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W14a

Prepared February 26, 2015 for March 11, 2015 Hearing

To: Commissioners and Interested Persons
From: Nancy Cave, District Manager
Stephanie Rexing, Coastal Analyst
Subject: **City of Half Moon Bay LCP Amendment Number HMB-MAJ-2-10-B (A-1 Districts)**

SUMMARY OF STAFF RECOMMENDATION

The City of Half Moon Bay proposes to amend its Local Coastal Program (LCP) Implementation Plan (IP) to add new principally permitted uses and accessory uses to the Agriculture (A-1) zoning district. The amendment was proposed to facilitate primary agricultural uses by increasing the allowable uses and productivity of properties in the A-1 zoning district. Through this amendment, the cultivation of plants for medicinal, horticultural, floricultural, and agricultural purposes would be allowed in nurseries, greenhouses, and field crops which are already principally permitted uses in the zoning district. Research and development related to horticulture and agricultural production would also be allowed as a principally permitted use in the A-1 zone district. Further, retail sales, so long as they are onsite and accessory to the principally permitted agricultural uses, would be allowed in the A-1 zoning district.

Uses permitted in the A-1 zone, including indoor floriculture and outdoor agriculture and horticulture, are considered priority uses under the LCP. The additional related uses to be added to the A-1 zoning district will augment and bolster the already-existing agricultural uses in the A-1 zone, ensure their continued economic viability, and assure such priority uses are protected and sustained as required by the LCP. Adequate water capacity exists in the City to allow for such new related uses in A-1 zones as the LCP requires that water be reserved for such priority uses and conservation measures throughout the City have freed up a significant amount of water capacity. Further, the majority of parcels zoned A-1 in the City are already developed and occupied with existing greenhouses, which limits available vacant space for the proposed, new allowable uses. Finally, any new public service issues emanating from these additional uses would be specifically addressed via the City's coastal development permit review process, for example, requiring traffic impact studies as a permit condition of approval on parcels where these new uses are proposed. For the reasons discussed above, the proposed IP amendment can

be found consistent with and adequate to carry out the certified LUP.

Staff therefore recommends that the Commission find the proposed amendment consistent with and adequate to carry out the policies of the LUP, and that the Commission approve the amendment as submitted. The motion and resolution are found on page 4 below.

Staff Note: LCP Amendment Action Deadline

This proposed LCP amendment was filed as complete on February 19, 2015. The proposed amendment includes IP changes only, and the original 60-day action deadline is April 20, 2015. Thus, unless the Commission extends the action deadline (it may extend the deadline by up to one year), the Commission has until April 20, 2015 to take a final action on this LCP amendment.

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EXHIBITS

- Exhibit 1: Proposed IP Amendment (strikethrough/underline)
- Exhibit 2: City Council Ordinance Approving Amendment
- Exhibit 3: 2008 Economic Viability Report

I. MOTIONS AND RESOLUTIONS

Staff recommends that the Commission, after public hearing, approve the proposed LCP amendment as submitted. The Commission needs to make one motion in order to act on this recommendation.

A. Certify the IP Amendment As Submitted

Staff recommends a **NO** vote on the motion below. Failure of the motion will result in certification of the IP amendment as submitted and the adoption of the following resolution and findings. The motion passes only by an affirmative vote of a majority of the Commissioners present.

***Motion:** I move that the Commission reject Implementation Plan Amendment Number HMB-MAJ-2-10-B as submitted by the City of Half Moon Bay, and I recommend a no vote.*

***Resolution:** The Commission hereby certifies Implementation Plan Amendment Number HMB-MAJ-2-10-B as submitted by the City of Half Moon Bay and adopts the findings set forth below on the grounds that the amendment is consistent with and adequate to carry out the certified Land Use Plan. Certification of the Implementation Plan amendment complies with the California Environmental Quality Act because either 1) feasible mitigation measures and/or alternatives have been incorporated to substantially lessen any significant adverse effects of the plan on the environment, or 2) there are no further feasible alternatives or mitigation measures which could substantially lessen any significant adverse impact which the Implementation Plan Amendment may have on the environment.*

II. FINDINGS AND DECLARATIONS

A. DESCRIPTION OF PROPOSED LCP AMENDMENT

The City of Half Moon Bay is proposing to amend its IP Section 18.13.020 “Permitted Uses” in the chapter addressing “Agricultural Land Use” in order to augment the principally permitted uses and allowable accessory uses in the agricultural zoning district. The purpose of this amendment is to expand the primary uses permitted within the A-1 agricultural zoning district to allow other uses related to the already existing operations. In addition to the already principally permitted uses of nurseries, greenhouses, and open fields for propagating and cultivating plants and cut flowers, the proposed amendment would allow: propagating and cultivating of plants for medicinal, horticultural, floricultural and/or agricultural production, including those associated with the production of food, fuel and/or fiber; research and development facilities related to horticultural and/or agricultural production, including ancillary structures that support such research and development; and retail sales related to the principally permitted uses, as an accessory use in such A-1 zones. Please see **Exhibit 1** for the full text of the proposed amendments and **Exhibit 2** for the City Council Ordinance approving the amendment.

The City purports to add such additional principally permitted uses and accessory uses to the A-1 zone in order to allow other agriculturally related uses that are compatible with floriculture operations, the City’s primary agricultural operation. The City also states that allowing such

additional uses aims to increase the fiscal viability of such properties in the A-1 zoning district, which could have beneficial effects on the City's economy.

B. CONSISTENCY ANALYSIS

Standard of Review

The proposed amendment affects the IP components of the City of Half Moon Bay LCP. The standard of review for IP amendments is that they must be consistent with and adequate to carry out the policies of the certified LUP.

Applicable Land Use Plan Policies

The City's LUP contains numerous policies requiring that agriculture be protected and preserved as an integral part of the City's economy, that water supply be reserved for horticultural/floricultural uses and other priority uses as designated under the LUP, and that all new development have adequate available water, sewer and traffic capacity to serve it:

***LCP Policy 8-1:** The City recognizes agriculture as a valuable economic resource to the region. The maintenance of the City's economic base partially depends on the continued strength of the horticulture industry.*

***LCP Policy 8-4:** The City will phase development so as to maintain land in field flower production as long as feasible (as defined in Section 30108 of the Coastal Act).*

***LCP Policy 8-7:** The City will designate existing greenhouse developments, those open field irrigated operations which are most likely to remain viable for the long term, and areas within the same ownerships as Horticulture Business, in order to protect, maintain and accommodate the needs of floriculture as a significant part of the City's economy.*

***LCP Policy 8-8:** The City will aggressively support expansion of water supplies necessary and suitable for horticulture with reservation of required amounts to meet expected needs.*

***LCP Policy 9-4:** All new development...shall have available water and sewer services...Prior to approval of a development permit, the Planning Commission or City Council shall make the finding that adequate services and resources will be available to serve the proposed development upon its completion and that such development is located within and consistent with the policies applicable to such an area designated for development.*

***LCP Policy 10-4:** The City shall reserve public works capacity for land uses given priority by the Plan, in order to assure that all available public works capacity is not consumed by other development and control the rate of new development permitted in the city to avoid overloading of public works and services.*

***LCP Policy 10-13:** The City will support and require reservation of water supplies for each priority land use in the Plan, as indicated on Table 10.3...The amount to be reserved for each phase of water supply development shall be the same percentage of capacity for priority uses as that needed at build-out, until a determination is made that a priority use need is*

satisfied by available reservation.

Analysis

The proposed IP amendment allows additional principally permitted uses in the A-1 zone including the cultivation of plants for medicinal, horticultural, and floricultural purposes and research and development related to horticultural and agriculture production. Further, retail sales, so long as they are onsite, would be permitted as an accessory use in the A-1 zoning district. The A-1 zoning designation currently allows nurseries, greenhouses, field flower propagation and cultivation and single-family dwellings which are accessory to those listed uses. Thus, adding the other proposed principally permitted and accessory uses such as research and development and retail could displace the other agricultural uses like nurseries and greenhouses for horticulture and floriculture in conflict with LCP Policies 8-1, 8-4 and 8-7.

However, it is important to note that the only type of research and development and retail sales that would be allowed as a result of the proposed amendment are those that are “related to horticultural and/or agricultural production,” or those that are “accessory to” the principally permitted agricultural uses (see **Exhibit 1**). The City’s motivation in allowing these expanded, related uses stems from an economic feasibility and sustainability report prepared in 2008 for the rezone of the property that houses the largest nursery in the City (Rocket Farms, formerly Nurserymen’s Exchange). This report found that “it is almost certain that unless aging infrastructure can be renewed or replaced, the long-term outlook for floriculture is questionable” (See **Exhibit 3**). Allowing research, development and retail related to agricultural production will help to enhance the viability of such floriculture operations, which the LCP designates as a priority use for the City, and would augment the economic potential of these operations, rather than displacing them. Therefore, allowing such related uses in the A-1 zone would be consistent with the LCP policies that protect and preserve agriculture operations like floriculture in the City.

In terms of water supply, LCP policies such as 8-8, 10-4 and 10-13 require that water supplies be expanded to support horticulture, that water capacity be reserved for priority uses (such as floriculture) and that the City support the reservation of such water capacity for priority uses at specific levels as designated in the LCP. Allowing for the expansion of allowable uses to such uses that are merely related to priority uses, will not draw reserved water capacity away from priority agricultural uses as these capacities are required to be reserved for these uses by the LCP. In addition, as required by LCP policy 8-8, the City continues to pursue the expansion of water supplies to support horticulture. Since the certification of the LCP, the El Granada Transmission Pipeline was approved in 2006, expanding the capacity to transmit water to the City. In addition, the City has implemented water conservation measures and efficiency regulations to reduce water consumption by non-priority uses such as residential indoor and landscaping uses. Coastside County Water District (CCWD) estimates that all of these changes in water uses, on balance, have freed up an additional 2,009 Phase 1 water connections in the City.¹ Given the conservation efforts successfully employed in the City of Half Moon Bay and the water capacity reserved for priority uses, there is enough reserved capacity for the existing priority uses such as floriculture and horticulture, leaving capacity for uses such as research,

¹ Bruce Ambo, January 17, 2014 letter to Commission Staff.

development and retail related to those priority uses. Therefore, the amendments would be consistent with the LCP policies requiring the expansion and reservation of water supply for priority agriculture uses allowed in the A-1 district.

Finally, LCP Policy 9-4 requires that all development have adequate services (water, sewer and traffic capacity) to serve it. Allowing for additional uses such as retail and research and development in the A-1 zone has the potential to lead to developments that would tax the public services in this district in a way that would conflict with the priority uses allowed there and be inconsistent with LCP Policy 9-4. However, the additional uses proposed in this amendment would support LCP priority uses. Further priority water and sewer capacity has already been set aside in the LCP for such priority uses as floriculture and field flowers and vegetables. This set aside capacity could not be used by the new allowable uses in A-1 districts because despite this amendment's allowance for these new uses in the A-1 zone, this does not change the fact that the retail and research/development uses are not priority under the LCP. Further, all but one of the parcels zoned A-1 in the City are already developed and occupied with existing greenhouses, limiting the potential for any proposed, new allowable uses.² It is also important to note that each new proposed use or development allowed under these amendments will be reviewed as required under the LCP's Coastal Development Permit review process. Every new research and development or retail use permitted in the A-1 zone as a result of the proposed amendment will still be vetted through the CDP process, requiring that each new development proposed illustrate and mitigate for its impacts to traffic capacity (for example, requiring traffic impact studies as a permit condition of approval on parcels where these new uses are proposed). This assures that the requirement that new development is supported by adequate services, including water, sewer, and traffic capacity, is met consistent with LCP Policy 9-4.

In conclusion, the proposed amendment will add additional permitted and accessory uses in the A-1 zoning district. Research and development and retail uses such as these will only be allowed when related to, or accessory to, the existing allowable agricultural uses. In effect, adding such allowable uses will serve to augment and assure the economic sustainability of such priority uses in the A-1 zone. The City has demonstrated that adequate water capacity exists for such an expansion of related and accessory uses in the A-1 zone. Furthermore, any potential issues emanating from the expanded allowable uses will still be addressed via the coastal development permit review process to ensure consistency with all applicable LCP provisions. For the reasons discussed above, the proposed IP amendment can be found consistent with and adequate to carry out the certified LUP.

C. CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

The Coastal Commission's review and development process for LCPs and LCP amendments has been certified by the Secretary of Resources as being the functional equivalent of the environmental review required by CEQA. Specifically, Section 21080.9 of the California Public Resources Code – within CEQA – exempts local government from the requirement of preparing an environmental impact report (EIR) in connection with its activities and approvals necessary for the preparation and adoption of a local coastal program. Therefore, local governments are not required to prepare an EIR in support of their proposed LCP amendments, although the

² Personal Communication, Bruce Ambo, City of Half Moon Bay Planning Manager. February 24, 2015.

Commission can and does use any environmental information that the local government submits in support of its proposed LCP amendments. The Coastal Commission and the Commission's LCP review and approval program has been found by the Resources Agency to be the functional equivalent of the environmental review required by CEQA, pursuant to CEQA Section 21080.5. Therefore the Commission is relieved of the responsibility to prepare an EIR for each LCP.

The City of Half Moon Bay, acting as lead CEQA agency, determined that the proposed LCP amendments were categorically exempt from the requirements of CEQA. This staff report has discussed the relevant coastal resource issues with the proposal, and has concluded that the proposed LCP amendment is not expected to result in any significant adverse impact on the environment. All public comments received to date have been addressed in the findings above. All above findings are incorporated herein in their entirety by reference.

As such, there are no additional feasible alternatives or feasible mitigation measures available which would substantially lessen any significant adverse environmental effects which approval of the amendment would have on the environment within the meaning of CEQA. Thus, the proposed amendment will not result in any significant environmental effects for which feasible mitigation measures have not been employed consistent with CEQA Section 21080.5(d)(2)(A).

Chapter 18.13 AGRICULTURAL LAND USE (A-1)

Sections:

- 18.13.010 [Purpose and Intent.](#)
- ~~18.13.010~~ [18.13.015 Applicability.](#)
- ~~18.13.020~~ Permitted uses.
- ~~18.13.030~~ Building height limit.
- ~~18.13.040~~ Minimum lot or building site area.
- ~~18.13.050~~ Front yard.
- ~~18.13.060~~ Side yard.
- ~~18.13.070~~ Rear yard.
- ~~18.13.080~~ Distance between dwellings.

18.13.010 Purpose and Intent.

The A-1 Agricultural Land Use Zoning District is intended to facilitate primary agricultural uses, excluding the breeding, raising and keeping of livestock.

~~18.13.010~~ ~~18.13.015~~ Applicability.

The following regulations, as designated in this chapter, shall apply in all A-1 districts.

18.13.020 Permitted uses

Uses permitted in the A-1 district include the following:

A. Nurseries, greenhouses and field [crops](#) for the propagating and cultivating of cut flowers [and plants for medicinal, horticultural, floricultural and/or agricultural purposes, including those associated with the production of food, fuel and/or fiber](#);

B. [Research and development facilities related to horticultural and/or agricultural production, including offices, storage facilities and other ancillary uses that support research and development, and agricultural operations](#);

C. Single-family dwellings which are accessory to the permitted uses, including buildings for help employed on the premises; [and](#)

[D. Retail sales are permitted on-site, provided that such sales are accessory to the principal permitted uses.](#)

18.13.030 Building height limit.

The building height limit in the A-1 district shall be two and one-half stories, but not exceeding thirty-five feet; provided, however, that well derricks, windmills and tank houses may be constructed to a height not to exceed sixty feet.

18.13.040 Minimum lot or building site area.

Each single-family dwelling, together with its accessory buildings, hereafter erected as incidental to the operation of any use permitted in this chapter shall be located on a building site having an area of not less than one-half acre and an average width of one hundred feet; provided, that there may be two dwellings constructed on a parcel where

the ownership is at least five acres, and for each additional three acres of ownership an additional dwelling may be constructed. In no instance shall there be more than four dwellings allowed on a single parcel ~~zoned for floriculture~~ [in the A-1 district](#). The minimum new lot size shall be fifteen acres; no existing lot smaller than fifteen acres in size shall be divided into smaller parcels. Any new dwelling allowed in this district must be for accessory use only.

18.13.050 Front yard.

In the A-1 district, each lot shall have a front yard not less than fifty feet in depth.

18.13.060 Side yard.

In the A-1 district, each lot shall have side yards not less than twenty feet in width.

18.13.070 Rear yard.

In the A-1 district, each lot shall have a rear yard not less than twenty-five feet in depth.

18.13.080 Distance between buildings.

No dwelling shall be located closer than twenty-five feet to any other dwelling on the same parcel.

RESOLUTION NO. P-06-10

**A RESOLUTION OF THE HALF MOON BAY PLANNING COMMISSION
RECOMMENDING THE CITY COUNCIL ADOPT AN ORDINANCE
AMENDING CHAPTER 18.13 OF THE CITY MUNICIPAL CODE
TITLED AGRICULTURAL LAND USE (A-1) (PDP-013-10)**

WHEREAS, Chapter 18.13 of the Municipal Code has established provisions that regulate the type, density and intensity of land uses within the Agricultural Land Use (A-1) Zoning District; and

WHEREAS, Additional agricultural and horticultural land uses that are compatible with floricultural activities could be accommodated within the Agricultural Land Use (A-1) Zoning District; and

WHEREAS, Chapter 18.24 of the Municipal Code provides that whenever the public necessity and convenience and the general welfare require an amendment to the boundaries of districts or any other provisions of Title 18, specific procedures must be followed; and

WHEREAS, the procedures for processing the application and amending Chapter 18.13 of the Municipal Code have been followed as required by law; and

WHEREAS, the City of Half Moon Bay is committed to the maximum public participation and involvement in matters pertaining to the General Plan and its Elements, the Local Coastal Program, and the Zoning Code; and

WHEREAS, a public notice containing a brief description of the proposed amendments and the date, time, and place of the Planning Commission public hearing was published in the Half Moon Bay Review on March 31, 2010, a newspaper of general circulation in the City in accordance to Section 65854, 65090 and 65091 of the Government Code of the State of California; and

WHEREAS, the Planning Commission conducted a duly noticed public hearing on April 13, 2010 with all those in attendance desiring to be heard were given an opportunity to speak on this application; and

WHEREAS, the Planning Commission considered all written and oral testimony presented in their consideration of this application; and

WHEREAS, CEQA Guideline 15183 mandates that projects which are consistent with the development density established by existing zoning, community plan, or general plan policies for which an EIR was certified shall not require additional environmental review, except as might be necessary to examine whether there are project-specific significant effects which are peculiar to the project or its site; and

WHEREAS, this amendment to Chapter 18.13 of the Municipal Code involves changes to the text of this Chapter to allow additional agricultural and horticultural land uses that will not result in a direct or reasonably foreseeable indirect physical change in the environment and, therefore, is exempt from the California Environmental Quality Act in accordance with CEQA Guideline 15060(c)(2); and

WHEREAS, Section 21080.5 of the Public Resources Code provides that a regulatory program of a state agency shall be certified by the Secretary for Resources as being exempt from the requirements for preparing EIRs, negative declarations, and initial studies if the Secretary finds that the program meets the criteria contained in that code section, including the program of the California Coastal Commission involving the preparation, approval, and certification of local coastal programs as provided in Sections 30500 through 30522 of the Public Resources Code, which has been certified by the Secretary for Resources.

NOW, THEREFORE, BE IT RESOLVED that the Planning Commission of the City of Half Moon Bay, as the Advisory Body to the City Council, does hereby recommend that the City Council amend Chapter 18.13 of the Municipal Code as described in the attached Exhibit A.

The documents that constitute the record of proceedings on which the Planning Commission's findings are based are located with the Planning Department of the City of Half Moon Bay, 501 Main Street, Half Moon Bay, CA 94109. This information is provided in compliance with Public Resources Code Section 21081.6 and Title 14 of the California Code of Regulations.

PASSED AND ADOPTED by the City of Half Moon Bay Planning Commission at a duly noticed public hearing held on the 13th day of April, 2010, by the following vote:

AYES, Commissioners Poncini, Roman, King, Vice Chair Deman and Chair Jonsson


NOES,

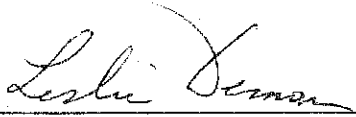
ABSENT,

ABSTAIN,

ATTEST:

APPROVED:


Steve Flint, Planning Director


Les Deman, Vice Chair

January 2008

ECONOMIC VIABILITY EVALUATION

Proposed re-zoning from Floriculture (A-1) to Commercial Visitor Serving (C-VS)

1430 S. Cabrillo Hwy.

Half Moon Bay, CA 94019

APN 065-090-030 and 065-090-070

7.795 acres

EXECUTIVE SUMMARY

This report was prepared to analyze the question of whether the subject site located at 1430 S. Cabrillo Highway, within the city limits of Half Moon Bay is economically viable as an agricultural parcel. The report examines the key factors impacting the subject site specifically and more broadly agriculture in the area. The report utilizes site specific and industry statistics as well as two different independent models.

The key findings of this report are divided into two broad categories: 1) subject site and 2) variables impacting agriculture in the area.

Subject Site

- The owner ceased operations at the subject site in 2005 after incurring losses for the five previous years. Capital investment could not be justified due to small parcel size and no economies of scale in operations.
- The subject site has poor soil (Class III) that is covered over with a layer of 2 feet of packed decomposed granite. This precludes tilled agriculture and effectively limits agricultural use to containerized production.
- The subject site does not have a source of low cost quality water. It is completely dependent on water supplied by the local water district (CCWD). Being solely dependent on CCWD water means the subject site is also particularly susceptible to 1) rate increases, and 2) water rationing due to drought.
- Access to and from the subject site is very poor, limiting operational and logistic capability and options.
- When the revenue/expense model contained in the San Mateo County Agricultural Economic Viability Project is applied to the subject site, it indicates the site is not viable. The largest single factor impacting viability is the price of water. This is significant because the subject site is solely dependent on CCWD water.
- As part of the CEQA process, the subject site was analyzed against The California Agricultural Land Evaluation and Site Assessment Model (LESA). The result was that conversion of the subject site from agricultural will not have a significant impact. The key factors impacting this result were the small parcel size, the poor quality soil, and the sole dependence on CCWD water.
- Conversion of the subject site from agriculture is consistent with the Half Moon Bay LCP.

Key Agricultural Variables

- Inflation adjusted revenue for floral and nursery products in San Mateo County is declining while the unit price for most products was flat to down. At the same time revenue per acre has also dropped even as floral and nursery acreage has also decreased. This suggests that even though marginal acreage has continued to be taken out of production, revenue per acre has continued to decline.
- Competitive pressure from lower cost imported cut flowers and increased leverage by large retailers has resulted in flat to declining revenue.
- Fuel and heating costs for agriculture have risen dramatically over the past 5 years as the price of petroleum has increased. The significant increase in the cost of petroleum has resulted in a significant increase in the cost of a wide variety of production inputs as well as transportation costs.
- The supply of eligible labor is declining due to stricter immigration enforcement and the lack of affordable housing in the area.
- Flat to declining revenue combined with increased production costs have eroded already thin industry margins.

Through the examination of the key variables impacting the subject site as well as agriculture in the area the report concludes that the subject site is not economically viable and that its conversion from agriculture will not impact agriculture in the area.

increasing productivity, are quoted in Euros. In addition to low profitability, the exchange rate helps to explain why the level of capital investment in mechanical infrastructure aimed at improving productivity has been very low in the entire area. Since 2005 the dollar has continued to weaken against the Euro.

Summary

All the key variables impacting agriculture generally, and floriculture specifically, support the widely held view that the coastside floriculture industry remains only marginally viable. In addition to declining overall revenue, rising production costs have negatively impacted margins. Low profitability over many years has constrained capital investment resulting in aging infrastructure. Aging infrastructure prohibits any significant improvements in productivity which is key to cost reduction.

As the City's LCP states "A successful farming operation requires more than soil. Other necessary factors include: (1) adequate parcel size to justify mechanization and other economies of scale; (2) ample supplies of good quality low cost irrigation water; (3) a favorable climate; (4) financing for land and equipment acquisition and production costs; (5) local farm support facilities and services; (6) an adequate labor supply; (7) a non-urban location which will permit freedom from urban impacts such as trespass, vandalism, and neighborhood complaints about noise and dust; and (9) most important of all, a farmer willing to devote the time, energy, and money necessary to operate a parcel. There are some parcels with good soil in the City, and the climate is favorable for some crops. However, few, if any, of the other necessary factors exist for a farming operation in the city".²¹

Regarding the feasibility of entry for new farmers, the City's LCP states that "Prospects for the expansion of existing greenhouse/potted plant operations are minimal and the entry of new operators is not feasible. The ability to convert land to alternative uses, should agriculture use be infeasible is essential in order for field flower growers and farmers to finance continued operations".²²

The subject site fits squarely into the City's stated position. The property, which is located within the city limits of Half Moon Bay, has poor soil (Class III) which is covered over with two feet of packed decomposed granite. The soil effectively limits the use of the property in agriculture to containerized nursery production. Flat to declining revenue and rising production costs in the floral/nursery segment make economical viability questionable.

There is no source of quality low cost water at the subject site. The subject site is solely dependent on CCWD water. The price of CCWD water has risen by an inflation adjusted rate of 30% since 2001. According to the CCWD, the current price of \$1,908 per acre foot is expected to continue to increase at a rate of 7-10% annually. The CCWD is dependent on the Hetch Hetchy system for close to 80% of its current production. The subject site is particularly vulnerable to water rationing during drought conditions because such a large percentage of CCWD water is controlled by the City of San

²¹ LCP Chapter 8.3 Agriculture: A Summary

²² LCP Chapter 8.3 Agriculture: A Summary

Francisco and allocated to CCWD. Further, any water rationing would likely result in further increases in the price of CCWD water because CCWD's revenue sources are very limited by growth restrictions within Half Moon Bay. Finally, when the current price of CCWD water is used in the San Mateo County Agricultural Economic Viability study for the nursery segment, the result is a net income loss.

Access to Half Moon Bay and the subject site for the transportation of agricultural products is poor. Access to Half Moon Bay is from either Highway 92 or Highway 1, both of which are two lane roads that have not been substantially improved in 50 years. Over that same time period the coastside population has increased ten fold. Traffic congestion has increased by 13% since 2000. This impacts agricultural access because the transportation of finished agricultural products are largely dependent on 53 foot trucks which have a difficult time maneuvering within the City limits. Access to the subject site is particularly problematic because the entrance off Wavecrest Road is only 16 feet wide. Because of the very narrow turning radius into the property, large trucks cannot enter or exit. In addition the subject site does not have a loading dock.

The small parcel size (4.47 acres of growing area) does not warrant the capital investment required to have a sustainable operation. Any new operator of the subject site would be faced with the same existing challenges including the cost and availability of labor, rising production costs, and revenue pressure, all without any economies of scale in production. There would be the additional burden of the cost of the land either by lease or acquisition.

Industry trends that were established during the 2001-2005 period persist. According to the USDA's Economic Research Service 2006 Outlook Report "prices of greenhouse and nursery crops will again be unable to rise enough to offset their higher production costs".²³ This conclusion supports the posited view that the already thin grower margins continue to be eroded.

It is almost certain that unless aging infrastructure can be renewed and/or replaced, the long-term outlook for floriculture on the coastside is questionable. Sustainable floriculture can only be accomplished with modern, efficient and profitable facilities that can keep production costs low enough to generate margins sufficient to manage the debt load required to modernize. The current situation and trends illustrate that capital expenditure in infrastructure is efficient only when it is made where other important economies of scale already exist. Genuine support of the long-term viability of floriculture on the coastside has to allow for consolidation of marginal property so that the limited available capital is invested where it can make a difference. Conversion of the subject site directly serves this purpose

To the question of whether the conversion of the subject site will lead to an increase in such applications, the arduous and expensive process of re-zoning, coupled with the limitations incorporated into the City's Land Use Plan and LCP and oversight by the Coastal Commission will ensure that additional applications for re-zoning of existing agricultural parcels will be reviewed on a case by case basis.

²³ 2006 USDA Floriculture and Nursery Crops Outlook

In sum, based on the foregoing objective examination, including independent models²⁴ and key factors impacting agriculture, it can be concluded that the subject site is not economically viable for Nurserymen's Exchange or for another operator. Therefore, converting the subject site from A-1 (Floriculture) to the priority use C-VS (Commercial Visitor Serving) is warranted and can be accomplished without impacting other agriculture in the area.

²⁴ San Mateo County Agricultural Economic Viability Project
California Agricultural Land Evaluation and Site Assessment Model