 7 TAX INCREMENT PROJECTIONS (POTENTIAL PROJECT AREA EXCLUDING POWER PLANT SITE) CITY GENERAL FUND
TABLE 8 TAX INCREMENT PROJECTIONS SUMMARY (POTENTIAL PROJECT AREA INCLUDING POWER PLANT SITE)
TABLE 9 TAX INCREMENT PROJECTIONS (POTENTIAL PROJECT AREA INCLUDING POWER PLANT SITE)
CITY GENERAL FUND
8.0  CONCLUSIONS

8.1  PHYSICAL BLIGHT CONCLUSIONS

Pursuant to the methodology set forth in this Feasibility Study, in order to be considered by the City Council as a parcel which exhibits substantial physical blight characteristics the parcel must exhibit two conditions with reference to the twenty-point scale: i) the parcel must exhibit at least one Blight Indicator which reaches a level of seriousness to equal at least five points, and ii) the parcel must exhibit a sufficient number of Blight Indicators so that their combined total equals at least twenty points. Figure 18 shows those parcels in the Potential Project Area which fit this category and which exhibit sufficient evidence of physical blight such that, in UFI's opinion, the City Council might make a determination, based upon the evidence graphically illustrated in Figure 18, and described in Section 5.2 of this Feasibility Study, that these properties exhibit substantial physical blight, and are also impacted by conditions of economic blight and infrastructure deficiencies.

The analyses show that 132 of the 469 parcels (about 28 percent of the parcels), and 169 acres of 250 parcelized acres (68 percent of such developable acres) in the Potential Project Area were found to exhibit a substantial number of conditions of physical blight. The analysis also found the larger Area of Interest is affected by certain area wide conditions of deficiency including problems with sewer and water and inadequate public improvements; and conditions of economic blight, including declining property values, poverty, overcrowding, inadequate supply of certain retail businesses, and broader impacts caused by the functional obsolescence of the Morro Bay Power Plant.

It is the opinion of UFI that based upon the analyses, the degree of physical blight in the Potential Project Area might be found by the City Council to be both prevalent and substantial.

8.2  ECONOMIC BLIGHT CONCLUSIONS

The key findings generated from each of the four main areas of Economic Blight investigation with related blight implications for the Potential Project Area are summarized below.

Residents of the Potential Project Area are 1.2 times more likely to be impacted by poverty relative to residents throughout Morro Bay and 1.4 times more likely relative to residents within the County. The most alarming statistics involve the above-average incidence rates of poverty involving children and teenagers throughout the Potential Project Area, exposing them to greater risks involving unemployment, illicit drug activity, truancy, loitering, petty crime, abuse, gang-related activity, and other byproducts of poverty and social displacement.
The Potential Project Area is also identified as an area more commonly impacted by overcrowding and severe overcrowding relative to City and County levels.

Single-family lot values in the Potential Project Area have steadily declined in value since January 2007, and single-family lot values in the Potential Project Area consistently track below the corresponding benchmark values for the City of Morro Bay as a whole and five of the six nearby coastal communities. Grover Beach was the only coastal community evaluated which recorded single-family lot values below those observed for comparably-sized lots recently sold in the Potential Project Area. The failure of single-family land values in the Potential Project Area to maintain benchmark levels observed for neighboring coastal communities suggests a possible economic blight related impact within the Potential Project Area.

Despite a comparatively large base of retail space within the Potential Project Area, a significant component of this space is directed to the sale of home furnishings, home improvement and building products, automotive repair and maintenance services, business-consumer services, and non-retail activities, resulting in an inadequate supply of retail businesses targeted to the everyday needs of local residents – food and groceries, drug and sundry items, etc. – in addition to identified deficiencies in space directed to the sale of apparel items, general merchandise, and eating and drinking establishments. The notable occupancy of retail space within the Potential Project Area by non-retailers and business-consumer services coupled with abnormally high retail vacancy observed within this area implies limited marketability of Potential Project Area retail space, particularly in relation to more established and attractive retail settings offered in the Downtown area, along Quintana Road, and surrounding coastal communities.

Retail commercial facilities within the Potential Project Area are affected by abnormally high rates of vacancy. The effective vacancy describing 282,000 square feet of retail commercial space within the Potential Project Area was 10.3 percent at the time of the Field Reconnaissance, or 1.69 times higher than is true of retail-commercial facilities in other areas of Morro Bay.

A review of economic circumstances affecting the local fishing industry and the working operation of Morro Bay Harbor showed the substantial and prolonged decline in annual yield which has significantly impacted the local commercial fishing fleet has not resulted in adverse economic impacts on the leasing of boat slips, commercial dock facilities, or ground leases supporting leisure retail facilities. Economic challenges faced by individual fishers and the fleet industry has not manifest itself in a way that would indicate Morro Bay Harbor is being adversely affected by economic blight, as recognized under the CCRL.

Several factors reflect circumstances that indicate marketable operation of the Morro Bay Power Plant is adversely affected by economic blight conditions. Most notable circumstances evaluated include: plant utilization at less than five percent of operating capacity; successive changes in plant ownership; delays in scheduled renovation and modernization of antiquated power generating facilities; inability to make full payment of agreed lease payments for use of outfall facilities; pending legislation and environmental regulation effectively targeting the elimination of primary cooling system used in power generation at the plant; and identified
presence of known and undetermined hazardous materials requiring environmental mitigation. The above factors position the land area hosting the Morro Bay Power Plant for inclusion within a redevelopment project area, as a potential vehicle for funding assistance with the remediation of hazardous substances should this facility be either voluntarily or involuntarily shut down.

A comparison of Police dispatch records for the City of Morro Bay, the Potential Project Area, and other comparable California communities indicates the Potential Project Area is burdened by an inordinately high level of crime and public safety risk. Overall, the rate of police response activity demanded per acre of developed land use within the Potential Project Area is 1.6 times higher than should be reasonably expected based on the response rate for similar land use in other communities of similar population density.

8.3 MORRO BAY POWER PLANT FACILITY

With regard to the inclusion of the Morro Bay Power Plant Facility the Agency faces a conundrum. Given present negative physical, economic and legal conditions currently affecting the Power Plant site, it is reasonable to project that its assessed valuation will continue to decline for the next few years which, on its face, supports inclusion of the property within a redevelopment project area. However, this reality would, unfortunately, negatively affect the Agency’s ability to collect tax increment from the larger Potential Project Area if the decline takes the overall Potential Project Area’s assessed valuation below an established Base Year Value as the projections indicate will happen. As shown in the projections prepared by UFI (see Tables 6-9 and discussion in Section 7), depending on the actual rate of decline, it could take years before Power Plant site improvements or site re-use effect a reversal of the current negative valuation trend. The projected decline in Power Plant assessment value also would negatively affect the Agency’s ability to issue Tax Allocation notes/bonds. Issuance of these and other related debt instruments requires a positive growth of property values which creates tax increment, a portion of which would be pledged to service the debt. Given these unknowns, it is fair to say that inclusion of the Power Plant site, while appearing to bolster the City’s overall case for legally forming a redevelopment project area based upon physical and economic blight factors, is somewhat of a short-term gamble, if a principal objective of the Project is near-term collection of tax increment for use in projects and programs targeting blight remediation.

Alternatively, if the Power Plant property is included in the Potential Project Area the Agency would be in a good position to realize a greater return of tax increment funds in the longer term once the property’s assessed value began an upward trend due to modernization of existing facilities or site re-use; this assumes of course, a taxable re-use.

Another option available to the City would be to exclude the Power Plant site in the initial redevelopment plan adoption process, and then amend the adopted plan at a later point in time after the negative valuation trend stabilizes. The down side to this possibility is that this process may be more open to challenge because the valuation trend had stabilized, was probably moving upward and site use issues were successfully resolved. These positive factors would diminish the Agency’s
argument for blight and necessity and inclusion of the site in a redevelopment project area.

Of course, the Agency could present a case that the authority and financial resources of redevelopment were essential to facilitate clean-up of hazardous materials on the property. Provisions of the Polanco Redevelopment Act codified under Sections 33459-33459.8 allows agencies, subject to certain restrictions, to undertake any actions deemed necessary to address the release of hazardous substances on, under, or from property within the affected redevelopment project area. This could present very complicated, long-term legal and financial issues and the City should consult legal counsel(s) knowledgeable of all related matters prior to relying on these provisions.

Based upon the analyses, excluding the Power Plant facilities would diminish the City’s case for blight in the Potential Project Area marginally. Also, based upon assumptions used in the TIPs discussed in Section 7.2, exclusion of the Power Plant would only marginally diminish the amount of tax increment to be collected by the Agency over the 45 year period of collection given current condition.

8.4 CONCLUDING SUMMARY

Would redevelopment, in concert with private enterprise and government action be successful in Morro Bay? Methods of alleviating blight are outside the purview of the redevelopment plan adoption process; they reside with the Planning Commission as it implements its general plan within a redevelopment project area, with the City’s Code Enforcement, Police Services and Building and Safety Departments as they enforce their regulations within a redevelopment project area, and, finally, with the City’s Redevelopment Agency as it would implement its five-year goals and objectives set forth in its Implementation Plan.

However, the tools for alleviating blight are absolutely within the purview of the redevelopment plan adoption process. With its redevelopment plan in place, through its redevelopment agency, the City would have the ability to receive and distribute fairly large amounts of funds for purposes of economic development, infrastructure upgrades, affordable housing, and land acquisition, assembly and disposition. In these areas redevelopment, as anticipated in this Feasibility Study, should be successful over the 30-year effective life of a redevelopment plan.

As described in this Feasibility Study, redevelopment is local, flexible, and dependable. Within the confines of the CCRL, the Agency would determine how funds are spent without recourse to formal State oversight other than annual reporting requirements. Fortunately, for the matters at hand, the CCRL itself is more expansive than restrictive; other than specific prohibitions, and while remaining within the intent of the CCRL, actions are limited only by funding actually available, the imagination and inventiveness of an Agency, its staff and advisors.
Additional Considerations

If the City elects to activate its agency and move forward with the redevelopment plan adoption process, the next available Base Year roll for tax increment collection purposes is fiscal year 2009-10 (if the Agency would be prepared to adopt the Plan by mid-July 2010 and adopting ordinance is in affect by August 20, 2010). Establishing 2009-10 as the Base Year would ensure that the City could begin collecting tax increment and implementing its targeted redevelopment projects and programs at the earliest possible date.
APPENDICES
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(a) It is found and declared that there exist in many communities blighted areas that constitute physical and economic liabilities, requiring redevelopment in the interest of the health, safety, and general welfare of the people of these communities and of the state.

(b) A blighted area is one that contains both of the following:

1. An area that is predominantly urbanized, as that term is defined in Section 33320.1, and is an area in which the combination of conditions set forth in Section 33031 is so prevalent and so substantial that it causes a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical and economic burden on the community that cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment.

2. An area that is characterized by one or more conditions set forth in any paragraph of subdivision (a) of Section 33031 and one or more conditions set forth in any paragraph of subdivision (b) of Section 33031.

(c) A blighted area that contains the conditions described in subdivision (b) may also be characterized by the existence of inadequate public improvements or inadequate water or sewer utilities.

33031

(a) This subdivision describes physical conditions that cause blight:

1. Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions may be caused by serious building code violations, serious dilapidation and deterioration caused by long-term neglect, construction that is vulnerable to serious damage from seismic or geologic hazards, and faulty or inadequate water or sewer utilities.

2. Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. These conditions may be caused by buildings of substandard, defective, or obsolete design or construction given the present general plan, zoning, or other development standards.

3. Adjacent or nearby incompatible land uses that prevent the development of those parcels or other portions of the project area.

4. The existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes, given present general plan and zoning standards and present market conditions.

(b) This subdivision describes economic conditions that cause blight:

1. Depreciated or stagnant property values.
(2) Impaired property values, due in significant part, to hazardous wastes on property where the agency may be eligible to use its authority as specified in Article 12.5 (commencing with Section 33459).

(3) Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings.

(4) A serious lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.

(5) Serious residential overcrowding that has resulted in significant public health or safety problems. As used in this paragraph, "overcrowding" means exceeding the standard referenced in Article 5 (commencing with Section 32) of Chapter 1 of Title 25 of the California Code of Regulations. 46

(6) An excess of bars, liquor stores, or adult-oriented businesses that has resulted in significant public health, safety, or welfare problems.

(7) A high crime rate that constitutes a serious threat to the public safety and welfare.

33320.1

(a) "Project area" means, except as provided in Section 33320.2, 33320.3, 33320.4, or 33492.3, a predominantly urbanized area of a community which is a blighted area, the redevelopment of which is necessary to effectuate the public purposes declared in this part, and which is selected by the planning commission pursuant to Section 33322.

(b) As used in this section, "predominantly urbanized" means that not less than 80 percent of the land in the project area is either of the following:

(1) Has been or is developed for urban uses.

(2) Is an integral part of one or more areas developed for urban uses that are surrounded or substantially surrounded by parcels that have been or are developed for urban uses. Parcels separated by only an improved right-of-way shall be deemed adjacent for the purpose of this subdivision. Parcels that are not blighted shall not be included in the project area for the purpose of obtaining the allocation of taxes from the area pursuant to Section 33670 without other substantial justification for their inclusion.

(c) For the purposes of this section, a parcel of property as shown on the official maps of the county assessor is developed if that parcel is developed in a manner that is consistent with zoning standards or is otherwise permitted under law.

(d) The requirement that a project be predominantly urbanized shall apply only to a project area for which a final redevelopment plan is adopted on or after January 1, 1984, or to an area which is added to a project area by an amendment to a redevelopment plan, which amendment is adopted on or after January 1, 1984.
Project Area need not be restricted to buildings, improvements, or lands which are detrimental or inimical to the public health, safety, or welfare, but may consist of an area in which such conditions predominate and injuriously affect the entire area. A project area may include lands, buildings, or improvements which are not detrimental to the public health, safety or welfare, but whose inclusion is found necessary for the effective redevelopment of the area of which they are a part. Each such area included under this section shall be necessary for effective redevelopment and shall not be included for the purpose of obtaining the allocation of tax increment revenue from such area pursuant to Section 33670 without other substantial justification for its inclusion.
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APPENDIX B

GOALS AND OBJECTIVES SET FORTH IN THE GENERAL PLAN
LAND USE ELEMENT GOALS:

**Goal 6:** [Creating] A diversified economic base that provides shopping, services, clean industry, and employment opportunities for the community.

**Goal 12:** [Creating] A tourist destination consistent with the City’s small town Character.

CIRCULATION ELEMENT GOALS:

**Goal 19:** [Creating] An interconnected system of streets that avoids concentration of traffic on a few routes.

**Goal 20:** [Creating] Streets safe for all forms of transportation.

PUBLIC FACILITIES ELEMENT GOALS:

**Goal 27:** [Providing] Wastewater treatment facilities that accommodate the City’s needs.

**Goal 28:** [Providing] An efficient water and sewer system.

**Goal 29:** [Providing] Adequate facilities to control storm drainage.

**Goal 30:** [Providing] Funding for public infrastructure maintenance and improvements.

ACCESS AND RECREATION GOALS:

**Goal 39:** [Providing] A shoreline that is readily accessible for viewing, walking and bicycling.

**Goal 40:** [Providing] Safe, attractive and efficient parks for maximum community use, benefit and enjoyment.

VISUAL RESOURCES AND SCENIC HIGHWAY ELEMENT GOALS:

**Goal 46:** [Providing] Attractive Community Aesthetics.

HOUSING OBJECTIVES:

**Affordable Housing Supply Objective:** Provide a continuing supply of affordable housing to meet the needs of existing and future Morro Bay residents in all income categories.

**Conservation and Rehabilitation Objective:** To conserve and rehabilitate the City’s current stock of affordable housing.

**Equal Opportunity Objective:** To assure equal access to sound, affordable housing for all persons regardless of race, creed, age or sex.
This General Plan land use map was last revised in February 1997 and represents the General Plan land use designations which are in effect as of the date this Feasibility Study was drafted.
This revised General Plan land use map was approved and adopted by City Council Resolution No. 17-04 on February 23, 2004, as part of the City's General Plan/Local Coast Land Use Plan (LCLUP) Update. As of the date this Feasibility Study was prepared, the City's General Plan/LCLUP Update remains ineffective as the California Coastal Commission has not yet certified the update to the City's LCLUP.
APPENDIX D

BLIGHT INDICATORS
APPENDIX E

PHOTOS SHOWING MINIMUM THRESHOLDS FOR BLIGHT INDICATORS
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APPENDIX H

DESCRIPTION OF IMPACTS OF EXTERNAL OBsolescence
DEPRECIATED AND STAGNANT PROPERTY VALUES AS EVIDENCED BY THE IMPACTS OF EXTERNAL OBsolescence

The overall concept of external obsolescence has been defined in Section 1.1 above. The effects of external obsolescence and how it depreciates the value of a parcel is described by that parcel's "utility" which is the ability of a property, or improvements to the property, to satisfy a human want, need or desire. The influence of utility on value depends on the characteristics of the property. Size utility, design utility, location utility, and other specific forms of utility can significantly influence property values. The nexus between external obsolescence and diminished, or depreciated, utility is found in "location utility" inasmuch as it is adjacent obsolete properties which "negatively influence" the property in question. Consequently, it follows that external obsolescence is a factor which helps depreciate property values.

It is difficult to quantify the impacts which external obsolescence will have on neighboring properties; however, State general law for cities which do not have a charter (including Morro Bay) provides a rubric which is also useful to help determine the distance over which properties demonstrating a substantial number of Blight Indicators negatively affect neighboring properties that do not demonstrate a prevalence of Blight Indicators. The rubric provides that applicants who wish planning commission approvals for discretionary acts notify owners of property within 300 feet of the parcel subject to change prior to any planning commission action on the applicant's request. This requirement presumes that any property within 300 feet of a second property will be affected by the physical attributes of that property and/or the actions necessary to modify the subject property.

Although the rubric used under State law for the above described purpose provides for a 300 foot radius, the methodology employed in this Feasibility Study assumes substantive impacts only within the closest 100 foot radius. This conservative approach was necessary in order to retain an appropriate number of parcels with 20 or more blight points to the total number of parcels such that the average was close to the average of the four comparable projects discussed in Section 3.3.2 of this Feasibility Study. As shown in Figure 7 of Section 5.1, many of these adjacent properties were also found to exhibit a lesser number of Blight Indicators, but the rate of incidence was not found to be substantial or prevalent. Nevertheless, these parcels might be found to be necessary for effecting redevelopment of the larger Potential Project Area.
APPENDIX I

PHOTOS OF AREA OF INTEREST
APPENDIX J

HEALTH HAZARDS ASSOCIATED WITH EXPOSURE TO ASBESTOS AND LEAD BASED PAINT
HEALTH HAZARDS ASSOCIATED WITH EXPOSURE TO ASPEROS AND LEAD-BASED PAINT

Asbestos is a significant health concern when individual fibers are released into the air through damage to building materials or through routine maintenance such as sanding, drilling, etc. Breathing high levels of asbestos fibers can lead to an increased risk of lung cancer, for which asbestos is one of the leading causes among non-smokers and occurs at significantly higher rates among asbestos-exposed smokers; malignant mesothelioma, a cancer of the lining of the chest and the abdominal cavity; pleural disease, which can appear as a painful accumulation of bloody fluid surrounding the lungs (Rest, Kathleen M., Ph.D., M.P.A. (2001). “Workplace Exposure to Asbestos.”); and asbestosis, in which the lungs become scarred with fibrous tissue (American Lung Association, October 2006. “Asbestos.” <http://www.lungusa.org/site/pp.asp?c=dvLUK9O0E&b=35368> Accessed: February 2009). If undetected, children with high levels of lead in their bodies can suffer from damage to the brain and nervous system, behavior and learning problems, slowed growth, hearing problems and headaches (United States Environmental Protection Agency, 2008. “Lead and Lead Poisoning.” <http://www.epa.gov/region02/lead/> Accessed: February 2009). Children, especially those under the age of six, have the greatest risk of developing lead poisoning.
APPENDIX K

ECONOMIC BLIGHT EXHIBITS
1 CCRL Section 33031 is found in Appendix A of this Feasibility Study.

2 The City’s General Plan was last amended by the City Council on February 23, 2004, by adoption of its Resolution No. 17-04. The General Plan document approved by Resolution No. 17-04 also contained an update to the City’s Local Coastal Land Use Plan (LCLUP). Both documents were updated for the principle purpose of simplifying these two overlapping documents and facilitating their implementation. Subsequent to City Council approval, the General Plan/LCLUP update was submitted to the California Coastal Commission for certification, as prescribed by Article 15 of the California Code of Regulations. As of the date this Feasibility Study was prepared, the City’s General Plan/LCLUP update remains ineffective as the California Coastal Commission has not yet certified the update to the City’s LCLUP. Should the City Council elect to pursue the adoption of a redevelopment project area, the redevelopment plan must conform to the General Plan, as required by CCRL Section 33331.

3 Basic aid school districts are located in communities in which local property taxes meet or exceed general purpose funding revenue limits (a district’s basic aid status can change). Historically, such districts were able to keep the money from local property taxes and still receive basic aid funding, as guaranteed by the California Constitution. However, due to State budget constraints in 2002-03, California lawmakers eliminated the $120 per student basic aid payments to these districts, saying that the State met its constitutional obligation to these districts with other State funding from categorical programs.


5 The role assumed by AGA in the development of this Feasibility Study is limited to research and analyses of economic blight. Please reference Section 5.3 of this Feasibility Study for the AGA analysis and conclusions regarding the presence of economic blight in the Area of Interest.

6 All “raw” field data generated by UFI and AGA are incorporated herein by this reference.

7 Data collected during the Field Reconnaissance is used to provide evidence to allow the City Council to make findings relating to CCRL Section 33030(b)(1) relating to urbanization and ii) CCRL Sections 33030(c) and 33031(a) and (b) relating to findings of blight.

8 The UFI field team included Messrs, Huffman and Seo (please see biographies of these individuals in Section 3.2.3. The AGA field team included Messrs, Alonzo Pedrin, and Early. Reconnaissance was generally limited to observation made from the public rights-of-way.

9 For instance, an exterior wall that exhibits a major crack indicates a weakening in the foundation which will lead to failure and would be noted as a Blight Indicator. On the other hand, many stucco structures in earthquake prone California exhibit small cracks in their exterior walls which may be considered cosmetic and do not indicate the potential for failure. The major crack is a “Blight Indicator,” the smaller crack is not.


11 While paint may become chipped in a relatively short period of time, paint peels and weathers over a “long-term” if the condition is neglected.
12 We note that Urban Futures, Inc. has worked extensively in San Luis Obispo County in past years, however, all past redevelopment plan adoption work was based upon pre 2006 legislation and employed a different methodology than that used in Morro Bay. As such, they were not appropriate models for comparison.

13 Conditions of incompatible land uses (CCRL Section 33031(a)(3)) and irregular parcelization (CCRL Section 33031(a)(4)) cannot be fully identified in the field. These conditions are not identified in Appendix D inasmuch as they are more a function of relationships among land uses or the shape of parcels than a function of observable deficiencies.

14 Prior to legislation adopted by the State Legislature in 1993 (being effective January 1994), the lack of adequate public improvements, facilities and utilities could be identified by a legislative body as a primary blighting factor that could be used to establish need for creating a redevelopment project area.

15 Based upon matters of timing and actual project area boundaries the extent of evidence and analysis contained in this Feasibility Study may have to be supplemented.

16 For instance, a blighted area may contain parcels "which are not detrimental to the public health, safety and welfare" (CCRL Section 33321), i.e., parcels which are not blighted; CCRL Section 33030(b)(1) requires that the conditions of blight defined in CCRL Section 33031 be "prevalent" and "substantial" yet does not directly define these terms but rather simply describes what they "cause;" a blighted area need not exhibit all conditions identified in CCRL Section 33031, but only "[o]ne or more" of each of the physical and economic conditions (CCRL Section 33030(b)(2)); one of the four conditions of physical blight identified in CCRL Section 33031 is arguably economic in nature (condition "(4)" which includes "present market conditions") while three of the seven conditions of economic blight identified in CCRL Section 33031 are arguably physical in nature (conditions ",(3)" ",(4)," and ",(6)").

17 However, note that CCRL Section 33321 places certain restrictions on including these parcels into a redevelopment project area.

18 During the Field Reconnaissance, the field team noted evidence of "halted construction" on nine parcels in the Area of Interest.

19 "Public rights-of-way" includes streets and roads that provide public access to privately owned, urban parcels. Without such access, these urban parcels would have no value and could not be used as intended. Therefore, the urban uses existing on these parcels depend entirely upon public access, which access is, therefore, an urban use.


21 U.S. Census Bureau, Census 2000 Summary File 3 Sample Data for Census Tract 105, Block Groups 2 and 3, and Census Tract 106, Block Groups 1, 4, and 5, San Luis Obispo County, California. Although there are additional Census block groups which overlap the boundaries of the Area of Interest, these block groups were excluded from this analysis because the vast majority of the structures within such block groups are located outside the Area of Interest.

22 Pinchen Environmental, Washington.

23 These conditions are identified and defined in Appendix D.

24 These conditions are identified and defined in Appendix D.

25 These conditions are identified and defined in Appendix D.
26 City of Morro Bay, Sewer Revenue Evaluation, March 1998, p. 27.

27 Telephone conference with Mr. Dylan Wade, Utilities/Capital Projects Manager, City of Morro Bay, on March 26, 2009.

28 Ibid.

29 Telephone conference with Mr. Bruce Ambo, Public Services Director, City of Morro Bay, on March 26, 2009.

30 Ibid.

31 Fire flow requirements established by the City in 1992 were updated in 1996 to reflect current businesses and/or structures which had been built since 1992.


33 These conditions are identified and defined in Appendix D.

34 Assignment of a functional obsolescence (FO) designation to a parcel was based on some or all of the following: review of available background data; discussion with City staff about issues related to City planning policy/regulation, ownership patterns, site design, market performance and suitability, and environmental issues including presence of hazardous materials; and field assessments.

35 The Field Reconnaissance conducted by UFI identified the following Blight Indicators on the two parcels which contain the Power Plant: i) unoccupied structures with boarded-up windows or doors (BU); ii) deteriorated fences or block walls (FBW); iii) functional obsolescence (FO); iv) overgrown vegetation (OV); v) absent or deteriorated private infrastructure (PRI); vi) security fencing (SCF); and vii) deteriorated secondary structures (SS).

36 California Senate Bill 42 (SB 42), introduced by Senator Corbett, on January 6, 2009, is proposed due to concerns regarding environmental damage caused by once-through cooling water intake systems. As currently drafted, SB 42 would prohibit a state agency from authorizing, approving, or certifying a new power plant that uses once-through cooling. The bill would also prohibit an existing power plant from using once-through cooling on or after January 1, 2015. According to the California Senate Legislative Information website, a hearing on SB 42 was set for April 21, 2009. <http://info.sen.ca.gov/pub/09-10/bill/sen/sb_0001-0050/sb_42_bill_20090325_status.html>

37 The Polanco Redevelopment Act, allows a redevelopment agency to order parties responsible for contaminating property in the redevelopment project area to perform the necessary cleanup. Alternatively a redevelopment agency can independently perform the cleanup or arrange for a third party to clean up the property. When the cleanup is complete, anyone who enters an agreement to redevelop the property, any subsequent purchaser and any lender for redevelopment of the site, may obtain immunity from any liability for the contamination cleaned up under the Polanco Redevelopment Act. The party responsible for site contamination is not given immunity. Thus, the law promotes site cleanup and reuse without reducing the liability of parties who actually caused the contamination. The Polanco Redevelopment Act does not make State funds available for redevelopment agencies to use for the remediation of hazardous substances. Instead the Polanco Redevelopment Act provides for cost recovery provisions that the redevelopment agency can use to recover its cleanup costs from the party(ies) responsible for the contamination, assuming of course, that funds would be available.

38 Section 316(b) of the Clean Water Act established three rulemaking phases addressing cooling water intakes, the Phase II rule, which covers large existing electric generating plants, was promulgated in 2004. In 2007, the Environmental Protection Agency (EPA) suspended the Phase II Rule in response to the 2nd Circuit Court of Appeals decision in Riverkeeper, Inc., v. EPA. <http://www.epa.gov/waterscience/316b/> Accessed: April 8, 2009.
On April 1, 2009, the U.S. Supreme Court ruled that cost-benefit analysis is not forbidden by the Clean Water Act provision governing cooling water intake structures, but also that the EPA has the authority to decide not to engage in such analysis. The Court, therefore, left it to the Obama-Jackson EPA to decide whether and how to compare costs to benefits when it issues a new regulation for existing power plants. [http://www.riverkeeper.org/campaign.php/hudson_fisheries/we_are_doing/1744-us-supreme-court-decides-river] Accesssed: April 8, 2009.

City of Morro Bay, Staff Report Prepared for Resolution No. 44-05, November 8, 2005, pp. 5-6.

Of the calculated 320 acres in the Potential Project Area only 225 acres are developable, the balance are in right-of-ways.

It should be noted that taxing entities have a legal right to challenge an agency's redevelopment plan adoption proceedings if they can substantiate that the Agency's actions are contrary to the intent and purposes of the CCRL.

As discussed earlier, only those Blight Indicators which, by themselves, evidence physical "blight" as defined in the CCRL are assigned 20 points; all other Blight Indicators are assigned relatively fewer points.

Please see Table 1 for a break-down of land uses.

Assumes that the Agency/City would not be required to form and operate a Project Area Committee.

This section did not appear to provide an appropriate definition of "overcrowding."


Government Code Section 65905 requires that a public hearing be held when a Planning Commission considers an application for a variance or conditional use permit, a proposed revocation or modification of a variance or use permit, or an appeal from the action taken on any of those applications. This Section also requires that notice of said public hearing be provided pursuant to Government Code Section 65091, which states that "the notice of the hearing shall be mailed or delivered at least 10 days prior to the hearing to all owners of real property as shown on the latest equalized assessment roll within 300 feet of the real property that is the subject of the hearing."