

CALIFORNIA COASTAL COMMISSION

CENTRAL COAST DISTRICT OFFICE
725 FRONT STREET, SUITE 300
SANTA CRUZ, CA 95060
(831) 427-4863



Th14d

Filed: 03/26/07
180th day: 09/22/07
270th day: 12/21/07
Staff: M. Watson
Staff report: 11/20/07
Hearing date: 12/13/07

COASTAL DEVELOPMENT PERMIT APPLICATION

Application number3-07-003

Applicant.....**Robin Martella and George Leage (Agent: Cathy Novak)**

Project location1170 Front Street near the Embarcadero along Morro Bay in the City of Morro Bay, San Luis Obispo County (APN 066-034-021).

Project descriptionConstruct a three-story 16,411 square foot seven unit hotel with partially subterranean parking garage. Includes 2,523 cubic yards of grading and a lot line adjustment of three vacant lots with split zoning (3,002, 10,288, and 1,158 square feet) to create one 9,072 square foot commercial visitor-serving bluff fronting lot and two blufftop residential lots (8,100 and 7,250 square feet).

Approvals ReceivedCity of Morro Bay Permits for Lot Line Adjustment (LLA 03-02, January 22, 2003) and Hotel (AD0-024 and UP0-120, December 4, 2006).

File documents.....City of Morro Bay certified Local Coastal Program (LCP), and City of Morro Bay Waterfront Master Plan. 3-07

Staff Recommendation ..**Approval with Conditions**

Summary of Staff Recommendation:

Applicants propose a three-story 16,411 square foot, seven unit hotel. The ground floor includes a partially sunken seven-car garage. The second floor would include three 935 square foot units and one 665 square foot ADA accessible unit. The third floor would include three units of approximately 1,100 square feet each. Each hotel room would include a full kitchen and large seaward facing balcony. The hotel would be located at the base of, and partially dug into, a coastal bluff located directly across from the Embarcadero and the City's waterfront. The project also includes a lot line adjustment of three vacant lots with split commercial and residential zoning (3,002, 10,288, and 11,158 square feet respectively) to create one 9,072 square foot commercial visitor-serving bluff fronting lot for the project and two blufftop residential lots (8,100 and 7,250 square feet), one of which has an existing house, and the other of which may be developed at a later date.

As summarized below, the proposed project is inconsistent with the Coastal Act, including policies



California Coastal Commission
December 13, 2007 Meeting in San Francisco

Staff: M. Watson Approved by:

G:\Central Coast\STAFF REPORTS\2. CCC Meeting Packet\2007\12\Th14d-12-2007.doc

designed to protect community character (30253(5)), and visual resources (30251), and public access and recreation (30213 and 30222). The project is also inconsistent with the certified LCP, which is advisory in this case.

With respect to visual and community character resources, the project design is too large for the site and its environs. First, the proposed structure would replace the natural bluff feature at this site. This bluff feature provides a prominent backdrop to the Embarcadero and harborscape and is identified as an important scenic feature by the City's LCP. The hotel would be constructed into and stepped up the bluff face and would occupy more than 85% of the 9,072 square feet of the lot, much of which is steep slope. A significant amount of landform alteration and grading (i.e., over 2,500 cubic yards) would be necessary to accommodate the proposed square footage and parking on the relatively small site. The hotel would appear as a 28 foot tall building from the street and completely eliminate views of the bluff feature. There would be no visual separation between this lower bluff development and future blufftop residential development.

Second, the proposed size and massing is incompatible with adjacent buildings, which are generally smaller in scale, and the architectural style is not in keeping with the maritime theme established throughout the Embarcadero but instead presents a boxy structure at the primary (Front Street) elevation with little articulation or architectural detail. Finally, because of its height and mass, the hotel would block coastal views of the working harbor and bay from the public bluff stairway at Surf Street immediately north of the project site.

With respect to public access and recreation, the proposed hotel is inconsistent with Coastal Act Sections 30210 and 30213, which require maximum public access and lower-cost visitor and recreational facilities where feasible. The Applicant's have indicated that the room rates will range between \$250 and \$400 per night. Given the size and amenities of the proposed rooms, it is unlikely that there will be any potential to offer the rooms at rates that would be considered affordable. The project also does not include any lower-cost visitor serving component, on or off-site.

Finally, the project conflicts with Coastal Act priorities that elevate visitor serving uses over private residential uses (Section 30222). The applicant's propose to construct six hotel rooms ranging in size between 935 and 1,200 square feet with a design that would easily accommodate future residential uses (e.g., separate living, dining, sleeping space, full kitchen, etc.). In addition, neither the project nor the City's permit includes limits on the length of stay or a prohibition on the sale of the individual hotel units, and there is no other information provided in the application to ensure that the project would not be converted to some form of residential ownership in the future (e.g. condominium hotel).

There are feasible alternatives that would allow the construction and operation of a visitor serving hotel consistent with the Coastal Act. This would include project designs with a reduced height and scale, potentially smaller and higher number of rooms, more articulation in design and perhaps a maritime or other architectural theme consistent with the City's Waterfront Master Plan. The project should also include a limit on the length of stay, prohibition on future residential ownerships without more



comprehensive analysis, and a lower-cost visitor accommodation component.

Staff recommends, therefore, that the project be **approved with special conditions** requiring the submittal of revised plans that limit the size of the new structure, require an architectural design consistent with the Waterfront Masterplan, and require review and approval of by the City of Morro Bay, including an update civil engineering approval. The project is also conditioned to assure that the hotel remains available to the general public and to provide an in-lieu fee of \$13,860 per room for 25% of the total number of rooms proposed, for the lower-cost visitor accommodation component.

Staff Report Contents

- 1. Staff Recommendation on Coastal Development Permit.....4
- 2. Recommended Findings and Declarations8
 - A. Project Background, Location, and Description.....8
 - 1. Project Background8
 - 2. Project Location and Environs9
 - 3. Project Description.....9
 - B. Consistency Analysis11
 - 1. Visual Resources and Community Character.....11
 - 2. Public Access and Recreation15
 - 3. California Environmental Quality Act (CEQA).....21

List of Exhibits

- Exhibit A Project Location Map
- Exhibit B Site Area Photographs
- Exhibit C Proposed Project Plans
- Exhibit D LCP Policies and Standards



1. Staff Recommendation on Coastal Development Permit

The staff recommends that the Commission, after public hearing, **approve** a coastal development permit for the proposed development subject to the standard and special conditions below.

Motion. I move that the Commission approve Coastal Development Permit Number **3-07-003** pursuant to the staff recommendation.

Staff Recommendation of Approval. Staff recommends a **YES** vote. Passage of this motion will result in approval of coastal development permit 3-07-003 as conditioned and adoption of the following resolution and findings. The motion passes only by an affirmative vote of a majority of the Commissioners present.

Resolution to Approve a Coastal Development Permit. The Commission hereby approves coastal development permit 3-07-003 on the grounds that the development, as conditioned, will be in conformity with the policies of Chapter 3 of the Coastal Act. Approval of the coastal development permit 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 development on the environment; or (2) there are no feasible mitigation measures or alternatives that would substantially lessen any significant adverse effects of the development on the environment

2. Conditions of Approval

A. Standard Conditions

1. **Notice of Receipt and Acknowledgment.** The permit is not valid and development shall not commence until a copy of the permit, signed by the Permittee or authorized agent, acknowledging receipt of the permit and acceptance of the terms and conditions, is returned to the Commission office.
2. **Expiration.** If development has not commenced, the permit will expire two years from the date on which the Commission voted on the application. Development shall be pursued in a diligent manner and completed in a reasonable period of time. Application for extension of the permit must be made prior to the expiration date.
3. **Interpretation.** Any questions of intent or interpretation of any condition will be resolved by the Executive Director or the Commission.
4. **Assignment.** The permit may be assigned to any qualified person, provided assignee files with the Commission an affidavit accepting all terms and conditions of the permit.



- 5. Terms and Conditions Run with the Land.** These terms and conditions shall be perpetual, and it is the intention of the Commission and the Permittee to bind all future owners and possessors of the subject property to the terms and conditions.

B. Special Conditions

- 1. Revised Plans.** PRIOR TO ISSUANCE OF THE COASTAL DEVELOPMENT PERMIT, Applicant shall submit to the Executive Director of the Coastal Commission for review approval, Revised Plans that show the following:
- a. **Height.** Maximum structural elevation of 20 feet above existing Front Street grade (33 feet MSL). Maximum structural elevation along the Front street façade of 10 feet above existing Front Street grade (23 feet MSL).
 - b. **Building Setbacks.** Minimum first floor front setback shall be an average of 5 feet. Second floor front setback shall be a minimum of 10 feet from the public right-of-way.
 - c. **Building Coverage.** Maximum coverage of all ground floor portions of building shall be 85% of the available building area. Maximum area of the second floor, excluding open decks, shall be 80% of the maximum allowable first floor building coverage.
 - d. **View Corridors.** Minimum unobstructed view corridor of 39 feet for any second floor building elements (30% of the lot width) consistent with Figure 5.2 of the City of Morro Bay Waterfront Masterplan.
 - e. **Roof Design.** Eighty percent (80%) of all roofs for both one and two story elements shall be sloping with a minimum 4 in 12 pitch.
 - f. **Architectural Design.** All design shall be consistent with the Design Guidelines of the City of Morro Bay Waterfront Masterplan. Wall surfaces should be articulated (board and batt, engaged pilasters, multilevel trim, cornices, built-up fascias). Materials and colors should be varied to break larger building masses and large wall planes into smaller elements. Large flat planes of any type of materials, or contemporary boxy buildings shall be avoided.
 - g. On site provision of up to one parking space per hotel room, or payment of an in-lieu parking fee to the City of Morro Bay's parking in-lieu fee fund at the rate of \$15,000 per parking space.
 - h. Evidence of review and approval of the revised plans by the City of Morro Bay, including review by a licensed civil engineer.



2. **General Occupancy Requirement.** All hotel facilities shall be open to the general public. No individual ownership or long term occupancy of units shall be allowed without an amendment to this permit. Rooms may not be rented to any individual, family, or group for more than 29 days per year or for more than 14 days between Memorial Day and Labor Day
3. **Lower-cost Visitor Accommodations.** PRIOR TO COMMENCEMENT OF CONSTRUCTION ACTIVITIES, the Permittee shall submit to the Executive Director for review and approval a plan to establish a Lower Cost Overnight Accommodations fund. Subsequent to Executive Director approval of the plan and prior to construction, a sum equal to \$13,860 per room for 25% of the total rooms proposed shall be deposited into an interest bearing account, to be established and managed by one of the following entities as approved by the Executive Director: the City of Morro Bay, the County of San Luis Obispo Parks Department, the Port San Luis Harbor District, the California Department of Parks and Recreation, Hostelling International, or similar entity. The purpose of the account shall be to establish new lower cost overnight visitor serving accommodations, such as new hostel or tent campground units, at appropriate locations within the coastal zone of San Luis Obispo County. The entire fee and any accrued interest shall be used for the above-stated purpose, in consultation with the Executive Director, within ten years of the fee being deposited into the account. Any portion of the fee that remains after ten years shall be donated to one or more of the State Parks units located along the San Luis Obispo County shoreline (e.g., Estero Bay, Morro Strand, Morro Bay, Montana de Oro, or Pismo Beach State Park), or other organization acceptable to the Executive Director, for the purpose of providing lower cost public access and recreation improvements to and along the shoreline, including improvements to the California Coastal Trail.

PRIOR TO EXPENDITURE OF ANY FUNDS CONTAINED IN THIS ACCOUNT, the Executive Director must review and approve the proposed use of the funds as being consistent with the intent and purpose of this condition. In addition, the entity accepting the in-lieu fee funds required by this condition shall enter into a memorandum of understanding (MOU) with the Commission, which shall include, but not be limited to, the following: (1) a description of how the funds will be used to create or enhance lower cost accommodations in the Coastal Zone; (2) a requirement that the entity accepting the funds must preserve these newly created lower cost accommodations in perpetuity; and (3) an agreement that the entity accepting the funds will obtain all necessary regulatory permits and approvals, including but not limited to, a coastal development permit for development of the lower cost accommodations required by this condition.

4. **Construction Plan.** PRIOR TO ISSUANCE OF THE COASTAL DEVELOPMENT PERMIT, the Permittee shall submit a Construction Plan to the Executive Director for review and approval. The Construction Plan shall identify the specific location of all construction areas, all staging areas, and all construction access corridors in site plan view. Construction and staging zones shall be limited to the minimum area required to implement that approved project.



The Construction Plan shall also identify the type and location of erosion control/water quality best management practices that will be implemented during construction to protect coastal water quality, including the following:

- (a) Silt fences, or equivalent apparatus, shall be installed at the perimeter of the construction site to prevent construction-related runoff and/or sediment from discharging onto the beach.
- (b) The construction site shall maintain good construction housekeeping controls and procedures (e.g., clean up all leaks, drips, and other spills immediately; keep materials covered and out of the rain (including covering exposed piles of soil and wastes); dispose of all wastes properly, place trash receptacles on site for that purpose, and cover open trash receptacles during wet weather;).
- (c) All erosion and sediment controls shall be in place prior to the commencement of construction as well as at the end of each work day.

A copy of the approved Construction Plan shall be kept at the construction job site at all times and all persons involved with the construction shall be briefed on its content and meaning prior to commencement of construction. The Permittee shall notify planning staff of the Coastal Commission's Central Coast District Office at least 3 working days in advance of commencement of construction, and immediately upon completion of construction.

The Permittee shall undertake construction in accordance with the approved Construction Plan. Any proposed changes to the approved Construction Plan shall be reported to the Executive Director. No changes to the approved Construction Plan shall occur without a Commission amendment to this coastal development permit unless the Executive Director determines that no amendment is necessary.

5. **Landscape Plan.** PRIOR TO ISSUANCE OF THE COASTAL DEVELOPMENT PERMIT, the Permittee shall submit a Landscape Plan prepared by a landscape professional to the Executive Director for review and approval. The Landscape Plan shall clearly identify in site plan view the type, size, extent and location of all plant materials to be used, as well as the method and extent of irrigation that will be used to ensure planting success. The planting of non-native invasive species, such as those listed by the California Native Plant Society, on the California Invasive Plant Council's Inventory of Invasive Plants, or identified by the State of California or the U.S. federal government as a "noxious weed" is prohibited.
6. **Compliance with Local Conditions of Approval.** All conditions imposed by the City under legal authority other than the Coastal Act continue to apply.
7. **Deed Restriction.** PRIOR TO ISSUANCE OF THE COASTAL DEVELOPMENT PERMIT, the Permittee shall submit to the Executive Director for review and approval documentation demonstrating that the Permittee has executed and recorded against the parcel(s) governed by



this permit a deed restriction, in a form and content acceptable to the Executive Director: (1) indicating that, pursuant to this permit, the California Coastal Commission has authorized development on the subject property, subject to terms and conditions that restrict the use and enjoyment of that property; and (2) imposing the special conditions of this permit as covenants, conditions and restrictions on the use and enjoyment of the property. The deed restriction shall include a legal description and site plan of the entire parcel or parcels governed by this permit. The deed restriction shall also indicate that, in the event of an extinguishment or termination of the deed restriction for any reason, the terms and conditions of this permit shall continue to restrict the use and enjoyment of the subject property so long as either this permit or the development it authorizes, or any part, modification, or amendment thereof, remains in existence on or with respect to the subject property.

2. Recommended Findings and Declarations

The Commission finds and declares as follows:

A. Project Background, Location, and Description

1. Project Background

Until the mid-1940's, most of the small community of Morro Bay was built on the bluff tops above the tidal flats. Between 1942 and 1945, the north and south breakwaters at the entrance to the Morro Bay harbor, two T-piers, and the inner harbor bulkhead were constructed for a Navy amphibious base. The existing navigational channel was dredged and the spoils deposited behind the inner harbor bulkhead to create a fill area along the bay that became known as the Embarcadero. In the late 1940's the Navy base, including all waterfront facilities was sold to San Luis Obispo County. Buildings began to be constructed on the Embarcadero, and various docks and piers were occupied by a growing fleet of commercial fishing boats. In 1964, the City of Morro Bay incorporated and assumed jurisdiction over the County's waterfront land and facilities including the Embarcadero. Trusteeship of the state granted tidelands was also transferred to the City at that time.

The Embarcadero is now largely developed with a variety of visitor-serving (restaurants, gift shops) and coastal-related land uses (i.e., kayak rental, commercial and recreational fishing services, icing facilities etc.). Parcels on the bayside of Embarcadero are leased to individual lessees by the City through the City's proxy relationship to the State Lands Commission and the state tidelands underlying the Embarcadero. The Coastal Commission retains permitting jurisdiction on all tideland properties including the fill areas along the Embarcadero, and including the property that is the subject of this permit application. As a result, the standard of review for the proposed project is the Coastal Act, although the certified Morro Bay LCP may provide non-binding guidance.



2. Project Location and Environs

The project site is located in the LCP's Beach Street planning area on the bluffs fronting the Embarcadero at 1170 Front Street in the City of Morro Bay. Front Street at this location is a short spur street just inland and parallel to Embarcadero Road that dead ends into a large parking lot adjacent to the Duke Energy plant.

The site slopes up from an elevation of approximately 13 feet above mean sea level at Front Street, to approximately 41 feet above mean sea level at the top of the bluff. The bluff at this location is approximately 30 feet in height establishing the bluff and bluff top line as the prominent feature of the inland side of the Embarcadero. The City's LUP describes the bluffs as an integral part of the views of the bay. A public access stairway at the end of Surf Street leads down the bluff and provides views of the bay, waterfront, and sand spit across the project site.

The lower bluffs between the Duke Energy plant and the project site are currently unimproved with the exception of the public stairway. Development of the bluffs north of the project site is limited to single family residences on blufftop lots, with the balance of the natural landform of the bluff face otherwise unaltered. South of the project site, development along the bluffs is more intensive. Development along Front Street is characterized by two-story structures at the base of the bluffs, residential structures currently occupy the bluff top lots above. There are 3 existing developments north of Beach Street (between Beach Street and the subject site), two of which are more modest in design and scale. Structural height is limited to 6 to 10 feet below the bluff top edge, which is clearly visible above the structures. These structures also incorporate setbacks and building articulation to break up massing and create architectural interest. The third (middle) structure is greater in overall height, scale, and mass than the other two. There is no setback from Front Street and very little articulation to break up massing along the western (primary) elevation. The structure also exceeds the height of the bluff and thus totally obscures views of the bluff and the bluff top edge. Please see Exhibit B.

The Embarcadero is made special by the style and character of development along the City's waterfront. In general, the surrounding district is primarily characterized by elements of its commercial fishing roots and the visitor-serving shops, restaurants, and hotels that cater to thousands of out-of-town visitors annually. The project site is also located directly across the road (Front Street and Embarcadero Road) from the City's commercial fishing T-piers and soon-to-be-completed recreation paths (i.e., dedicated pedestrian and bicycle paths) leading to Morro Rock and Morro Strand State Beach. Morro Bay and the Embarcadero in particular has become the major tourist attraction of the community and a prime coastal visitor-serving destination with an estimated 1.5 million visitors annually.

3. Project Description

Lot Line Adjustment

The unimproved site consists of three legal lots of record. Two of the parcels extend east from Front Street up the bluff to West Street (inland) and are 11,158 and 10,288 square feet in size respectively. The third lot extends approximately from Front Street to the bluff top edge and is 3,002 square feet in



size (please see Exhibit A). The two lots encompassing the area from Front Street to West Street have a split zoning: the upper bluff portions of the lots (i.e., from the bluff top edge to West Street) are zoned duplex residential (R-2) and the portions of lots from the bluff top edge to Front Street (i.e., the bluff area itself and the narrow strip of land between the toe of the bluff and the street) are zoned commercial visitor serving (C-VS). The smaller third lot (between Front Street and the and the bluff top edge) is likewise zoned C-VS. The site of the proposed development also lies within a planned development (PD) overlay zone. The purpose of the PD overlay is to provide for more detailed and substantial analysis of development on parcels, which because of size, special location, or public ownership, warrant special review. This overlay is also intended to allow for modification of or exemption from the development standards of the primary zone, which would otherwise apply, if such modification/exemption would result in a better design or some other public benefit.

The project involves adjusting lot lines to create one single parcel along the lower bluff (9,072 square feet) that comprises the area from Front Street to the bluff top edge, and two upper bluff parcels (8,100 and 7,250 square feet respectively), extending from the bluff top edge west (inland) to West Street. The reconfigured lower bluff parcel on which the hotel is proposed would retain the commercial visitor serving zoning (C-VS) and the upper bluff parcels would retain the duplex residential (R-2) zoning for future development (one parcel already contains an existing home).

Hotel

In addition to the proposed lot line adjustment, the applicant proposes to construct a 7-unit hotel with private bedrooms, full kitchens, bathrooms, fireplaces, balconies, ADA access and partially subterranean parking for 7 vehicles on the bluff fronting lot. The hotel also includes office space, storage room, lobby, and elevator. There are 3 hotel units proposed at 935 square feet each and one ADA accessible unit at 665 square feet on the first (ground) floor level, and three additional units proposed at an average of approximately 1,100 square feet apiece on the second (upper) floor level. Each unit will have a seaward facing balcony averaging approximately 100 square feet (first floor) and 250 square feet (second floor). The project will also include such customary improvements as sidewalks, curbs and gutters, ADA accessible ramps and landings, landscaping, and increasingly more common improvements such as underground utilities lines. Total grading proposed including excavation of the subterranean garage and bluff face is 2,523 cubic yards.

The City of Morro Bay conditionally approved the hotel project on December 4, 2006 (UP0-120) subject to a number of conditions including evidence of a coastal development permit approval from the California Coastal Commission. Similarly, the City conditionally approved a lot line adjustment on January 22, 2003 subject to evidence of a coastal permit.



B. Consistency Analysis

The project is located on historic public trust tidelands. Therefore the standard of review is the Coastal Act. The Morro Bay LCP provides non-binding guidance.

1. Visual Resources and Community Character

a. Applicable Policies

The Coastal Act requires new development to be sited and designed to protect public views to and along the scenic coastal areas and to be visually compatible with the character of the surrounding areas:

Section 30251. The scenic and visual qualities of coastal areas shall be considered and protected as a resource of public importance. Permitted development shall be sited and designed to protect views to and along the ocean and scenic coastal areas, to minimize the alteration of natural land forms, to be visually compatible with the character of surrounding areas, and, where feasible, to restore and enhance visual quality in visually degraded areas. New development in highly scenic areas such as those designated in the California Coastline Preservation and Recreation Plan prepared by the Department of Parks and Recreation and by local government shall be subordinate to the character of its setting.

Additionally, the Coastal Act requires that special communities that are popular visitor serving and recreational destinations be protected:

Section 30253. New development shall: . . . (5) where appropriate, protect special communities and neighborhoods which, because of their unique characteristics, are popular visitor destination points for recreational uses.

Similarly, the City of Morro Bay LCP acknowledges the need of the City to preserve the unique character of its varied neighborhoods and to create a higher quality visual environment within them. The LCP contains policies related to protection of public views along the Embarcadero and of the unique geographic features surrounding the City's working harbor including Morro Rock, the bay and sandspit, and the coastal bluffs. Building height and bulk relationships must be compatible with existing development, coastal views may not be impaired or degraded, and landform alteration must be minimized. Additionally, the LCP provides clear guidance with respect to visual compatibility of new development with both existing development and surroundings natural features. New development must incorporate an architectural character consistent with the maritime theme of the waterfront, be pedestrian oriented in form and scale, avoid excessive massing, maintain the unique geographic features



of the bluffs, and ensure that development is subordinate to the character and form of the coastal bluffs (see Exhibit D for LCP excerpts).

b. Visual Resources and Character Setting and Analysis

Lot Line Adjustment

As described above, the applicant proposes to adjust lot lines to create a bluff fronting visitor-serving parcel and two upper bluff residential parcels. The certified LCP does not provide guidance on how development standards should be applied to the existing conditions of split zoning of a single site, although the three lots are zoned PUD, which allows for special evaluation of the site based on its unique characteristics. Although the application of zoning standards and the Coastal Act to the existing lot configuration could result in a less intense development, the proposed lot configuration does not in itself necessitate a more intense development. It also provides for a clearly designated priority visitor-serving land use site at the base of the bluff, and two residential sites on the bluff top.

Hotel Development

With respect to visual and community character resources, the hotel project design is too large for the site and its environs. First, the proposed structure would replace the natural bluff feature at this site. This bluff feature provides a prominent backdrop to the Embarcadero and harborscape and is identified as highly scenic in the City's LCP. The proposed development also is large for this area and in fact, much larger in size, scale, and height (16,410 square feet in size, 164,100 cubic feet in volume, and 28' in height) than the adjacent existing motel and eatery at the foot of the bluffs. The LCP limits building heights on the east side of Front Street to 14 feet if the roof is flat, as it is in this case, though the City granted the applicant a 2 foot variance to the 14 foot height standard.

Additionally, due to the City's method of calculating structural height from the average of the highest and lowest point on the site, the proposed new hotel will actually be constructed approximately 28 feet above natural grade along Front Street -or roughly twice the height of the LCP's height standard. The roof height would be equal to the top of the bluff (i.e., approximately 41 feet above sea level) and completely obscure the natural landform including views of the bluff or bluff top edge from the Embarcadero. The proposed hotel would be perceived as 3 stories and 28 feet in height along the Front Street (i.e., primary) elevation. In so doing, bluff top and bluff fronting development will appear to run together. There will not be any visual separation between upper bluff and lower bluff development, and together these improvements will appear to be as much as 45' in height and even more massive than the proposed development itself.

With respect to the overall height of the structure, the City indicated that the additional height (i.e., 2-foot height variance) would not exceed the top of the bluff while allowing the applicant to provide most of the required parking on-site. Even with the additional height, though, the applicant is only able to provide 7 of the required 8 parking spaces in the subterranean garage as much of the underground spaces is needed for a driveway entrance and exit, elevator room, office space, and stairway access. At



the same time, the additional height pushes the roof line up to the top of the bluff (i.e., 41 foot elevation) and completely obscures the bluff and bluff top edge from public view. There will be no visual separation between upper and lower bluff development.

The project also involves more than 2,500 cubic yards of landform alteration to construct the hotel and subterranean parking garage into the toe of the bluff and bluff face. As proposed, more than three-quarters of the bluff and bluff face will be removed and the rear wall of the hotel structure will act as a retaining device to shore up the vertical cut in the bluff. Finally, the proposed development in its entirety (i.e., structural and non-structural) will cover more than 88% of the site, including the entire street level of the bluff fronting parcels and much of the bluff face.

Second, the proposed size and massing is incompatible with immediately adjacent buildings, which are generally smaller in scale, and the architectural style is not in keeping with the maritime theme established throughout the Embarcadero but instead presents a boxy structure at the primary (Front Street) elevation with little articulation or architectural detail. The project will be constructed over 3 adjacent lots, and the building will appear to be one large, rectangular structure built into the bluff. There are few building offsets or appendages to breakup the mass and horizontal lines along the Front Street (primary) elevation. The garage and first floor of the new structure presents an 80' wide by 18' tall rectangular façade, without any breaks in building mass. The garage entrance and exit interrupts what would otherwise be a solid wall spanning the entire width of the 130' wide property. The upper floor of the new structure would be setback roughly 8' from the lower level and present a roughly 125' wide by 10' tall rectangular façade without any horizontal articulation or offset along the entire western property frontage.

Finally, public views to the bay and sandspit, Morro Rock, Montana de Oro State Park, and Point Buchon are available from the Surf Street stairway down the bluffs directly north of the project site. Because of its height and mass, the hotel would block coastal views of the working harbor and bay from the public bluff stairway at Surf Street immediately north of the project site. The City's approval concluded that blue water views of the bay from the Surf Street stairway would be blocked by the project, but that by stepping the second story of the structure back to the east the applicant could minimize the loss of blue water views. Though that may be the case, the certified LCP requires permitted development to be sited and designed to protect and enhance views to and along the coast and designated scenic areas. The policies regarding visual compatibility are designed to avoid excessively large structures that would have significant adverse impacts on public views. In this instance, the project, because of its size and scale, does not protect or enhance but rather degrades and blocks public views to and along the coast.



c. Visual Resources and Character Conclusion

The Coastal Act requires new development to protect scenic views and be subordinate to the character of its setting. Section 30251 of the Act specifically states that new development shall be sited and designed to protect scenic views, minimize landform alteration, be visually compatible with the character of surrounding areas, and where feasible restore visually degraded areas. As described above, the proposed hotel will not be visually compatible with existing adjacent development or subordinate to the natural bluff form. The height/bulk relationship exceeds existing development immediately adjacent to the site, and the proposed design will not preserve the geographic feature that frames the larger Embarcadero planning district, the coastal bluff and bluff top edge. Architectural style does not emulate a coastal fishing village theme and the design does little to avoid excessive massing along the primary elevation.

Overall, the hotel structure design is too large, detracts from the character of the surrounding, requires an inordinate amount of landform alteration, and is not subordinate to the character and form of the coastal bluffs. Thus, the proposed project is inconsistent with both Coastal Act Sections 30251 and 30253(5) designed to protect scenic views and preserve the unique character of the City's waterfront. It is also difficult to conclude that the project conforms to LCP guidelines, including specific guidelines in the City of Morro Bay Waterfront Masterplan, regarding visual compatibility with adjacent development, avoidance of excessive massing, maintaining the unique geographic features of the bluffs, and ensuring that development is subordinate to the character and form of the coastal bluffs.

There are feasible alternatives that would provide a visitor-serving development at this location consistent with the Coastal Act. However, a substantial revision of the project plans will be necessary to bring the project into conformance with the Coastal Act and certified LCP provisions. These revisions can be achieved through special conditions that specifically limit the overall height, mass, scale, and coverage of the building, and introduce greater articulation and architectural expression, consistent with the Waterfront Master Plan. Although the certified Master Plan is only advisory in this case, it does provide specific standards, that have previously reviewed and approved by the Commission, for the appropriate scale and design of new development in the project location. Therefore, Special Condition 1 requires that revised plans be submitted that meet specific performance standards for overall building height, first floor height, first and second floor front setbacks, massing, and roof design. With these requirements, the revised project will be subordinate to its natural bluff setting, and present a more appropriate design and scale in relation to its waterfront environs. It will also reduce the impact of a new structure on the public views available from the Surf street public access stairway to an acceptable level. Although Special Condition 1 is specific with respect to the exterior design and scale of the building, the Applicant will have flexibility within the defined building envelope with respect to specific interior design and revised structural components, including the determination of the number hotel rooms that may be provided within the structure.

With respect to the parking demand, which currently occupies approximately 6000 square feet of the proposed three-story design, Special Condition 1 allows the parking demand to be met either on site or



through the provision of an in-lieu parking fee to the City of Morro Bay parking program, as was already approved by the City for one of the required parking spaces for the current design. If parking was not provided onsite, there will be more developable area for hotel accommodations. In this case, existing parking supply and demand in the vicinity of the project is not as constrained as it is in areas of the Embarcadero south of the site, and a large parking area is located immediately up coast of the project site. The City's parking program has been successful in recent years in providing public parking to serve visitor demand along the waterfront.

Finally, Special Condition requires that the City review and approved a revised project design before the coastal development permit is issued by the Coastal Commission.

2. Public Access and Recreation

a. Relevant Access and Recreation Policies

Coastal Act Sections 30210 through 30213, and 30220 specifically protect public access and recreation. In particular:

***Section 30210:** In carrying out the requirement of Section 4 of Article X of the California Constitution, maximum access, which shall be conspicuously posted, and recreational opportunities shall be provided for all the people consistent with public safety needs and the need to protect public rights, rights of private property owners, and natural resource areas from overuse.*

***Section 30211:** Development shall not interfere with the public's right of access to the sea where acquired through use or legislative authorization, including, but not limited to, the use of dry sand and rocky coastal beaches to the first line of terrestrial vegetation.*

***Section 30212(a):** Public access from the nearest public roadway to the shoreline and along the coast shall be provided in new development projects...*

***Section 30213:** Lower cost visitor and recreational facilities shall be protected, encouraged, and, where feasible, provided. Developments providing public recreational opportunities are preferred. ...*

***Section 30220.** Coastal areas suited for water-oriented recreational activities that cannot readily be provided at inland water areas shall be protected for such uses.*

Additionally, the Coastal Act establishes a priority for visitor serving development over other types of residential, commercial, or industrial uses on privately owned land. It states:

***Section 30222.** The use of private lands suitable for visitor-serving commercial recreational facilities designed to enhance public opportunities for coastal recreation shall have priority over private residential, general industrial, or general commercial development, but not over agriculture*



or coastal-dependent industry.

Though not the standard of review the City's certified zoning standards also details specific uses and guidelines for development within visitor serving commercial (C-VS) zone. This policy states:

17.24.120 Visitor-serving commercial (C-VS) district. *Purpose. The purpose of the visitor-serving commercial (C-VS) district is to provide a district for commercial uses intended primarily to serve the needs of tourists and other visitors to the city and not to include commercial uses of a more general nature which are oriented towards residents. Uses in this tourist-oriented district shall also provide for landscaping and related aesthetic improvements which create and enhance the visual attractiveness of the city.*

b. Analysis of Public Access and Recreation

As described above, the project site is directly landward from the bay and the City's commercial fishing T-piers, and the foot of the City's new waterfront pedestrian and bike trail. This area is heavily used by the public and the trail provides an important non-motorized link between the beach recreation area, the Embarcadero, and beyond. The City of Morro Bay is a very popular visitor-serving destination and attracts over 1 million visitors annually. Morro Bay thus provides public access and recreational opportunities of regional and statewide significance. The proposed development would provide overnight visitor accommodations to the north end of the Embarcadero and includes construction of seven hotel units with seaward facing balconies and appurtenant facilities. The site is zoned for visitor serving commercial uses and a transient occupancy hotel will further Coastal Act and LCP goals of maximizing public access and recreational opportunities along the waterfront.

1. Visitor Serving Priorities

Lot Line Adjustment

The lower portion of the development site is zoned C-VS with a planned development (PD) district overlay. The primary purpose of the C-VS zoning as defined in the certified LCP is to provide uses that serve the needs of tourists and other visitors to the City and not to include uses of a more general nature that are oriented towards residents, though mixed-use development may also be allowed with a conditional use permit. The upper portion of the site is zone for low- medium density residential (R-2). In this particular case, due to the orientation of the parcels, two of the three lots have a dual zoning designation (i.e., both C-VS and R-2). The smaller bluff fronting parcel on the north end of the development site is entirely zoned for commercial visitor serving. As proposed, the project would adjust lot lines of the three existing legal parcels to facilitate creation and development of a single bluff fronting parcel abutting Front Street and two upper bluff parcels. The bluff fronting parcel would be bound by Front Street to the west, the bluff top edge to the east, and the existing north and south property lines. The reconfigured bluff fronting parcel would lie entirely within the commercial visitor serving (C-VS) zone. The newly created upper bluff parcels would be bound by West Street, the bluff



top edge, and existing north and south property lines. The upper bluff parcels would have duplex residential zoning (R-2) similar to all other properties along the bluff top.

The applicant maintains the benefits of reconfiguring the lot lines in this fashion allows for simultaneous planning of all three bluff fronting lots and at the same time clarifies the rules by eliminating uncertainty on how to apply the City's development standards on lots with dual zoning designations. In this case, the existing land use and zoning designations follow a well defined natural geologic feature on the property (i.e., coastal bluff), with the bluff top edge being the dividing line. Under the current proposal, the applicant would adjust lot lines to create a new lot configuration that also recognizes the natural geologic feature and eliminates the split zoning of the site. In terms of the development potential, the City has indicated that each segment of property would be evaluated according to the individual development standards of the underlying land use/zoning designation. Given that it is the parcel configuration rather than land use designation that is changing, it is conceivable that the site could be developed at similar intensities regardless of parcel configuration (i.e., some form of principally permitted use would be afforded on each portion of the split zoned site –provided it could be found consistent with development standards of the underlying zone district.

Hotel Development

The applicant proposes a 7-unit general occupancy hotel and parking garage. Parking will occur on the ground floor and be partially sunken. The hotel rooms will be constructed on the second and third levels and range in size from 664 square feet to 1,163 square feet (see Table 1). Hotel room amenities include a separate bedroom, full kitchen, bathroom with separate tub and shower, fireplaces, balconies, and individual living and dining areas. Each unit will have a reserved parking space in the roughly 6,000 square foot ground floor garage. Together the size of the hotel and parking garage approaches 16,410 square feet and contains more than 164,100 cubic feet. Though a significant amount of space is dedicated to a hotel office, storage/laundry room, lobby, stairways, and elevator, the hotel rooms and the parking area make up the majority of the development. Please see Exhibit C. The applicant estimates that the rate structure of the rooms will range from \$250 to \$400 a night. The applicant states that the rooms are designed to attract families which ordinarily might have to rent multiple rooms and go out to restaurants for every meal.



TABLE 1: FLOOR AREA (SQ. FT.) (approximate)

| | FLOOR AREA (ROOM) | BALCONY | TOTAL |
|----------------|------------------------------|----------------|---------------|
| UNIT 1 | 942 | 99 | 1,041 |
| UNIT 2 | 933 | 119 | 1,062 |
| UNIT 3 | 933 | 112 | 1,055 |
| UNIT 4* | 664 | 44 | 708 |
| UNIT 5 | 1,163 | 247 | 1,410 |
| UNIT 6 | 1,096 | 255 | 1,351 |
| UNIT 7 | 1,034 | 181 | 1,215 |
| Parking | NA | NA | 6,000 |
| Other | NA | NA | 2,568 |
| TOTAL | 6,765 | 1,057 | 16,410 |

*ADA accessible unit.

Analysis

Coastal Act section 30222 establishes a high priority for public visitor-serving facilities over private residential, industrial, or general commercial development. The Commission has closely scrutinized hotel projects to assure that general visitor-serving and recreational opportunities are provided, and that other lower-priority uses do not take precedence, particularly in popular visitor-serving coastal areas such as Morro Bay. The Commission has specifically focused on proposals for quasi-residential hotel developments such as new condominium hotels or potential conversions of existing general occupancy hotels to a residential form of ownership. In particular, the Commission has emphasized the importance of evaluating the supply and demand of visitor-serving facilities in specific areas, as well as the specific requirements of the relevant LCPs. In 2006, following a Commission workshop on condominium-hotels, the Executive Director of the Commission provided guidance to local governments that if an LCP did not specifically provide for such land uses, that an LCP amendment would be necessary in order to approve such uses in the future.

In this case, the applicant has not proposed any residential ownership of the hotel rooms. However, the



Applicant also has not proposed, nor did the City require, limits on the length of stay as is typical to assure that the hotel rooms remain generally available to the visiting public as a transit-occupancy facility. The Applicant and the City also did not address the potential that the rooms might be converted to a quasi-residential in the future.¹ In order to consider such a land use in this location, an analysis of existing supply and demand for visitor-serving facilities in Morro Bay would be needed. In this case, although mixed use developments (commercial and residential) may be approved in the visitor-serving zone with a conditional use permit, the LCP does not specifically contemplate quasi-residential hotel developments in this zone. In order to approve a general hotel at this location consistent with the Coastal Act and the LCP, the approval should be conditioned to place limits on the length of stay of guests, and to prohibit the conversion of hotel rooms in the future to any form of residential ownership, without an amendment to the permit. Such a permit amendment also would also need to be preceded by an LCP amendment that specifically addressed the issue of quasi-residential land uses in the commercial visitor-serving zone. Therefore, Special Condition 2 is necessary to find the project consistent with Coastal Act Section 30222.

2. Lower Cost Visitor Serving and Recreation Facilities

Coastal Act section 30213 requires that lower cost visitor and recreational facilities be protected and where feasible, provided. In light of current trends in the market place and along the coast, the Commission is increasingly concerned with the challenge of providing lower-cost overnight accommodations consistent with the Coastal Act. Recent research in support of a Commission workshop concerning hotel-condominiums showed that only 7.9% of the overnight accommodations in nine popular coastal counties were considered lower-cost. Although statewide demand for lower-cost accommodations in the coastal zone is difficult to quantify, there is no question that camping and hostel opportunities are in high demand, and that there is on-going need to provide more lower-cost opportunities along California's coast. For example, the Santa Monica hostel occupancy rate was 96% in 2005, with the hostel being full more than half of the year. State Parks estimates that demand for camping has increased 13% between 2000 and 2005. Nine of the ten most popular campgrounds are along the coast.

The proposed hotel development project will involve construction of 7 high-cost units. The room rates will range between \$250 and \$400 per night. The applicant has stated that the hotel is designed such that families can stay in one room as opposed to two, and since the units are equipped with a full kitchen, families will be able to prepare meals rather than going to restaurants for each meal.

The Commission acknowledges the applicant's efforts to provide these atypical visitor serving amenities. However, based solely on price, the project does not provide lower-cost overnight

¹ The City's conditional approval did not establish a limit on the length of stay or expressly prohibit private ownership of the individual rooms, and though the applicant's have not expressed intent to sell the individual units, it is possible that this may become necessary, depending upon the ability to secure adequate financing for the hotel development or to ensure full occupancy during the off-season.



accommodations needed to address the requirements of Coastal Act Section 30213. In past actions, the Commission has required that as many as one-quarter (25%) of all rooms be made available at affordable rates, if feasible. Given the current proposal includes construction of a 7 unit hotel and the Commission's past precedence, at least 2 low-cost units ($7 \times 0.25 = 1.75$) should be provided.

Given the proposed size and configuration, it is unlikely that the rooms being provided will provide a lower-cost option in the competitive market of overnight accommodations. By comparison, there are many hotel/motel in the Morro Bay area that offer more affordable rates including rooms at the Travelodge (\$49 per night), Fireside Inn (\$65 per night), Days Inn (\$74 per night), and the Inn at Morro Bay (\$108 per night). According to an internet hotel room guide, a hotel room rate of \$250 per night would register a rating of five out of five stars on its affordability chart. In terms of camping and hostel options, average cost data indicates perhaps a better range for what might be considered "lower cost" accommodations. For example, the average cost of a hostel is \$14. Camping at State Parks ranges from \$9-\$25 a night. Accordingly, the Commission cannot find that low-cost visitor serving accommodations will be provided by the project. Therefore, as proposed, the project cannot be found consistent with Section 30213 of the Coastal Act.

Although as indicated above there are a number of hotel/motels in the City of Morro Bay that offer lower priced rooms than that proposed by the project, very few of them are located along the Embarcadero on commercial visitor-serving zoned properties. Though there hasn't been a recent comprehensive study of the location and underlying zoning designation of the existing stock of hotel/motel properties within Morro Bay, anecdotal evidence suggests that many of the hotels lie on commercially zoned properties. Therefore, many of the City's hotel/motels are not protected in that, in the future, the existing hotel use could be converted to more profitable and potentially non-visitor serving uses. Therefore, it is critical that existing and proposed hotels located on the limited number of visitor serving designated sites in Morro Bay be protected from adversely impacting the availability of low cost visitor serving accommodations.

Therefore, in order for the proposed development to be found consistent with the Coastal Act policy requiring protection and enhancement of lower cost visitor facilities Special Condition 7 requires the applicant to provide funding for construction of such units, in lieu of providing them on-site. In lieu of providing low-cost accommodations on-site, the requirements of Coastal Act Section 30213 can be met by providing an in-lieu fee for the purpose of funding lower-cost accommodations at an off-site coastal location in the same geographic region. Although the Commission prefers the actual provision of lower-cost accommodations in conjunction with projects, where necessary, the Commission has used in-lieu fees to provide lower-cost opportunities. For example, the Commission has required an in-lieu fee in permits to convert the Highlands Inn in Monterey County and the San Clemente Inn to timeshares. In these cases, the Commission required the applicant provide funding for a hostel to offset the loss of lower-cost accommodations. More recently, the Commission required payment of an in-lieu fee associated with the construction of a new 26 unit timeshare / hotel facility located in Encinitas (A-6-ENC-07-51, Surfer's Point, November 16, 2007).



Accordingly, in order to mitigate for the absence of low-cost visitor accommodations in the proposed Estero Landing mixed-use development and bring the project into conformance with Coastal Act Section 30213, which requires low cost accommodations be provided, Special Condition 7 requires the applicant to provide an in-lieu fee of \$13,860 per room for 25% of the total number of rooms proposed. For example, if 8 rooms are proposed, the fee would be \$27,720. The fee would be placed in an interest bearing account, for the specific purpose of constructing lower-cost overnight accommodations (such as a hostel, tent campsites, etc.) in the coastal zone of San Luis Obispo County.

The amount of the base fee was derived by estimating the cost of constructing seven new campsites and associated infrastructure. Based on information provided by the Department of Parks and Recreation, the creation of additional campsites within an existing State Park unit may cost up to \$5,000 per site. The typical amenities including grading to create a level parking pad and camp area, table or bench, fire pit, cook site, landscaping, and a share of utilities such as water and restrooms. However, this does not include the cost of constructing restrooms and utilities. In its evaluation of the cost of constructing a new campground at the Harbor Terrace site in Port of San Luis, including the extension of necessary utilities and the construction of restrooms and other campground amenities, the Port estimated the cost of each new tent campsites at more than \$13,860 per site in 2002.

c. Conclusion

Though hotels/motels are an appropriate use for property within the city's visitor-serving commercial zoned district, as currently designed, the proposed hotel development is inconsistent with Coastal Act and LCP provisions establishing visitor serving land use priorities over other forms of development including residentially related development. The project fails to ensure that coastal act priority uses will have precedent over other land uses, as well as ensure that low-cost visitor accommodations will be provided. Therefore, an-lieu fee to address lower-cost accommodations is necessary.

3. California Environmental Quality Act (CEQA)

Section 13096 of the California Code of Regulations requires that a specific finding be made in conjunction with coastal development permit applications showing the application to be consistent with any applicable requirements of CEQA. Section 21080.5(d)(2)(A) of CEQA prohibits a proposed development from being approved if there are feasible alternatives or feasible mitigation measures available which would substantially lessen any significant adverse effects which the activity may have on the environment.

The Coastal Commission's review and analysis of land use proposals has been certified by the Secretary of Resources as being the functional equivalent of environmental review under CEQA. This staff report has discussed the relevant coastal resource issues with the proposal, and has recommended appropriate mitigations to address adverse impacts to said resources. All public comments received to date have been addressed in the findings above. All above Coastal Act findings are incorporated herein in their entirety by reference. There are no additional feasible alternatives or feasible mitigation measures



available which would substantially lessen any significant adverse environmental effects which approval of the proposed project, as modified, would have on the environment within the meaning of CEQA. Accordingly, the project is being approved subject to conditions that implement the mitigating actions required of the Applicant by the Commission (see Special Conditions). As such, the Commission finds that only as modified and conditioned by this permit will the proposed project not have any significant adverse effects on the environment within the meaning of CEQA.

