

CALIFORNIA COASTAL COMMISSION

NORTH CENTRAL COAST DISTRICT
45 FREMONT, SUITE 2000
SAN FRANCISCO, CA 94105-2219
VOICE AND TDD (415) 904-5260
FAX (415) 904- 5400



Th 6c

TO: Commissioners and Interested Parties

FROM: Charles Lester, Deputy Director
Ruby Pap, North Central Coast District Manager
Tiffany S. Tauber, Coastal Program Analyst

SUBJECT: **City of Half Moon Bay LCP Amendment No. HMB-MAJ-3-08**
(Nurserymen's Exchange). (Meeting of March 12, 2009 in Monterey)

SYNOPSIS:

The City of Half Moon Bay proposes to amend both its certified Land Use Plan map and Implementation Plan map to redesignate and rezone two parcels located at 1430 South Cabrillo Highway (7.8 acres) and one parcel located at 480 Wavecrest Road (0.51 acres). The Land Use Plan (LUP) designation of the parcels would be changed from Horticulture Business to Commercial Visitor Serving, and the Implementation Plan (IP) designation of the parcels would be changed from Exclusive Floriculture (A-1) to Commercial-Visitor Serving (C-VS). The LCP amendment consists entirely of LUP and zoning map changes for the subject properties; no policies, standards or other text is proposed to be modified or added to the certified LCP.

The staff recommends that the Commission certify the LCP amendment request as submitted.

The principal issue raised by the proposed amendment is whether the proposed plan designation and zoning district change from agricultural land use to commercial visitor serving land use is consistent with Coastal Act provisions that, in applicable part, prohibit the conversion of lands suitable for agricultural use to nonagricultural uses unless continued or renewed agricultural use is not feasible.

The applicant submitted an economic feasibility evaluation for the proposed LCP Amendment that analyzes several key variables affecting the economic viability of agricultural use of the subject site as well as the surrounding area. The report concludes that the viability of agricultural use of the site is severely limited and its continued or

renewed use for agriculture is economically infeasible due primarily to (1) poor soils (Class III), which limit agricultural production potential, (2) the high cost associated with service from the Coastsides Central Water District, which is the sole source of water at the site, and (3) poor access to and from the site and the small parcel size, which limit operational and logistic capabilities of the site. These factors, in addition to other factors outlined in the economic feasibility analysis, have led to demonstrated lost revenues for the nursery operation over a period of five years preceding its closure (2001-2005).

Coastal Act Section 30222, in applicable part, assigns priority of suitable lands to visitor-serving commercial facilities over private residential, general industrial, or general commercial development, but not over agriculture. Staff believes continued or renewed agricultural use of the site is not feasible; further, the proposed LUP amendment would accommodate future use of the site for visitor-serving commercial facilities, which are assigned priority under Coastal Act Section 30222. Given the properties' direct access to Highway 1, close proximity to an existing coastal trail and recreation area, and the adjacent existing C-VS designated property, the subject parcels are well suited for future commercial visitor serving development under the proposed C-VS designation. The property owners have indicated to the City that they wish to develop an RV/campground at the former nursery site (referred to as "Birds of Paradise Campground"). The City has reviewed preliminary plans for the proposed visitor serving development that would include 55 RV parking sites with full service hook-ups, 20 prefabricated cabins, and other associated recreational uses and support services such as a swimming pool, snack/eating area, bird watching/learning area, meeting hall/multi-purpose room, general store, and an office.

The subject property is also located within the urban services boundary where there is adequate capacity to accommodate future commercial development that would be accommodated by the proposed LCP amendment. Therefore, staff recommends that the Commission find that LUP Amendment No. HMB-MAJ-3-08 as submitted is consistent with the Chapter 3 policies of the Coastal Act.

The proposed Commercial-Visitor Serving (C-VS) zoning district is the district of the certified Coastal Zoning Ordinance that matches the proposed Commercial-Visitor Serving LUP designation. The purpose of both the district and the designation as stated in the certified Coastal Zoning Code and Land Use Plan, respectively, is to serve the needs of visitors attracted to coastal recreation opportunities. The range of principal and conditional uses allowed within the C-VS zoning district are consistent with the principal and conditional uses allowed within the C-VS LUP designation. Therefore, staff recommends that the Commission find that the IP amendment as submitted conforms with and is adequate to carry out the Land Use Plan, as amended by LCP Amendment No. HMB-MAJ-3-08.

The motions to adopt the staff recommendation are found on pages 3 and 4.

1. Staff Note

LCP amendment HMB-MAJ-3-08 was filed as complete on July 14, 2008. Pursuant to Coastal Act Section 30517, the Commission voted on September 3, 2008 to extend the 90-day time limit to act on the LCP Amendment by a period of one year, from October 12, 2008 to October 12, 2009.

2. Analysis Criteria

To approve the amendment to the Land Use Plan (LUP), the Commission must find that the Land Use Plan, as amended, would be in conformity with the policies of Chapter 3 of the Coastal Act. To approve the amendment to the Implementation Plan (IP), the Commission must find that the Implementation Plan, as amended, conforms with and is adequate to carry out the policies of the Land Use Plan (LUP) portion of the City's certified LCP.

PART ONE: STAFF RECOMMENDATION, MOTIONS, AND RESOLUTIONS

I. APPROVAL OF THE LUP AMENDMENT PORTION OF AMENDMENT NO. HMB-MAJ-3-08 (NURSERYMEN'S EXCHANGE) AS SUBMITTED

MOTION 1: I move that the Commission certify Land Use Plan Amendment No. HMB-MAJ-3-08 as submitted by the City of Half Moon Bay.

STAFF RECOMMENDATION OF CERTIFICATION AS SUBMITTED:

Staff recommends a **YES** vote. Passage of the motion will result in certification of the land use plan amendment as submitted and adoption of the following resolution and findings. The motion passes only by an affirmative vote of a majority of the appointed Commissioners.

RESOLUTION TO CERTIFY THE LAND USE PLAN AMENDMENT:

The Commission hereby certifies the Land Use Plan Amendment No. HMB-MAJ-3-08 as submitted by the City of Half Moon Bay and adopts the findings set forth below on the grounds that the amendment conforms with the policies of Chapter 3 of the Coastal Act.

Certification of the Land Use 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 Land Use Plan Amendment may have on the environment.

II. APPROVAL OF THE IP AMENDMENT PORTION OF AMENDMENT NO. HMB-MAJ-3-08 (NURSERYMENS EXCHANGE) AS SUBMITTED

MOTION 2: I move that the Commission reject Implementation Program Amendment No. HMB-MAJ-3-08 as submitted by the City of Half Moon Bay as submitted.

STAFF RECOMMENDATION OF CERTIFICATION AS SUBMITTED:

Staff recommends a **NO** vote. Following the staff recommendation will result in certification of the Implementation Program 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.

RESOLUTION :

The Commission hereby certifies the Implementation Program Amendment No. HMB-MAJ-3-08 for the City of Half Moon Bay as submitted and adopts the findings set forth below on grounds that the Implementation Program as amended, conforms with and is adequate to carry out the provisions of the Land Use Plan, as amended and certified, and certification of the Implementation Program Amendment will meet the requirements of 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 Implementation Program Amendment on the environment; or 2) there are no further feasible alternatives or mitigation measures that would substantially lessen any significant adverse impacts on the environment that will result from certification of the Implementation Program Amendment.

PART TWO: BACKGROUND

The Commission finds and declares as following for LCP Amendment No. HMB-MAJ-3-08:

I. PROPOSED LCP AMENDMENT

The City of Half Moon Bay proposes to amend both its certified Land Use Plan map and Implementation Plan map to redesignate and rezone two parcels located at 1430 South Cabrillo Highway (7.8 acres) and one parcel located at 480 Wavecrest Road (0.51 acres). The Land Use Plan (LUP) designation of the parcels would be changed from Horticulture Business to Commercial Visitor Serving, and the Implementation Plan (IP) designation of the parcels would be changed from Exclusive Floriculture (A-1) to Commercial Visitor Serving (C-VS). The LCP amendment consists entirely of LUP and zoning map changes for the subject properties; no policies, standards or other text is proposed to be modified or added to the certified LCP. (See Exhibit Nos. 3 & 4.)

For approximately 30 years, Nurserymen's Exchange, Inc. operated an ornamental potted plant nursery at 1430 South Cabrillo Highway. The company ceased operations at the site in 2005 due to increasing operation costs and consistent loss of revenue in recent years. The owner/operator of the former nursery has demonstrated that agricultural use of the site is no longer economically viable and continued or renewed agricultural use is not feasible (discussed in detail further detail below). According to the City's staff report for the proposed LCP amendment, the purpose of the LCP amendment is to accommodate future visitor-serving commercial development on the subject property.

The property owners have indicated to the City that they wish to develop an RV/campground at the former nursery site (referred to as "Birds of Paradise Campground"). The City has reviewed preliminary plans for the proposed visitor serving development that would include 55 RV parking sites with full service hook-ups, 20 prefabricated cabins, and other associated recreational uses and support services such as a swimming pool, snack/eating area, bird watching/learning area, meeting hall/multi-purpose room, general store, and an office. These visitor-serving commercial uses could not be accommodated fully under the existing LUP and zoning designations for the site. As noted in the City's staff report, the approval and certification of the proposed LCP amendment is not predicated on development of the proposed future RV/campground development. The conceptual RV/campground proposal should be considered only as an example of the type and intensity of development that could be developed if the proposed LCP Amendment is certified.

As the subject parcels are located between the sea and the first public road, any coastal development permit approved by the City for future development at the site would be appealable to the Coastal Commission.

The City has held Planning Commission and City Council meetings with regard to the subject amendment request. All of those local hearings were duly noticed to the public. Notice of the subject amendment has been distributed to all known interested parties. On February 14, 2008 the Planning Commission approved Resolution P-05-08 that recommended the City Council approve an ordinance for a rezoning and General Plan amendment (Exhibit No. 9). On April 1, 2008, the City Council approved Ordinance C-03-08 approving the LCP amendment (Exhibit No. 8). The ordinance indicates that the action of the City will become effective immediately after certification by the Coastal Commission and that the LCP amendment will be carried out in a manner fully consistent with the Coastal Act.

II. SITE DESCRIPTION

The three subject parcels are located southwest of downtown Half Moon Bay on the south side of Wavecrest Road and east of Highway 1. The 7.8-acre former nursery site is comprised of two parcels owned by Nurserymen's Exchange, Inc. and was used as a commercial potted plant nursery between 1974 and 2005. Nursery operations ceased in 2005 when operating and maintaining the nursery was no longer economically viable and the site has been idle since its closure. The third subject parcel is a 0.51-acre parcel located adjacent to the former nursery site and is developed with a single-family residence, a legal non-conforming use. Surrounding land uses include undeveloped land approved for agricultural use to the west, a visitor serving lodging facility and restaurant to the east (Cameron's Inn), a commercial greenhouse nursery to the south, and open space owned by the Peninsula Open Space Trust (POST) to the north. (See Exhibit Nos. 1-3.)

The nursery site that is the subject of this LCPA is developed with two greenhouse structures, an office, gravel driveways, and an outdoor growing area. The outdoor growing area constitutes most of the site and contains raised mounds of decomposed granite covered by black tarps. Of the 7.8 acres, the property has a production growing area of only 4.47 acres consisting of 3.81 acres of open field and 0.66 acres of greenhouse and hoop growing space. As discussed in detail in Finding C., the economic viability of the existing adjacent nursery operation differs from the subject site largely due to the difference in operational infrastructure relative to the subject site. The adjacent nursery operation differs from the subject site in that it is developed with modern glass greenhouses, which according to the applicant, allow for the production of higher value stock compared to the planted pot operation at the subject site. Additionally, the adjacent nursery site is larger (approximately 13 acres) and has direct access off of Highway 1 and a loading dock, which minimize transportation costs. Similar to the

subject site, the adjacent nursery site does not have a source of groundwater. However, the modern greenhouse operation allows for more efficient water delivery compared to the potted plant field operation at the subject site, thus further minimizing operational costs.

The Natural Resources Conservation Service (NRCS) conducted a soil survey at the subject site and determined that the site does not contain any "prime agricultural land" as defined by Coastal Act Section 30113. The NRCS soil report indicates that the parcels are of Class III Land Capability with a Storie Index Rating of 54, Watsonville loam. The property is covered with 2-3 feet of compacted gravel, which does not support vegetation growth and thus, does not support livestock grazing.

According to a biological report prepared for the subject parcels, the property contains large mature trees that provide potential nesting habitat for sensitive avian species. Additionally, a drainage ditch located on the north side of Wavecrest Road provides potential habitat for the federally listed California red-legged frog and San Francisco garter snake. No other environmentally sensitive habitat was identified on the subject site.

Wavecrest Road is a designated Scenic Corridor in the City's LCP. The site is largely screened from public vantage points by a 12 to 14-foot-high Monterey cypress hedge that surrounds the north, east, and south property boundaries. Wavecrest Road dead ends approximately 0.5 miles to the west of the subject site at public recreational playing fields. A public access trail extends from the end of Wavecrest Road to the beach beyond. There are no public access trails at or through the subject parcels.

PART THREE: AMENDMENT TO LAND USE PLAN

I. ANALYSIS CRITERIA

To approve the amendment to the Land Use Plan (LUP), the Commission must find the LUP, as amended, will remain consistent with the policies of Chapter 3 of the Coastal Act.

As submitted, the proposed LUP amendment is consistent with the policies of the Coastal Act.

**II. FINDINGS FOR APPROVAL OF THE LUP PORTION OF AMENDMENT
NO. HMB-MAJ-3-08 (NURSERYMEN'S EXCHANGE) AS SUBMITTED:**

The Commission finds and declares as follows for Land Use Plan Amendment No. HMB-MAJ-3-08:

A. Amendment Description

The proposed amendment would change the certified LUP map to redesignate three parcels totaling approximately 8.5 acres from Horticulture Business to Commercial-Visitor Serving. The LUP portion of the proposed amendment is limited to this map change; no changes to the text of the LUP are proposed.

1. Current Horticulture Business Designation.

The certified LUP describes the intent of the Horticulture Business designation as follows:

“to accommodate the City’s important horticulture/floriculture industry permitting both field production and the use of nurseries and greenhouses for cultivation, but excluding retail sales.”

The designation is generally consistent with the existing Exclusive Floriculture (A-1) zoning designation, but is more restrictive with respect to accessory dwellings. Accessory buildings related and customarily incidental to the principal use are permitted, including housing for persons employed on the premises; no principal dwellings are permitted.

2. Proposed Commercial-Visitor Serving Designation.

The certified LUP describes the intent of the Commercial-Visitor Serving designation as follows:

“to cater to the needs of visitors attracted to coastal recreation. Visitor-serving commercial uses not also provided for in the general commercial areas will normally be found adjacent to coastal recreation areas or along Highway 1. The intensity and nature of commercial development shall be subordinate to the character of the recreational setting and existing neighborhood character.”

Permitted uses include hotels, motels, restaurants, bars, equestrian supply stores, clubs, guest ranches and lodges, recreational vehicle campsites, art galleries, fishing and boating facilities, golf courses and sales and related uses. Uses not permitted under this

designation include unrelated retail, office and professional services, service stations and other highway related services normally found in the general commercial area.

B. Priority Uses

Coastal Act Section 30222 states:

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.

The Coastal Act establishes certain priority uses that must be protected in favor of allowing other competing land uses. Coastal Act Section 30222, in applicable part, assigns priority of suitable lands to visitor-serving commercial facilities over private residential, general industrial, or general commercial development, but not over agriculture. As described above, the proposed amendment would redesignate the three subject parcels from Horticulture Business to Commercial-Visitor Serving. As agriculture is assigned priority over visitor-serving commercial facilities and the Coastal Act strictly limits the conversion of agricultural land, the proposed LUP amendment would not be consistent with Sections 30222, 30241, and 30242 of the Coastal Act if continued or renewed agricultural use of the site is feasible. However, as discussed below, several factors indicate that agricultural use of the site is not economically viable under the current Horticulture Business designation and continued or renewed agricultural use of the site is not feasible. Also, given the properties' direct access to Highway 1, close proximity to an existing coastal trail and recreation area, and the adjacent existing C-VS designated property, the subject parcels are well suited for future commercial visitor serving development under the proposed C-VS designation. As continued or renewed agricultural use of the site is not feasible as discussed in Section C below, the proposed LUP amendment would accommodate future use of the site for visitor-serving commercial facilities consistent with the priority use provisions of the Coastal Act.

C. Agricultural Resources

Coastal Act Section 30241 states:

*Prime agricultural land; maintenance in agricultural production
The maximum amount of prime agricultural land shall be maintained in agricultural production to assure the protection of the areas' agricultural economy, and conflicts shall be minimized between agricultural and urban land uses through all of the following:*

- (a) By establishing stable boundaries separating urban and rural areas, including, where necessary, clearly defined buffer areas to minimize conflicts between agricultural and urban land uses.*
- (b) By limiting conversions of agricultural lands around the periphery of urban areas to the lands where the viability of existing agricultural use is already severely limited by conflicts with urban uses or where the conversion of the lands would complete a logical and viable neighborhood and contribute to the establishment of a stable limit to urban development.*
- (c) By permitting the conversion of agricultural land surrounded by urban uses where the conversion of the land would be consistent with Section 30250.*
- (d) By developing available lands not suited for agriculture prior to the conversion of agricultural lands.*
- (e) By assuring that public service and facility expansions and nonagricultural development do not impair agricultural viability, either through increased assessment costs or degraded air and water quality.*
- (f) By assuring that all divisions of prime agricultural lands, except those conversions approved pursuant to subdivision (b), and all development adjacent to prime agricultural lands shall not diminish the productivity of such prime agricultural lands.*

Coastal Act Section 30241.5 states:

Agricultural land; determination of viability of uses; economic feasibility evaluation

(a) If the viability of existing agricultural uses is an issue pursuant to subdivision (b) of Section 30241 as to any local coastal program or amendment to any certified local coastal program submitted for review and approval under this division, the determination of "viability" shall include, but not be limited to, consideration of an economic feasibility evaluation containing at least both of the following elements:

(1) An analysis of the gross revenue from the agricultural products grown in the area for the five years immediately preceding the date of the filing of a proposed local coastal program or an amendment to any local coastal program.

(2) An analysis of the operational expenses, excluding the cost of land, associated with the production of the agricultural products grown in the area for the five years immediately preceding the date of the filing of a proposed local coastal program or an amendment to any local coastal program.

For purposes of this subdivision, "area" means a geographic area of sufficient size to provide an accurate evaluation of the economic feasibility of agricultural uses for those lands included in the local coastal program or in the proposed amendment to a certified local coastal program.

(b) The economic feasibility evaluation required by subdivision (a) shall be submitted to the commission, by the local government, as part of its submittal of a local coastal

program or an amendment to any local coastal program. If the local government determines that it does not have the staff with the necessary expertise to conduct the economic feasibility evaluation, the evaluation may be conducted under agreement with the local government by a consultant selected jointly by local government and the executive director of the commission.

Coastal Act Section 30242 states:

Lands suitable for agricultural use; conversion

All other lands suitable for agricultural use shall not be converted to nonagricultural uses unless (1) continued or renewed agricultural use is not feasible, or (2) such conversion would preserve prime agricultural land or concentrate development consistent with Section 30250. Any such permitted conversion shall be compatible with continued agricultural use on surrounding lands.

The Coastal Act requires that the maximum amount of agricultural land be maintained in agricultural production and that conflicts between urban and agricultural land uses be minimized. The long-term viability of soils must also be protected and conversions of agricultural land to other uses are strictly limited.

As described above, the subject parcels are currently designated in the certified LUP as Horticulture Business. This designation allows for horticulture/floriculture industry and permits both field production and the use of nurseries and greenhouses for cultivation. Consistent with the permitted uses of the Horticulture Business designation, two of the three subject parcels have operated as an ornamental potted plant nursery for approximately 30 years until business ceased in 2005 due to consistent revenue losses. The third subject parcel is a legal non-conforming parcel that is developed with a single-family residence. The proposed LCP Amendment proposes to redesignate the subject parcels from Horticulture Business to Commercial-Visitor Serving, which constitutes a conversion of agricultural land. None of the subject parcels contain prime agricultural land.

As cited above, Coastal Act 30242, in part, limits the conversion of lands that are suitable for agricultural use to nonagricultural uses unless continued or renewed agricultural use is not feasible. Any such permitted conversion shall be compatible with continued agricultural use on surrounding lands. Coastal Act Section 30241.5 identifies a viability test for conversion of agricultural lands when conversion is an issue in any LCP or LCP amendment. The analysis required by Section 30241.5 to support conversion of agricultural lands must include an economic evaluation of the gross revenue and operational costs, excluding land values, of the crops in the geographic area of the proposed land conversion.

Pursuant to the requirements of Coastal Act Section 30241.5, the applicant submitted an economic feasibility evaluation for the proposed LCP Amendment (see Exhibit No. 6). The evaluation analyzes several key variables affecting the economic viability of agricultural use of the subject site as well as the surrounding area. The report concludes that the viability of agricultural use of the site is severely limited and its continued or renewed use for agriculture is economically infeasible due primarily to (1) poor soils (Class III), which limit agricultural production potential, (2) the high cost associated with service from the Coastside Central Water District, which is the sole source of water at the site, and (3) poor access to and from the site and the small parcel size, which limit operational and logistic capabilities of the site. These factors discussed below, in addition to other factors outlined in the economic feasibility analysis, have led to demonstrated lost revenues for the nursery operation over a period of five years preceding its closure (2001-2005).

1. Poor Soils Limit Agricultural Production Potential

The poor soil quality at the site is a significant factor affecting the economic viability of agricultural use of the site. The site soils are covered by more than two feet of packed decomposed granite and gravel, which precludes soil-dependent farming at the site and limits the use of the site to containerized plant production. Even if the top layer of decomposed granite could be removed economically, the soil underneath is Class III soil, which by definition, has severe limitations for tilled agriculture. As confirmed by a site survey conducted by the Natural Resources Conservation Service (NRCS) (see Appendix vi of Exhibit No. 6), none of the underlying soil is prime farmland. Thus, there is little economic incentive for any prospective property owner to invest in the high cost of removing the surface material to conduct open-field farming, thereby limiting the agricultural use of the property to potted plant or greenhouse cultivation operations. As described in detail below, the current owner/operator has demonstrated that continued or renewed potted plant or greenhouse cultivation at the site is not economically viable.

2. Lack of Economical Water Supply

The lack of low cost, high quality water is considered the most significant factor limiting the economic viability of continued or renewed agricultural use of the property. An adequate supply of affordable water is essential to produce price-competitive agricultural products. The property does not have an adequate source of groundwater and thus, is solely dependent on Coastside County Water District (CCWD) service for the provision of water for irrigation. The applicant attempted to drill a well at the site in the past, but was unsuccessful in finding an adequate groundwater supply, as the lack of available groundwater is common on the west side of Highway 1 in the subject location.

The escalating cost and unstable supply of CCWD water contributed significantly to lost revenue of the nursery business in recent years. According to the cost analysis provided

by the applicant, CCWD water currently costs \$1,908 per acre-foot. The cost of CCWD is significantly higher than the cost of municipal water in other agricultural areas of the state. For comparison, the cost of municipal water in three areas within California with competing nursery industries is as follows:

Nipomo Community Service District	\$875/acre foot
Vista Irrigation District	\$862/acre foot
City of Lodi Water Utility	\$331/acre foot

The price of CCWD water has risen by 55% over the past five years (see Appendix ix of Exhibit No. 6). According to the economic feasibility evaluation, the CCWD Board has indicated that water prices are going to continue to increase annually by 7-10% for the foreseeable future, in part because of the significant cost associated with the Hetch Hetchy retrofit. The need for water rationing by CCWD is also on the rise, making the site susceptible to an unpredictable supply of water (see Appendix xi of Exhibit No. 6). In addition to the high costs, water rationing at the subject site directly impacts the economic viability of agricultural operations by reducing production capability.

In contrast to the high cost of CCWD water, the cost of water at agricultural sites with an adequate source of groundwater is limited to pumping costs. Thus, agricultural producers have an incentive to farm sites that can be irrigated, at least in part, by pressurized groundwater rather than sites that are solely dependent on CCWD water such as the subject site. For example, the applicant's main nursery facility, located approximately four miles from the subject site, is served by a combination of well water and CCWD water (as well as water recycling technologies). According to Nurserymen's Exchange water usage data, the overall cost of water at the applicant's 20-acre main facility is less than half the cost of CCWD water alone.

The economic feasibility evaluation references an economic study of San Mateo County coastside agriculture conducted by the University of California (UC) in 1989. The report looked at six key variables affecting agricultural revenues, including water supply. The sampling provided under the nursery and floral segment of the study concludes a per-acre net cash income in 1986 of \$3,865.00. When revenue and expenses are adjusted for inflation, the per-acre net income is reduced to \$3,374.00. This model uses \$0 as the cost for water because the sampling was from farms that exclusively relied on groundwater. When current CCWD water prices are used in the model, not counting an increase in cost for the other five variables, the per-acre net income is reduced to a per-acre *loss* of \$2,350.00. Thus, this independent modeling demonstrates that continued or renewed agricultural use of the site is not economically viable based on the cost of water alone.

The City's LUP acknowledges the critical nature of an adequate water supply for agriculture and states, "*Without an ample supply of high quality low cost irrigation water,*

even the best soils in the City are not suitable for agricultural use".¹ Thus, the lack of low cost irrigation water, coupled with poor soil quality described above, warrant the site unsuitable for continued or renewed economically viable agricultural use.

3. Limited Site Access

Agricultural operations at the site are also largely constrained by the small parcel size and limited truck access. The applicant has indicated that transportation of finished agricultural products to the marketplace are largely dependent upon trucks that are, on average, 53 feet long. Entrance into the subject site is from Wavecrest Road, a narrow two lane street which is only 16 feet wide at the entrance to the subject site. Due to the narrow turning radius into the subject site, large trucks cannot enter the property. Additionally, the subject site does not have a loading dock. When Nurserymen's Exchange was operating the nursery at the site, all finished product had to be loaded onto smaller 22-foot-long trucks to transport the plants to its distribution facility about four miles away. The plants were then reloaded onto larger trucks for national distribution. The required extra handling and transport of finished product added significantly to the cost of production. Due to the small parcel size (approximately 8 acres), construction of adequate truck access and loading dock facilities would not be an economically viable investment, as it would further constrain the already limited potential agricultural area. Without access to the subject site for large trucks, the potential agricultural operations at the site are limited by which markets could be served from the subject site, thus constraining potential revenue sources.

4. Continued or renewed agricultural use of the subject site would still be infeasible even when considered together with Nurserymen's Exchange main facility as a single economic enterprise

Nurserymen's Exchange operates its main nursery facility at the north end of the city of Half Moon Bay, approximately four miles from the subject site. The main facility is over 100 acres in size, including 40 acres of growing space. The nursery site that is the subject of this LCP amendment is an "annex" to the main operation and totals approximately 8 acres, including only 4.5 acres of growing space (in pots). Continued or renewed agricultural use of the subject site would still be infeasible even when considered together with Nurserymen's Exchange main facility as a single economic enterprise.

Aside from the vast difference in size and scale, the subject site lacks the infrastructure that makes the main nursery site economically viable. In particular, the main facility site includes modern greenhouses with water recycling facilities, a groundwater source, and a

¹LCP Chapter 8.3 Agriculture: A Summary

loading/shipping dock. The modern greenhouses at the main nursery facility provide better climate and irrigation controls, which allow for growing higher value crops than at the subject site. The water and truck access infrastructure limitations at the subject site result in significantly higher operational costs than at the main facility. As described above, all products from the subject site must be loaded onto small trucks and transferred to the main facility because the subject site is too small to accommodate shipping/loading dock facilities and does not provide adequate access for large trucks. This double-handling of the nursery products from the subject site adds significant operational costs. Furthermore, unlike the main facility, the subject site does not have a source of groundwater and is therefore entirely dependent on water service from Coastside County Water District (CCWD). As described above, the high cost of CCWD water at the subject site results in operational costs that have consistently exceeded revenue for at least the last five years. Moreover, the applicant has indicated that any capital investment would logically go toward the main operation to upgrade the primary facilities (e.g., greenhouses, irrigation systems) rather than developing and/or upgrading the greenhouse infrastructure at the subject site with little, if any, economic return. Therefore, continued or renewed agricultural use at the subject site is not economically viable even if it is considered together with the main nursery facility as one economic unit.

5. Revenue from Horticulture/Floriculture Use

For at least five years preceding the date of the filing of the proposed LCP amendment, Nurserymen's Exchange lost money operating the horticultural nursery at the subject site (see appendix iii of Exhibit No. 6). According to the economic feasibility evaluation, revenue from all San Mateo County Floral and Nursery sales for the period 2001-2005, adjusted for inflation, is down by 8.6 % with the unit price for most products being flat to down (see appendices xiv and xv of Exhibit No. 6). Since 2004, the revenue per acre adjusted for inflation has decreased by 10%. Between 2001-2006, floral and nursery acreage in San Mateo County dropped by 13.4%.² These numbers taken together suggest that even though marginal acreage has continued to be taken out of production, revenue per acre has continued to decline. As discussed in detail in the economic feasibility evaluation (see Exhibit No. 6), the primary reasons for declining revenue of the floriculture/horticulture industry are 1) increased imports of lower priced fresh cut flowers, and 2) increased buying power of larger retailers through growth and consolidation.

The economic feasibility evaluation references the San Mateo County Crop Reports, which state that during the years 2001-2006, the total production value of floral and nursery crops dropped by 25%. Reasons for this decrease include low returns, increased regulation, and next generation owners exiting the industry. Other factors resulting in revenue loss of agricultural production include rising transportation costs, decreasing size

² San Mateo County Crop Reports

of labor force, revenue streams and competition, and increasing fuel/energy costs. 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.*"³

The City acknowledged these constraints on the horticulture/floriculture industry when the LUP was certified in 1996 and noted that there is little potential for the expansion of existing horticulture/floriculture operations, or entry of new operators. The LUP states:

"The greenhouse industry in Half Moon Bay consists, without exception, of family operations by second-generation family members. If these operators had to purchase their land and finance their improvements today, none of these operations would be economically feasible. Prospects for future expansion of the greenhouse industry in the City are minimal because of the high costs for land, water, and energy, and the narrow margins on sales which are estimated to be two percent (2%) per dollar of sales by existing operators. New entries would be faced with very high costs that would prevent any return-on-investment. Given the high costs of land, the high costs of building in an urban environment, the high cost and limited availability of water, the narrow profit margin of existing operators, and the growing competitive advantages of other production areas, expansion of existing operations in the City or the entry of new operators is not likely. There has been no new entry in over 17 years. Present operators regard prospects for further growth of their own operations in the City as minimal. Preferred locations for both new and expanded operations are available outside the City and in other regions."

4

All of the key variables discussed above that impact agriculture generally, and horticulture specifically, support the widely held view that the coastside horticulture industry remains only marginally viable. In this case, the small size of the subject parcels (approximately 8 acres total with approximately 4.5 acres of growing area) does not warrant the capital investment required for a continued or renewed economically viable horticulture operation at the subject site. The existing adjacent nursery operation is more economically viable than the subject site largely due to the difference in operational infrastructure relative to the subject site. The adjacent nursery operation is developed with modern glass greenhouses, which according to the applicant, allow for the production of higher value stock compared to the planted pot operation at the subject site. Additionally, the adjacent nursery site is larger (approximately 13 acres) and has direct access off of Highway 1 and a loading dock, which minimize transportation costs.

³ 2006 USDA Floriculture and Nursery Crops Outlook

⁴ LCP Chapter 8.3 Agriculture: A Summary

Similar to the subject site, the adjacent nursery site does not have a source of groundwater. However, the modern greenhouse operation allows for more efficient water delivery compared to the potted plant field operation at the subject site, thus further minimizing operational costs. Maintaining the subject property with a Horticulture Business designation would mean that another horticulture operator would have to make the same necessary investments at the site that Nurserymen's Exchange has already concluded cannot be economically justified.

6. California Agricultural Land Evaluation and Site Assessment Model

The California Agricultural Land Evaluation and Site Assessment Model (LESA), developed by the California Department of Conservation, is specifically intended to provide lead agencies with guidance regarding the socioeconomic and environmental implications of agricultural land conversion. LESA is a point based approach that is used for rating the relative value of agricultural land resources. The model defines and measures two separate sets of factors. The first set, Land Evaluation, includes factors that measure the inherent soil-based qualities of land as they relate to agricultural suitability. The second set, Site Assessment, includes factors that are intended to measure social, economic, and geographic attributes that also contribute to the overall value of agricultural land. The LESA Model is also designed to make determinations of the potential significance of a project's conversion of agricultural lands. The subject site was evaluated under the LESA model and resulted in a final total score of 25⁵. A total LESA score of less than 39 means that the conversion of the subject site from agricultural use is considered not significant (see appendix v of Exhibit No. 6). The key factors contributing to the final score were the poor soil quality, small parcel size, and limited water resource availability as described in detail above. Thus, the LESA model evaluation provides another independent confirmation that conversion of the subject parcels from agriculture use to commercial visitor serving use as proposed will not have a significant impact on agricultural resources.

7. Peer Review of Economic Feasibility Evaluation

As part of the City's review of the proposed LCP Amendment, two outside parties were enlisted to review the economic feasibility evaluation submitted by the applicant, including Steve Wahlstrom of Wahlstrom & Associates and Professor James Wilen, an agricultural economist at UC Davis College of Agriculture and Environmental Sciences. Both Mr. Wahlstrom and Mr. Wilen concurred with the report's findings that the subject parcels are no longer economically viable for commercial agricultural production.

In a letter to the City dated March 24, 2008, Mr. Wilen states:

⁵ Initial Study and Mitigated Negative Declaration, City of Half Moon Bay PDP-029-06

“The analysis uses appropriate information, taken from reliable sources, and develops a convincing case that the 7.5-acre parcel is not viable currently for agriculture use. Moreover, the report demonstrates that, given expected changes in the prices of agricultural outputs and the prices of agricultural inputs, agricultural use of the parcel in the future is most unlikely to be profitable. The report also shows that conversion of the parcel from agricultural to another use would not significantly affect agricultural production in San Mateo County.”

In a letter to the City dated April 24, 2008, Wahlstrom & Associates concludes:

“...W&A concludes that the subject site is not economically viable for agriculture. Further, because there is no market to either rent or sell the property we also conclude that the site is not viable for another agricultural operator. W&A found the Economic Viability Evaluation report to be thorough, and it included a substantial amount of third party documentation about the site's poor soil and the water conditions. Moreover, the report relies on government data sources, which are factual and not biased in favor of the Applicant's request for a land use change.”

Therefore, given the reasons discussed above, the Commission finds that the LUP amendment as proposed to redesignate the subject parcels from Horticulture Business to Commercial-Visitor Serving is consistent with Coastal Act Section 30242, as continued or renewed agricultural use of the parcels is not feasible.

D. Visual Resources

Coastal Act Section 30251 states:

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.

Coastal Act Section 30251 requires development to 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.

The subject parcels are located adjacent to Wavecrest Road, a designated Scenic Coastal Access Route in the City's LCP. The parcels are also visible from Highway One. The proposed redesignation of the parcels would allow new commercial visitor-serving development along the Wavecrest Road Scenic Corridor.

The subject parcels are adjacent to a 1.25-acre parcel similarly planned and zoned for commercial visitor serving development. Currently, the existing hotel and restaurant located on the adjacent C-VS site largely block views to and across two of the three parcels. The subject parcels are further obscured from view by a 12 to 15-foot-high hedgerow that borders the perimeter of the parcels. These existing structures and the existing vegetation would serve to screen any future commercial visitor-serving development at the site.

Any proposed commercial visitor serving development at the site would require a coastal development permit and would be required to meet the visual resources policies of the LCP. The LCP contains broad visual resource protection policies as well as specific implementing standards to protect coastal views, minimize alteration of natural landforms, and ensure visual compatibility of development with the character of surrounding areas consistent with the Coastal Act. Additionally, the Commercial-Visitor Serving plan designation specifically requires that *"the intensity and nature of commercial development shall be subordinate to the character of the recreational setting and existing neighborhood character."* The existing C-VS development located adjacent to the parcels proposed to be redesignated to C-VS, in part, forms the character of the recreational setting. Providing for new C-VS development in an area adjacent to an existing commercial visitor serving development as proposed by the LUP redesignation would allow for an intensity and nature of development that could be subordinate to the character of the area. Any future commercial visitor serving development at the site could be sited and designed to minimize potential significant adverse impacts to visual resources by, among other means, ensuring adequate setbacks from Wavecrest Road, clustering development in-line with other existing structures, utilizing colors and materials that blend with the natural setting and existing development, and screening development with new and existing vegetation.

Therefore, the proposed LUP amendment meets the requirements of and is in conformity with Coastal Act Section 30251.

E. Public Access and Recreation

Coastal Act Section 30211 prohibits development from interfering with public access to the sea. Coastal Act Section 30212 requires that public access from the nearest public roadway to the shoreline and along the coast shall be provided in new development projects except where adequate access exists nearby.

As described above, the proposed LUP amendment would change the property designation of the three subject parcels from Horticulture Business to Commercial-Visitor Serving. The subject parcels are located between Highway 1 and the sea adjacent to the south side of Wavecrest Road. However, the subject parcels do not provide shoreline access and there are no public access trails across any of the parcels that would be affected by the proposed LUP amendment. An existing recreation area and coastal access trail extends from the end of Wavecrest Road to the beach, approximately 0.5 miles from the subject site. The properties' direct access to Highway 1, close proximity to the existing coastal trail and recreation area, and the adjacent existing C-VS designated property make the subject parcels well suited for future commercial visitor serving development under the C-VS designation as proposed. Any future commercial visitor serving development would be required to meet all of the applicable standards of the LCP and the public access and recreation policies of the Coastal Act to ensure that any proposed development would not interfere with public access to the sea (e.g., parking congestion along Wavecrest Road, increased user impacts, etc.).

F. Planning New Development

Section 30250(a) of the Coastal Act states that new development shall be located within or near existing developed areas able to accommodate it or in other areas within or near adequate public services and where it will not have significant adverse effects, whether individually or cumulatively, on coastal resources. The intent of this policy is to direct development toward more urbanized areas where services are provided and potential impacts to resources are minimized.

The subject parcels proposed to be redesignated from Horticulture Business to Commercial-Visitor Serving (C-VS) are contiguous with a 1.25-acre existing C-VS designated parcel developed with an existing visitor serving inn and restaurant (Cameron's Inn). The proposed redesignation of the subject parcels would continue a logical commercial visitor serving area adjacent to Highway 1 near downtown Half Moon Bay.

The property is currently served by a 2-inch-diameter Coastside Central Water District (CCWD) water connection. This existing waterline connection would serve future proposed commercial visitor serving development at the site. Should future development require additional water capacity, the City has indicated that there are priority connections available for purchase from CCWD. Section 18.05.020(A) of the Zoning Code and Table 10.3 of the LCP designate commercial visitor serving facilities, such as campground and RV parks, as priority land uses, which would allow the owner to purchase a priority water connection directly from CCWD.

The two former nursery parcels are not currently served by public sewer connections. During the City's review of the proposed LCP amendment and conceptual plans for the proposed RV/campground, the City determined that installation of a public sewer line within Wavecrest Road has the potential to result in growth inducing impacts. The City conditioned its approval of the LCP Amendment to prohibit the construction of a sewer line as part of the future C-VS development at the site (Exhibit No. 7). A public sewer line serving the adjacent C-VS parcel exists within Wavecrest Road. The applicant indicates that this sewer line would be extended to serve the subject parcel and future C-VS development.

As discussed above in Finding II.C., continued or renewed use of the site for agriculture is not feasible. The proposed redesignation of the site from an agricultural designation to a commercial-visitor serving designation would allow for an alternative priority use of the site in an area where impacts of such development on coastal resources can be minimized.

The C-VS designation would allow for commercial visitor serving uses of the site such as hotels, motels, restaurants, bars, equestrian supply stores, clubs, guest ranches and lodges, recreational vehicle campsites, art galleries, fishing and boating facilities, golf courses and sales and related uses. As discussed above, conceptual plans have been submitted to the City for the development of an RV/campground at the site. Such an intensification of use of an area can lead to significant adverse impacts on coastal resources. However, the proposed amendment would not lead to significant adverse impacts on coastal resources as: (1) the site is within the urban area of Half Moon Bay and would have adequate public services; (2) the site currently contains no environmentally sensitive habitat areas; (3) the site is not located where future development would adversely affect public access to the shoreline; and (4) new development that results from the proposed change in land use designation could be designed in a manner that would be compatible with the visual character of the area. Additionally, any future commercial visitor serving development would be required to meet all of the applicable standards of the LCP and the public access and recreation policies of the Coastal Act to minimize and/or avoid potential significant adverse individual or cumulative impacts to coastal resources. Any coastal development permit approved by the City for future C-VS development would be appealable to the Coastal Commission.

Therefore, the proposed amendment is consistent with Section 30250(a) of the Coastal Act because: (a) the area affected by the amendment is located in a developed area with adequate public services able to accommodate the proposed uses; and (b) the amendment will not result in any adverse effects, either individually or cumulatively, on coastal resources.

PART FOUR: AMENDMENT TO IMPLEMENTATION PROGRAM

I. ANALYSIS CRITERIA

Section 30513 of the Coastal Act establishes the criteria for Commission action on proposed amendments to certified Implementation Programs (IP). Section 50513 states, in applicable part:

...The commission may only reject zoning ordinances, zoning district maps, or other implementing actions on the grounds that they do not conform with, or are inadequate to carry out, the provisions of the certified land use plan. If the commission rejects the zoning ordinances, zoning district maps, or other implementing actions, it shall give written notice of the rejection specifying the provisions of land use plan with which the rejected zoning ordinances do not conform or which it finds will not be adequately carried out together with its reasons for the action taken.

To approve the amendment, the Commission must find that the amended Implementation Plan will conform with and adequately carry out the provisions of the LUP as certified. For the reasons discussed in the findings below, the proposed amendment to the Implementation Program is consistent with and is adequate to carry out the certified Land Use Plan.

II. FINDINGS FOR APPROVAL OF THE IP PORTION OF AMENDMENT NO. HMB-MAJ-3-08 (NURSERYMEN'S EXCHANGE) AS SUBMITTED:

The Commission finds and declares as following for Implementation Plan Amendment No. HMB-MAJ-3-08:

A. Description of Proposed Implementation Plan Amendment

The proposed amendment would rezone the three subject parcels from the Exclusive Floriculture (A-1) zoning district to the Commercial-Visitor Serving (C-VS) zoning district (see Exhibit No. 5).

The Exclusive Floriculture (A-1) district is designed to accommodate nurseries, greenhouses, field flowers for the propagating and cultivating of plants and cut flowers, and single-family dwellings which are accessory to the permitted uses. Retail sales are not allowed in the A-1 district.

The proposed Commercial-Visitor Serving (C-VS) district is designed to provide "Recreational Commercial areas that serve the needs of visitors attracted to coastal

recreational opportunities, emphasizing ease of movement and attractiveness for the pedestrian while allowing safe and efficient movement of vehicles, having a consistent design theme, and protecting coastal resources.” The C-VS district also requires that the intensity and nature of Visitor Serving Commercial uses be subordinate to the character of the recreational setting and existing neighborhood setting.

Permitted uses in the C-VS zoning district include uses such as: art gallery, retail sales, seasonal agricultural sales, bed and breakfast, spa resort, hotel/motel or time share, park or recreation facility and cultural institution. Conditionally permitted uses include uses such as: eating and drinking establishments, vehicle equipment sales or service, campground or RV park, and club or lodge. (See Exhibit No. 7 for a complete table summarizing all of the permitted uses in the C-VS zoning district.)

The proposed Implementation Plan Amendment is limited to the above-described change to the zoning map. No text changes are proposed.

B. Adequacy of Implementation Program Change

The Commercial-Visitor Serving (C-VS) zone is the zoning district of the certified Coastal Zoning Ordinance that carries out the Commercial-Visitor Serving designation of the LUP.

For any proposed change to a property's zoning designation to be certifiable, the implementing zoning designation must be shown to conform with its land use plan counterpart and adequately carry out all applicable LUP policies. In this case, the proposed LUP and IP map designations would share the same “Commercial-Visitor Serving” title and, as described in the narrative description of the purpose and intent of the C-VS land use and zoning categories, would allow for the same range of uses that would serve the needs of visitors attracted to coastal recreation opportunities. Moreover, no other zoning district's allowable uses would more closely match with the uses enumerated under the LUP's C-VS designation. Thus, given this consistency between LUP and zoning designations, the proposed C-VS zoning classification will conform with and be adequate to carry out the policies and standards of the C-VS classification of the LUP as amended.

Therefore, the Commission finds that proposed Amendment No. HMB-MAJ-3-08 to the Implementation Plan conforms with and is adequate to carry out the Land Use Plan, as amended by LCP Amendment No. HMB-MAJ-3-08.

PART FIVE: CALIFORNIA ENVIRONMENTAL QUALITY ACT

Section 21080.5 of the California Environmental Quality Act (CEQA) exempts local governments from the requirement of preparing an environmental impact report (EIR) in connection with a local coastal program (LCP). Instead, the CEQA responsibilities are assigned to the Coastal Commission. Additionally, the Commission's LCP review and approval procedures have been found by the Resources Agency to be functionally equivalent to the environmental review process. Thus, under Section 21080.5 of CEQA, the Commission is relieved of the responsibility to prepare an EIR for each LCP and LCP amendment submitted for Commission review and approval. Nevertheless, the Commission is required when approving an LCP to find that the LCP does conform with the applicable provisions of CEQA.

Public Resources Code section 21080.5(d)(2)(A) mandates that the proposed LCPA not be approved if there are feasible alternative or feasible mitigation measures available which would substantially lessen any significant adverse impact which the activity may have on the environment.

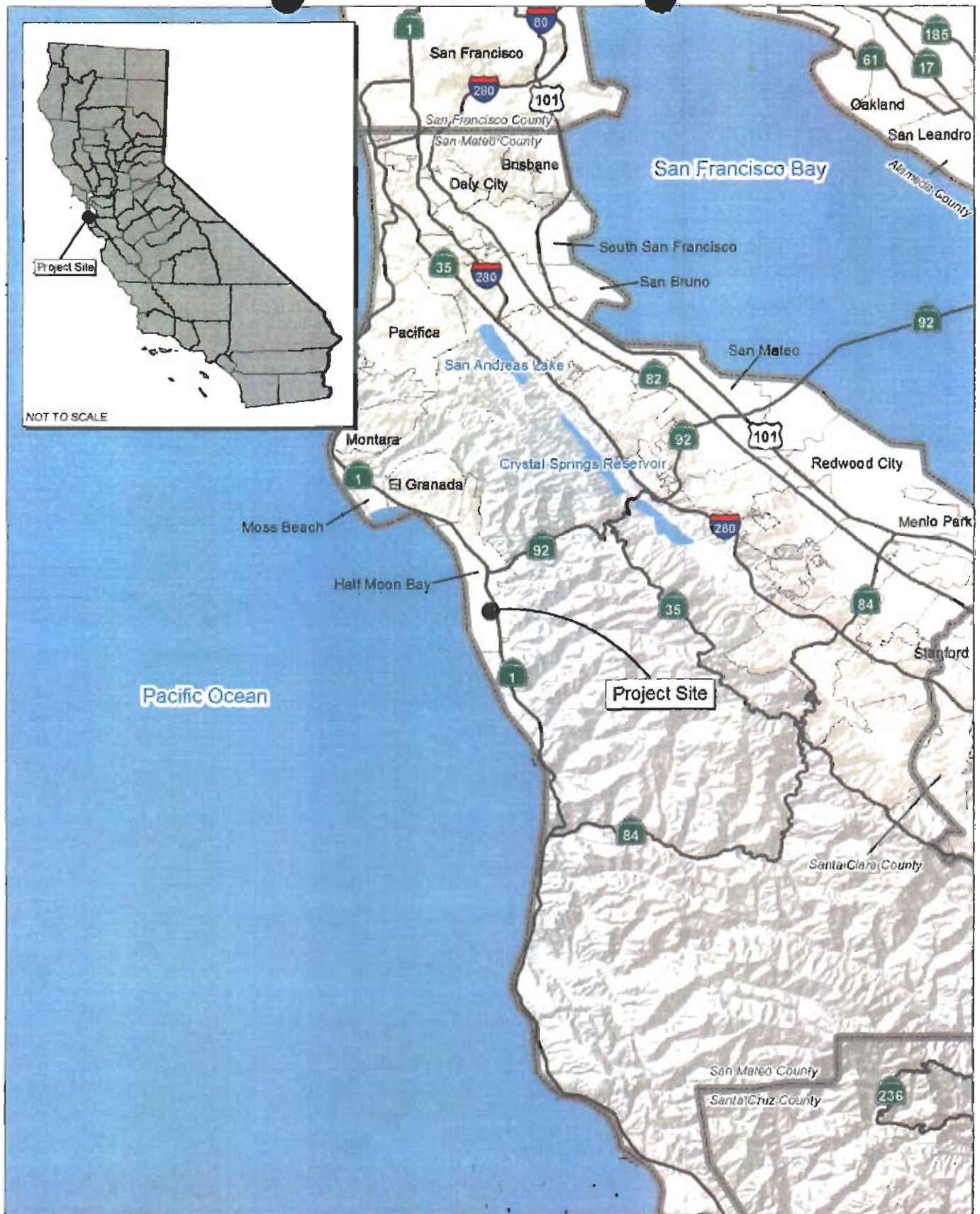
As stated above, the City of Half Moon Bay LCP amendment MAJ-3-08 consists of a change to the LUP and zoning maps. The Commission incorporates its findings on Coastal Act and land use plan conformity at this point as it is set forth in full above. These findings address and respond to all public comments regarding potential significant adverse environmental effects of the proposed amendment that were received prior to preparation of the staff report.

The Commission finds that, as proposed, the approval of the City of Half Moon Bay LCP amendment HMB-MAJ-3-08 will not result in significant unmitigated adverse environmental impacts within the meaning of CEQA. Any future individual development projects would require coastal development permits issued by the City of Half Moon Bay, or in the case of areas of original jurisdiction, by the Coastal Commission. Throughout the Coastal Zone, specific impacts associated with individual development projects are assessed through the CEQA environmental review process. Thus, an individual project's compliance with CEQA would be assured.

Therefore, the Commission finds that there are no other feasible alternatives or mitigation measures within the meaning of CEQA which would further reduce the potential for significant adverse environmental impacts.

EXHIBITS:

1. Regional Location Map
2. Vicinity Map
3. Aerial Site Photo
4. Existing/Proposed LUP Map Designations
5. Existing/Proposed Zoning Map Designations
6. Economic Feasibility Evaluation
7. C-VS District – Table of Allowable Uses
8. City Ordinance 03-08
9. City Resolution P-05-08



Source: Census 2000 Data, The CaSIL, MBA GIS 2007.



Michael Brandman Associates

24950006 • 01/2007 | 1_regional.mxd

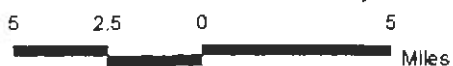
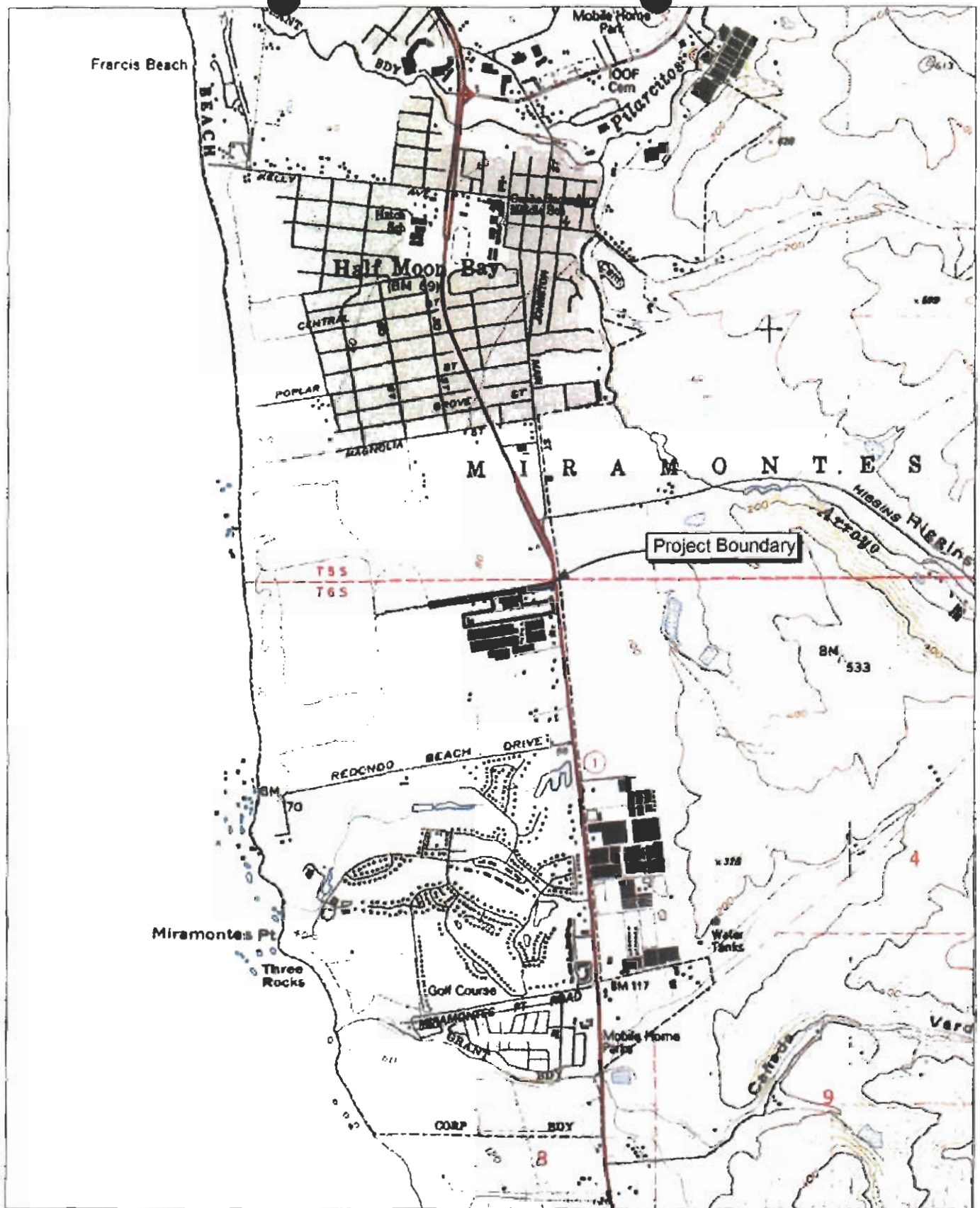


Exhibit 1 Regional Location Map

CITY OF HALF MOON BAY • NURSERYMEN'S EXCHANGE
BIOLOGICAL RESOURCES STUDY

Exhibit No. 1
City of Half Moon Bay LCP Amend.
No. HMB-MAJ-3-08 (Nurserymen's Exchange)
Regional Location Map



Source: TOPOI USGS Half Moon Bay (1997) 7.5' DRG.



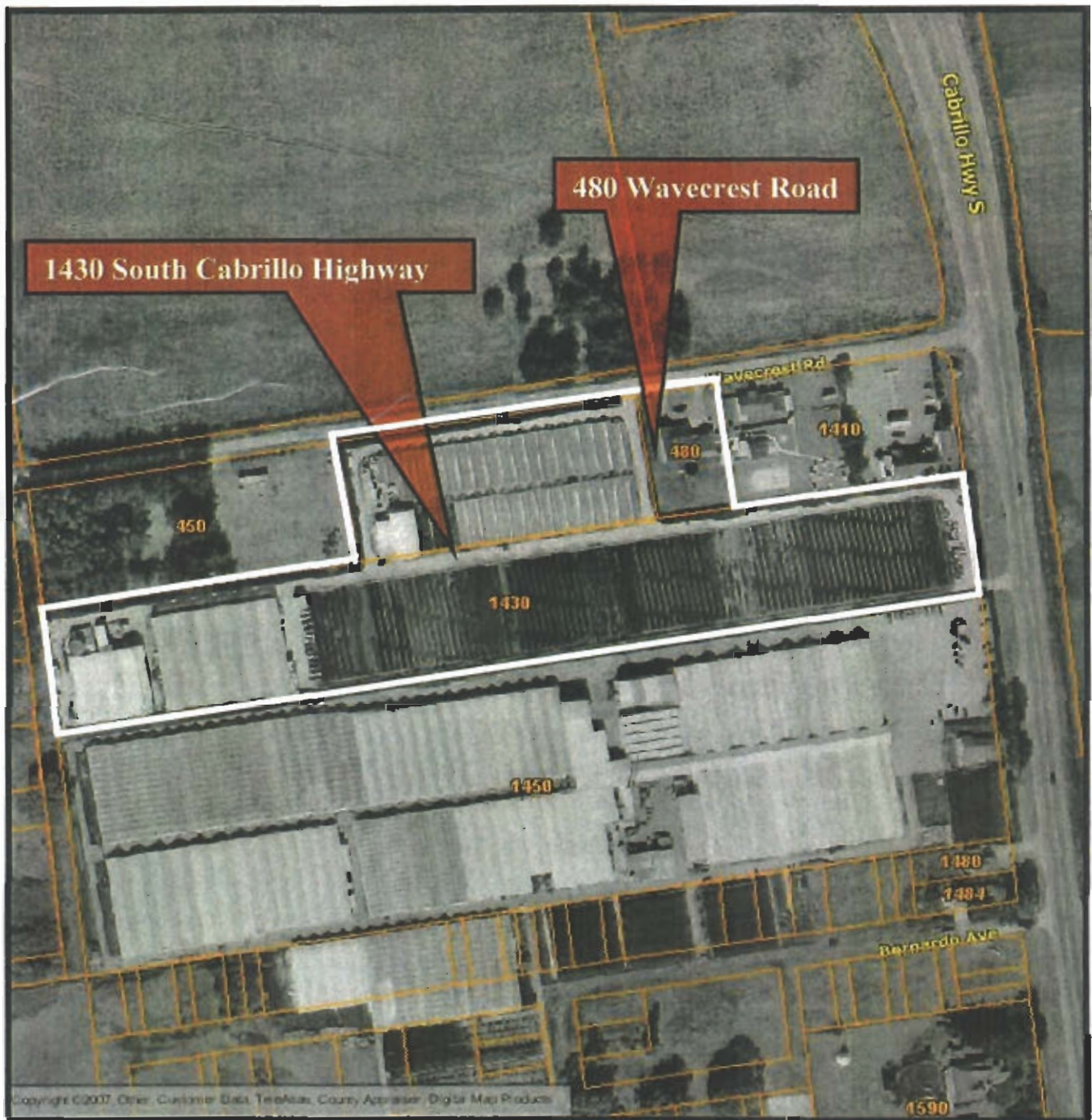
24950006 • 06/2007 | 2_usgs.mxd

Exhibit 2 Local Vicinity Map Topographic Base

CITY OF HALF MOON BAY • NURSERYMEN'S EXCHANGE
BIOLOGICAL RESOURCES STUDY

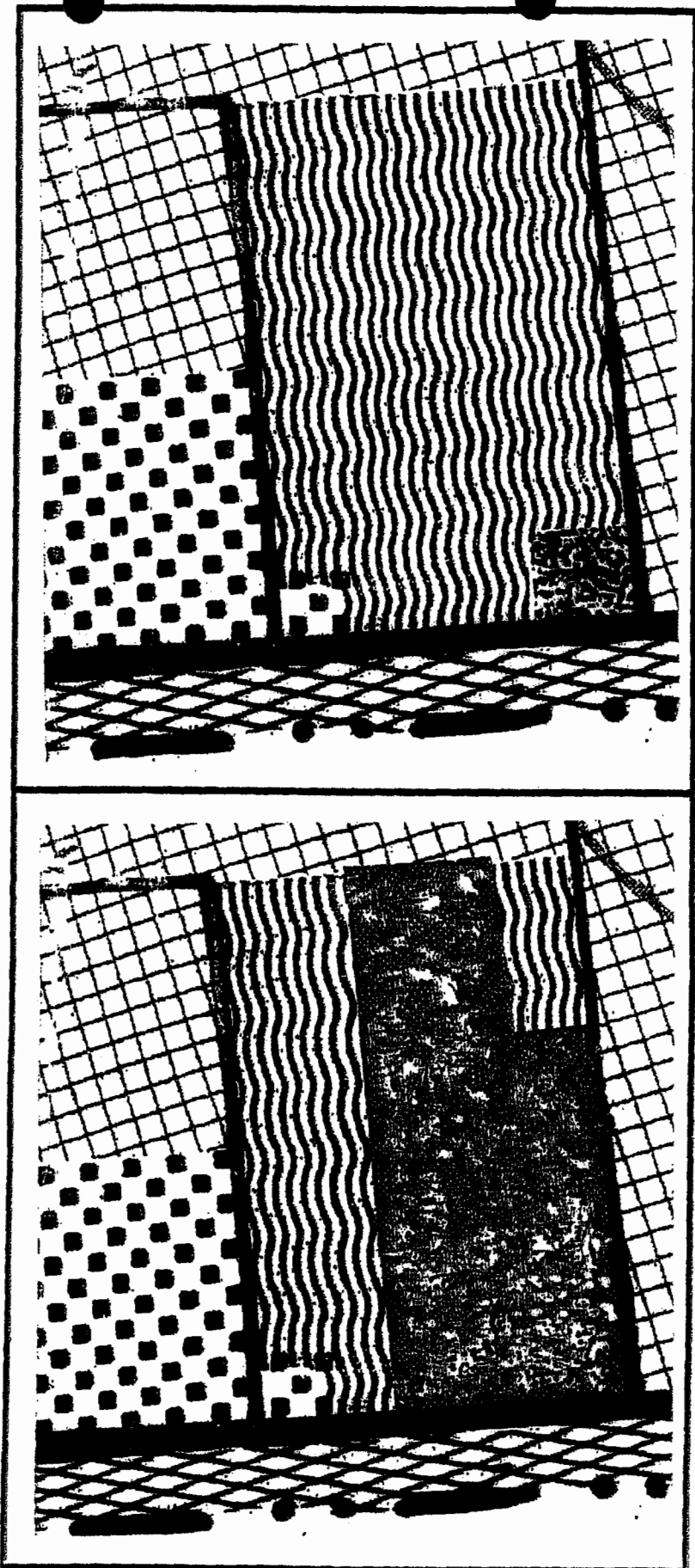
Exhibit No. 2
City of Half Moon Bay LCP Amend.
No. HMB-MAJ-3-08 (Nurserymen's Exchange)
Vicinity Map

C. Aerial Photo of the Site and Surrounding Area:



The above orthophotograph was taken in 2001. Property lines shown are approximate

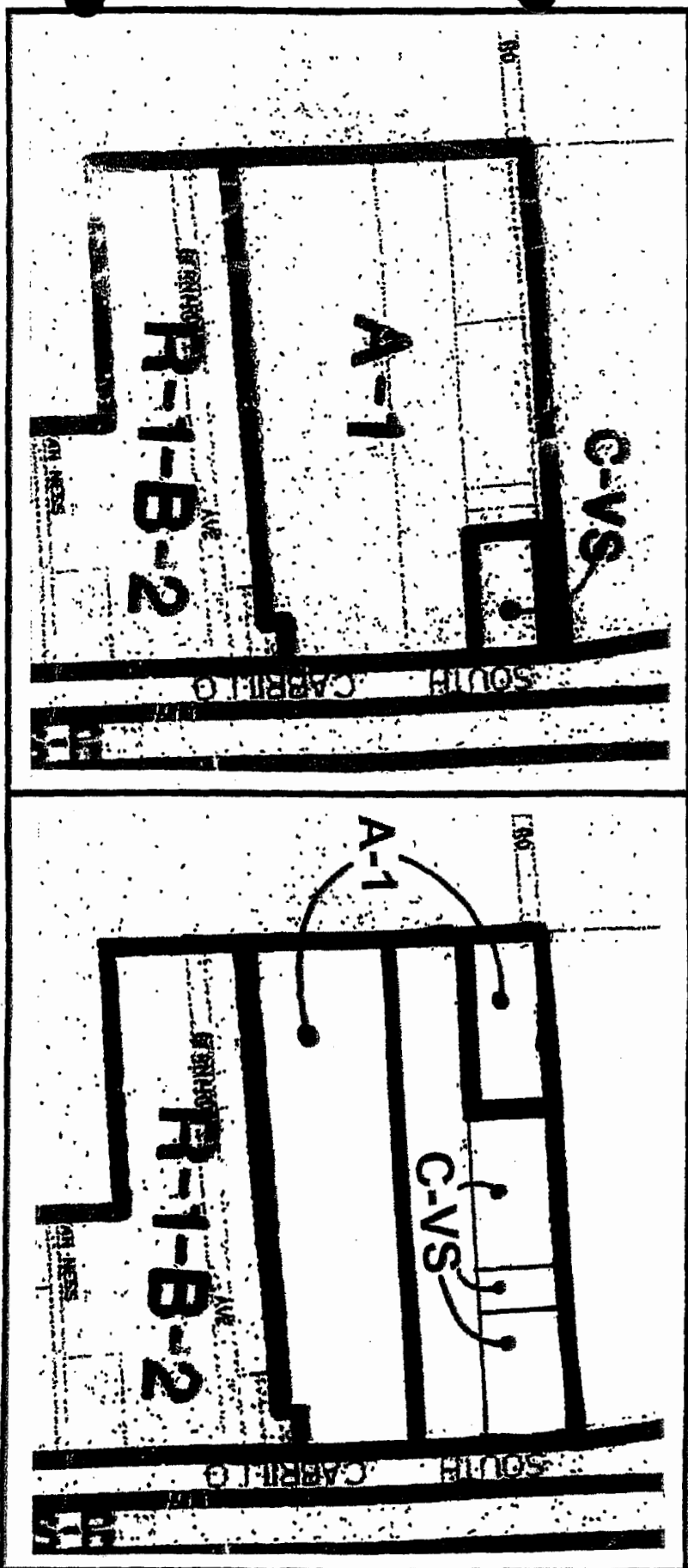
ORDINANCE NO ORD.-03-08
PDP-029-06(1)
Exhibit D
General Plan Amendment Map



 Existing General Plan Designation
Horticulture Business

 Proposed General Plan Designation
Commercial Visitor Serving

ORDINANCE NO ORD.-03-08
PDP-029-06(1)
Exhibit C
Rezoning Map



Existing Zoning: A-1
(Agriculture/Floriculture)

Proposed Zoning: C-VS
(Commercial Visitor Serving)

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

PLANNING DEPT.

FEB 14 2008

RECEIVED

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.

Introduction

Pursuant to Public Resource Code §30242 (see appendix i) is an economic feasibility evaluation in consideration of the proposed amendment to the City of Half Moon Bay's Local Coastal Program (LCP) to re-zone the above noted parcels from A-1 (Floriculture) to C-VS (Commercial Visitor Serving). The intent of this economic feasibility evaluation is to provide an analysis of the key variables impacting the sustainable operation of agriculture both at the subject site and the wider area.

This report focuses on key variable metrics for the 2001-2006 period. Actual results at the subject site for the years 2001-2005 were used. In order to provide additional local economic information several local growers in the Nursery/Floriculture segment were contacted to provide revenue and cost information regarding their farm operations. Uniformly local growers, who are all family owned private companies, were not willing to provide actual revenue and cost information. To provide a thorough analysis, County, State and some National information regarding key variables impacting agriculture in the area were examined. In addition, the net income model used by the San Mateo County Agricultural Economic Viability Project was inflation adjusted to objectively assess net cash income of the San Mateo County Nursery/Floriculture segment using actual 2006 data. Finally, graphs and tables in the appendices provide supporting documentation.

The following evaluation will examine the subject site, key variables impacting agriculture, the San Mateo County Agricultural Economic Viability Project and the California Agricultural Land Evaluation and Site Assessment Model (LESA) to explain why the property is not economically viable for either Nurserymen's Exchange or another farmer to operate. Because the property represents such a small percentage of the farmed agricultural land in the area (7.795 acres out of 35,000 acres in San Mateo County), has Class III soil, is solely dependent on CCWD water, is within the city limits, has been idle since May 2005, and is adjacent to existing C-VS facilities, its conversion to C-VS would have little or no impact on the remaining agriculture in the area.

Subject Site

The subject site is located at 1430 South Cabrillo Highway within the city limits of Half Moon Bay, California. Nurserymen's Exchange, Inc. purchased APN 065-090-030 (5.895 acres) in October 1974 and APN 065-090-070 (1.90 acres) in November 1975. For thirty years Nurserymen's Exchange continuously operated the 7.795 acre property growing potted ornamental plants. The property has 1) a production growing area of only 4.47 acres consisting of 3.81 acres of open field and .66 acres of greenhouse and hoop growing space (see appendix ii). 2) Class III soil covered with 2 feet of packed decomposed granite and gravel, 3) two existing greenhouses and 4) a fixed irrigation system for nursery container production. The remainder of the subject site acreage is in gravel roads, a large hedge surrounding the entire perimeter of the property and out buildings. Based on the soils and existing infrastructure, it is highly unlikely that the subject site could be used for tilled agriculture including cut flower or vegetable production. For the same reasons this evaluation presumes that the site's only agricultural viability, if any, would be in containerized nursery/floriculture production.

The subject site is bordered on the north side by a Commercial Visitor Serving facility (inn and restaurant), on the south side by an 11.8 acre greenhouse operation (zoned A-1)

and to the west and north by the Wavecrest property which is in the process of being purchased by the Peninsula Open Space Trust.

For the years 2001-2005, Nurserymen's Exchange lost money operating the subject site (see appendix iii). After carefully examining the increasing costs of operating this property including labor, CCWD water, fuel, and heating gas coupled with the capital investment in infrastructure that would be required to have a sustainable operation (water reservoir, water recycle facilities, loading dock and greenhouse mechanization) Nurserymen's Exchange determined that it was not economical to make the required capital investment in such a small parcel (4.47 acres of growing area). Consequently, the company ceased operations at the subject site in May 2005.

Following the previously established assumption [based on the soil, and existing infrastructure] that the subject site's only potential agricultural use is for containerized nursery/floriculture production, the relevant inquiry turns to what capital expenditures would be needed to make the site viable for either Nurserymen's or another operator for the long-term and could that investment be justified. At a minimum, long-term operation of the subject site in containerized nursery/floriculture production would require the following capital expenditures in infrastructure: 1) sufficient storage and tailwater recovery facilities to properly manage irrigation water runoff, 2) loading dock facilities and improved access, and 3) modernization of the existing greenhouse structures including a) moveable benching b) environmental controls, c) energy curtains and d) water catchment capability.

The estimated costs are as follows:

1. Storage and tailwater recovery facilities	
a) 150,000 gallon tank	\$100,000
b) Pumps and piping	\$25,000
c) Water treatment	\$50,000
2. Loading dock and improved access	\$75,000
3. Greenhouse/hoop modernization	
a) Benching	\$127,000
b) Environmental controls	\$50,000
c) Energy curtains	\$45,000
d) Water catchment	<u>\$30,000</u>
Total	\$502,000

A ten year loan at 8% would have a monthly payment of interest and principal of \$6,091. Based on either past results at the subject site, or based on the San Mateo County Agricultural Viability Project model, this debt load or even a reduced debt level could not be reasonably borne by either Nurserymen's Exchange or another operator. Another operator would be further burdened by either the rental cost or the land purchase cost.

In contrast, making the same level of capital investment at the company's primary site could be justified because economies of scale already exist. Adding to or modernizing a portion of the production facilities at the company's primary site could be easily and efficiently incorporated into the existing infrastructure. The primary site is located at 2651 North Cabrillo Hwy. on the north end of Half Moon Bay. The site has 21 acres of

greenhouse and hoop production space and 22 acres of open field production. The existing infrastructure at this site already includes six active wells that supply 46% of the first time water requirement. There are also extensive water storage and tailwater recovery systems, loading facilities, large natural gas and electrical infrastructure, warehousing, and proximity to management and the company's labor force.

History

Almost all agricultural activity in San Mateo County occurs along the coastline. Agriculture, and particularly floriculture have historically been the core agricultural business on the coastside. Population growth, urban/rural conflict, increased land values, increased cut flower imports, and low returns have all affected the viability of ongoing operations. Specifically, the City's 1993 certified Local Coastal Program (LCP) in describing the local greenhouse industry stated: "The greenhouse industry in Half Moon Bay consists, without exception, of family operations by second-generation family members. If these operators had to purchase their land and finance their improvements today, none of these operations would be economically feasible. Prospects for future expansion of the greenhouse industry in the City are minimal because of the high costs for land, water and energy, and the narrow margins on sales which are estimated to be two percent (2%) per dollar of sales by existing operators. New entries would be faced with very high costs that would prevent any return-on-investment. Given the high costs of land, the high costs of building in an urban environment, the high cost and limited availability of water, the narrow profit margin of existing operators, and the growing competitive advantages of other production areas, expansion of existing operations in the City or the entry of new operators is not likely. There has been no new entry in over 17 years. Present operators regard prospects for further growth of their own operations in the City as minimal. Preferred locations for both new and expanded operations are available outside the City and in other regions."¹

Since 1993 this trend has continued. Recent history indicates that the local nursery industry is in decline. Between 2001-2006 floral and nursery acreage in San Mateo County dropped by 13.4%.² Over the same period, the number of floriculture operations in San Mateo County dropped by 17%.³ Between 2000 and 2006, the total production value of floral and nursery crops adjusted for inflation dropped by 25%.⁴ The most commonly cited reasons are low returns, increased regulation, and next generation owners exiting the industry.

The San Mateo County Agricultural Economic Viability Project

In 1987 the San Mateo County Board of Supervisors authorized the University of California Cooperative Extension group to complete an economic study of coastside agriculture. The San Mateo County Agricultural Economic Viability Project was published in 1989 and concluded that "high value flower, nursery and vegetable crops are usually economically viable"⁵ but "even with a major local commitment to agriculture, outside economic and policy forces can quickly erase the economic viability of most of

¹ LCP Chapter 8.3 Agriculture: A Summary

² San Mateo County Crop Reports

³ Bureau of Labor Statistics

⁴ San Mateo County Crop Reports

⁵ San Mateo County Agricultural Viability Project, ES-2

the County's agricultural enterprises."⁶ The report looked at both revenue and cost variables. On the revenue side, UC researchers found that "the economic viability of coastside farms is extremely sensitive to variations in the price and demand for their products."⁷ On the cost side, the study examined six key variables including land, water, labor, transportation, urban/rural conflicts and the permit process.

As part of the study, researchers modeled the operational costs/revenues of the different coastside agricultural segments. Based on specific sampling of the nursery and floral segment, the 1986 per acre net cash income was \$3,865 (see appendix iv). When the revenue and expenses are adjusted for inflation to 2006, and the revenue is further adjusted by the change in per acre revenue in the nursery segment for San Mateo County, the per acre net cash income is \$3,374 (see appendix iv). The water cost used in the sample model was \$0 per acre foot because the sampling used farms that relied exclusively on ground water. When actual CCWD water costs are used instead of zero cost ground water, the net cash income results in a loss of \$2,350 per acre. This is significant because the sole source of water at the subject site is CCWD water. While several farm expense items in the model have increased by more than inflation [gas, natural gas, labor, property taxes and insurance], and would further reduce net income, the cost of CCWD water alone is sufficient to result in a net income loss. The use of actual inflation adjusted data independently confirms that the subject site is not economically viable.

California Agricultural Land Evaluation and Site Assessment Model (LESA)

The California LESA Model, developed by the California Department of Conservation, is specifically intended to provide lead agencies with guidance regarding the socioeconomic and environmental implications of agricultural land conversion. LESA is a point based approach that is used for rating the relative value of agricultural land resources. The model defines and measures two separate sets of factors. The first set, Land Evaluation, includes factors that measure the inherent soil-based qualities of land as they relate to agricultural suitability. The second set, Site Assessment, includes factors that are intended to measure social, economic, and geographic attributes that also contribute to the overall value of agricultural land. The California Agricultural LESA Model is also designed to make determinations of the potential significance of a project's conversion of agricultural lands during the Initial Study phase of the CEQA review process. The subject site was evaluated under the California Agricultural LESA model as part of the Initial Study phase of the CEQA review process.⁸ The subject site had a final total score of 25. A total LESA score of less than 39 means that the conversion of the subject site from agricultural use is considered not significant (see appendix v). The key factors contributing to the final score were the poor soil quality, small parcel size and limited water resource availability. The LESA result is important because it is another independent confirmation that conversion of the subject site from agriculture will not have a significant impact.

⁶ San Mateo County Agricultural Viability Project, ES-3

⁷ San Mateo County Agricultural Viability Project pg 110

⁸ Initial Study and Mitigated Negative Declaration, City of Half Moon Bay PDP-029-06

Key Variables

Following are key variables impacting the feasibility of agriculture in the area and at the subject site.

1. Soils

There are a variety of soil types in the surrounding area. Of the 730 acres in the surrounding area only 4.2% are considered prime agricultural land. The remainder is generally Class III soil with a Storie Index range between 48-54⁹ (see appendix vi).

The soil at the subject site is not prime agricultural land as defined in Public Resources Code §30113 and California Government Code §51201 subdivision(c) paragraphs (1),(2), (3), and (4) and thus the proposed zoning change does not pose a conflict with the Public Resource Code's stated intent to preserve "prime agricultural land" in agricultural production (see appendix vii). This determination was verified on February 9, 2006 when Mr. Ken Oster, Area Resource Soil Scientist for the United States Department of Agriculture visited the subject site and took core samples to a depth of 5 feet. He determined that the soil is Watsonville loam, nearly level. The land is in Land Capability Class III (see appendix viii). The Storie Index is 54.

In addition, the entire parcel is covered with between 24-29 inches of packed decomposed granite and gravel. This layer of fill is significant because it essentially precludes the possibility of growing any crop in the ground without significant investment to remove it. Even if it was removed, the soil underneath is Class III. Consequently, the quality of the soil and the fill taken together, effectively limit utilization of the subject site "as is" to containerized nursery/floriculture production because it is not soil dependent.

2. Water

The primary sources of water for agriculture in the area are 1) CCWD, 2) well water, and 3) rain-runoff and re-cycled water that is impounded in reservoirs.

The sole source of water at the subject site is CCWD water. The site is serviced by a 2 inch meter with an output of 320 gallons per minute (gpm). The price of CCWD water is currently \$1,908 per acre foot (excluding base meter charge). The price of CCWD water has risen by an inflation adjusted rate of 30% since 2001 (see appendix ix). The CCWD Board has indicated that water prices are going to continue to increase annually by 7-10% for the foreseeable future. This level of increase does not take into consideration the cost of the Hetch Hetchy retrofit upgrade or water rationing, both of which will result in rate increases to users. By comparison, the cost of municipal water in three areas within California with competing nursery industries is:

Nipomo Community Service District	\$875/acre foot
Vista Irrigation District	\$862/acre foot
City of Lodi Water Utility	\$331/acre foot

⁹ Natural Resources Conservation Service

In 1977 Nurserymen's Exchange attempted to have a well drilled at the subject site. The well driller's report shows that after digging to a depth of 100 feet, the well was only capable of producing 5 gallons per minute (see appendix x). The test well was abandoned. As a comparison, a single family residence CCWD connection (5/8 inch) is capable of producing 30 gpm. The result of the test well drilled at the subject site is consistent with the immediate proximity to the subject site where there is no history of Ag wells. Discussion with a large regional well driller indicates that water in the area if found would likely be of fair to poor quality and the output would be very low. Wells that have been drilled in the area have had a high iron and sodium content and a residual presence of arsenic and other minerals. The presence of iron and sodium would require that well water undergo treatment before safe application to most nursery/ornamental stock. Also, the presence of iron would increase well maintenance costs. In sum, well water at the subject site is not a viable alternative.

Being solely dependent on CCWD water, the subject site is particularly susceptible to water rationing due to drought conditions. According to CCWD, almost 80% of its current production comes from the Hetch Hetchy system which is under the control of the City of San Francisco. The CCWD recently informed its large commercial customers that water rationing in 2008 was almost a certainty. More specifically, that CCWD's allocation from the Hetch Hetchy system could be cut by as much as 58%. This means that water rationing could be in the range of 20-38% (see appendix xi). Any water rationing at the subject site would directly impact economic viability by reducing production capability.

Water rationing by CCWD also has the likely impact of requiring further rate increases because CCWD's revenue is generally fixed by Measure D (adopted by Half Moon Bay in 1999) which restricts residential growth in Half Moon Bay to that number of new dwelling units that will result in a population growth of no more than one percent annually. As a result, any water rationing will directly reduce CCWD revenues. This shortfall can only be made up through additional rate increases. Any further rate increases directly and negatively affect viability at the subject site.

The City's LCP sums up the subject of water by stating: "Without an ample supply of high quality low cost irrigation water; even the best soils in the City are not suitable for agricultural use".¹⁰ The subject site has neither.

3. Access/Transportation

Access to coastside agriculture is from either Highway 92 or Highway 1. Both highways which are two lane roads have not been substantially improved over the last 50 years, during which the coastside population has increased 10 fold.¹¹ In addition, traffic has increased as the coastside has become a tourist destination. As a result, access to agricultural operations has become more problematic. Average Annual Daily Traffic (AADT) counts at the intersection of Highway 92 and Highway 1 increased by over 13%

¹⁰LCP Chapter 8.3 Agriculture: A Summary

¹¹ US Census Bureau

for the period 2000-2005.¹² Increased traffic congestion particularly impacts agricultural access because transportation of finished agricultural products to the marketplace are largely dependent upon trucks that are now 53 feet long and which have a difficult time maneuvering within the city limits.

Access to the subject site is particularly problematic. Entrance into the subject site is from Wavecrest Road, a narrow two lane street which is only 16 feet wide at the entrance to the subject site. Because of the narrow turning radius into the subject site, large trucks cannot enter the property. In addition the subject site does not have a loading dock. When Nurserymen's Exchange was operating the property all finished product had to be loaded onto smaller 22ft. Bobtail trucks and transferred to its facility at the north end of Half Moon Bay for shipment. The extra handling and transport of finished product added to the cost of production. Without access to the subject site for large trucks, an operator without another local facility would be limited as to which markets could be served from the subject site, constraining potential revenue sources.

4. Labor

Because most agricultural, and particularly floriculture operations are labor intensive, it is a key variable in the production process. The two key components concerning labor are supply and cost both of which intersect. In general, the supply of eligible labor has been shrinking. The primary reasons for this are 1) stricter enforcement of immigration regulations and border control, and 2) availability of affordable housing in the area.

Since the events of September 11, 2001, there has been additional national focus on securing the U.S. borders, particularly with Mexico, coupled with stricter enforcement of work eligibility regulations. This has negatively impacted the supply of full-time and part-time seasonal labor in the area. Agricultural labor for peak production periods is currently being supplied to the coastside from as far away as Salinas and Stockton. Labor from remote areas is much more costly than local labor due to significant transportation and labor contractor costs.

The high cost of housing in Half Moon Bay and San Mateo County has further impacted the supply of agricultural labor. The cost of housing in Half Moon Bay and San Mateo County is significantly higher than in the rest of the country (see appendix xii). At the same time there is no available affordable or farm labor housing anywhere in the City of Half Moon Bay or the unincorporated coastside.¹³

Compounding the problem of labor supply is the cost of labor. Labor is the single largest factor in the cost of floriculture production. Average weekly wages in floriculture production in San Mateo County for the period 2001-2005 rose by 17%¹⁴ (see appendix xiii). Added to wages is the rising cost of benefits and insurance. Health benefit and workers compensation insurance costs grew over the same time-period by over 20%.

¹² California Department of Transportation

¹³ Housing Leadership Council

¹⁴ Bureau of Labor Statistics

With the assumption that capital investment cannot be justified at the subject site due to its small growing acreage, any future agricultural operator would be faced with the same labor dependency and challenges that are present today.

5. Revenue

Revenue from all San Mateo County Floral and Nursery sales for the period 2001-2005, adjusted for inflation is down by 8.6 % with the unit price for most products being flat to down (see appendices xiv and xv). Since 2004, the revenue per acre adjusted for inflation has decreased by 10%. Between 2001-2006, floral and nursery acreage in San Mateo County dropped by 13.4%.¹⁵ These numbers taken together suggest that even though marginal acreage has continued to be taken out of production, revenue per acre has continued to decline.

The primary reasons for declining revenue are 1) imports of lower priced fresh cut flowers, and 2) increased buying power of larger retailers through growth and consolidation. It is well settled that the import of fresh cut flowers into the United States has had a severe adverse impact on the US cut flower industry. This trend is evident in San Mateo County where acreage in cut flowers dropped by 22 % for the period 2001-2005.¹⁶ Imports account for 79% of fresh flowers sold in America.¹⁷ Importantly, the predominance and affordability of imports has negatively impacted pot plant prices because fresh cut flowers are taking more of the limited available shelf space at the retail level, leaving pot plant sales to compete for a smaller store presence.

Consolidation in the big box store and grocery channels has increased the buying power of the large retailers. Between the years 2000-2005 the five largest big box retailers grew by 45% in the number of stores and by 64% in revenue¹⁸ (see appendix xvi). In the grocery channel the top 10 grocery store chains account for close to 70% of the market share.¹⁹ Much of the consolidation in the grocery channel has been through acquisitions. As a result, the number of smaller and mid-size retailers, with less buying leverage has decreased.

The net effect of this consolidation is that the large retailers have much greater negotiating strength with suppliers. Modern information systems allow larger retailers to closely track individual SKU sales and adjust orders accordingly. There is a growing trend of large retailers instituting various forms of guaranteed sales programs with suppliers of floral products. Suppliers are now effectively being held responsible for managing in-store inventory levels to minimize loss. These developments directly benefit consumers because large retailers are able to offer more attractive pricing than smaller retailers. As a result, more consumers are purchasing flowers and nursery stock from large retailers further increasing their leverage.

Another operator of this property would have to contend with the same price pressures without the benefit of any economies of scale in production. The subject site is

¹⁵ San Mateo County Crop Reports

¹⁶ San Mateo County Crop Reports

¹⁷ Society of American Florists

¹⁸ Annual Company Reports

¹⁹ Supermarket News

particularly vulnerable to revenue pressure because 85% of its production area is open field where lower value crops are grown. Further, being solely dependent on CCWD water, water rationing would immediately reduce production capacity.

6. Energy/Fuel

Both natural gas for greenhouse heating and gasoline and diesel for transportation are key variables in the agricultural production cost structure. Higher petroleum prices have impacted both categories.

For the period 2001-2005 the price of natural gas, adjusted for inflation rose by 83% (see appendix xvii). Though Nurserymen's Exchange belongs to a natural gas buying coop, the meter at the subject site is too small to be included in the coop. Consequently, natural gas purchases for the subject site were made directly through PG&E which was more expensive.

For the same time period, the price of diesel, adjusted for inflation rose by 46% (see appendix xviii). The increase in the cost of diesel has directly impacted the cost of freight and thus the cost of delivering finished products to the market. The cost of freight makes up between 10-20% of the prepaid price of finished container/floriculture products depending on the destination. Freight has been a significant factor depressing grower profits because the retail sector has been unwilling to accept price increases to cover the higher freight costs.

The price of petroleum will continue to have a significant impact on agricultural production costs. These costs would especially impact another operator of the subject site because they would not have the benefit of any economies of scale.

7. Production Inputs

The cost of inputs to production has increased following the trend of other previously mentioned key variables. The cost of plastics, chemicals and fertilizers is directly tied to the price of petroleum. Other production inputs such as paper products and potting medium tend to follow. During the relevant timeframe, the cost of over 250 SKU's spread over eleven different production input categories purchased by Nurserymen's Exchange rose by an average of 19%.²⁰ It can be reasonably assumed that smaller operators would generally experience greater percentage increases because the volume of their purchases would be smaller.

8. Exchange Rates

The weakening of the Dollar against the Euro has impacted production and capital expenditure costs in the floriculture/nursery sector. Many flower bulbs, which are the starter plant material for horticulture, originate in Europe. Specifically, between the years 2001-2005 the dollar weakened against the Euro by 40% (see appendix xix). In addition, most of the advanced machinery and robotics for the horticulture industry are manufactured in Europe. These items, which are essential to capital investment aimed at

²⁰ Nurserymen's Exchange General Ledger

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 Matco County Agricultural Economic Viability Project
California Agricultural Land Evaluation and Site Assessment Model

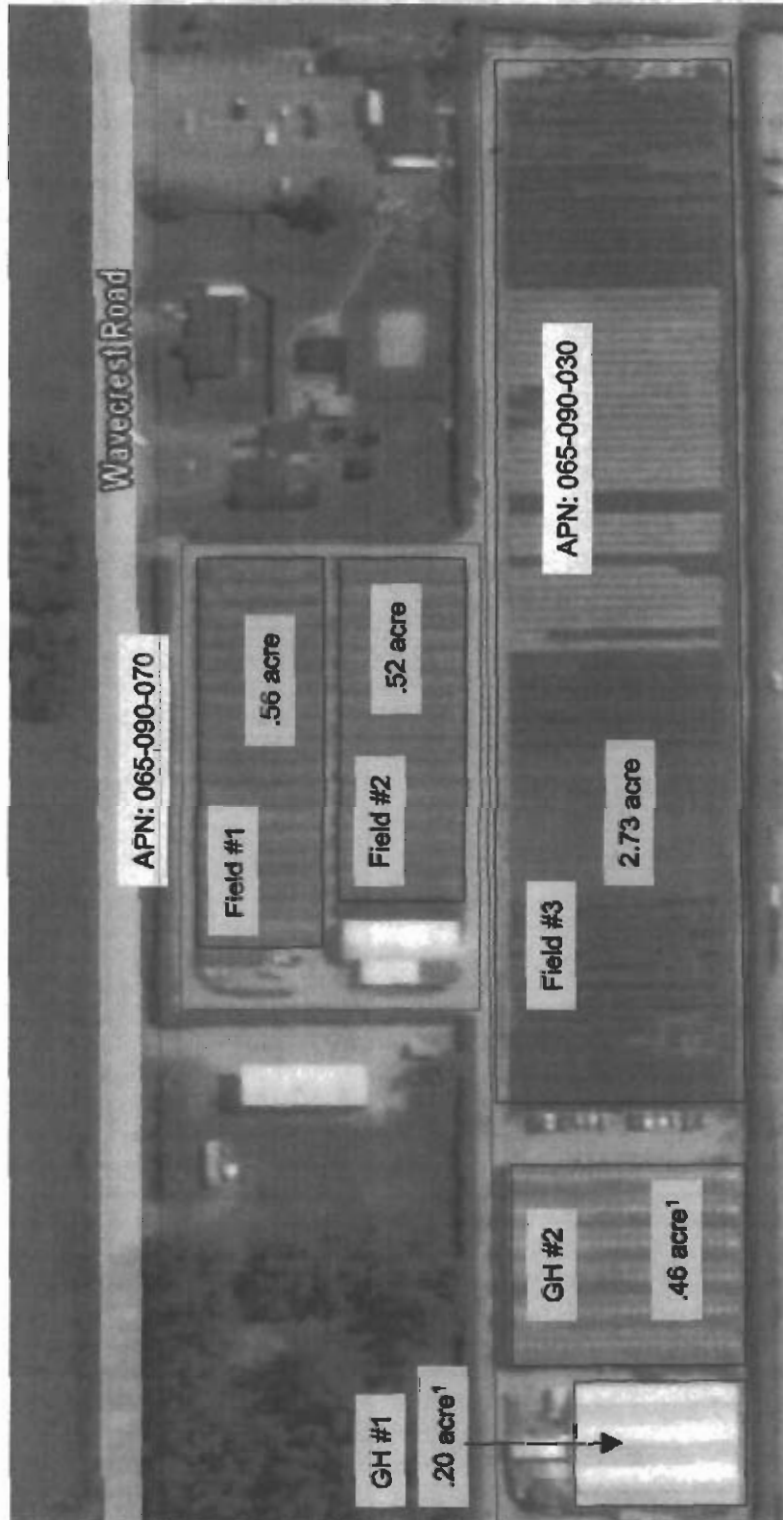
APPENDICES

- iPublic Resource Code
- iiGrowing Area at Subject Site
- iiiProfit/Loss Statement
- ivAgricultural Economic Viability Project
- vCalifornia Agricultural LESA Model Scoring
- viSoil Report for Surrounding Area
- viiGovernment Code
- viiiSoil Report for Subject Site
- ixWater Costs
- xWell Drillers Report
- xiCCWD Rationing Notice
- xiiHousing Costs
- xiiiAverage Weekly Wage
- xivCrop Revenue
- xvTotal Production Value
- xviBig Box Store Growth
- xviiNatural Gas Costs
- xviiiFuel Prices
- xixUS Dollar – Euro Exchange Rate

PUBLIC RESOURCE CODE
Section 30242

30242. All other lands suitable for agricultural use shall not be converted to nonagricultural uses unless (1) continued or renewed agricultural use is not feasible, or (2) such conversion would preserve prime agricultural land or concentrate development consistent with Section 30250. Any such permitted conversion shall be compatible with continued agricultural use on surrounding lands.

GROWING AREA
1430 S. Cabrillo Hwy., Half Moon Bay, Ca



GH #1: 104' x 107'
 GH #2: 143' x 176'

Field #1: 73' x 335'
 Field #2: 73' x 309'
 Field #3: 135' x 880'

TOTAL: 4.47 Acres

¹ Growing acreage calculated at 80% of GH dimensions to account for unused space in aisles and between benches.

PROFIT/LOSS STATEMENT

1430 S. Cabrillo Hwy
Half Moon Bay, Ca. 94019

APN: 065-090-070
APN: 065-090-030

Year	Qty. Sold	Net Sales	Variable Growing and Harvesting Costs	Fixed Growing and Harvesting Costs	Gross Margin	Sales, General & Administrative Expenses	Profit (Loss)
2005	112,860	\$476,227	\$409,066	\$6,818	\$60,343	\$86,197	-\$25,854
2004	963,248	\$2,473,938	\$2,091,610	\$29,354	\$352,974	\$420,569	-\$67,595
2003	672,534	\$1,915,903	\$1,669,946	\$21,156	\$224,801	\$325,704	-\$100,903
2002	495,317	\$2,081,666	\$1,902,207	\$27,867	\$151,592	\$383,027	-\$231,435
2001	882,250	\$3,075,837	\$2,467,715	\$36,116	\$572,006	\$553,651	\$18,355

Variable Growing and Harvesting Costs Include:
Pots, Planting Media, Chemicals, Fertilizers, Packaging, and Labor

Fixed Growing and Harvesting Costs Include:
Depreciation, Rent, Insurance, Property Tax

Sales, General & Administrative Expenses Include:
Sales & Marketing Costs and General & Executive Management

Appendix iii

SAN MATEO COUNTY AGRICULTURAL ECONOMIC VIABILITY PROJECT

Comparison of Operational Costs/Revenues Per Acre Between 1986 and 2006

Adjustments Made	1986	2006	
	Original Data Assumes use of well water	Inflation adjusted all data	Added cost of CCWD water
Revenue per acre	\$15,935	\$25,583 ¹	\$25,583
Expenses ²			
Water (3 AF/Acre)	\$0	\$0	\$5,724 ³
Labor	\$4,672	\$8,596	\$8,596
Transportation	\$208	\$383	\$383
Materials	\$2,298	\$4,228	\$4,228
Inputs	\$2,542	\$4,677	\$4,677
Services	\$356	\$655	\$655
Utilities	\$190	\$350	\$350
Property Taxes	\$290	\$534	\$534
Cash Interest	\$214	\$394	\$394
Insurance	\$517	\$951	\$951
Land Rent	\$200	\$368	\$368
Capital Items	\$583	\$1,073	\$1,073
Total Cost	\$12,070	\$22,209	\$27,933
Profit per acre	\$3,865	\$3,374	(\$2,350)

Notes:

¹ Inflation adjusted using change in production revenue per acre from SMC Crop Reports

² All 2006 expense figures adjusted using CPI unless otherwise noted

³ Actual CCWD cost per acre foot;

Appendix iv

LESA SCORING

Section IV. California Agricultural LESA Scoring Thresholds - Making Determinations of Significance Under CEQA

A single LESA score is generated for a given project after all of the individual Land Evaluation and Site Assessment factors have been scored and weighted as detailed in Sections 2 and 3. Just as with the scoring of individual factors that comprise the California Agricultural LESA Model, final project scoring is based on a scale of 100 points, with a given project being capable of deriving a maximum of 50 points from the Land Evaluation factors and 50 points from the Site Assessment factors.

The California Agricultural LESA Model is designed to make determinations of the potential significance of a project's conversion of agricultural lands during the Initial Study phase of the CEQA review process. Scoring thresholds are based upon both the total LESA score as well as the component LE and SA subscores. In this manner the scoring thresholds are dependent upon the attainment of a minimum score for the LE and SA subscores so that a single threshold is not the result of heavily skewed subscores (i.e., a site with a very high LE score, but a very low SA score, or vice versa). Table 9 presents the California Agricultural LESA scoring thresholds.

Table 9. California LESA Model Scoring Thresholds

Total LESA Score	Scoring Decision
0 to 39 Points	Not Considered Significant
40 to 59 Points	Considered Significant <u>only</u> if LE <u>and</u> SA subscores are each <u>greater</u> than or equal to 20 points
60 to 79 Points	Considered Significant <u>unless</u> either LE <u>or</u> SA subscore is <u>less</u> than 20 points
80 to 100 Points	Considered Significant

LESA SCORING

LESA Worksheet (cont.)

NOTES

Final LESA Score Sheet

Calculation of the Final LESA Score:

- (1) Multiply each factor score by the factor weight to determine the weighted score and enter in Weighted Factor Scores column.
- (2) Sum the weighted factor scores for the LE factors to determine the total LE score for the project.
- (3) Sum the weighted factor scores for the SA factors to determine the total SA score for the project.
- (4) Sum the total LE and SA scores to determine the Final LESA Score for the project.

	Factor Scores	Factor Weight	Weighted Factor Scores
LE Factors			
Land Capability Classification	<1> 50	0.25	12.5
Soil Index	<2> 42	0.25	10.5
LE Subtotal		0.50	23
SA Factors			
Project Size	<3> 0	0.15	0
Water Resource Availability	<4> 0	0.15	0
Surrounding Agricultural Land	<5> 10	0.15	1.5
Protected Resource Land	<6> 10	0.05	0.5
SA Subtotal		0.50	2
Final LESA Score			25

For further information on the scoring thresholds under the California Agricultural LESA Model, consult Section 4 of the Instruction Manual.

FARMLAND CLASSIFICATION
Area Surrounding Subject Site



Appendix vi
(p. 1 of 7)

FARMLAND CLASSIFICATION Area Surrounding Subject Site

MAP INFORMATION

Original soil survey map sheets were prepared at publication scale. Viewing scale and printing scale, however, may vary from the original. Please rely on the bar scale on each map sheet for proper map measurements.

Source of Map: Natural Resources Conservation Service
Web Soil Survey URL: <http://websoilsurvey.nrcs.usda.gov>
Coordinate System: UTM Zone 10N

This product is generated from the USDA-NRCS certified data as of the version date(s) listed below.

Soil Survey Area: San Mateo Area, California
Survey Area Data: Version 3, Dec 14, 2006

Date(s) aerial images were photographed: 10/30/1991

The orthophoto or other base map on which the soil lines were compiled and digitized probably differs from the background imagery displayed on these maps. As a result, some minor shifting of map unit boundaries may be evident.

MAP LEGEND

<input type="checkbox"/>	Area of Interest (AOI)	<input type="checkbox"/>	Prime farmland if subsoiled, completely removing the root inhibiting soil layer
<input type="checkbox"/>	Area of Interest (AOI)	<input type="checkbox"/>	Prime farmland if irrigated and the product of (soil erodibility) x C (climate factor) does not exceed 80
<input type="checkbox"/>	Soil Map Units	<input type="checkbox"/>	Prime farmland if irrigated and reclaimed of excess salts and sodium
<input type="checkbox"/>	Soil Ratings	<input type="checkbox"/>	Fermland of statewide importance
<input type="checkbox"/>	Not prime farmland	<input type="checkbox"/>	Fermland of local importance
<input type="checkbox"/>	All areas are prime farmland	<input type="checkbox"/>	Fermland of unique importance
<input type="checkbox"/>	Prime farmland if drained	<input type="checkbox"/>	Not rated or not available
<input type="checkbox"/>	Prime farmland if protected from flooding or not frequently flooded during the growing season	<input type="checkbox"/>	Transportation
<input type="checkbox"/>	Prime farmland if irrigated	<input type="checkbox"/>	++
<input type="checkbox"/>	Prime farmland if drained and either protected from flooding or not frequently flooded during the growing season	<input type="checkbox"/>	Roads
<input type="checkbox"/>	Prime farmland if irrigated and drained	<input type="checkbox"/>	Interstate Highways
<input type="checkbox"/>	Prime farmland if irrigated and either protected from flooding or not frequently flooded during the growing season	<input type="checkbox"/>	US Routes
<input type="checkbox"/>		<input type="checkbox"/>	State Highways
<input type="checkbox"/>		<input type="checkbox"/>	Local Roads
<input type="checkbox"/>		<input type="checkbox"/>	Other Roads

MAP LEGEND

San Mateo Area, California (CA637)			
Map Unit Symbol	Map Unit Name	Acres in AOI	Percent of AOI
BcA	Botella clay loam, nearly level	83.2	11.4%
CmD2	Colma sandy loam, moderately steep, eroded	4.8	0.7%
FaA	Farallone loam, nearly level	0.1	0.0%
Gu	Gullied land (alluvial soil material)	1.9	0.3%
Gw	Gullied land (tierra and watsonville soil materials)	11.4	1.6%
NOTCOM	Mapping not complete	22.1	3.0%
SkA	Soquel loam, nearly level	8.5	1.2%
Ta	Terrace escarpments	2.0	0.3%
TcC2	Tierra clay loam, sloping, eroded	0.1	0.0%
TeD2	Tierra loam, moderately steep, eroded	0.1	0.0%
WaA	Watsonville clay loam, nearly level	30.7	4.2%
WmA	Watsonville loam, nearly level	320.0	43.8%
WmB	Watsonville loam, gently sloping	109.4	15.0%
WmC2	Watsonville loam, sloping, eroded	12.6	1.7%
WnA	Watsonville loam, nearly level, poorly drained	3.2	0.4%
WsB	Watsonville sandy loam, gently sloping	102.4	14.0%
WsB2	Watsonville sandy loam, gently sloping, eroded	0.8	0.1%
WsC2	Watsonville sandy loam, sloping, eroded	16.6	2.3%
Totals for Area of Interest (AOI)		730.0	100.0%

Appendix vi (p. 3 of 7)

LAND CAPABILITY CLASSIFICATION

Description of Soil Types

The land capability classification of map units in the survey area is shown in this table. This classification shows, in a general way, the suitability of soils for most kinds of field crops (United States Department of Agriculture, Soil Conservation Service, 1961). Crops that require special management are excluded. The soils are grouped according to their limitations for field crops, the risk of damage if they are used for crops, and the way they respond to management. The criteria used in grouping the soils do not include major and generally expensive landforming that would change slope, depth, or other characteristics of the soils, nor do they include possible but unlikely major reclamation projects. Capability classification is not a substitute for interpretations designed to show suitability and limitations of groups of soils for rangeland, for forestland, or for engineering purposes.

In the capability system, soils are generally grouped at three levels: capability class, subclass, and unit.

Capability classes, the broadest groups, are designated by the numbers 1 through 8. The numbers indicate progressively greater limitations and narrower choices for practical use. The classes are defined as follows:

Capability subclasses are soil groups within one class. They are designated by adding a small letter, e, w, s, or c, to the class numeral, for example, 2e. The letter e shows that the main hazard is the risk of erosion unless close-growing plant cover is maintained; w shows that water in or on the soil interferes with plant growth or cultivation (in some soils the wetness can be partly corrected by artificial drainage); s shows that the soil is limited mainly because it is shallow, droughty, or stony; and c, used in only some parts of the United States, shows that the chief limitation is climate that is very cold or very dry.

In class 1 there are no subclasses because the soils of this class have few limitations. Class 5 contains only the subclasses indicated by w, s, or c because the soils in class 5 are subject to little or no erosion.

Report—Land Capability Classification

Land Capability Classification—San Mateo Area, California				
Map unit symbol and name	Pct. of map unit	Component name	Land Capability Subclass	
			Nonirrigated	Irrigated
BcA—Botella clay loam, nearly level				
	85	Botella	3c	1
DmD2—Colma sandy loam, moderately steep, eroded				
	85	Colma	4e	—
FsA—Farallone loam, nearly level				
	85	Farallone	3c	1
Gu—Gullied land (alluvial soil material)				
	85	Gullied land (alluvial)	8w	—

Appendix vi (p. 4 of 7)

LAND CAPABILITY CLASSIFICATION

Description of Soil Types

Land Capability Classification— San Mateo Area, California				
Map unit symbol and name	Pct. of map unit	Component name	Land Capability Subclass	
			Nonirrigated	Irrigated
Gw—Gullied land (tierra and watsonville soil materials)				
	85	Gullied land (tierra)	8w	—
NOTCOM—Mapping not complete				
	100	Soils data not complete	—	—
SlcA—Sequel loam, nearly level				
	85	Sequel	3c	1
Ta—Terrace escarpments				
	90	Terrace escarpments	7e	—
TcC2—Tierra clay loam, sloping, eroded				
	85	Tierra	4e	—
TeD2—Tierra loam, moderately steep, eroded				
	85	Tierra	4e	—
WaA—Watsonville clay loam, nearly level				
	85	Watsonville	3s	3s
WmA—Watsonville loam, nearly level				
	85	Watsonville	3s	3s
WmB—Watsonville loam, gently sloping				
	85	Watsonville	3s	3s
WmC2—Watsonville loam, sloping, eroded				
	85	Watsonville	3e	3e
WnA—Watsonville loam, nearly level, poorly drained				
	85	Watsonville	3w	3w
WsB—Watsonville sandy loam, gently sloping				
	85	Watsonville	3s	3s
WsB2—Watsonville sandy loam, gently sloping, eroded				
	85	Watsonville	3s	3s
WsC2—Watsonville sandy loam, sloping, eroded				
	85	Watsonville	3e	3e

Appendix vi (p. 5 of 7)

LAND CAPABILITY CLASSIFICATION Definitions

The land capability classification of map units in the survey area is shown in this table. This classification shows, in a general way, the suitability of soils for most kinds of field crops (United States Department of Agriculture, Soil Conservation Service, 1961). Crops that require special management are excluded. The soils are grouped according to their limitations for field crops, the risk of damage if they are used for crops, and the way they respond to management. The criteria used in grouping the soils do not include major and generally expensive landforming that would change slope, depth, or other characteristics of the soils, nor do they include possible but unlikely major reclamation projects. Capability classification is not a substitute for interpretations designed to show suitability and limitations of groups of soils for rangeland, for forestland, or for engineering purposes.

In the capability system, soils are generally grouped at three levels: capability class, subclass, and unit.

Capability classes, the broadest groups, are designated by the numbers 1 through 8. The numbers indicate progressively greater limitations and narrower choices for practical use. The classes are defined as follows:

Class 1 soils have slight limitations that restrict their use.

Class 2 soils have moderate limitations that restrict the choice of plants or that require moderate conservation practices.

Class 3 soils have severe limitations that restrict the choice of plants or that require special conservation practices, or both.

Class 4 soils have very severe limitations that restrict the choice of plants or that require very careful management, or both.

Class 5 soils are subject to little or no erosion but have other limitations, impractical to remove, that restrict their use mainly to pasture, rangeland, forestland, or wildlife habitat.

Class 6 soils have severe limitations that make them generally unsuitable for cultivation and that restrict their use mainly to pasture, rangeland, forestland, or wildlife habitat.

**Appendix vi
(p. 6 of 7)**

Class 7 soils have very severe limitations that make them unsuitable for cultivation and that restrict their use mainly to grazing, forestland, or wildlife habitat.

Class 8 soils and miscellaneous areas have limitations that preclude commercial plant production and that restrict their use to recreational purposes, wildlife habitat, watershed, or esthetic purposes.

Capability subclasses are soil groups within one class. They are designated by adding a small letter, e, w, s, or c, to the class numeral, for example, 2e. The letter e shows that the main hazard is the risk of erosion unless close-growing plant cover is maintained; w shows that water in or on the soil interferes with plant growth or cultivation (in some soils the wetness can be partly corrected by artificial drainage); s shows that the soil is limited mainly because it is shallow, droughty, or stony; and c, used in only some parts of the United States, shows that the chief limitation is climate that is very cold or very dry.

In class 1 there are no subclasses because the soils of this class have few limitations. Class 5 contains only the subclasses indicated by w, s, or c because the soils in class 5 are subject to little or no erosion.

Appendix vi
(p. 7 of 7)

GOVERNMENT CODE SECTION 51200-51201

51200. This chapter shall be known as the California Land Conservation Act of 1965 or as the Williamson Act.

51201. As used in this chapter, unless otherwise apparent from the context:

- (a) "Agricultural commodity" means any and all plant and animal products produced in this state for commercial purposes.
- (b) "Agricultural use" means use of land, including but not limited to greenhouses, for the purpose of producing an agricultural commodity for commercial purposes.
- (c) "Prime agricultural land" means any of the following:
 - (1) All land that qualifies for rating as class I or class II in the Natural Resource Conservation Service land use capability classifications.
 - (2) Land which qualifies for rating 80 through 100 in the Storie Index Rating.
 - (3) Land which supports livestock used for the production of food and fiber and which has an annual carrying capacity equivalent to at least one animal unit per acre as defined by the United States Department of Agriculture.
 - (4) Land planted with fruit- or nut-bearing trees, vines, bushes or crops which have a nonbearing period of less than five years and which will normally return during the commercial bearing period on an annual basis from the production of unprocessed agricultural plant production not less than two hundred dollars (\$200) per acre.

SOIL REPORT FOR SUBJECT SITE



65 Main St. Suite 108
Templeton CA 93465
(805) 434-0396
FAX (805) 434-0284

February 17, 2006

Jim Howard
USDA - Natural Resources Conservation Service
Half Moon Bay, California

Subject: Soils Report for Nurseryman's Exchange Property

On February 9, 2006 I visited the Nurseryman's Exchange Property with you, Jim Kjelgaard, and Don Mendel to identify the soils on the approximately 8 acre parcel. This property is south of Wavecrest Road and about 500 feet west of Cabrillo Highway within the City of Half Moon Bay, California.

I confirm that the entire 8 acres is Watsonville loam, nearly level. This is based on examining the soil to a depth of 5 feet at 4 points across the property. This soil is in I and Capability Class III as described in the Soil Survey of the San Mateo Area, California (Soil Conservation Service, May 1961, page 71). Most of this soil is covered with 24 to 29 inches of fill. This fill is variable in soil reaction (pH) and soil texture.

Thanks for asking.

Ken Oster
Area Resource Soil Scientist

The Natural Resources Conservation Service works in partnership with the American people to conserve and sustain natural resources on private lands.

An Equal Opportunity Employer

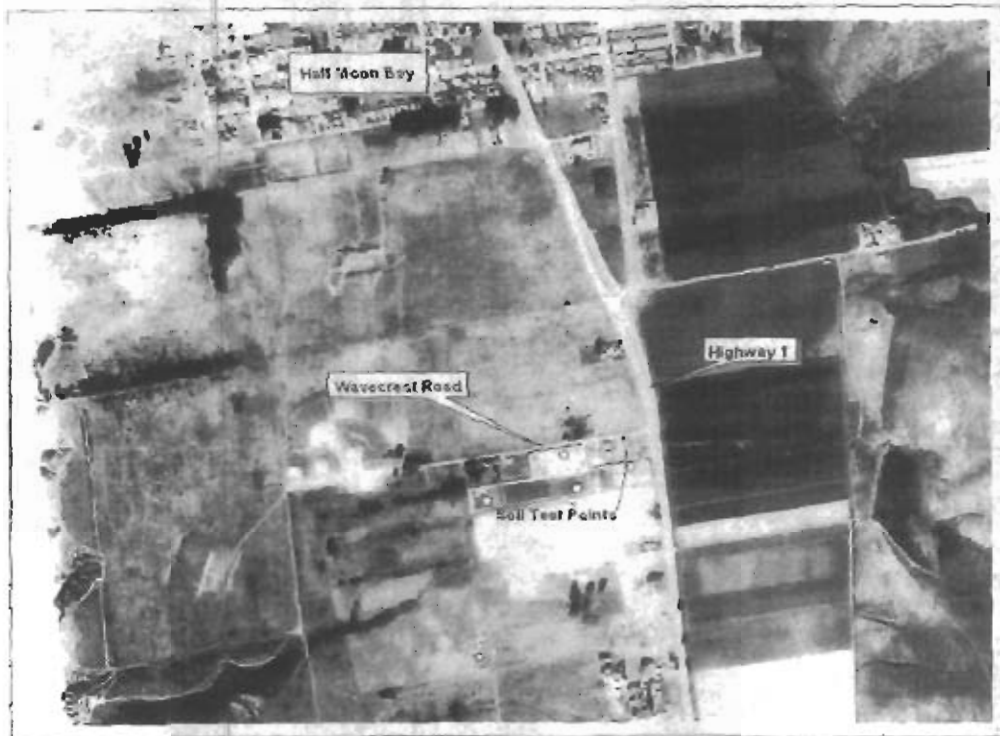
**Appendix viii
(p. 1 of 4)**

Exhibit No. 6
City of Half Moon Bay LCP Amend.
No. HMB-MAJ-3-08 (Nurserymen's Exchange)
Economic Feasibility Evaluation
Page 31 of 49

SOIL REPORT FOR SUBJECT SITE

On-site Soil Investigation
Nurseryman's Exchange Property
Near Cabrillo Highway and Wavecrest Road
Half Moon Bay, CA

USDA - Natural Resources Conservation Service
February 9, 2006



0 3000 Feet



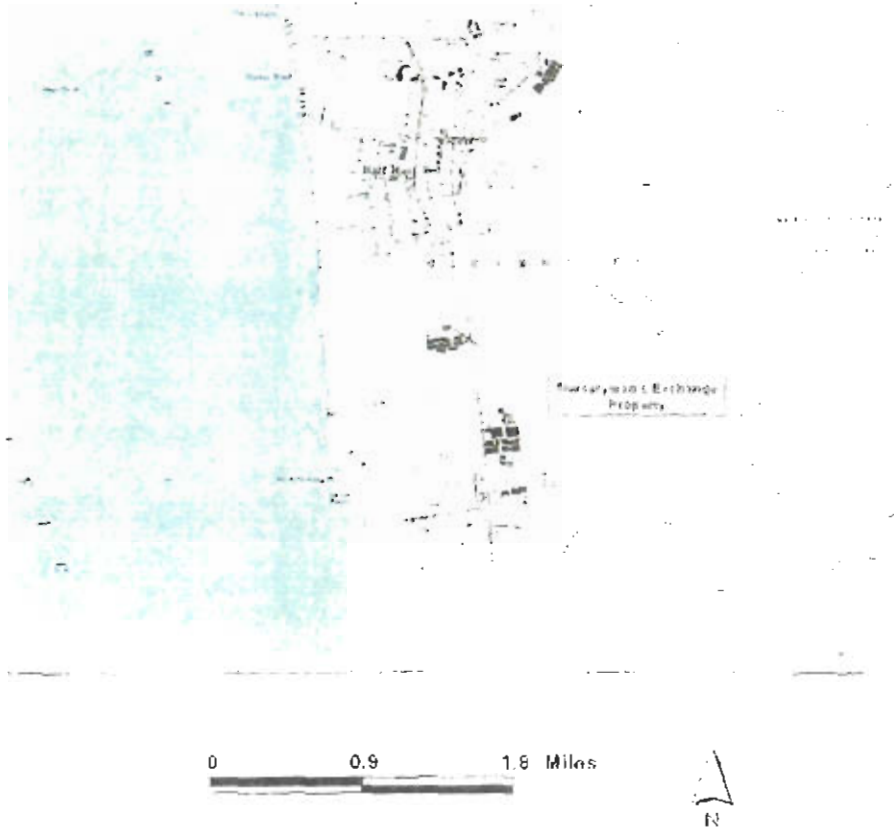
Appendix viii
(p. 2 of 4)

Exhibit No. 6
City of Half Moon Bay LCP Amend.
No. HMB-MAJ-3-08 (Nurserymen's Exchange)
Economic Feasibility Evaluation
Page 32 of 49

SOIL REPORT FOR SUBJECT SITE

Location Map
Nurseryman's Exchange Property
Half Moon Bay, CA

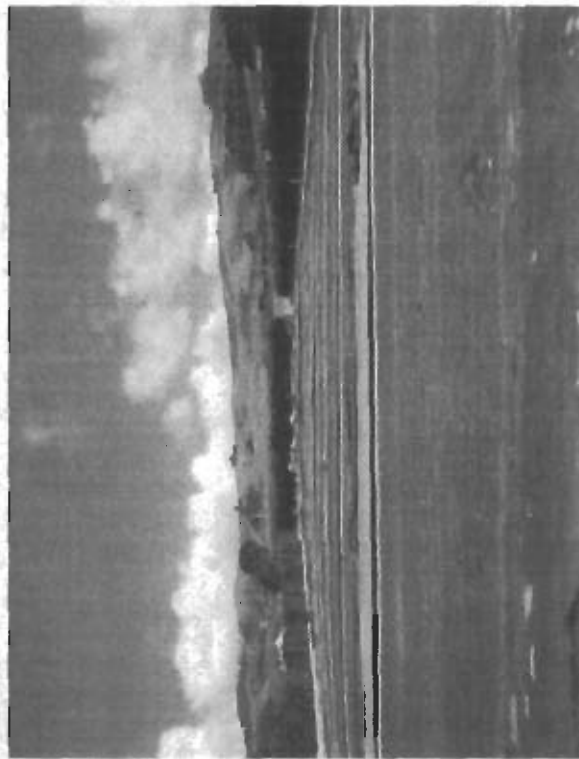
USDA - Natural Resources Conservation Service
February 9, 2006



Appendix viii
(p. 3 of 4)

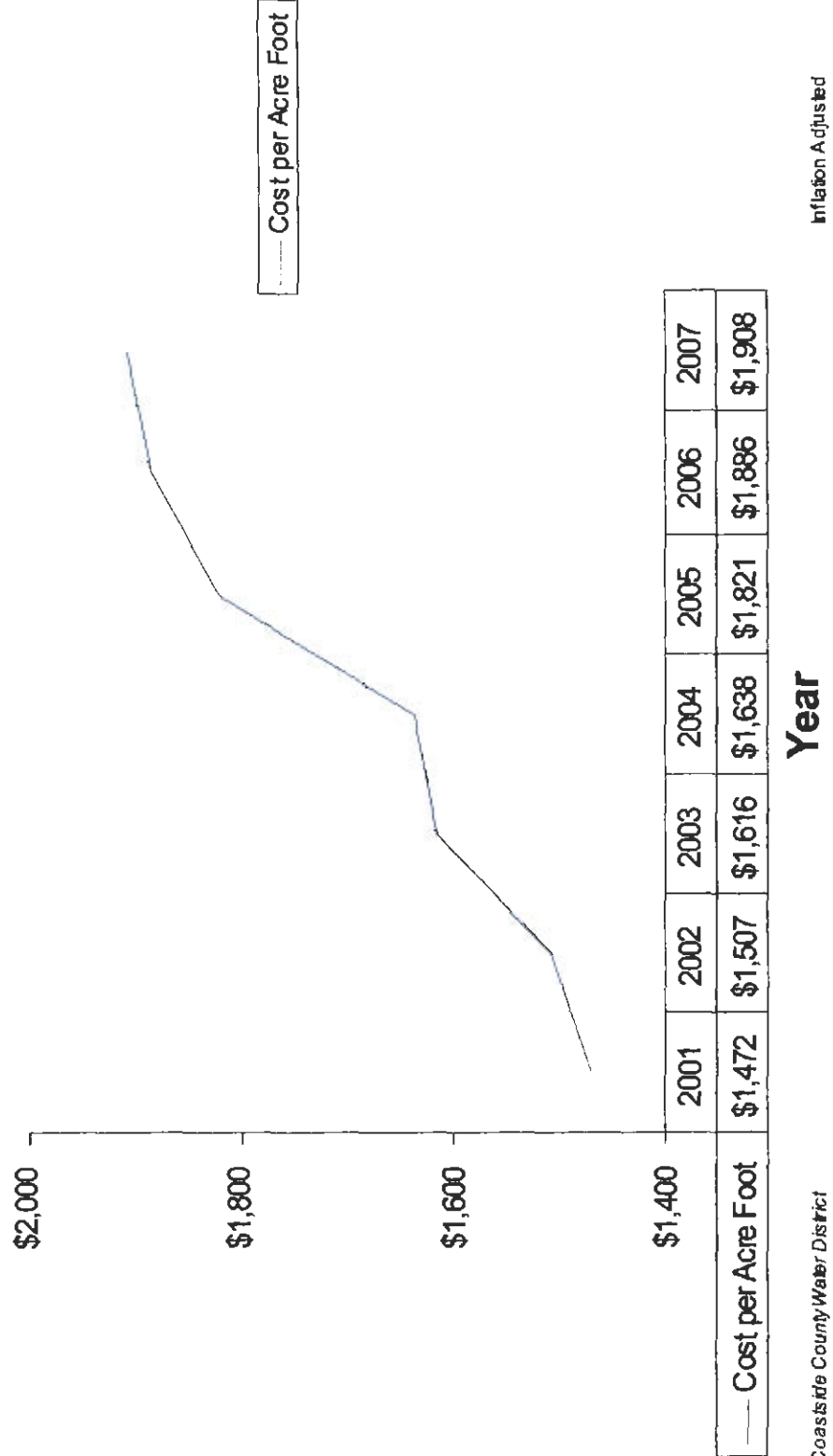
Exhibit No. 6
City of Half Moon Bay LCP Amend.
No. HMB-MAJ-3-08 (Nurserymen's Exchange)
Economic Feasibility Evaluation
Page 33 of 49

SOIL REPORT FOR SUBJECT SITE



**Appendix viii
(p. 4 of 4)**

WATER COSTS **Coastside County Water District**



Source: Coastside County Water District

Appendix ix

Exhibit No. 6
City of Half Moon Bay LCP Amend.
No. HMB-MAJ-3-08 (Nurserymen's Exchange)
Economic Feasibility Evaluation
Page 36 of 49

WELL DRILLERS REPORT

CENTRAL COAST REGIONAL COMMISSION

This form must be completed by the County Environmental Health Officer whenever a well is desired.

1. Name of Applicant NURSERYMEN'S EXCHANGE
2. Location of Proposed Development: SOUTH OF HALF MOON BAY ON HIWAY 1
3. Assessor's Parcel No.: 065090030
4. Proposed Use: Domestic _____ Irrigation X
Other _____

The site for the proposed well does ☒ does not ☐ meet with the approval of the S.M. County Health Department. The well will be installed under inspection according to the requirements of the State Department of Water Resources as set forth in Bulletin No. 74, WATER WELL STANDARDS, STATE OF CALIFORNIA.

Note: This report is not permission for construction of any kind. A coastal permit and county approval of these developments will be required prior to commencement of grading or well drilling.

PLANNING DEPT.

DEC 12 2007

Wendell M. Peltier
Environmental Health Officer

RECEIVED

February 24, 1977

☒ San Mateo
☐ Santa Cruz
☐ Monterey

MCHD
Division of Environmental Health
pr
4/15/75

Appendix x
(p. 2 of 3)

WELL DRILLERS REPORT

Fee: \$150.00

SAN MATEO COUNTY
DEPARTMENT OF PUBLIC HEALTH AND WELFARE

Environmental Health
225 - 37th Avenue
San Mateo, Ca. 94403

Date March 3, 1977

APPLICATION FOR WELL PERMIT

Owner NURSERYMEN'S EXCHANGE Well Contractor DIGGES & Son
Address 2651 Cabrillo Hwy., HMB Address San Mateo Rd., HMB
Phone No. 726-6361 Phone No. 726-4418

Proposed Well Location:

Subdivision or Community South of Half Moon Bay on Hiway 1
Street Cabrillo Highway
Size of lot 5.895 Acres Block No. Lot No.

General data:

Water use Irrigation
(Domestic or Irrigation)
Method of sewage disposal No Sewage
Distance of well from disposal unit
Type of well Drilled
(Drilled or dug)

PLANNING DEPT.

DEC 12 2007

Inspection information:

Date of first inspection Sanitarian
Comments:

RECEIVED

Permit No. Date Issued
Date of final inspection Sanitarian
Remarks

6/77

Appendix x
(p. 3 of 3)

CCWD RATIONING NOTICE

Monthly Report

To: David Dickson, General Manager
From: Cathleen Brennan, Water Resources Analyst
Agenda: December 11, 2007
Subject: Water Shortage and Drought Contingency Plan

This report is provided as an update on the implementation of the Water Shortage and Drought Contingency Plan - Stage 1 (Advisory Stage). The Advisory Stage was implemented in June of 2007. No action is required by the Board of Directors.

ADVISORY STAGE - Stage I

• Outreach

The regional "Water Saving Hero" campaign provided Coastside County Water District with more outreach materials in November.

- Sponges (quantity 200)
- Magnets (quantity 200)
- Stickers (quantity 200)
- Banners (quantity 2)



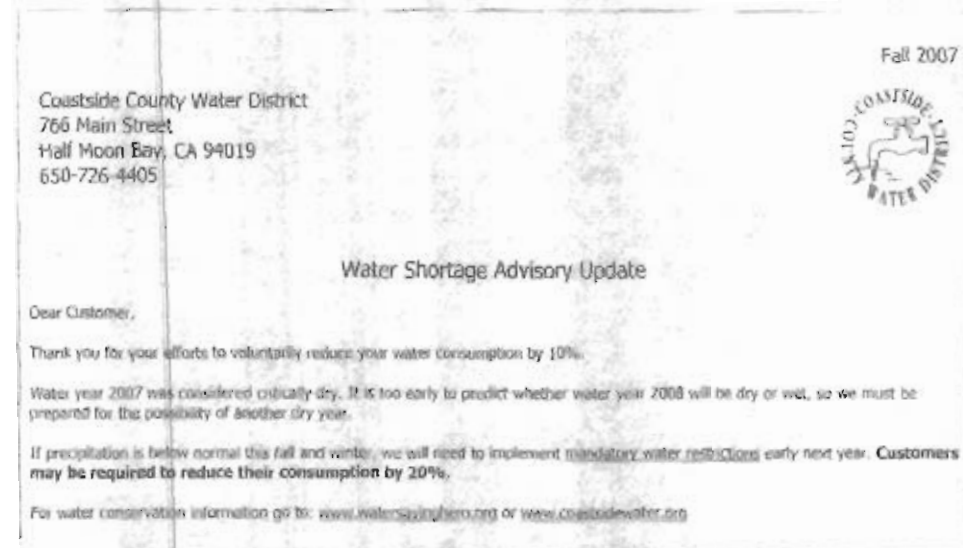
Page 1 of 3

Staff Report - Water Shortage and Drought Contingency Plan - December 2007

Appendix xi (p. 1 of 3)

CCWD RATIONING NOTICE

✓ A postcard was mailed to all of our customers in December to warn them of the potential for mandatory water rationing in 2008.



• Meetings/Workshops

- ✓ Springbrook telephone conference 11/06/2007
- ✓ Springbrook telephone conference 11/14/2007
- ✓ Employee Meeting 11/20/2007
- ✓ Strategic Planning Meeting 11/20/2007
- ✓ Meeting with Floriculture Customer 12/03/2007
- ✓ Meeting with Commercial Customer 12/05/2007
- ✓ Jacob Boomhouwer of CDM - 12/05/2007
- ✓ Meeting with Institutional Customer- 12/06/2007

• California Department of Water Resources - California Data Exchange Center Update on Statewide Water Conditions - October 2007.

The following is a description taken from the California Data Exchange Center that summarizes California's hydrologic conditions. The description includes an explanation of the "La Nina" conditions that are currently influencing weather patterns in California.

"The pattern of this year's long-range forecasts is influenced by the continuing development of weak to moderate La Nina conditions (cooler than average sea-surface

Page 2 of 3

Staff Report - Water Shortage and Drought Contingency Plan - December 2007

Appendix xi. (p. 2 of 3)

CCWD RATIONING NOTICE

temperatures) across the tropical Pacific. Current conditions suggest that La Nina conditions may continue to strengthen into early next year and then fade during the latter part of winter. La Nina events influence the position and strength of the jet stream over the Pacific Ocean, which in turn affects the winter precipitation and temperature patterns across the United States and other locations in the world. La Nina conditions can favor a wetter than average Pacific Northwest and a drier than average American Southwest. California sits in the transition zone with the northern mountains of the State potentially wetter than average, and the Central Valley and Southern California potentially drier than average. In addition, during La Nina years, weather in Northern California can be highly variable, with both wet and dry scenarios possible. Southern California has a more consistent tendency toward dryness."

• Water Shortage and Drought Contingency Planning

Based on San Francisco Public Utilities Commission's (SFPUC) Hydrological Conditions Report and the La Nina influenced precipitation forecast, Coastside County Water District is planning for mandatory water restrictions in 2008. Mandatory water restrictions will most likely require going directly into Stage 3 of Coastside County Water District's Water Shortage and Drought Contingency Plan. Stage 3 describes mandatory reductions in water consumption of 20-38% and is considered moderate to severe rationing conditions.

In addition to the reduction of water available (allocated) from SFPUC, less water will be available from local ground and surface water sources. The reduction in local sources must also be factored in to plans for mandatory restrictions.

Mandatory restrictions will require the declaration of a water shortage and will require the adoption of a drought ordinance imposing special restrictions and special rates on Coastside County Water District customers.

Staff contacted Springbrook (utility billing vendor) and determined that special programming, to enhance our current utility billing system, will be required to impose mandatory restrictions in the service area. Coastside County Water District is also investigating using a consultant to help with modeling a rate structure under water shortage conditions.

Staff is in contact with the Bay Area Water Supply and Conservation Agency (BAWSCA) to try and get more information regarding Coastside County Water District's allocation during mandatory restrictions.

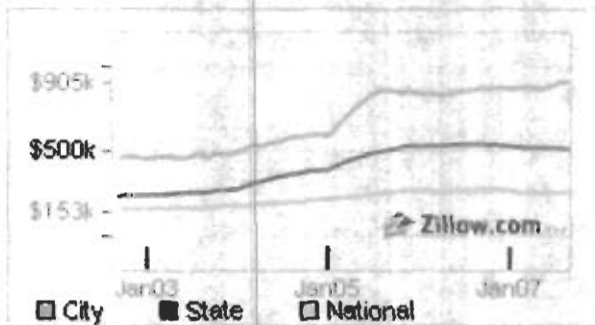
Page 3 of 3

Staff Report - Water Shortage and Drought Contingency Plan - December 2007

Appendix xi (p. 3 of 3)

HALF MOON BAY HOUSING COSTS

September 2007



Current Average Home Price:

Half Moon Bay:	\$904,869
San Mateo:	\$856,186
California:	\$511,013
United States:	\$254,597

Cumulative Increases

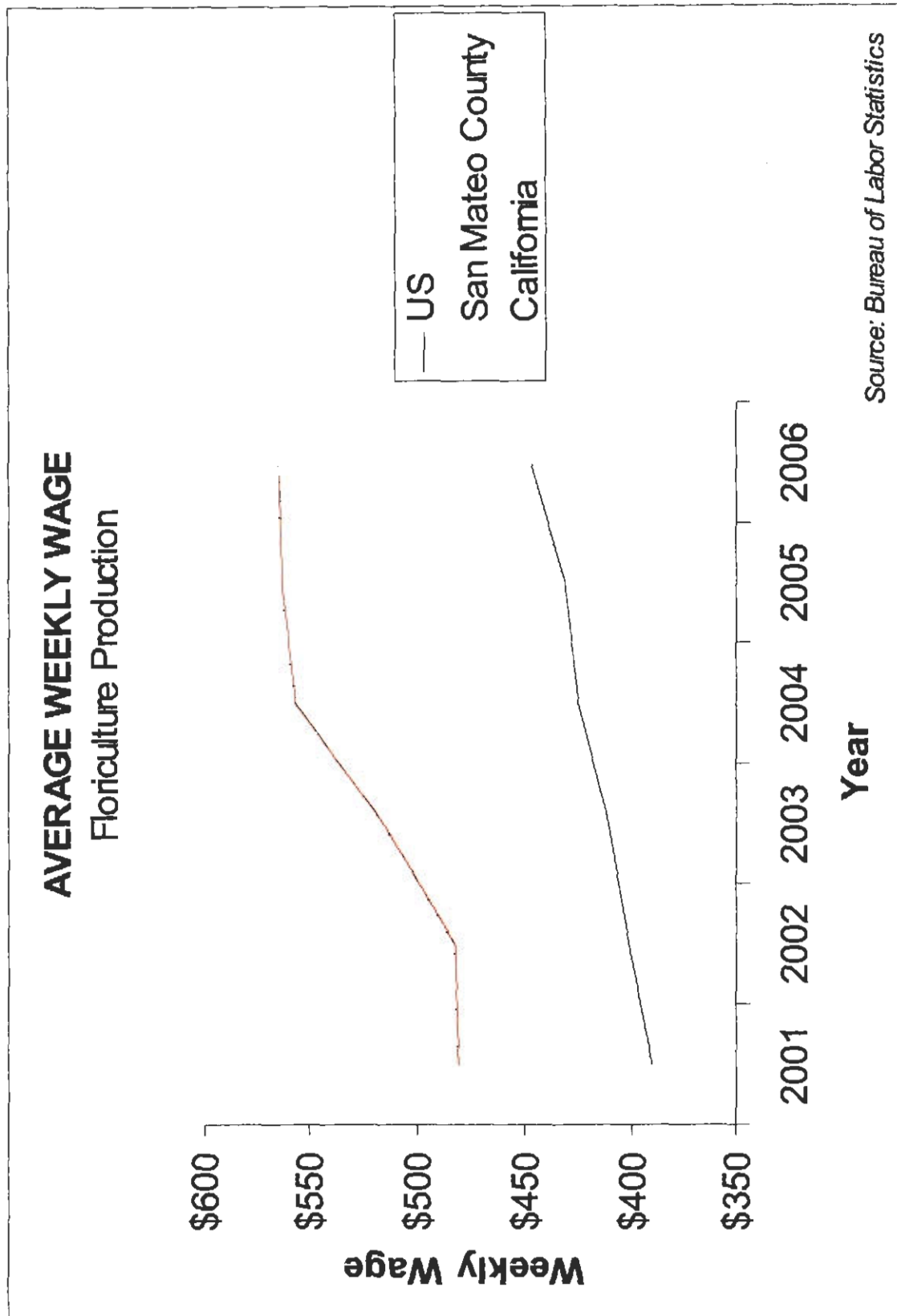
Past:	Half Moon Bay	San Mateo	California	United States
1 year	4.3%	2.5%	-5.2%	-5.0%
5 years	106%	102%	128%	68.5%
10 years	195%	205%	245%	122%

Annual Increases

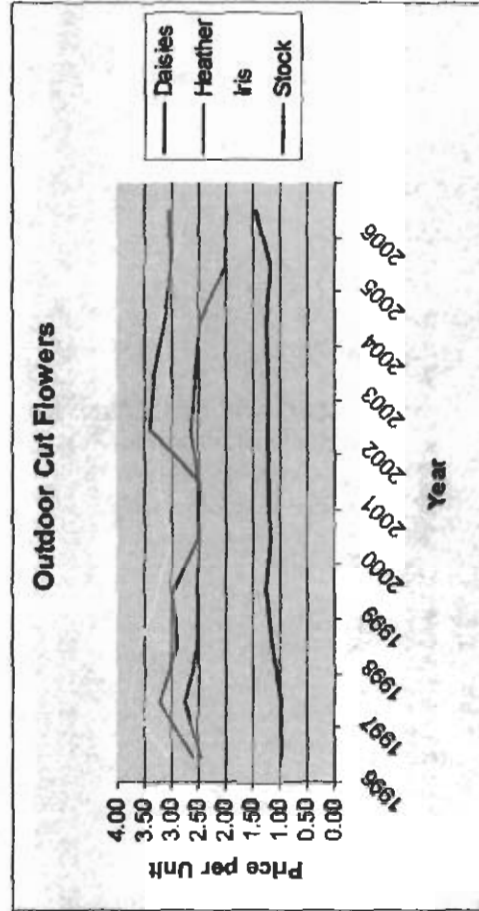
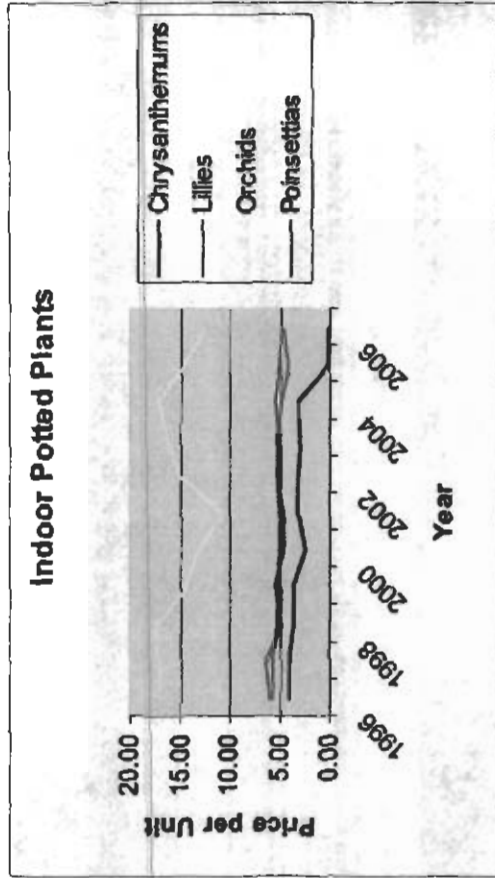
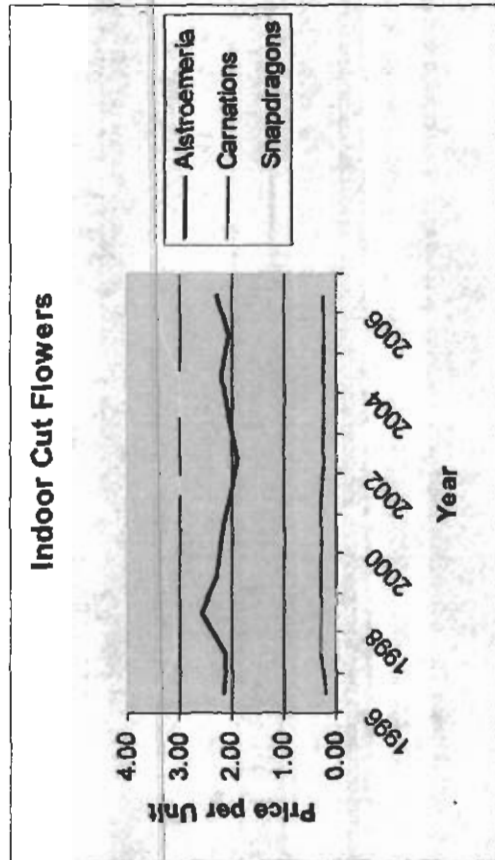
Past:	Half Moon Bay	San Mateo	California	United States
1 year	4.3%	2.5%	-5.2%	-5.0%
5 years	15.6%	15.1%	17.9%	11%
10 years	11.4%	11.8%	13.2%	8.3%

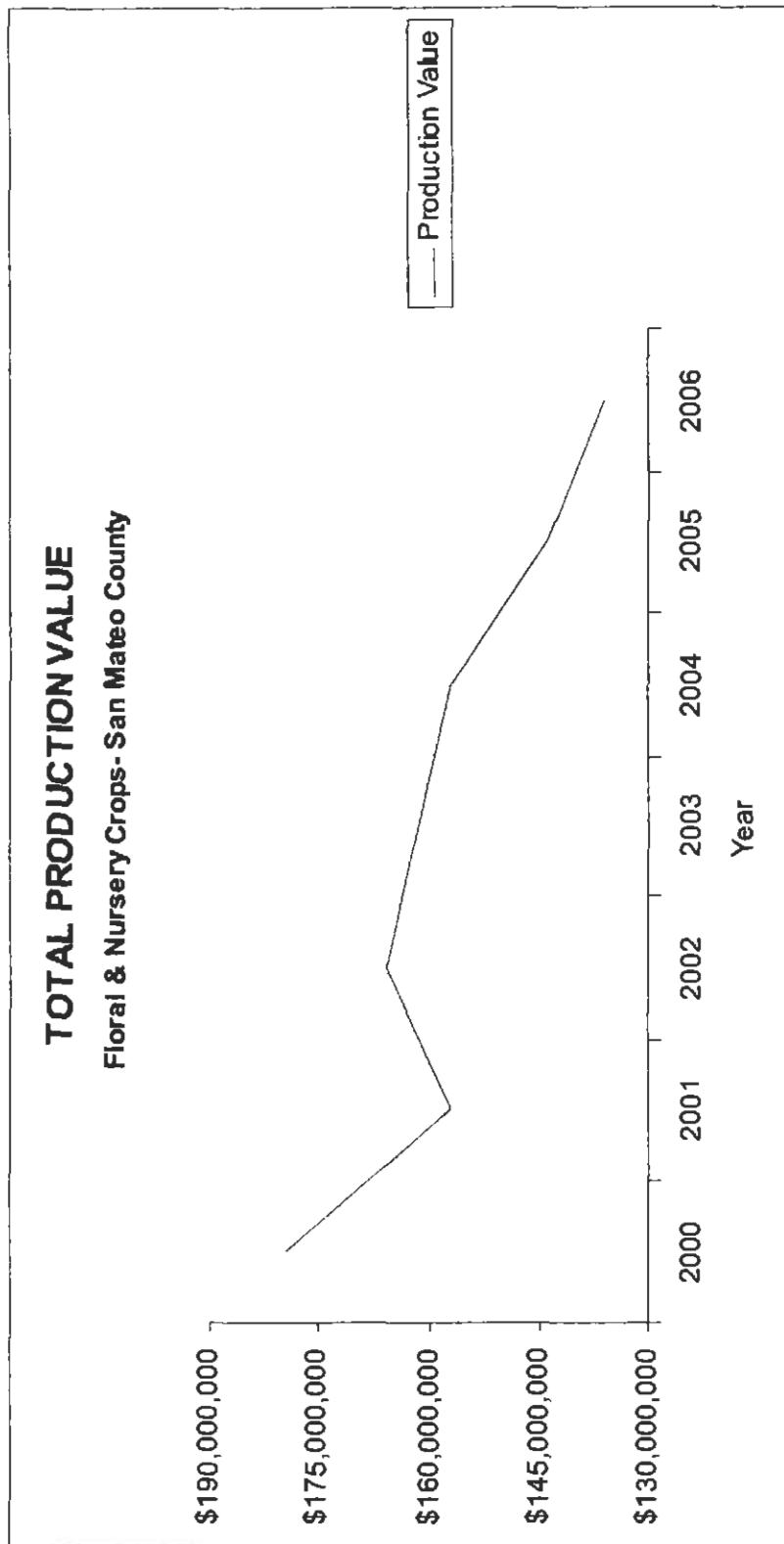
Source: <http://www.zillow.com/real-estate/CA-Half-Moon-Bay-facts>

Appendix xii



CROP REVENUE – SAN MATEO COUNTY **Price per Unit**





Year	Floral & Nursery Production Value	PPI Adj.
2000	\$154,756,000	\$179,516,960
2001	\$136,614,000	\$157,106,100
2002	\$144,035,000	\$165,640,250
2003	\$144,144,000	\$161,441,280
2004	\$145,209,000	\$156,825,720
2005	\$139,454,000	\$143,637,620
2006	\$136,021,000	\$136,021,000

Appendix xv

BIG BOX STORE GROWTH

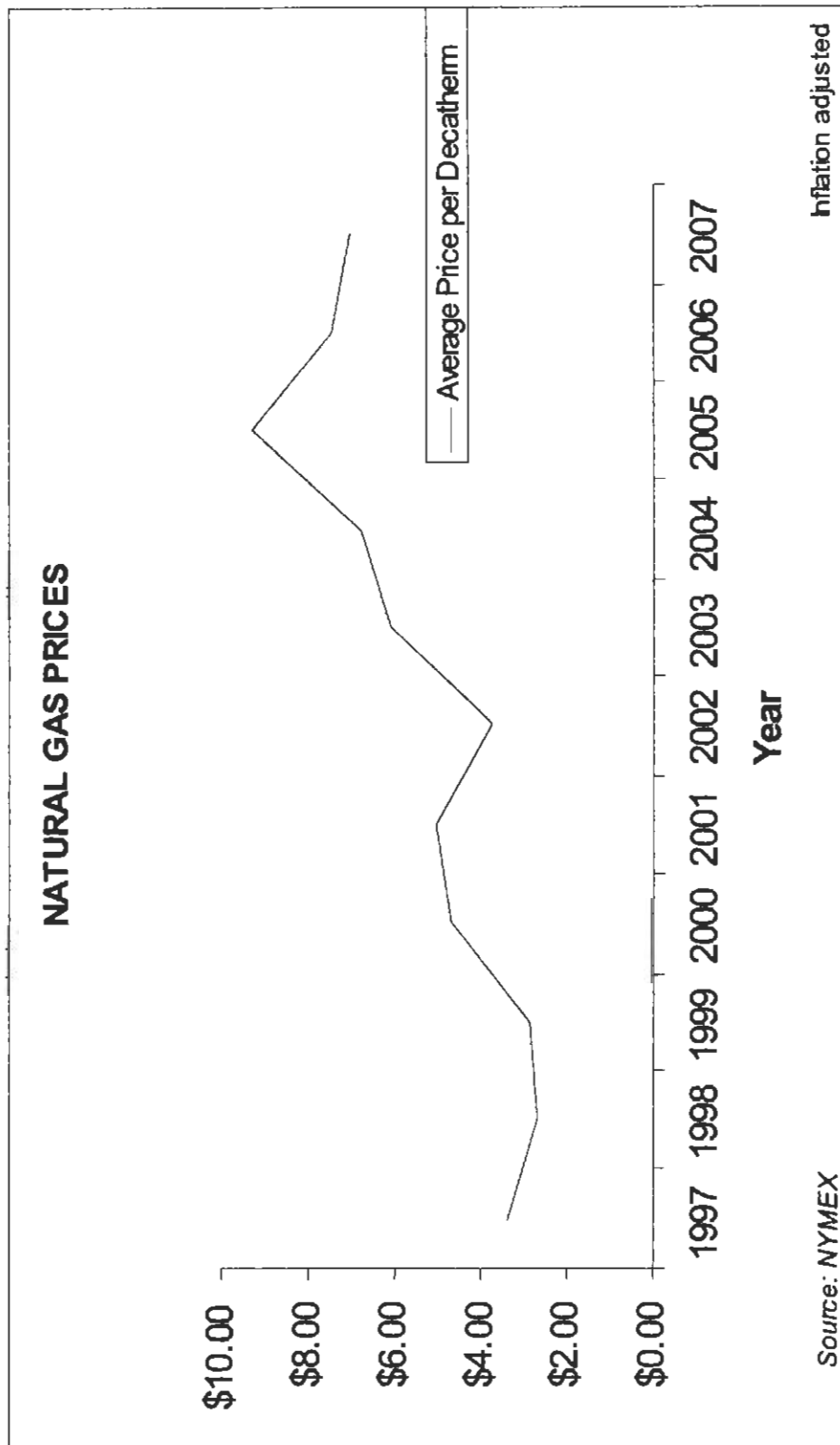
2000	# of Stores	Sales in Billions
Walmart	2,373	\$165
Costco	313	\$31
Target	1,307	\$37
Home Depot	1,134	\$46
Lowes	753	\$19
TOTAL	5,880	\$298

2005	# of Stores	Sales in Billions
Walmart	2,981	\$233
Costco	474	\$59
Target	1,488	\$59
Home Depot	2,170	\$91
Lowes	1,400	\$47
TOTAL	8,513	\$489

% Increase	45%	64%
-------------------	------------	------------

Source: Annual Reports

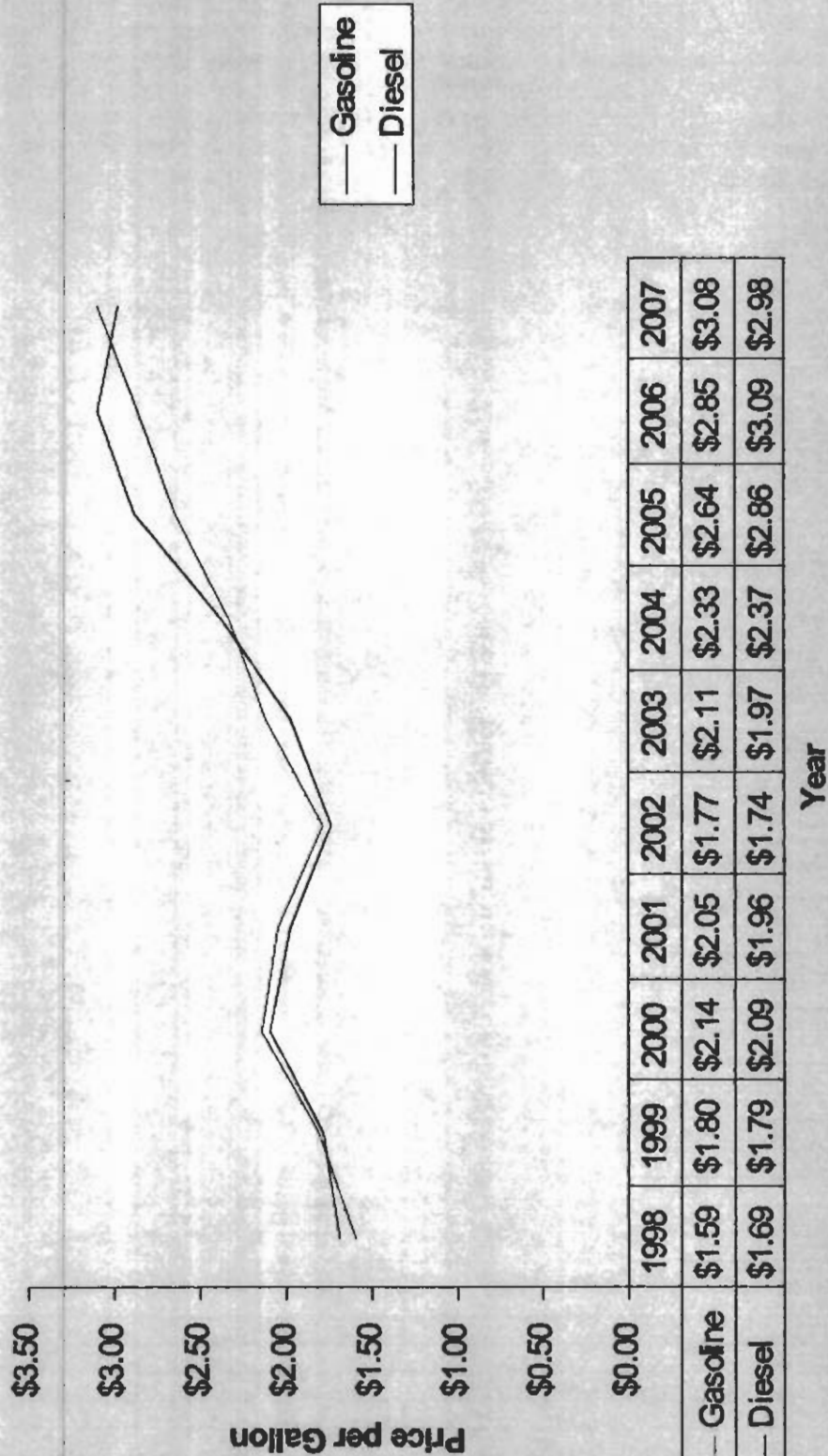
Appendix xvi



Appendix xvii

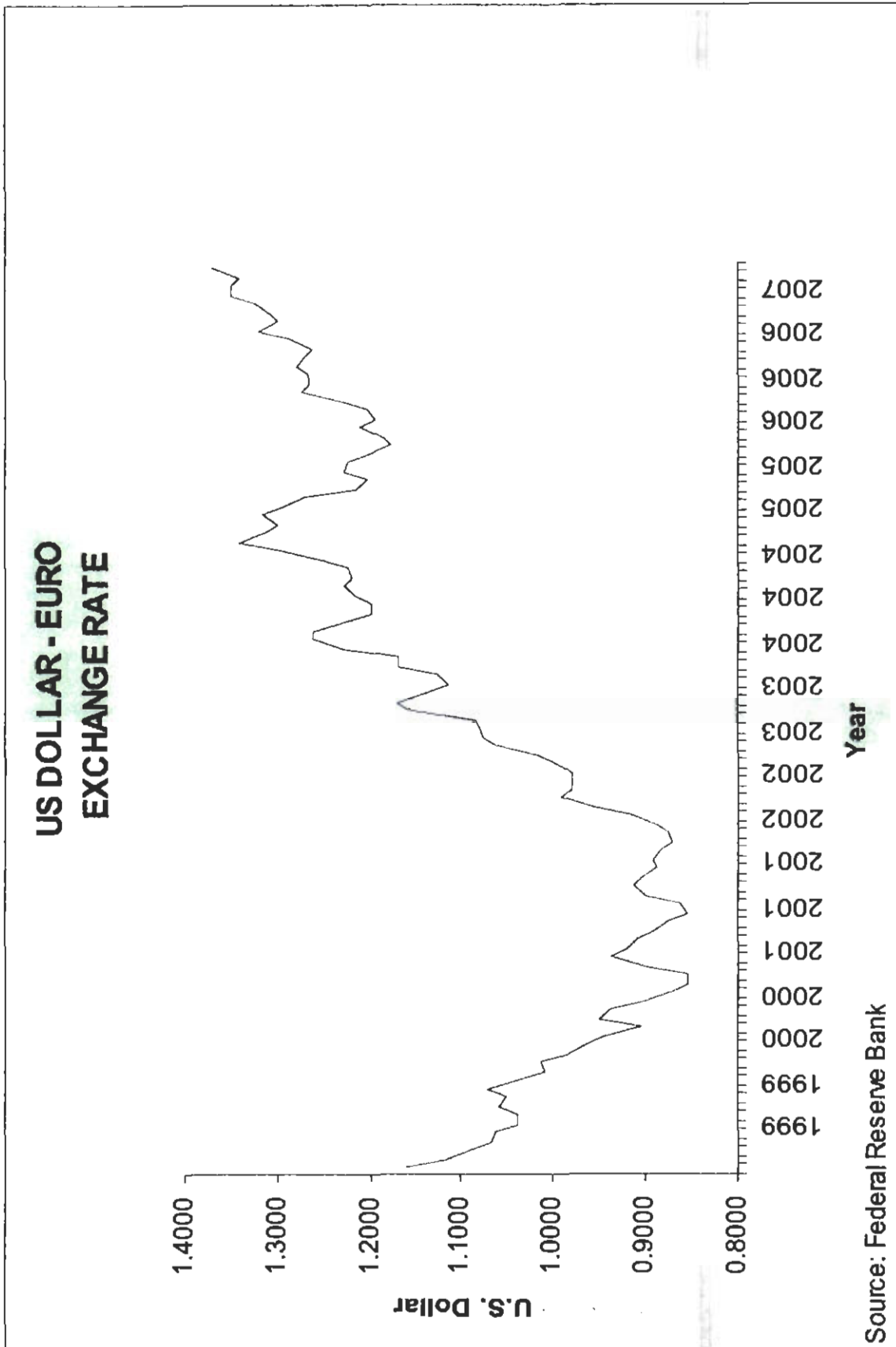
FUEL PRICES - SAN FRANCISCO BAY AREA

Yearly Averages



Inflation Adjusted

Source: Bureau of Labor Statistics



Appendix xix

Maximum and Minimum Intensity of Activities

Chapter 18.31 of the Zoning Code provides the permitted uses within the A-1 district. The short list of permitted primary uses include nurseries, greenhouses and field flowers for the propagating and cultivating of plants and cut flowers; provided that no retail sales shall be allowed. Single-family residences, including buildings for employees on the premises are permitted as accessory uses to one of the permitted primary uses.

The table below summarizes all of the permitted uses in the C-VS district listed in Tables A-E in Chapter 18.08 of the Zoning Code. The uses labeled OK are permitted, UP requires approval of a Use Permit, and UPCC requires approval of a Use Permit for certain circumstances.

Commercial Uses	C-VS Zoning	Commercial Uses	C-VS Zoning
Art Gallery	OK	Vehicle/Equipment Sales or Service:	
Artist's Studio	UPCC	• Vehicle or Equipment Repair	UP
ATM Only	OK	• Vehicle or Equipment Sale or Rental	UP
Circus, Carnival or Exhibition	OK	• Vehicle Storage	UP
Commercial Filming	OK	Visitor Accommodation:	
Commercial Recreation or Entertainment:		• Bed and Breakfast Inn	OK
• Outdoor	UPCC	• Campground or RV Park	UP
Eating or Drinking Establishment:		• Hotel, Motel or Time Share	OK
• Cafe, Diner or Restaurant	UP	• Spa Resort	OK
• Fast Food or Takeout	UP	Public and Quasi-Public	
• Drive-Through Fast Food	UP	Club or Lodge	UP
• Bar or Tavern	UP	Cultural Institution	OK
Office:		Government Office	OK
• Travel Agency	OK	Park or Recreation Facility	OK
Personal Service	UP	Public Safety Facility	OK
Research and Development	UP	Utility:	
Retail Sales:		• Minor	OK
• Indoor Retail	OK	Residential Uses	
• Outdoor Retail	OK	Single-Family Residential	UP
• Visitor-Serving Retail	OK	Accessory Uses	
Seasonal Agricultural Sales	OK	Accessory Use or Structure	OK
		Mixed Commercial and Residential	UP

THE CITY OF HALF MOON BAY

ORDINANCE NO. Ord.-03-08

PDP-029-06(1)

AN ORDINANCE OF THE CITY OF HALF MOON BAY TO APPROVE A ZONING MAP AMENDMENT FROM A-1 (EXCLUSIVE FLORICULTURE) TO C-VS (COMMERCIAL VISITOR SERVING) AND A GENERAL PLAN MAP AMENDMENT FROM HORTICULTURE BUSINESS TO COMMERCIAL VISITOR SERVING LOCATED AT 1430 SOUTH CABRILLO HIGHWAY AND 480 WAVECREST ROAD (APNS: 065-090-030, 065-090-070 AND 065-090-080)

Rezoning PDP-029-06(1): The Zoning Map Amendment changes the zoning designation from A-1 (Exclusive Floriculture) to C-VS (Commercial Visitor Serving) on parcels located at 1430 South Cabrillo Highway, known as Assessor Parcel Numbers 065-090-030 and 065-090-070, and 480 Wavecrest Road, known as Assessor Parcel Number 065-090-080, as described in Exhibit A and as shown on the attached maps in Exhibit B and Exhibit C.

General Plan Land Use Designation Change PDP-029-06(1): The Land Use Plan Map amendment changes the General Plan designation from Horticulture Business to Commercial Visitor Serving on parcels located at 1430 South Cabrillo Highway, known as Assessor Parcel Numbers 065-090-030 and 065-090-070, and 480 Wavecrest Road, known as Assessor Parcel Number 065-090-080, as described in Exhibit A and as shown on the attached maps in Exhibit B and Exhibit D.

RECITALS

WHEREAS, an application was submitted requesting approval a General Plan Amendment from Horticulture Business to Commercial Visitor Serving, Rezoning from A-1 (Exclusive Floriculture) to C-VS (Commercial Visitor Serving) located at 1430 South Cabrillo Highway and 480 Wavecrest Road (APNS 065-090-030, 065-090-070 and 065-090-080); 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, the procedures for amending the Zoning Map and General Plan/Land Use Plan Map for the subject properties as set forth in the Half Moon Bay Municipal Code and California State Law have been followed; and

WHEREAS, there are no statutory or categorical exemptions from CEQA for the proposed project and a Mitigated Negative Declaration (MND) was prepared (State Clearinghouse No. 2007102140). The MND was circulated for public review between October 31, 2007 and November 29, 2007 and all those desiring to comment were given the opportunity. The MND finds that there will not be a significant impact to the environment; and

WHEREAS, the Planning Commission conducted duly noticed public hearings on December 13, 2007, January 10, 2008 and February 14, 2008, at which time all those desiring to be heard on the matter were given an opportunity to be heard; and

WHEREAS, the Planning Commission considered all written and oral testimony presented for their consideration; and

WHEREAS, on February 14, 2008 the Planning Commission provided a unanimous (5-0) recommendation to the City Council to adopt the MND for PDP-029-06(1) and (2) and to approve the rezoning and General Plan amendment for PDP-029-06(1) under Resolution P-05-08; and

WHEREAS, a notice containing a brief description of this application and the date, time and place of the City Council public hearing was mailed to all persons expressing an interest in these proceedings, to all property owners within 300 feet of the site, to all residents within 100 feet of the site and to all County, State, and Federal agencies with an interest in the City's General Plan/Land Use Plan; and

WHEREAS, a notice containing a brief description of the application and the date, time and place of the City Council public hearing was posted at the site and published in the Half Moon Bay Review, a newspaper of general circulation in the City; and

WHEREAS, the City Council has reviewed the Initial Study/Mitigated Negative Declaration, and Mitigation Monitoring Program (State Clearinghouse No. 2007102140) and accepted the environmental documentation as complete and adequate under City Council Resolution C-18-08; and

WHEREAS, the City Council conducted duly noticed public hearings to introduce the ordinance on March 18, 2008 and provide a second reading and approve the ordinance on April 1, 2008, at which time all those desiring to be heard on the matter were given an opportunity to be heard; and

WHEREAS, the City Council considered all written and oral testimony presented for their consideration; and

WHEREAS, the Amendments to the Zoning and General Plan/Land Use Plan maps at locations described in Exhibit A and as shown in Exhibits B, C, and D shall be administered in a manner fully in conformity with the Coastal Act and shall take effect immediately upon Coastal Commission certification; and

DECISION

NOW THEREFORE, BE IT ORDAINED that the City Council of the City of Half Moon Bay hereby approves ORDINANCE NO. Ord.-03-08 (PDP-026-06(1)), at locations described in Exhibit A and as shown on maps in Exhibits B, C and D.

SECTION 1. Rezoning. The Zoning Map Amendment changes the zoning designation from A-1 (Exclusive Floriculture) to C-VS (Commercial Visitor Serving) on parcels located at 1430 South Cabrillo Highway, known as Assessor Parcel Numbers 065-090-030 and 065-090-070, and 480 Wavecrest Road, known as Assessor Parcel Number 065-090-080, as described in Exhibit A and as shown on the attached maps in Exhibit B and Exhibit C.

SECTION 2. General Plan Land Use Designation Change. The Land Use Plan Map amendment changes the General Plan designation from Horticulture Business to Commercial Visitor Serving on parcels located at 1430 South Cabrillo Highway, known as Assessor Parcel Numbers 065-090-030 and 065-090-070, and 480 Wavecrest Road, known as Assessor Parcel Number 065-090-080, as described in Exhibit A and as shown on the attached maps in Exhibit B and Exhibit D.

SECTION 3. Findings. The City Council finds that the property does not have prime soils and it is not economically feasible to support a commercially viable agriculture use. Since it is not economically viable to operate the site as an agricultural use the Council finds that the best use for the land would be for commercial visitor serving use to promote the goals of the City and the Coastal Act. The City Council determines that the rezoned properties will all conform to the required lot size of the new C-VS district. The rezoning will allow for a new campground at the site, which will be compatible with the adjacent agriculture, commercial, and open space land uses and is consistent with Policy 2-23 of the Land Use Plan. The rezoning of the land will not affect public access to the coast which is consistent with public access regulations of the Coastal Act.

The City Council finds that the necessary procedures to rezone a property have been followed and is consistent with all regulations set forth in Chapter 18.24 (Amendments) of the Zoning Code, the Local Coastal Program and Coastal Act.

SECTION 4. Effective Date. Pursuant to Section 36937 of the Government Code of the State of California, this ordinance shall take effect and be in full force only after the Zoning Map and General Plan/Land Use Plan Map Amendments are certified by the California Coastal Commission pursuant to Chapter 6, Article 2, of the California Coastal Act. In the event that the Coastal Commission certifies the amendment subject to certain modifications, the amendment shall not become effective until the modifications have been approved by this Council and confirmed by the Executive Director of the California Coastal Commission.

SECTION 5. Publication. The City Clerk shall cause this ordinance to be published and posted in accordance with the requirements of Section 36933 of the Government Code of the State of California.

SECTION 6. Coastal Act Conformity. The City Council of the City of Half Moon Bay acknowledges that the Coastal Commission may require other terms and modifications that may be suggested by a resolution of certification, agrees to issue coastal development permits consistent with these modifications, and intends for the Local

Coastal Program, as amended by this ordinance, to be carried out in a manner fully in conformity with the California Coastal Act.

SECTION 7. Severability. In the event any section or portion of this ordinance shall be determined invalid or unconstitutional, such section or portion shall be deemed severable and all other sections or portions hereof shall remain in full force and effect.

INTRODUCED on the 18th day of March 2008.

PASSED AND ADOPTED on this 1st day of April 2008, by the following votes:

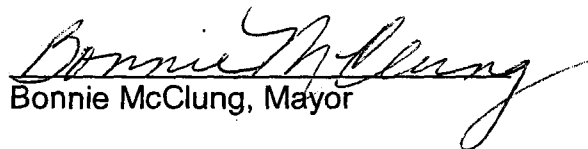
AYES, Council members Muller, Grady, Fraser, Patridge, and Mayor McClung

NOES, _____

ABSENT, _____

ABSTAIN, _____

APPROVED:


Bonnie McClung, Mayor

ATTEST:


Siobhan Smith, City Clerk

**CITY COUNCIL RESOLUTION C-18-08
RESOLUTION FOR APPROVAL
PDP-029-06(1) AND (2)**

A RESOLUTION OF THE CITY COUNCIL TO ADOPT A MITIGATED NEGATIVE DECLARATION AND MITIGATION MONITORING PROGRAM RELATED TO A ZONING MAP AMENDMENT FROM A-1 (EXCLUSIVE FLORICULTURE) TO C-VS (COMMERCIAL VISITOR SERVING) AND A GENERAL PLAN MAP AMENDMENT FROM HORTICULTURE BUSINESS TO COMMERCIAL VISITOR SERVING LOCATED AT 1430 SOUTH CABRILLO HIGHWAY AND 480 WAVECREST ROAD (APNS: 065-090-030, 065-090-070 AND 065-090-080) AND A PROPOSED R.V. PARK/CAMPGROUND LOCATED AT 1430 S. CABRILLO HIGHWAY (APNS: 065-090-030 AND 065-090-070)

WHEREAS, an application was submitted requesting approval a General Plan Amendment from Horticulture Business to Commercial Visitor Serving, Rezoning from A-1 (Exclusive Floriculture) to C-VS (Commercial Visitor Serving) located at 1430 South Cabrillo Highway and 480 Wavecrest Road (APNS 065-090-030, 065-090-070 and 065-090-080); and a Coastal Development Permit, Site & Design Permit and Use Permit for a new R.V. Park/Campground located at 1430 South Cabrillo Highway (APNS 065-090-030, 065-090-070); 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, the procedures for processing the application have been followed as required by law; and

WHEREAS, there are no statutory or categorical exemptions from CEQA for the proposed project and a Mitigated Negative Declaration (MND) was prepared (State Clearinghouse No. 2007102140). The MND was circulated for public review between October 31, 2007 and November 29, 2007 and all those desiring to comment were given the opportunity. The MND finds that there will not be an significant impact to the environment; and

WHEREAS, the Planning Commission conducted duly noticed public hearings on December 13, 2007, January 10, 2008 and February 14, 2008, at which time all those desiring to be heard on the matter were given an opportunity to be heard; and

WHEREAS, the Planning Commission considered all written and oral testimony presented for their consideration; and

WHEREAS, on February 14, 2008 the Planning Commission provided a recommendation to the City Council to adopt the MND for PDP-029-06(1) and (2) and to approve the rezoning and General Plan amendment for PDP-029-06(1) under Resolution P-05-08; and

WHEREAS, the City Council conducted a duly noticed public hearing on March 18, 2008, at which time all those desiring to be heard on the matter were given an opportunity to be heard; and

WHEREAS, the City Council considered all written and oral testimony presented for their consideration; and

WHEREAS, the Amendments to the Zoning and General Plan/Land Use Plan maps as described in Exhibit A and as shown in Exhibits B, C and D of Ordinance Ord.-03-08 shall be administered in a manner fully in conformity with the Coastal Act and shall take effect immediately upon Coastal Commission certification; and

NOW THEREFORE BE IT RESOLVED the City Council of the City of Half Moon Bay, adopts the MND for PDP-029-06(1) and (2), an application for a Rezoning, General Plan designation amendment located at 1430 South Cabrillo Highway and 480 Wavecrest Road (APNS 065-090-030, 065-090-070, and 065-090-080). The MND also evaluates the cumulative impacts from an application for a Coastal Development Permit, Site & Design Permit and Use Permit for a proposed R.V./Park/Campground located at 1430 South Cabrillo Highway (APNS 065-090-030 and 065-090-070). The documents that constitute the record of proceedings on which the City Council'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 a majority of the City Council of the City of Half Moon Bay at its meeting thereof held on the 18th day of March 2008, by the following vote:

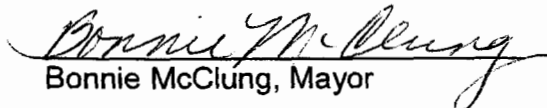
AYES, Council members Muller, Grady, Fraser, Patridge and Mayor McClung

NOES, _____


ABSENT, _____

ABSTAIN, _____

APPROVED:


Bonnie McClung, Mayor

ATTEST:


Siobhan Smith, City Clerk

**EXHIBIT A
FINDINGS AND EVIDENCE
PDP-029-06(1) AND (2)**

**A RESOLUTION OF THE CITY COUNCIL TO ADOPT A MITIGATED NEGATIVE
DECLARATION AND MITIGATION MONITORING PROGRAM RELATED TO A ZONING MAP
AMENDMENT FROM A-1 (EXCLUSIVE FLORICULTURE) TO C-VS (COMMERCIAL
VISITOR SERVING) AND A GENERAL PLAN MAP AMENDMENT FROM HORTICULTURE
BUSINESS TO COMMERCIAL VISITOR SERVING LOCATED AT 1430 SOUTH CABRILLO
HIGHWAY AND 480 WAVECREST ROAD (APNS: 065-090-030, 065-090-070 AND 065-090-
080) AND A PROPOSED R.V. PARK/CAMPGROUND LOCATED AT 1430 S. CABRILLO
HIGHWAY (APNS: 065-090-030 AND 065-090-070)**

Environmental Review – Findings

CEQA – The project is consistent with CEQA guidelines and will not have a significant effect on the environment.

City Council Findings: The project is not exempt from CEQA and a Mitigated Negative Declaration (MND) has been prepared. The MND was circulated for public review between October 31, 2007 and November 29, 2007. The City Council finds that the mitigation measures in the MND are sufficient to reduce any potential impacts to a less than significant level. The Council finds on the basis of the whole record before it, that there is no substantial evidence that the project will have a significant effect on the environment, and that the MND reflects the lead agency's independent judgment and analysis.

EXHIBIT B
CONDITIONS OF APPROVAL
PDP-029-06(1) AND (2)

**A RESOLUTION OF THE CITY COUNCIL TO ADOPT A MITIGATED NEGATIVE
DECLARATION AND MITIGATION MONITORING PROGRAM RELATED TO A ZONING
MAP AMENDMENT FROM A-1 (EXCLUSIVE FLORICULTURE) TO C-VS
(COMMERCIAL VISITOR SERVING) AND A GENERAL PLAN MAP AMENDMENT
FROM HORTICULTURE BUSINESS TO COMMERCIAL VISITOR SERVING
LOCATED AT 1430 SOUTH CABRILLO HIGHWAY AND 480 WAVECREST ROAD
(APNS: 065-090-030, 065-090-070 AND 065-090-080) AND A PROPOSED R.V.
PARK/CAMPGROUND LOCATED AT 1430 S. CABRILLO HIGHWAY (APNS: 065-
090-030 AND 065-090-070)**

Authorization: Approval of this resolution authorizes the adoption of an MND for General Plan Amendment from Horticulture Business to Commercial Visitor Serving, rezoning from A-1 (Exclusive Floriculture) to C-VS (Commercial Visitor Serving) located at 1430 South Cabrillo Highway and 480 Wavecrest Road, APNS 065-090-030, 065-090-070, and 065-090-080, (PDP-029-06(1)); and a proposed R.V./Park/Campground located at 1430 South Cabrillo Highway, APNS 065-090-030 and 065-090-070 (PDP-029-06(2)). PDP-029-06(1) is modified by the conditions of approval set forth herein.

1. **RIGHT TO FARM.** Any adjacent or surrounding properties that are currently used to produce agricultural commodities for commercial purposes shall continue to be allowed to use the site(s) for agricultural purposes regardless of how they may affect adjacent uses within normal agricultural practices and any applicable laws and regulations.
2. **NO SEWER LINE.** No sewer line shall be constructed as part of this application.
3. **CEQA MITIGATION MEASURES.** The project shall comply with all applicable mitigation measures outlines in the Final MND (State Clearinghouse No. 2007102140) and comply with the timing of the measures outlined in the Mitigation Monitoring Program.
4. **NOISE LIMIT STANDARDS.** Per Section 18.08.030(D) of the Zoning Code sound levels measured at any property line shall not exceed:

<u>Time of Day</u>	<u>More Than 30 Min./Hr.</u>	<u>More Than 5 Min./Hr</u>	<u>At Any Time</u>
7 AM to 10 PM	60 dBA	70 dBA	80 dBA
10 PM to 7 AM	55 dBA	65 dBA	75 dBA

5. **PERFORMANCE STANDARDS.** Per Section 18.08.030(N) of the Zoning Code no activity on the subject site may produce vibration, dust, odors, heat and humidity, electromagnetic interference which are perceptible without instruments by a reasonable person at property lines of the site.

6. EFFECTIVE DATE OF PERMITS. The Rezoning and General Plan Amendment shall not become effective until it has been certified by the California Coastal Commission.
7. ACCURACY OF APPLICATION MATERIALS. The applicant shall be responsible for the completeness and accuracy of all forms and material submitted for this application. Any errors or discrepancies found therein may be grounds for the revocation or modification of this permit and/or any other City approvals.
8. HOLD HARMLESS. The applicant agrees as a condition of approval of this application to indemnify, protect, defend with counsel selected by the City, and hold harmless, the City, and any agency or instrumentality thereof, and its elected and appointed officials, officers, employees and agents, from and against an and all liabilities, claims, actions, causes of action, proceedings, suits, damages, judgments, liens, levies, costs and expenses of whatever nature, including reasonable attorney's fees and disbursements (collectively, "Claims") arising out of or in any way relating to the approval of this application, any actions taken by the City related to this entitlement, any review by the California Coastal Commission conducted under the California Coastal Act Public Resources Code Section 30000 et seq., or any environmental review conducted under the California Environmental Quality Act, Public Resources Code Section 210000 et seq., for this entitlement and related actions. The indemnification shall include any Claims that may be asserted by any person or entity, including the applicant, arising out of or in connection with the approval of this application, whether or not there is concurrent, passive or active negligence on the part of the City, and any agency or instrumentality thereof, and its elected and appointed officials, officers, employees and agents. The applicant's duty to defend the City shall not apply in those instances when the applicant has asserted the Claims, although the applicant shall still have a duty to indemnify, protect and hold harmless the City. _____
9. PERMIT RUNS WITH THE LAND. The permits run with the land and the rights and obligations there under, including the responsibility to comply with conditions of approval, shall be binding upon successors in interest in the real property unless or until such permits are expressly abandoned.

OWNER'S/PERMITTEE'S CERTIFICATION:

I have read and understand and hereby accept and agree to implement the foregoing conditions of approval of the project.

OWNER(S) / APPLICANT(S):

(Signature)

(Date)