

City of Morro Bay

Harbor Advisory Board Agenda

Mission Statement

The City of Morro Bay is dedicated to the preservation and enhancement of the quality of life. The City shall be committed to this purpose and will provide a level of municipal service and safety consistent with and responsive to the needs of the public.

NOTICE OF SPECIAL MEETING

WEDNESDAY, APRIL 22, 2015

MORRO BAY VETERAN'S HALL – 6:00 P.M.

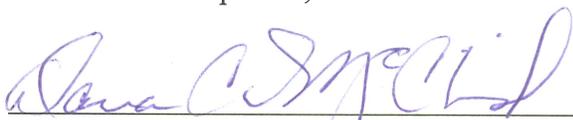
209 SURF STREET, MORRO BAY, CA

ESTABLISH QUORUM AND CALL TO ORDER
MOMENT OF SILENCE & PLEDGE OF ALLEGIANCE
PUBLIC COMMENT RE: ITEM ON THE AGENDA
SPECIAL MEETING AGENDA ITEM:

- I. MARINE SERVICES FACILITY/BOATYARD AD-HOC COMMITTEE AND HARBOR ADVISORY BOARD REVIEW OF MORRO BAY BOATYARD AND HAULOUT FACILITY MARKET DEMAND ANALYSIS PUBLIC REVIEW DRAFT DOCUMENT AND RECOMMENDATIONS/COMMENTS ON DRAFT DOCUMENT

ADJOURNMENT

DATED: April 17, 2015


Dana McClish, Vice Chair

MATERIALS RELATED TO AN ITEM ON THIS AGENDA SUBMITTED TO THE HARBOR ADVISORY BOARD AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC INSPECTION AT CITY HALL LOCATED AT 595 HARBOR STREET; MORRO BAY LIBRARY LOCATED AT 625 HARBOR STREET; AND MILL'S COPY CENTER LOCATED AT 495 MORRO BAY BOULEVARD DURING NORMAL BUSINESS HOURS.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN A CITY MEETING, PLEASE CONTACT THE HARBOR DEPARTMENT'S OFFICE ASSISTANT AT LEAST 24 HOURS PRIOR TO THE MEETING TO INSURE THAT REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.



AGENDA NO: I

MEETING DATE: April 22, 2015

Staff Report

TO: Harbor Advisory Board

DATE: April 17, 2015

FROM: Eric Endersby, Harbor Director

SUBJECT: Marine Services Facility/Boatyard Ad-Hoc Committee and Harbor Advisory Board Review of *Morro Bay Boatyard and Haulout Facility Market Demand Analysis Public Review Draft Document and Recommendations/Comments on Draft Document*

RECOMMENDATION

Review Draft document, receive public comment/input and provide comments and/or recommendations for staff and City Council consideration.

BACKGROUND

Last year the City of Morro Bay, in financial and logistical partnership with the Morro Bay Commercial Fisherman's Organization (MBCFO), commissioned Lisa Wise Consulting (LWC) to prepare a boatyard market demand analysis for a potential boatyard/haulout facility in Morro Bay. The purpose of the analysis was to gauge the market potential if a boatyard were located in Morro Bay, with follow-on steps of feasibility if the market analysis indicates feasibility.

The demand analysis was contracted to include case study reviews and competitive market interviews, a survey instrument, market demand summary, market opportunities and recommendations and a final report.

DISCUSSION

Attached is the Public Review draft of LWC's market analysis document. This represents the culmination of LWC's efforts over the past year, with input from the Harbor Advisory Board and Harbor Advisory Board's Marine Services Facility/Boatyard Ad-Hoc Committee, Harbor Department staff and MBCFO representatives.

LWC will be making a presentation on their report, and the Ad-Hoc Committee will be presenting its findings and recommendations for Harbor Advisory Board and public review and comment.

Prepared By: EE

Dept. Review: EE

CONCLUSION

Comments and/or recommendations received will be presented to the City Council for consideration in any follow-on steps or further pursuance by the City of a boatyard/haulout facility in Morro Bay.

ATTACHMENTS

1. *Morro Bay Boatyard and Haulout Facility Market Demand Analysis Public Review Draft*
2. Marine Service Facility/Boatyard Ad-Hoc Committee report



MORRO BAY BOATYARD AND HAULOUT FACILITY MARKET DEMAND ANALYSIS

PUBLIC REVIEW DRAFT
Morro Bay Commercial Fishermen's Organization, and
The City of Morro Bay

MARCH, 2015

Lisa Wise Consulting, Inc.

LWC

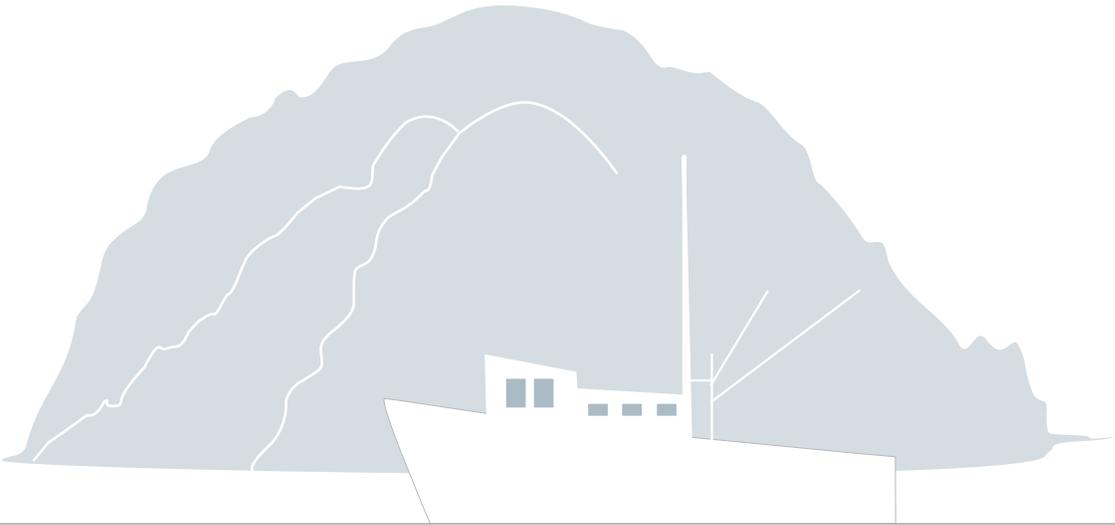


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1 Introduction

From its beginning Morro Bay has been synonymous with a vibrant commercial and recreational waterfront, and the working waterfront is a social center point of the community. Throughout the town's history, many families have owned and operated commercial and recreational vessels, held jobs in the fish processing plants, oyster farms, on the docks or in related industries, with vessel ownership and employment often passing from one generation to the next.

The Port has much of the physical infrastructure necessary to support local and visiting commercial and recreational fishing operations, aquaculture, the Coast Guard fleet, and sail and motor recreational vessels. This coastal dependent activity are supported by a well dredged harbor, well maintained channel markers (buoys), sufficient vehicle access and parking, a boat launch, electrical power and fresh water, a fuel dock, state-of-the-art ice machine, offloading facilities, slips, moorings, as well as the North & South T-Piers for transient vessels and an anchorage area. The State Park Marina is operated by the California Department of Parks and Recreation, and has slips for approximately 120 boats between 25 and 40 feet in length. In addition to commercial and recreational fishing activities, the mile-long Embarcadero hosts restaurants, bars, retail shops, day use areas, boat rentals, guided tours and hotels all aimed at supporting tourism, serving locals and strengthening the economic and social vibrancy of the waterfront and the City.

Service industries in Morro Bay and San Luis Obispo County that support local marine dependent uses include: diesel and refrigeration mechanics, electronics and electrical technicians, bait and hook baiting, marine supplies, small-scale dredging, and experienced deckhands.

Morro Bay does not have a sufficiently capable boatyard and haulout facility. Such a facility was identified as a priority need as far back as 1997 when the City appointed a four member Boating Access Facilities Committee (BAFC) to review existing launch, boat storage and repair facilities to determine if additional facilities were needed. The existing boatyard in Morro Bay at 261 Main Street is limited by its capacity, accommodating approximately one 30-foot boat at a time. The boatyard's water lease expires in 2016. Renegotiation of the lease would optimally include advancing environmental compliance and best management practices. Constraints in physical size of this boatyard are likely render alterations to meet environmental compliance upgrades infeasible.

Phase II of the project, if undertaken, includes:

- Alternative sites analysis
- Financial Feasibility Analysis
- Conceptual site plans
- Technical investigations including CEQA
- Ownership structure alternatives analysis and
- Coastal Development Permit and Regulatory agency approval

Over the last 17 years, several design, engineering and economics studies have been conducted to determine if a full-service boatyard and haulout facility were feasible, where it might be situated, and what it might look like. In 2006, the City made substantive moves toward acquiring property for a facility but has not yet been able to secure an appropriate site. As part of the on-going effort, in 2013, the Morro Bay Harbor Advisory Board formed a Boatyard/Haulout Ad-Hoc Committee and with urging from the boating and environmental community, led by the MBCFO, has engaged in a multi-phase project (Project) that begins with an assessment of potential demand for a boatyard and haulout facility ("Phase I"). The project was made possible through funding and leadership provided by the City of Morro Bay and the MBCFO, with a generous grant from the Central Coast Joint Cable Fisheries Liaison Committee.

For this project, a Boatyard and Haulout Facility in Morro Bay is defined as a place where a vessel can be taken from the water, transported to a yard where repairs and upgrades can be conducted in compliance with environmental regulations and may include a storage area, a ship's supply store, museum or other service that enhances a vessel owner or harbor visitors' experience.

1.1 Project Approach

A key objective of the Project is to engage local commercial and recreational fishing vessel owners as well as local sail and pleasure boat owners to ensure that their input/perspective guides the research and is evident in the findings and final recommendations. Local vessel owners are seen as experts and best suited to advise on local boatyard and haulout needs in Morro Bay. As such, a key component of the project is a survey of local vessel owners aimed at understanding what type and size vessels are in the harbor, how often they haul their boats out of the water for maintenance, how much they spend, what type of work "typical" and "major" haulouts entail, what work they do themselves, which tasks they hire out, which facility they patronize, and why. The survey also sought to understand the amount of demand for a dry (terrestrial) storage facility and how much a vessel owner might spend on dry storage. A summary of the surveys is included in Section 2.1 below.

Boatyard and Haulout facility operators in the case studies indicated that 5 percent to 10 percent of their business was generated from visiting or non-local vessels.

The Project also aims to illustrate the regional boatyard haulout industry and competitive climate through assessment of four boatyards and haulout facilities: Ventura, Santa Barbara, Port San Luis and Moss Landing. Project Managers at the City and the MBCFO worked with the Consultant team to choose four boatyard and haulout businesses that reflect a wide range of user profiles and the capacity and types of services offered. The facilities were also chosen due to the local commercial fishing and recreational boating community's relationships and familiarity. The research conducted on these case studies is ultimately intended to guide Morro Bay in its decision making on the best approaches for target market, financing and ownership structure, hoist capacity and type(s) and service protocol. An analysis of those facilities can be found in Section 4.2 of this report.

Input for the boatyard case studies was collected through site visits, telephone interviews with facility owners and key staff members, and internet research as well as input from local vessel owners.

The report also incorporates information found in industry reports, and State and Federal databases, and culminates in Key Findings and Recommendations that synthesize the data presented in Chapters 2, 3 and 4 and are intended to guide the City and the MBCFO in the next steps in the consideration of a boatyard and haulout facility.

1.2 Summary of Findings

The following concepts were identified as the most significant and ultimately inform the recommendation of pursuing the next steps in the process, alternative site(s) analysis and financial feasibility analysis.

Timing is Everything, the decommissioning of the PG&E power plant and sustained and diverse community support make this the time to advance to the next steps.

Broad Support from commercial and recreation operators and the environmental community is an indicator of a community need that is not being met and the City should consider.

Competitive Climate shows that the boatyards in the study area are not meeting the needs of local vessel owners

Reputation of quality workmanship and service is critical to a successful boatyard and haulout operation.

Innovation could make the facility more profitable and competitive

Public versus Private, a boatyard and haulout facility serves the public good and enhances and protects waterfront assets which calls for a more of a “public service” than “private enterprise” approach.

Client Diversity within the harbor is robust

Do-it-Yourself or Boatyard Staff are operational approaches decision makers should weigh, DIY appealing to the majority of respondents to the project survey.

Storage for Sailboats could enhance the income and the customer base of a boatyard and haulout facility and should be part of the on-going analysis.

Local Demand, based on responses to a written survey, 110 vessel owners in Morro Bay indicated that they spend between \$1.1 million and \$2.3 million annually to haul their boat out of the water and conduct typical or major haulouts. Based on the surveys, a boatyard and haulout facility could expect 269 vessels to use the facility per year (see Appendix E for more details).

2 Market Demand Profile

In order to gather as much input as possible on potential market demand from the boating community in Morro Bay, a written survey was developed and distributed to key groups and individuals via email, hard copy as well as an on-line option on SurveyMonkey. Approximately 110 completed responses were received in an eight week period.

The presence of local commercial and recreational fishing, marine tourism, marine construction, and recreational boaters is an important part of the demand profile and potential feasibility of a boatyard and haulout facility in Morro Bay.

2.1 Survey Approach

The survey was reviewed and “tested” by representatives of the local commercial fishing and recreational boating communities as well as reviewed and approved by a Boatyard Ad-Hoc committee appointed by the Harbor Advisory Board. Surveys were distributed to the boating community via hard copy and email to the Morro Bay Yacht Club, Morro Bay Commercial Fishermen’s Organization, Morro Bay National Estuary Program and to slip and mooring holders on the waterfront and the Morro Bay State Park Marina. The surveys were available in the Harbor Patrol Office and posted on the City of Morro Bay website. Completed surveys were collected between August 10 and October 10.

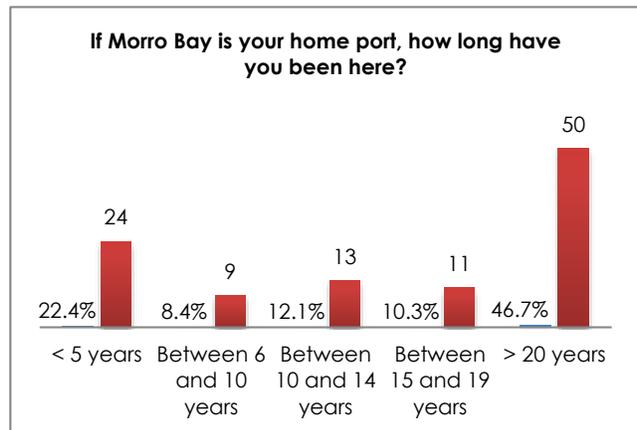
All surveys were reviewed and evaluated for completeness and, to assure there were no redundancies.

Survey Response Summary

The survey consisted of 17 questions that addressed home port designation and tenure, vessel characteristics, haulout patterns, and future dry storage. Vessel characteristics were defined in terms of type, length, and weight. Haulout patterns were assessed through frequency, type, cost, work profile, and selection criteria. Demand for future dry storage facilities was tested for use and cost.

Approximately 40% of the MBCFO membership completed the Morro Bay Boatyard Haulout survey.

Considering there are approximately 450¹ vessels in the harbor, 110 completed surveys yield over a 20% response rate. While 13 of the 110 respondents were non-local vessel owners, such a robust response rate enables assumptions to be made on the boatyard and haulout use patterns of the local community and the potential demand for a facility in Morro Bay.



Home Port Designation and Tenure

The majority of survey respondents are vessel owners or operators who consider their homeport Morro Bay. Of the 110 respondents, 97 declared Morro Bay as their home port. Other responses included San Diego, San Francisco, Ventura, Port San Luis, and the U.K., or gave no

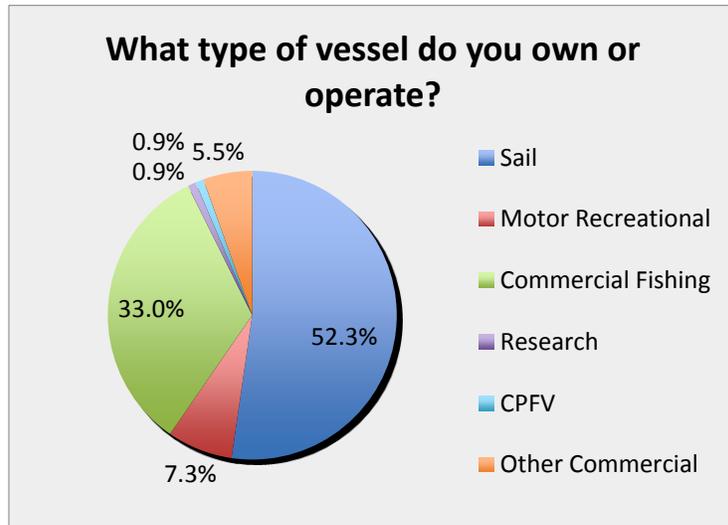
¹ The number of vessels in Morro Bay was determined through field inventory conducted by the City of Morro Bay Harbor Department in February of 2015.

response. 78.4% of respondents (83) have been in Morro Bay for 6 years or more, and 47.2% (50) for over 20 years. This pool of Morro Bay vessel owners and operators represent likely Morro Bay boatyard and haulout facility customers.

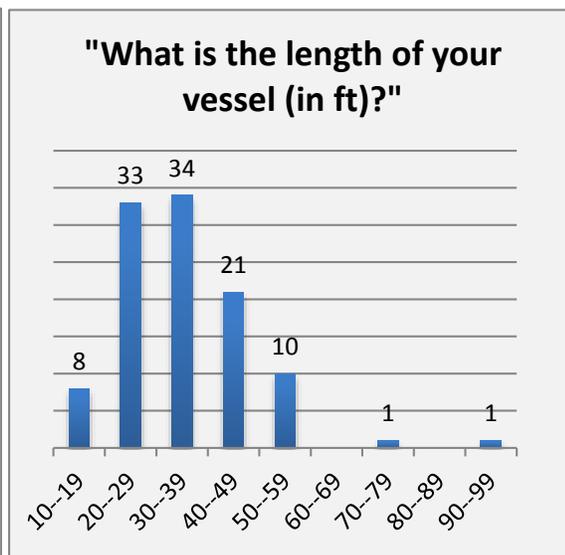
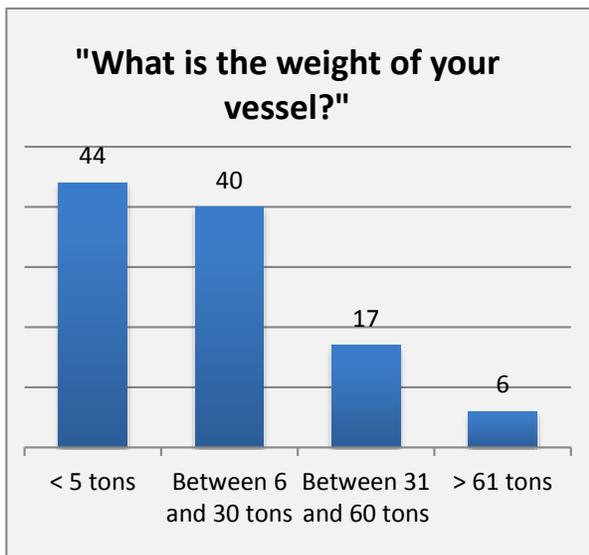
Vessel Characteristics

Vessel characteristics provide guidance on boatyard haulout location and design considerations and insight into the potential customer base.

Vessel Class: The survey classified vessel types into six categories: sail, motor recreational, commercial fishing, research, commercial passenger fishing vessels, and other commercial. Of the 110 responses, 53% (93) own or operate sailboats and over 33% commercial fishing vessels. A Morro Bay boatyard and haulout facility would, by extension, primarily serve vessel owners or operators of these classes.



Vessel Length & Weight: The median vessel length of survey respondents is 34 feet. The majority of vessels fall between 20 and 50 feet in length. 11.1 % of the respondents own and operate vessels greater than 50 feet.



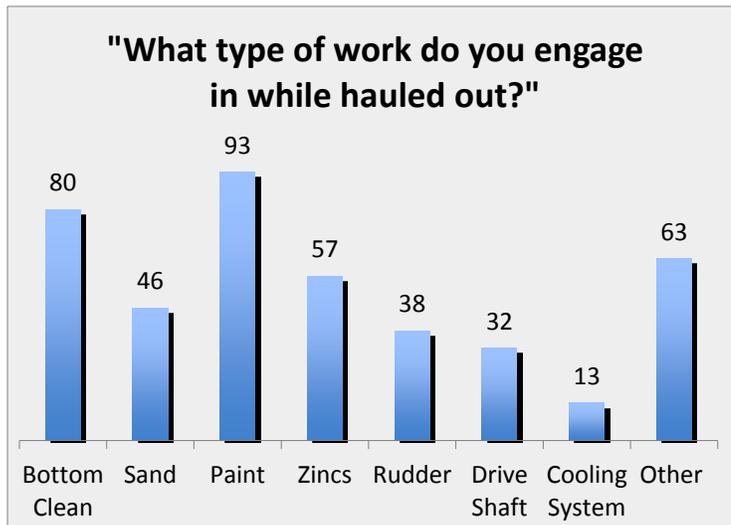
Approximately 41% of respondents identified a vessel weight of less than 5 tons, and approximately 37% identified a vessel weight of between 6 and 30 tons. Nearly 16% of respondents own/operate vessels of 31 to 60 tons and 6% of 60 tons or greater. The largest vessel in the survey was 78 tons.

Haulout Patterns

Vessel owners indicated that they engage in two types of haulouts, major and routine. The associated work profiles (work performed during haulouts) identify the type of services that would be of demand in a boatyard haulout facility in Morro Bay, and the predictable frequency and spending patterns will inform demand estimates and revenue projections for feasibility studies.

Type & Work Profile: The survey classifies haulouts into “typical” and “major” events and queries respondents on eight (8) work types they may undertake while hauled out:

bottom clean, sand, paint, zincs, rudder, drive shaft, cooling system, and other. 80 respondents undertake bottom cleaning during major haulouts and 93 undertake painting. 63 respondents undertake work in the Other category, and associated comments make reference to engine work and rigging as common Other work types.

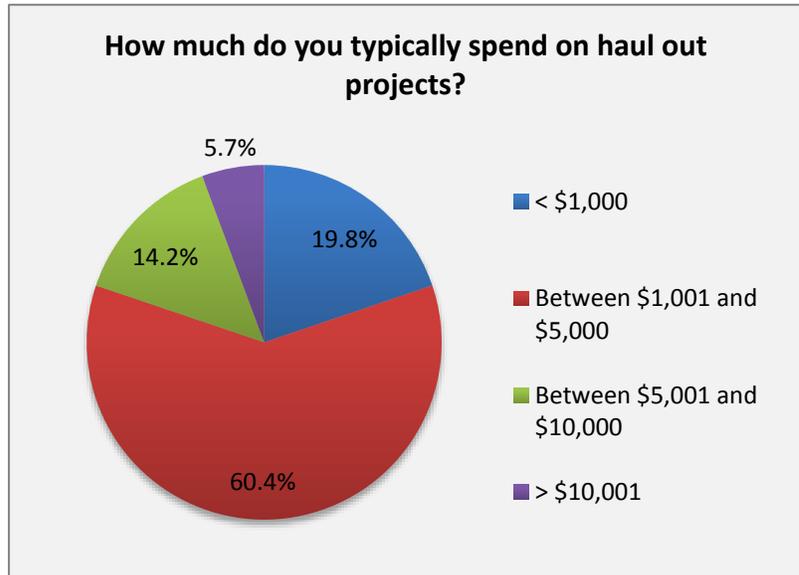


The survey also asks respondents to identify if they perform some or all work on their vessels themselves. Approximately 55.7% of respondents said they typically do their own work. Many of those who do their own work hire contractors for technical projects such as electrical, fabrication, carpentry, or rigging. The type of work most commonly contracted out is 'welding and fabrication' (38.7% of respondents answered that they do their own work except for welding and fabrication). Multiple respondents noted the need for skilled workers at the Morro Bay facility who could undertake specialized tasks such as welding, carpentry, electrical, diesel mechanics and rigging.

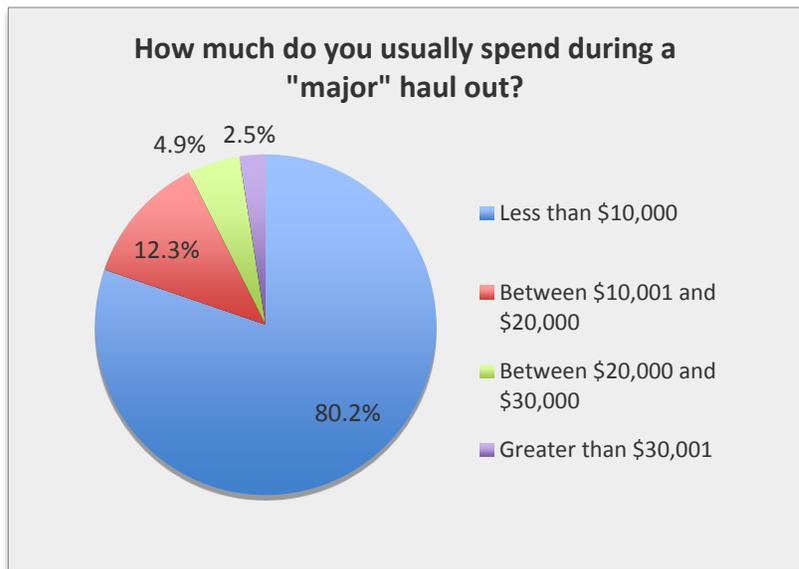
A boatyard haulout facility in Morro Bay would need to accommodate bottom cleaning and painting as the two most common work types. Based on these responses, facility managers might consider a Do It Yourself approach while providing services of skilled staff or outside contractors to undertake specialized work such as welding and fabrication, carpentry, electrical, rigging, and diesel mechanics.

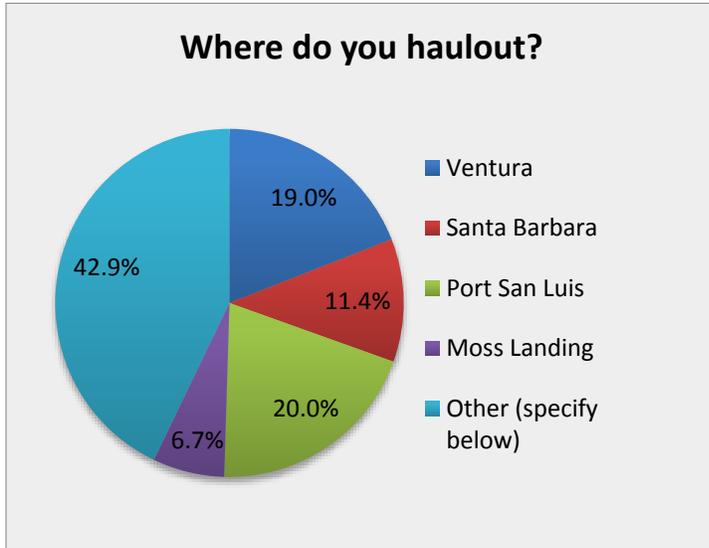
Frequency & Cost: Approximately 92.6% (100) of respondents undertake typical haulouts every three (3) years or more, and approximately 77.8% (84) of respondents undertake typical haulouts every 2 years or more. Approximately 57.2% (48) of respondents undertake a major haul out every four years or more. Open-ended survey responses indicate that vessel owners and operators would haul out more frequently were there a facility in Morro Bay. One respondent noted he has often put off necessary boat maintenance because of the inconvenience and cost of fuel, car rental, and dining out. These figures, however, do not reflect those out-of-town vessel operators and owners traveling along the coast who might use a Morro Bay facility for emergency repairs, as well as those who may seek out Morro Bay because of breadth and quality of services, lift capacity and nearby amenities.

Most respondents (approximately 60.7% or 65 individuals) spend between \$1,000 and \$5,000 on a typical haulout, 14% spend between \$5,000 and \$10,000 and 5.6% spend over \$10,000. A little over 19% spend less than \$1,000.



Approximately 80.2% (65) of respondents spend less than \$10,000 on a "major" haul out, 12.3% spend between \$10,000 and \$20,000 and over 7% spend more than \$20,000. Spending on haulouts and associated work will contribute directly to the facility's revenues, as well as to local businesses that support vessel maintenance and repair such as hardware and part suppliers, mechanics, technicians, hotels, restaurants and other visitor-serving establishments.





Selection Criteria: To better understand vessel owners' and operators' decision in selecting a haulout facility, respondents were asked to select from six factors that influence their haulout choice: Close and/or Convenient, I Can Work on Boat Myself, Expert Staff, Travelift/Hoist Capacity, Price, Other. Close and/or Convenient is overwhelmingly the most prevalent reason vessel owners and operators choose their haul out location, with approximately 43.8% (46) selecting this category. The second most prevalent reason for selecting a haulout location is I Can Work on Boat Myself, with approximately 24% (25) of respondents. Staff expertise and the facility being able to accommodate trailer-based vessels rounded out key influences. Of the 105 respondents to this question, 20 haul out in Ventura, 21 haul out in Port San Luis, 12 use Santa Barbara and 7 cited Moss Landing/Gravelle's as their preferred haulout facility. The remaining 45 respondents haul out at other facilities.

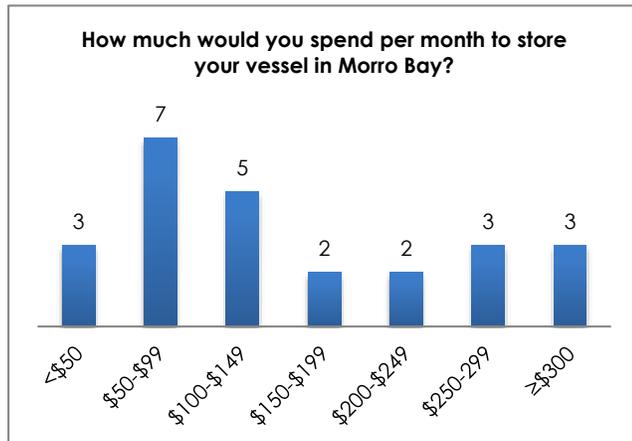
Open-ended survey responses suggest that a majority of respondents would likely use a Morro Bay haulout facility.

Dry Storage

Survey respondents provided direct input on whether or not they would use a dry storage facility if there were one in Morro Bay. The respondents also indicated how much they would be willing to spend to store a vessel in Morro Bay. The responses provide a measure of demand for such a facility and provide input for demand projections and a financial feasibility analysis.

Use: The survey asked explicitly whether or not the respondent would store their vessels in Morro Bay if a dry storage facility were developed. Approximately 40% or 31 respondents indicated they would. Of the 40% positive response, 32% were sailboat/recreational motor vessel/yacht owner/operators and 7.7% were commercial fishing vessel owner/operators.

Cost: Survey respondents were also asked to estimate how much they would spend on a monthly basis to store a vessel in Morro Bay. Responses were evenly distributed across dollar amounts that ranged from \$35 to \$350 per month.



Additional Comments

The survey concluded with a question that offered the opportunity to provide additional information or comments. Of the 69 individuals who responded to this question, the vast majority were supportive of the establishment of a boatyard and haulout facility in Morro Bay. Responses are grouped into key categories as follows:

Boatyard/Haulout All-Inclusive Customer Pool:

"I just sold my boat that was moored in MB because it was too difficult to get work done. I now own a boat on a trailer and I still have to haul it away to get work done. Having a boat yard would be great for MB boaters! We need a place where we can get work done AND work on our boats ourselves."

"It is really unbelievable that Morro Bay, the only natural harbor within 100+ miles, does not have a haul out facility that can accommodate its fleet of larger vessels. Years ago it did have a facility on the Embarcadero which was redeveloped into gift shops and a restaurant!"

Emergency Repairs:

"Nice to have local facility for emergency or unplanned work which happens frequently."

"A boat yard in Morro Bay is needed. If we need to haul out for an emergency our closest real option is about 100 miles away through some treacherous patches of ocean."

Boatyard Financial Matters:

"It seems that most boats who haul out, go to Ventura, so Morro Bay is missing sales and tax revenue as a result."

"A local boatyard would save the local fleet from having to travel and burn a lot of expensive fuel. Also we would be spending our money in the local area and supporting the local economy."

"I would rather be home, save the traveling fuel, spend the money here. Out of town vessels may spend their maintenance money in this area too."

General Need/Desire for a MB Boatyard Haulout:

"I have owned five different offshore cruising boats in Morro Bay over the past 35 years. All of them except my current vessel have been too heavy...to haul out locally. I have taken them down to Ventura for the annual haul outs.

"There hasn't been a place to accommodate me locally for years."

"local haul out would be great and I would haul out more often."

"Morro Bay is a prime location for a boat yard facility. Moss Landing is only taking a few boats and only on a limited number of days... Monterey Bay has strong surges that can damage the boat and Santa Barbara is usually full and pretty expensive."

"I would haul out annually if there was a local option. It's 30 hours to Ventura. If you have a problem with the boat, it is dangerous to go around Point Conception. We need a Haul Out Facility here. It would also add to the Visitors experience by showing a real working harbor."

2.2 Local Demand Profile

This section provides an overview of the key categories or user profiles of future potential customers for a Morro Bay boatyard haulout facility. There are approximately 450 vessels at City and private operated slips and moorings in the harbor that represent the potential local client base. The makeup of harbor users and potential clients includes commercial and recreational fishing vessels, sailboats and motor vessels, Coast Guard, Harbor Patrol, research and commercial/construction vessels. All of these harbor users represent, in some capacity, clients for the boatyard and haulout facility in Morro Bay.

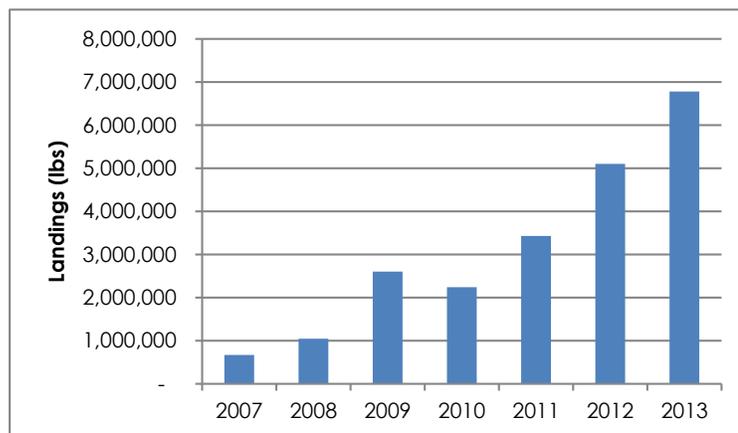
Commercial fishing industry has played a significant role in the development of Morro Bay since its founding. The industry continues to provide jobs and income in the community as well as serving as an important tourist attraction. In 2013, it was estimated that commercial fishing generated approximately 194 jobs in San Luis Obispo County (Morro Bay Community Sustainability Plan, 2013).

The California Coastal Act of 1976 requires Morro Bay to protect and, where feasible, upgrade commercial and recreational fishing facilities. This is in keeping with the community's policy of giving priority to commercial fishery in new harbor development (Bay, 1984).

2.2.1 Commercial Fishing Industry

In 2013, 156 commercial fishing vessels operated in San Luis Obispo County, generating almost 5,000 fishing trips which translated to nearly 7 million pounds in landings and over \$7 million in earnings at the dock in Morro Bay. Landings, earnings, trips and the number of commercial fishing vessels operating in Morro Bay have been on a powerful increasing trend since 2007.

Landings at the dock (pounds) in Morro Bay, 2007 - 2013 (CDFW)



2.2.2 Commercial Passenger Fishing Vessels and Recreational Fishing

Morro Bay has long been known as a recreational fishing destination. There are currently three active “for hire” fishing operations that double as marine wildlife tour providers. Morro Bay is also a launch and landing site for a significant fleet of smaller recreational fishing vessels or skiffs, mostly between 16 and 28 feet. These vessels are typically launched by trailer at the municipal boat ramp at the south end of the Embarcadero. While these vessels may not engage in large scale boatyard projects, they require repairs and upgrades and the purchase of equipment and supplies that represent potential income for a boatyard facility. The 1984 Morro Bay Coastal Land Use Plan (CLUP) states “a basic element to tourism, sport fishing has been a most important feature in Morro Bay”. The CLUP goes on to say: “the sport fishermen support local businesses, including purchasing of tackle, bait, wearing apparel and supporting restaurants and motels.”

The 1984 Morro Bay Coastal Land Use Plan (CLUP) states “a basic element to tourism, sport fishing has been a most important feature in Morro Bay”. The CLUP goes on to say: “the sport fishermen support local businesses, including purchasing of tackle, bait, wearing apparel and supporting restaurants and motels.”

2.2.3 U.S. Coast Guard

The U.S. Coast Guard (USCG) established a facility in Morro Bay as early as the 1950s and currently maintains a 27-person National Security Base and Search and Rescue Station. In addition to search and rescue, this station provides Coast Guard services for the entire Central California Coast, including port safety coverage for the Diablo Canyon Nuclear Power Plant and Vandenberg Air Force Base. The Coast Guard keeps two 47 foot motor life boats in Morro Bay.

2.2.4 Morro Bay Yacht Club

The Morro Bay Yacht Club (MBYC) was established in 1956 and is home to over 250 members, 65% who are boat owners (primarily sailboats). Club activities center around sailing, with small boat races held inside the bay or at local lakes, and big boat races held in Estero Bay. The MBYC is the northernmost member/location of the Southern California Yachting Association (SCYA) and plays host to about 300 visiting vessels per year.

According to representatives of the MBYC, there are about 300 recreational boaters that pass through Morro Bay every year, mostly sailboats with a smaller percentage of motor vessels. The majority of these vessels range from 30 feet to 50 feet in length. This activity peaks in April/May and then again in September/October/November. These visiting vessels spend between one day and one week in port, with the majority staying between one to three days. They are accommodated, in part, at the MBYC’s six (6) guest moorings, the MBYC dock, which has a capacity of approximately nine (9) vessels as well as five to seven

(5-7) spots in the City's designated open anchorage area. Representatives from the MBYC attest that many of these skippers/vessel owners ask if there is a boatyard in Morro Bay and believe that many of these vessels would stay longer, and patronize a boatyard and haulout facility if there were one. The majority of those seeking to haul their boats out, particularly in the fall, head to the facilities in Ventura and Santa Barbara. The MBYC representatives also believe that Morro Bay could become a "destination" boat yard (like Ventura and Santa Barbara) for recreational boaters.

Representatives of the MBYC added that boat storage, particularly where a sailboat owner does not have to un-step (remove) the mast and de rig the vessel, is an attractive service for recreational boaters, one for which vessel owners would pay a premium and as such, could generate additional demand for a Morro Bay boatyard haulout facility.

2.2.5 Harbor Department

The City of Morro Bay Harbor Patrol maintains a fleet of three vessels that range from 22 to 29 feet in length. The boats are hauled out of the water, on trailers, for bottom cleaning approximately monthly and the bottoms are painted approximately every 18 months. Major repair work is conducted approximately every 5 years.

2.2.6 Other Recreational Vessels

In addition to the potential boatyard facility users described above, Morro Bay is home to approximately 275 vessels not directly affiliated with the commercial or recreational fishing industries, Coast Guard, Harbor Department or Yacht Club. These vessels represent significant potential demand for boatyard and haulout services.

2.3 Outside the Area

Facilities in the case studies (see Section 4.2) indicated that between 5% and 10% of their business comes from outside of their immediate communities. Morro Bay should expect to attract a similar percentage of visiting vessels. This potential demand is included in the demand projections (see Appendix D). Morro Bay may be able to secure stronger patronage from outside the area by:

- Establishing a reputation of superior quality and diversity of services
- Making supplies easily available through an extensive ship's store
- Clustering; partnership with Port San Luis that expands accessibility to services, expertise and supplies
- Promoting the proximity to the MBYC, affordable hotels, and restaurants
- Funding a high lift capacity

3 Market Opportunities

Boasting over 1,000 miles of coastline, California is home to a bustling marine dependent economic sector. The thousands of recreational and commercial vessels that travel and work in California coastal waters are supported by a vast network of related businesses and physical infrastructure. According to the U.S. Bureau of Labor Statistics (BLS, NOAA Coastal Services Center) there were currently 126 ship and boat building and repair establishments located in California coastal counties in 2011. These businesses were estimated to be responsible for 7,800 jobs and over \$413 million in wages. A boatyard in Morro Bay would be entering a market sector that was valued at nearly \$670 million.

In the 2013 Morro Bay Fishing Community Sustainability Plan (Plan), which provided a comprehensive analysis of the commercial fishing industry and working waterfront in Morro Bay, a boatyard and haulout facility was identified as the highest priority need in the community and is the first in a list of 11 final Recommendations. The Plan was funded by the National Fish and Wildlife Foundation, managed by the City and unanimously accepted by the Morro Bay City Council in April of 2014. A boatyard and haulout facility is seen as fulfilling community needs and addressing sustainability indicators in three key categories:

- **Economic:** potential revenue source for the City and direct and indirect employment opportunities, as well as faster turnarounds for local boats, which would translate to more fishing days for Morro Bay commercial and CPFV fishing operations and working days for tour boat operators, the Harbor Patrol and the Coast Guard.
- **Environmental:** greater capability of the community to act to protect the sensitive Bay and estuary in the case of a spill from a derelict or incapacitated vessel as well as reducing “vehicle and vessel miles traveled” for Morro Bay residents to regional boatyards, as well as providing an environmentally state-of-the-art facility.
- **Social:** greater control of outcomes for the community and the creation of a service that addresses needs across a broad spectrum of maritime stakeholders; commercial and recreational fishermen, pleasure boaters, Coast Guard, visiting vessels and directly addressing the collective environmental concerns of the community.

A boatyard and haulout facility is also seen by some members of the community as an approach to reduce the amount of repair and maintenance work conducted by vessels owners while there boats are in the water.

3.1 Market Potential

An overview of trends in activity in industry sectors related to the boatyard and haulout industry follows and is intended to inform decision makers on economic performance trends in marine industries. Those industries are Boat Building and Repair, Commercial Fishing, Recreational Fishing, and Recreational and Pleasure Boat Activity.

Trends in Boat Building and Repair

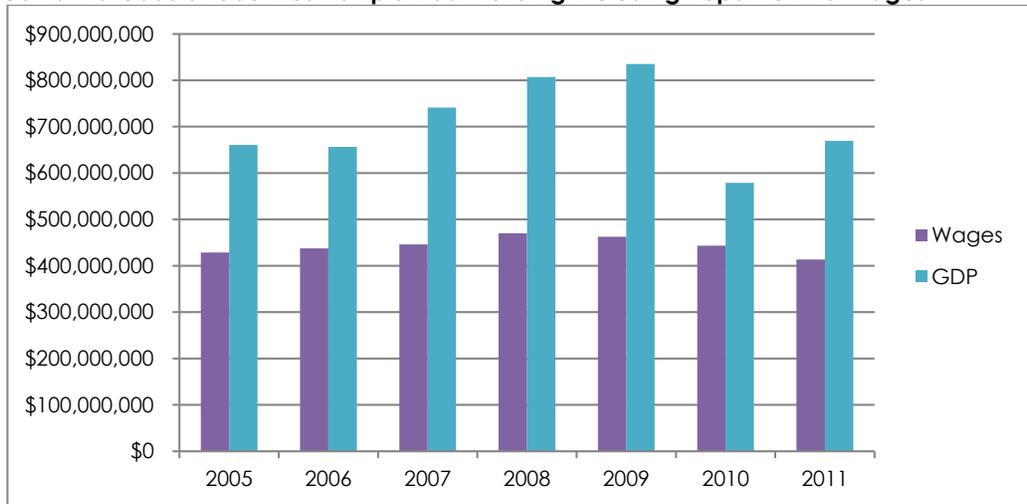
Ship and boat building and repair are unique and valuable industries that generate employment and spending and play a foundational role in the California maritime economy. Data from NOAA's Economics: National Ocean Watch database in the 19 coastal counties in

The National Bureau of Economic Research (NBER) dates the beginning of the recession as December 2007. The bottom, or trough, was reached in the second quarter of 2009.

California is included in this section to provide decision makers in Morro Bay with a high-level overview of trends in the industry which they are considering. Factors such as a downturn in the economy during that period that affected vessel ownership and the performance of the shore-side boat building and repair sector should be taken into account when assessing this data.

In general, between 2005 and 2011 (the most recent data available) the amount of goods and services rendered from ship/boat building and repair in California coastal counties has remained relatively stable while trending slightly downward, as have wages. In 2011, the ship and boat building and repair industry in California was valued at approximately \$670 million and generated over \$400 million in wages.

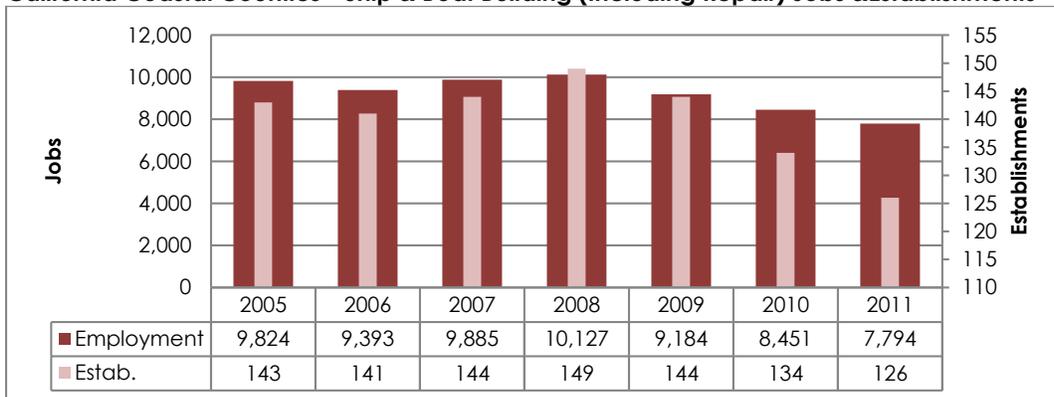
California Coastal Counties - Ship & Boat Building Including Repair GDP & Wages



Bureau of Labor Statistics Data, accessed from ENOW (NOAA Coastal Services Center)

Between 2005 and 2011, employment at ship and boat building and repair establishments in California dropped by approximately 25% from just under 10,000 jobs to fewer than 8,000. During that time, the number of establishments also dropped from approximately 145 to 126, a 14.5% decrease. In conclusion, while there have been drops in GDP, wages in the Ship & Boatbuilding and Repair industries have been relatively stable as has employment. The number of facilities has trended downward and based on input from vessel owners, demand is strong in Morro Bay and other small coastal communities. This could signal an opportunity for Morro Bay.

California Coastal Counties - Ship & Boat Building (Including Repair) Jobs & Establishments

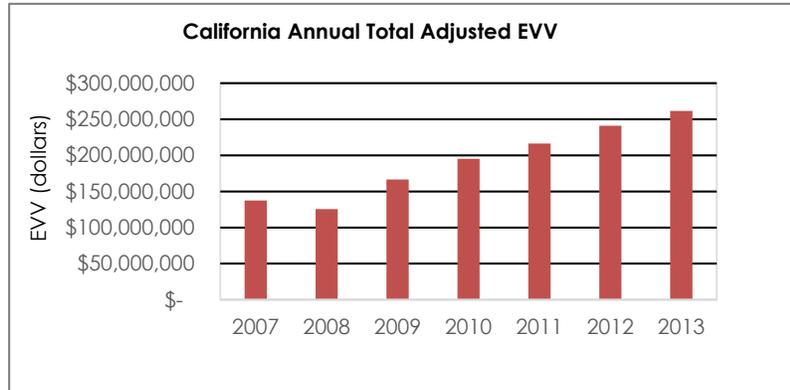


Bureau of Labor Statistics Data, accessed from ENOW (NOAA Coastal Services Center)

Trends in Commercial Fishing Activity

An important market for a boatyard and haulout facility in Morro Bay is the commercial fishing industry. From a State-wide perspective, earnings at the dock, a key indicator of performance, have almost doubled from \$130 million in 2007 to \$260 million in 2013.

In 2013, 156 commercial fishing vessels conducted over 4,900 trips in San Luis Obispo County which translated to over \$7.0 million in earnings at the dock in Morro Bay. Commercial



fishing trips in San Luis Obispo County have been steadily increasing since 2005, almost doubling in the last seven years and earnings for Morro Bay fishermen have increased fivefold between 2007 and 2013. The commercial fishing industry in California and Morro Bay is on a powerful upward trend and will generate demand for a boatyard and haulout facility.

Morro Bay is an important and long-standing destination for recreational fishermen seeking access to the ocean. In 1952 there were 9 CPFV operations in Morro Bay (Scotfield, 1954). Today there are 3 such operations that conduct thousands of trips per year as well as double as whale and sea life watching tour operators, taking advantage of Morro Bay's rich ocean resources. There are also hundreds of smaller recreational fishing vessels (skiffs), typically launched from trailers, that operate out of Morro Bay. These skiff owners may consider a boatyard and haulout facility a convenient place to address repairs and upgrades or purchase supplies.

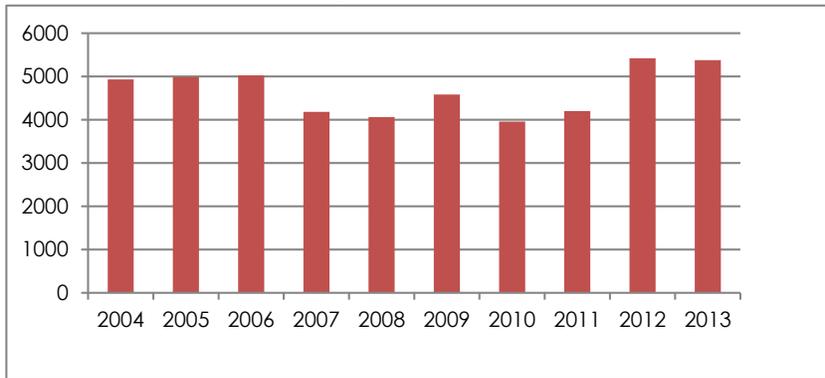
Trends in Recreation Fishing Activity

Recreational fishing and the Commercial Passenger Fishing Vessel (CPFV) industry are generators of jobs and income, and represent potential users of a boatyard and haulout facility and as such, data on the industry is included. There are three for-hire or CPFV operations in Morro Bay and hundreds of small vessels that conduct thousands of recreational fishing trips each year out of Morro Bay.

Recreational fishing, including for hire and private vessels, is a valuable marine-dependent industry in California. The State's recreational angler fishing trips topped 3.8 million in 2011 and for-hire fishing trip expenditures totaled \$122 million. Private recreational fishing boat trip expenditures totaled \$78 million. Trip expenditures generated approximately 4.1 thousand jobs and durable expenses generated 6 thousand jobs (Lovell, S., S. Steinback, and J. Hilger. 2013. Economic contribution of angler expenditures in the United States, 2011. NOAA Tech. Memo. NMFS-F/SPO-134).

Fishing trips are an indicator of the vibrancy of activity in the industry, and trips numbers remained relatively stable at approximately 4-5 million per year.

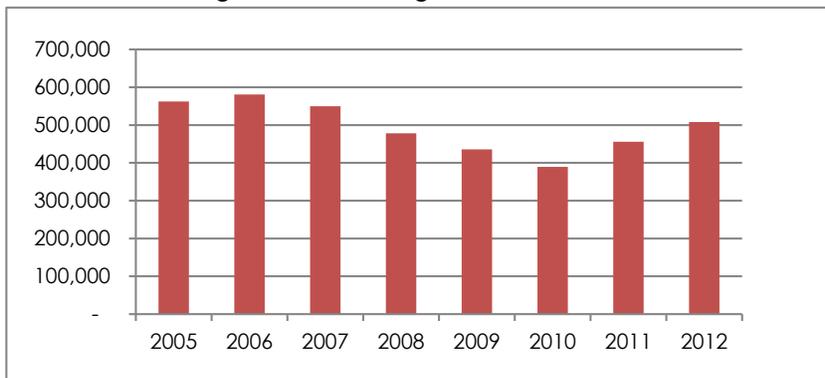
California Recreational Fishing Trips, in Thousands, 2004-2013



California Department of Fish and Wildlife

The number of participants who conduct recreational fishing on a “for hire” fishing vessel has dropped since 2005, but has seen some gains in 2011 and 2012. Recreational fishing is a vibrant industry in California and Morro Bay and has seen relative stability in the last 10 years. As such, for hire and private recreational fishing vessel owners represent potential demand for a boatyard and haulout facility in Morro Bay.

California CPFV Registered CPFV Anglers 2005-2012



California Department of Fish and Wildlife

4 Competitive Climate

Boatyard haulout facilities along the California coast and more specifically between San Francisco Bay and Ventura comprise the competitive climate or context in which the assessment of demand for a facility in Morro Bay should be considered. This section of the report identifies key boatyard haulout facilities between San Francisco Bay and Ventura County and their characteristics. The section also includes a comprehensive analysis of four relevant case studies aimed at providing examples of the type and quantity of demand for a boatyard and haulout facility in Morro Bay. Appendix A provides a comprehensive list of boatyard facilities in California.

4.1 Central California Coast Boatyards

Based upon survey results outlined in Section 2.1, potential Morro Bay boatyard haulout customers make use of facilities primarily south of San Francisco Bay and north of Ventura County. This area is therefore considered the competitive market area that warrants consideration when assessing demand potential for a Morro Bay boatyard haulout facility.

Table 1 below outlines 30 boatyard facilities that are located along the 375 mile coastal stretch between San Francisco Bay and Ventura County. Twenty five of these facilities perform haulouts, the majority of which do so with a travelift. Most lifts along this stretch of coast feature lifts with capacities of 30 and 40 tons.

The two largest lifts are Sausalito's Bayside Boatworks, and Ventura Harbor Boat Yard. Bayside Boatworks, 250 miles north of Morro Bay, can accommodate all sizes of private boats². Ventura Harbor Boat Yard, 150 miles south of Morro Bay features a 150-ton travel lift, and is used by 19% of survey respondents³ for haulouts. The next largest lift is an 88-ton capacity lift located at Bay Marine Boat Works in Richmond.

With only two large lifts along the key stretch of coast between San Francisco Bay and Ventura County decision makers in Morro Bay should consider the costs and benefits of a larger capacity (100 ton) Travelift.

The following page contains an analysis of boatyard haulout facilities between San Francisco Bay and Ventura County.

² The Sausalito Bayside Boatworks operator provided no weight capacity limit in one-on-one interviews with LWC staff.

³ See Section 2.1 above for added detail.

Table 1. Boatyard Haulout Facilities between San Francisco Bay and Ventura County

| Boatyard Name | Type of Lift (If Any) | Haul out (Y/N) |
|---|---|----------------|
| San Francisco Bay Area Boatyards | | |
| Sausalito Shipyard and Marina | 250 ton haulouts on marine rails | Y |
| Bay Marine Boatworks | 23 ft beam, 88 ton travelift | Y |
| Bay Ship and Yacht | Does not perform haulouts | N |
| Bayside Boatworks | 5 rails, 250-ton capacity | Y |
| Berkeley Maine Center | 35 ton and 25 ton travelift haul outs | Y |
| British Marine | 30 ton haul outs | Y |
| Drake Marine | Trailer haul outs depending on vessel size | Y |
| KKMI Richmond | 88 ton travelift | Y |
| KKMI Sausalito | Small travelift for haul outs | Y |
| Napa Valley Marina | Performs haul outs using hydraulic trailer | Y |
| North Bay Boatworks | No information | - |
| Pier 66 Boatworks | No information | - |
| Richardson Bay Boatworks | 40 ton travelift | Y |
| San Francisco Boat Works | 35 ton travelift | Y |
| Spaulding Wooden Boat Center | Crane haulouts, up to 12 ton vessels | Y |
| Svedson's Boat Works | 35 ton travelift and 60 ton elevator | Y |
| The Boatyard at Grand Marina | 60 ton travelift | Y |
| Vallejo Boatworks | Travelift haulouts, no capacity information | Y |
| Monterey Bay Boatyards | | |
| Breakwater Cove Marina | 22 ft vessels, 80 ton travelift | Y |
| Capitola Boat and Bait Marina | Hauls vessels up to 17 ft with a crane | Y |
| Monterey Bay Boat Works Company | 80 ton travelift | Y |
| Monterey Harbor and Marina | Does not perform haulouts | N |
| Moss Landing (Gravelle's Boatyard) | 70 ft vessels, 80 ton travelift | Y |
| Santa Cruz Harbor | 50 ton travelift | Y |
| Woodward Marine | Does not perform haulouts | N |

| Ventura County | | |
|---|-------------------------------------|---|
| Bell Port Anacapa Marine Services, Oxnard | 38 ton travelift | Y |
| Ventura Harbor Boatyard, Ventura | 35 ton travelift; 150 ton travelift | Y |
| San Luis Obispo County | | |
| Morro Bay Boatyard, Morro Bay | One 30-foot boat at a time | Y |
| Port San Luis Boatyard, Avila Beach | Travelift 75 tons | Y |
| Santa Barbara County | | |
| Harbor Marineworks, Santa Barbara | 40 ton travelift | Y |

4.2 Case Studies

To better understand the potential demand for a boatyard and haulout facility in Morro Bay, four case studies within the competitive market area were chosen by project managers to serve as examples that reflect a wide range of user profiles, management and ownership structures, capacity and types of services. The case studies include: Gravelle's Boatyard (Moss Landing, CA), Santa Barbara Harbor Marine Works (Santa Barbara, CA), Ventura Harbor Boatyard (Ventura, CA), and Port San Luis Boatyard (Avila Beach, CA). Data on the case study facilities was gathered through site visits, phone interviews, and on-going conversations with commercial fishermen and MBYC representatives. Data was also collected from archival review (internet, industry publications, and academic papers) and discussions with a representative from Marine Travellift. Each case study was developed with a focus on eight (8) key components that affect the demand profile:

1. Location and Background information reveals motivation for the facility to be included as a case study, distance (terrestrial) from Morro Bay and to provide insight on factors that may inform the Morro Bay community such as ownership profile and service protocol (do it yourself or employee-based).

The case studies are aimed at informing decision makers in Morro Bay on how services; that range from a do it yourself approach to a more rigid one where vessel owners are obliged to hire boatyard employees, lift capacity, presence of a chandlery and nearby amenities might influence the amount and type of demand for a boatyard and haulout facility in Morro Bay.

2. Customer Base data provides insight into the motivation of vessel owners on their choices in selecting a particular boatyard and haulout facility. Customers range from recreational boaters to commercial fishermen, oil rig supply, government agency and marine research vessel operators.

3. Services and Capacity are aimed at providing an understanding on the services and amenities offered, including types and size of haulout equipment (travel lift, crane, etc.), fee structures and how services that range from a do-it-yourself (DIY) approach to a more rigid one where vessel owners are obliged to hire boatyard employees might influence the amount and type of demand for a facility in Morro Bay.

4. Financial Structure profiles highlight funding strategies for boatyard haulout facility operations and the purchase of equipment. Some boatyards operate solely through use of private funding, while others rely on public-private partnerships.

5. Infrastructure elements illustrate cost-benefit trade-offs each facility might consider. A large capacity boatlift, for example, requires a higher initial investment but may generate higher fees and attract more customers. Tenting and hull cleaning filtration systems will also increase the initial investment that will better ensure environmental compliance and will have to be passed on with little or no immediate benefit to the customer. Other infrastructure elements such as shoreline armoring, do not attract additional business, but ensure continued facility operations.

6. Nearby Amenities are addressed as they may influence a customer's selection of a boatyard haulout facility. A lack of necessary amenities may negatively impacts vessel owners' patronage decisions.

7. Competitive Profile provides a snapshot of perspectives from web-based sources such as Yelp.com, Latitude 38's online message board as well as an assessment conducted by the Santa Barbara Harbor District. This information is intended to provide insight to decision makers in Morro Bay and augment the archival research and personal interview data.

Aquarius Boatworks in Santa Cruz, a privately owned facility, handed over the management and ownership of the boatyard to the Santa Cruz Harbor District in September of 2014. Former owner, Dave Dawson, stated that as the economy slowed beginning in 2009 and his large cruising (sail and motor) customers reduced the extent of work and were reduced in numbers, he found it increasingly difficult to keep the doors open. He claims that without the large vessels and big-ticket jobs it is extremely difficult to run a boatyard. Aquarius, as they were located in Santa Cruz Harbor, also worked on commercial fishing vessels, mostly local and some visiting. Santa Cruz Harbor Boatyard currently operates as a "Do It Yourself", open daily from 9 am to 6 pm. Boat owners, or independent contractors who have registered with the Port District are permitted to perform vessel repairs and maintenance in the yard. Tools, such as vacuum sanders are available for rent, and a general stock of boatyard cleaning and painting supplies are available for purchase at the ship's store on site, although vessel owners can provide their own supplies.

In circumstances where the availability of hotels may influence decision making on the choice of a boatyard and haulout facility, the City of Morro Bay offers 41 hotels, many moderately priced and in walking distance from the Embarcadero. Occupancy rates are higher during the summer months but trail off significantly between September and May (Piedras Blancas Hotel Feasibility Study and Redevelopment Alternatives, Lisa Wise Consulting, Inc., 2011).

8. Take-Aways for Morro Bay provides a list of the issues that have most affected each facility and how they may inform decision making in Morro Bay. They draw from the breadth of the work in the case studies and include the topics of ownership structure, the use of grants and loans, considerations on full service versus do-it-yourself approaches, types and capacity of equipment, including enclosed/tented facilities and physical site considerations.

4.2.1 Port San Luis Boatyard, Avila Beach, California

Location and Background

Located in Avila Beach, California, Port San Luis Boatyard (PSLBY) is approximately 25 miles south of Morro Bay and the closest facility among the four case studies. PSLBY is partially managed by the Port San Luis Harbor District, with a lease to private operators. The Harbor District oversees administration and some financial responsibilities, while the operators oversee day-to-day operations and maintenance of the leasehold.

Customer Base

Based on personal communication with a Harbor District official, the boatyard is currently servicing a mix of about half commercial fishing vessels and half recreational vessels, mostly sailboats.

Services and Capacity

PSLBY operates under both full-service and DIY models. The boatyard provides two options for haulout services: A 15,000 pound (7.5 ton) capacity fixed ACME Hoist and a 60-ton Travelift. The boatyard also offers dry boat storage, blocking services, rental of spaces where work can be performed, fresh-water facilities for cleaning, and a wastewater discharge facility. The storage facility can accommodate trailers and vessels up to 10 feet wide and 30 feet in length with a capacity of 30 boats. Live-aboards are prohibited.

Finance Structure

PSLBY operations are funded through revenues generated by the boatyard. The PSLBY pays a fixed monthly operating fee, with high season and off-season rates. The boatyard operators are also responsible for the utility costs such as garbage and debris removal, electrical or other power, water, sewer and any other utilities.

Findings from a 2007 feasibility study determined that the 60 foot mobile hoist pier (on which the Travelift moves) needed to be extended an additional 60 feet seaward to better avoid constraints of wave action and sanding in of the haul/launch area. The extension is estimated at \$700,000. The Port San Luis Harbor District has successfully partnered with the Central California Joint Cable/Fisheries Liaison Committee (CCJFCFLC) and the San Luis Obispo Council of Governments (SLOCOG) to attract grant funding for "Plans and Specs" and then funding for implementation. The project was awarded \$215,000 in grants by the CCJFCFLC across two grant cycles, while SLOCOG has contributed \$25,000 to the extension project. The District also hopes to secure an additional \$150,000 from the California Division of Boating and Waterways.

Infrastructure

Port San Luis has a Travelift for larger vessels, a crane for smaller vessels, ample parking, a boatyard with sufficient space for up to 30 vessels of varying lengths as well as sufficient electrical power and fresh water. There are public restrooms on site. However, weather-induced wave and surge action and sanding-in of the launch area has historically constrained the facility and hampers the boatyard's ability haul and launch vessels at their or their customer's time of choosing. While the extension of the hoist pier will likely mitigate some of these concerns, because the boatyard is not located in a sheltered area, PSLBY's ability to haul and launch vessels will likely continue to be constrained to some degree.

Nearby Amenities

Nearby amenities include restaurants, convenience stores, retail outlets, two hotels and a small chandlery. Port San Luis is approximately four miles from Highway 101 and 10.5 miles from San Luis Obispo.

Competitive Profile

Port San Luis has gained a reputation for being a difficult place to haulout due to wave and surge and sanding in of the haulout site. The facility has also gained a reputation for a years-long waiting list. The District understands this and has addressed the issues with a feasibility study and the pursuit of grant funding to extend the pier and hopes that the new ownership will bring a better perception and professionalism. A 50% share of the boatyard recently changed hands and District staff claims to have already seen an improvement in the facility's operation and maintenance.

Takeaways for Morro Bay

The following are key takeaways for Morro Bay from the case study of the Port San Luis Boatyard:

- A crane or hoist for smaller vessels and a Travelift for larger ones may increase the facility's competitiveness and client diversity.
- Allowing some live-aboards may make the facility more attractive to a greater number of users. Clear guidelines on live-aboards should be established and enforced.
- A close and communicative relationship between the Harbor District and the facility operator is important.
- Careful selection of the haulout site, avoiding a site that is easily "sanded in" or adversely affected by waves and surge, and an understanding that a vessel owner's decision to haul or not at a given location may be influenced by weather or other uncontrollable forces.
- Options for dry boat storage may give the facility additional income.
- Grant funding should be considered from SLOCOG, and CCJCFLC

4.2.2 Santa Barbara Harbor Marine Works, Santa Barbara, California

Location and Background

Santa Barbara Harbor Marine Works (HMW) is located approximately 105 miles south of Morro Bay. The harbor in Santa Barbara is home to active recreational, commercial fishing, sport fishing and agency fleets, as well as many coastwide cruising and transient vessels. HMW has performed considerable infrastructure upgrades on the property and continues to operate under limited DIY and full-service models. While HMW has a diverse client base, their business model serves primarily recreational vessel owners.

Customer Base

According to personal correspondence with co-owner, Damon Hulst, the HMW relies on a diverse mix of clients. Smaller vessels from the commercial fishing fleet in Santa Barbara use this boatyard, as do some boats from nearby ports, e.g., Morro Bay. The business mix includes recreational sail boats and competitive motor and sail boats as a large part of HMW business is generated from the various boat races and competitive sailing events held in and around the Santa Barbara Harbor. Mr. Hulst estimates his business (activity not income) is comprised of 75% recreational vessels and 25% commercial fishing vessels. HMW clients are almost entirely local vessels, with only about 5% being transients. The HMW also relies heavily on doing work for boat owners who keep their vessels in Santa Barbara but live outside the area. Mr. Hulst describes these owners as coming from places as far away as Colorado. These owners are typically less concerned with saving money by doing work themselves or sourcing their own supplies. The HMW negotiates with these owners to haul out their boats, perform maintenance and repairs, and have the boats in the water for the owners when they arrive for vacation or visits. This “big ticket” business is a significant source of income for the HMW facility.

Services and Capacity

HMW is both a full-service and limited do-it-yourself facility. HMW generally does not allow customers to work on their own boats, but in some cases they will allow a qualified individual to perform certain repairs to his or her vessel (personal communication, Damon Hulst 7.29.14). HMW offers service repairs and labor, and rental of tools and equipment. The facility operates a late model 38 ton Travelift, with the ability to haul, block, launch, and truckload. HMW does a high volume of business with vessels that are loaded on commercial haulers for transport to Northern Ports and destinations around the country (primarily fiberglass sailboats).



HMW also offers 24-hour emergency haul outs available through the Santa Barbara Harbor Patrol. HMW attributed a closed/tented area as a critical to being able to sand and soda/water blast and contain dust and airborne particulate matter.

In addition to launching and retrieval of boats, rafts, barges and other watercraft, HMW offers sales of marine supplies, hardware and equipment, and boat sales and rentals.

HMW does not have dry boat storage. In a site visit on September 16, Mr. Hulst, explained that he has considered a “stack and store” storage service but has met with opposition from local

residents concerned with height restrictions and the obstructions of the view shed. The Santa Barbara Yacht Club and the Santa Barbara Sailing club offer dry storage for sailboats nearby.

Finance Structure

HMW's operations are largely privately funded.

The boatyard operates on a ground lease from the City of Santa Barbara, last renewed by the City Council on January 24, 2013. The lease is for a 5-year term charging a monthly base rent of the greater between \$4,157 and a specified percentage of gross sales.⁴

Infrastructure

The owners of HMW invested in significant improvements to the boatyard's facility and environmental infrastructure. Facility infrastructure improvements include an upgraded Travelift as well as upgraded water and electrical service. To improve its environmental infrastructure, the owners recently invested in a filtration system that ultimately filters and diverts yard runoff from a storm drain to the City sewer system.

Nearby Amenities

Nearby amenities are primarily marine-dependent, and visitor-serving, and target tourists, vessel owners and water sports enthusiasts (e.g., a maritime museum, fish market, water taxi, boat kayak and stand-up paddle and surfboard rentals and lessons, charter vessels, hotels, and restaurants). A nearby fuel dock, dry storage and a West Marine retail chandlery outlet in the harbor round out the amenities available to boaters. Santa Barbara also offers a vibrant downtown with a wide diversity of commercial and retail options, within a reasonably close proximity to the boatyard.

Competitive Profile

As part of an evaluation for lease requirement recommendations to the City Council, the Santa Barbara Harbormaster assessed user concerns for HMW. The Commission found that performance issues were limited to two unsolicited customer complaints over a period of six years (2007 and 2009). One customer noted that the boatyard's owners were great to work and staff performed quality service, but the rates were on the expensive side.⁵

⁴ The percentages of gross receipts are specified as follows:

- 10% on all labor, service repairs and fees
- 5% on all crane services, yard rental fees ("lay days"), tool and equipment rentals and for the launching and retrieval of boats, rafts, barges and other watercraft
- 4% on all marine supplies, hardware and equipment
- 1% on new and used boat sales, warranty sales and service, off-site contractual labor, catalogue and mail order sales, sales of marine electronics, electric motors and electric motor driven equipment, internal combustion engines, drives generators, and related equipment
- 10% from other transactions not specifically defined above

⁵ In a June 4, 2014 post on Yelp.com, a customer identified as B.C. from Santa Barbara awarded four out of five stars to HMW and named the owner, Damon Hulst, as someone "great to work with." The customer admits that this boatyard is generally more expensive than in Southern California, but the quality of work

Takeaways for Morro Bay

The following are key takeaways for Morro Bay from the case study of HMW:

- Proximity to the 1,100 slip Santa Barbara Harbor and a highly populated, affluent community may influence the feasibility of HMW.
- A ground lease with some flexibility as in the percentage of gross sales option benefits the landlord with higher income in strong periods and enables the lessee to revert to a consistent "base" amount when sales and service are lighter.
- Tenting and/or providing enclosed work areas enables the boatyard to contain airborne material, comply with air quality and disposal requirements/regulation and to offer a greater range of services to their clients. These systems come with a higher cost and increase costs to the client/user.
- Filtration systems that divert yard material to sewer systems enable compliance with water quality regulations and offer a greater range of services to their clients. These systems come with a higher cost and increase costs to the user.
- The DIY option may reduce costs and help to attract more and diverse clients. However, spaces used by clients only paying lay days and not paying staff, or buying/renting supplies could affect feasibility and increase liability.
- Boat and other watercraft rental, sales, retrieval may offer additional revenue options and provide a competitive advantage whether owned and operated by the boatyard subleased to another business.
- 24-hour haulout service may provide additional revenue opportunities and a competitive advantage.

4.2.3 Ventura Harbor Boatyard, Ventura, California

Location and Background

The Ventura Harbor Boatyard (VHBY) is located 130 miles south of Morro Bay and is a preferred facility for many Morro Bay commercial fishing vessel owners. Ventura Harbor boasts five marinas and a total 1,500 slips, two fuel docks, two dry storage facilities and two yacht clubs. Like HMW in Santa Barbara, VHBY undertook considerable infrastructure upgrades in recent years. Unlike HMW, whose infrastructure improvements were largely privately funded, a portion of VHBY's financing was generated from its successful public-private partnership with the Ventura Port District.

and guarantee is worth the extra expense. The customer recommends that users trying to save money inquire about weekend haul out and do-it-yourself maintenance specials.

Customer Base

VHBY primarily services commercial and recreational fishing vessels, cruisers, oil rig service and research vessels and yachts. The current service manager claimed that traditionally, the big vessels (fishing trawlers) provided big jobs and income but that their numbers had fallen considerably. Today the boatyard relies on oil rig supply (crew) vessels, commercial tug fleets from surrounding ports, big sail boats, seiners (local), and large sail boats (personal communication 7/16/14).



Photo: an Alaskan trawler of approximately 90 feet, purchased by a California fishing operation to be outfitted as a seiner, at Ventura Harbor Boatyard.

Services and Capacity

The facilities at the VHBY allow for full-service and DIY maintenance. The boatyard owns and operates a 35-ton and a 150-ton Travelift. VHBY's Travelift capacity affords the business a competitive advantage. Only the Sausalito Boatyard at 250 tons, and KKMI in Point Richmond at 100 metric tons, offer similar capacity service between Ventura and Marin County.⁶ The boatyard also maintains a 4.5 acre facility with the capacity to service of up to 30 boats. Boatyard staff of about 50 is made up of professional tradesmen and technicians. There are two dry storage yards in the Harbor but no dedicated dry storage at this facility.

Finance Structure

VHBY financed infrastructure upgrades through a public-private partnership with the Ventura Port District (VPD). This partnership enabled the acquisition of the boatyard's 150 ton Travelift as well as the two parcels of land where VHBY is located. The Travelift was funded by a \$641,000 grant through the California Sport-fishing and Boating Safety Act that was awarded in 1999. Matching funds were split between the Harbor District and VHBY.

The VHBY operates on a ground lease as the property is owned by the VPD. Annual lease fees are \$3716 per month for the first five years and adjusted every five years thereafter. Rent is due

⁶ The Sausalito Shipyard can service boats up to 250 tons via marine rails that were constructed during WWII to launch the Liberty Ships.

at the rate of \$10,000 per month and a lump sum payment of the balance of \$103,000 due and payable on or before the end of each calendar year. The lease agreement also includes a revenue sharing obligation on a percentage of fees and rents. VHBV can support this level of lease and rent expense due to the scale and scope of their projects and ability to attract and service large commercial fishing, oil rig supply, commercial construction and research vessels.



Photo: the 65 foot *Ocean Defender* oil spill response vessel at Ventura Boatyard

Infrastructure

As previously discussed, VHBV purchased a 150-ton Travelift as a facility infrastructure improvement. As for environmental infrastructure, reliable funding for dredging is a priority for VHBV. Steve James, General Manager and part owner of the VHBV, stated that their business depends on attracting larger, deeper draft commercial vessels for service. Maintenance for these larger vessels requires regular dredging, which can be costly. However, VHBV's public-private partnership with the Port District generates funding for these projects and the federally navigable channel makes the Harbor eligible for federal funding.

Nearby Amenities

Ventura Harbor is home to a balance of marine-dependent, marine-dependent/visitor-serving, and visitor-serving amenities. Notably, there are several marinas and a number of marine-related activities such as charter sailing, kayaking, cruises, boat rentals, paddle boarding, sport fishing and diving. Marine-dependent amenities include a marine bio-lab, fuel docks, and dry storage. Visitor-serving amenities include hotels, restaurants, shops, and the Channel Islands National Park Visitors Center. Commercial fishing infrastructure in Ventura harbor includes a wetfish pump that attracts a large seiner fleet⁷.

⁷ Squid seiners are some of the largest boats in the CA commercial fishing fleet and Ventura is homeport for many of these boats. According to the CDFW in 2012 market squid landings accounted for 71% of all Ex-vessel value of landed fish in Ventura, a total value of over \$8 million.

Competitive Profile

VHBY hosts a crew of welders, carpenters, electricians; the yard has two travel lifts and proximity to oil rig supply and tug fleets as well as a 1,500 berth capacity. These factors play the largest role in the facility's competitive advantage. Further, online reviews of VHBY have been largely positive. Customers praised the business's thoroughness⁸ and workmanship⁹ in maintenance and service. A personal blog titled "Vagabonding Under Sail"—authored by a couple who sold their Iowa home and purchased a sailboat in Ventura—includes a review of VHBY. The couple chose Ventura in part because of their positive and educational experience with VHBY's staff and equipment.

Takeaways for Morro Bay

The following are key takeaways for Morro Bay from the case study of VHBY:

- Public-private partnerships should be considered as a potential vehicle for infrastructure financing and land acquisition.
- Dredging of the channel(s) leading up to the haulout facility should be considered as the cost of dredging around the haulout area.
- Diversity of clientele could mean a more feasible business.
- High lift capacity offers a competitive advantage but a higher acquisition cost.
- Qualified staff offers a competitive advantage but higher acquisition and ongoing costs.
- Offering do-it-yourself and full-service may bring additional revenue and costs but provide a competitive advantage.
- Grant opportunities through the Sport-fishing and Boating Safety Act (and others) should be considered.
- Proximity to the seiner, oil rig and tug fleets and a full time staff of 50 mechanics and technicians fuel VHBY's ability to attract large boats and support large scale projects.

Potential Competitive Advantage: Between Los Angeles and San Francisco, only two facilities offer lift capacity of 100 tons or over; Ventura Harbor Boatyard and KKMI in Point Richmond. Sausalito Boatworks can handle vessels up to 250 tons but can only work on five boats at a time (one at each of the marine rails).

⁸ In August 2012 on Yelp.com, a customer using the name Mark from San Simeon, California posted that he was pleased with the professional level of work that had been performed on his kelp-cutter as an emergency haulout. Mark regarded the work as being complete and thorough.

⁹ In June 2011 on Yelp.com, Jim from Ventura wrote that he would highly recommend the VHBY because of their excellent workmanship and communication with him as the vessel owner. Jim states that the price was fair and work was completed in a reasonable amount of time.

4.2.4 Gravelle's Boatyard, Moss Landing, California

Location and Background

Gravelle's Boatyard is located in Moss Landing, approximately 135 miles north of Morro Bay and is one of four boatyards that performs haulouts in Monterey Bay. Moss Landing is an active working port and home to a commercial fleet that generates approximately \$7 million in annual earnings at the dock. The harbor is also home to a 600-slip marina with a mix of commercial, recreational, motor, and sail vessels as well as research vessels owned by the Monterey Bay Aquarium Research Institute (MBARI) and Moss Landing Marine Lab (MLML). The boatyard was established in 1987 and owned and managed by three generations of the Gravelle family. But, as discussed further below, the family is currently negotiating to sell the facility (to Gregg Marine) citing a drop in demand and costs from environmental compliance, dredging, erosion control, insurance and the challenges of attracting and keeping qualified staff. The Gravelle's case study highlights the financial and infrastructure challenges that privately-owned boatyard and haulout operations face. According to the owners, as a private business, they are not eligible for certain environmental exemptions that a State or City-owned business might be.

Customer Base

According to California Coastal Commission (CCC) Gravelle's Boatyard is essential to maintaining commercial, recreation and scientific boating in the Moss Landing Harbor (CCC Staff Report 23 May 2013).

Boatyard owners report that fifteen to twenty years ago Gravelle's had a client base of approximately 60% fishing boats and 40% recreational sailboats. Today, that percentage is flipped, with only 40% of their clients' active commercial fishing vessels. Owners claim that they have not worked on a commercial fishing trawler for five of six years and due to closures in the salmon fishery, have seen steep drops in those clients as well.

Services and Capacity

In the past, Gravelle's Boatyard appealed to Morro Bay Fishermen because it had operated under the full-service and DIY models. In 2014, however, the Gravelle's limited its offering to full-service only.

A diverse client base of recreational boaters, commercial fishing, marine research and government agency (NOAA, Coast Guard) business has enabled the facility to be less reliant on any one industry and operate with greater resilience.

From 2010 to 2013, Gravelle's upgraded its haulout capacity from 60 tons to 75 tons with a \$300,000 purchase of a previously owned 75-ton Travelift. The facility handles approximately 600 boats a year, half of which are serviced at some level at the boatyard. The remaining 300 are simply hauled out or returned to the water for storage or transport. The absence of a staging

Both Gravelle's and Santa Barbara claimed to use the mobile soda wash and bead blasting services as a more cost efficient way to address customer needs and avoid expensive filtration and disposal requirements and staff to operate the equipment.

The cost of a new Marine Travelift ranges from approximately:

- 50 metric tons - \$250,000
- 75 metric tons - \$300,000
- 100 metric tons - \$450,000-\$500,000
- 150 metric tons - \$750,000

These are "base model" costs and include delivery, on site assembly and training (personal communication with Marine Travelift, October, 2014).

dock presents a challenge for some boaters as it requires a greater level of operating skill to steer boats into the facility's narrow quay, it also limits the facilities ability to calibrate or test certain equipment (electronic instruments, cooling systems, etc.) before the vessel heads to sea.¹⁰

In the past, the facility was staffed with three to four employees, each with some level of expertise in woodworking, rigging, painting and operation of onsite equipment. As demand for the facilities services declined through the 2000s due to a loss of larger fishing vessels, closures in the salmon fishery, a soft economy and the difficulties of attracting and maintaining qualified tradesmen, Gravelle's decreased its staff to one part-time employee. Chad Gravelle remains on-hand at the facility and is considered an accomplished welder and metal fabricator and well-versed in operation of the Travelift and other equipment.

The facility has an on-site chandlery with an extensive stock of paints and painting supplies,, zincs, maintenance and repair consumables, fiberglass, resin and epoxies, lights, switches, wiring, deck hardware, stainless fasteners, and fuel systems—all but that what might be needed by very large vessels or specialized fishing gear. The boatyard includes dry dock space for rent and repair of up to 12 boats. There are no long-term storage facilities for sailboats or small craft at Gravelle's. The facility occasionally relies on mobile soda wash and bead blast contractors.

Finance Structure

While the Moss Landing Harbor District provides nearby amenities of value to Gravelle's customers, Gravelle's is entirely privately owned and operated. As such, Gravelle's has borne the burden of marine-related infrastructure costs without public partnership or funding support. The Gravelles are currently negotiating with Gregg Marine for sale of the boatyard. Gravelle's owners claim that the primary reasons forcing the sale are the environmental regulations associated with Proposition 65, the Clean Water Act. The regulations required purchase of costly new filtrations systems for collecting liquids used in cleaning boat bottoms, modification of a seawall, and have caused a reduction of the number of services the boatyard can offer, such as sand blasting and bead blasting which require cumbersome permits that significantly increase costs.

Lease Information

The property at the boatyard is owned by the Gravelle's. The owners pay no rent or fees to the Harbor District, and instead have been paying down a mortgage for the property. The current land value less the outstanding balance on the mortgage (if any) may serve as a potential capital source that could support boatyard / haulout operations. The sale of the property includes the boatyard and haulout business and the property. The Gravelle's have stated that this is partially based on environmental liability concerns.

¹⁰ A staging dock is an area reserved for the final launch or temporary inbound hold of a vessel where visual and electronic inspection may be performed to ensure accuracy.

Infrastructure

Maintenance of physical infrastructure in shoreline erosion and environmental requirements associated with Proposition 65¹¹ have posed tough challenges for the boatyard.

Since the late 1990s, erosion of the sandbars adjacent to the harbor entrance channel and Gravelle's boatyard had begun to negatively affect efficient operation of the boatyard. A large storm in January of 2001 required temporary placement of approximately 150 cubic yards of quarter-ton rock along the edge of the boatyard and storage area. In 2013 Gravelles installed a 161-foot long riprap revetment¹² to prevent further erosion of the area, all at the owner's sole cost and expense.

Nearby Amenities

The area surrounding Gravelle's offers a balance of marine-dependent, marine-dependent/visitor-serving, and visitor-serving amenities. Marine-dependent amenities include a fuel dock, dry storage, pump-out facilities, and a four-lane public boat launch ramp¹³. Marine-dependent/visitor-serving amenities include a public wharf¹⁴, fishing supplies, a maritime museum, off-the-boat fish sales, restroom and shower facilities, and laundry.

Competitive Profile

The Gravelle family has a reputation of being fair and honest, and Gravelle's staff is repeatedly mentioned as a key reason customers use and return to the facility. Reviews from Yachtsman Magazine, Latitude 38 Magazine and Yelp.com offer some insight into the user perception of Gravelle's Boatyard facilities.

A customer from Lewiston, California traveled over 300 miles to Gravelle's because her charter boat was too large for other facilities.¹⁵ However, another customer noted Gravelle's lack of staging dock presented some challenges.¹⁶ While the boatyard's staff received generally

¹¹ According to California Office of Environmental Health Hazard Assessment, "Proposition 65, the Safe Drinking Water and Toxic Enforcement Act of 1986, was enacted as a ballot initiative in November 1986. The Proposition was intended by its authors to protect California citizens and the State's drinking water sources from chemicals known to cause cancer, birth defects or other reproductive harm, and to inform citizens about exposures to such chemicals." (<http://oehha.ca.gov/Prop65/p65faq.html>)

¹² A riprap revetment is a structure used in coastal engineering to prevent erosion of an existing coastline. It consists of rock or concrete rubble piled in a sloped configuration against the shoreline. The debris is meant to dissipate the force of wave action against the shoreline and lessen the effects of coastal erosion.

¹³ The new launch ramp is located at the Moss Landing North Harbor adjacent to Highway 1, and was built in 2007 with grant funding from the California Department of Boating and Waterways

¹⁴ The 900-foot long public wharf is located at North Harbor off of Highway 1, and was completed in 2007 with a loan from the California Infrastructure and Economic Development Bank.

¹⁵ In 2011, a customer using the name Heidi T. from Lewiston, California claimed on Yelp.com to travel over 300 miles to Gravelle's with her charter boat because it is too large for other facilities. "The people are honest and helpful, with a high quality of work, a good stock of supplies in the store and decent prices".

¹⁶ In 2012, a large vessel owner detailed on Yachtsman Magazine website how he was forced into a snug fit into the Gravelle's Travelift facility space. Despite the challenges, including having no staging dock and the tight fit of the vessel, the review was positive. Specifically the review stated that there were "tools for rent and a well-stocked chandlery with a very helpful staff". Customer service was discussed in a high regard and Gravelle's was referred to as one of the more positive experiences within a haul out facility this user had encountered.

positive reviews, one customer noted that he no longer considers Gravelle's an option after its switch to a solely full-service facility.¹⁷

Takeaways for Morro Bay

The following are key takeaways for Morro Bay from the case study of Gravelle's Boatyard:

- Carefully consider an optimal Travelift capacity for Morro Bay users. Also, consider previously used equipment where possible.
- Carefully consider erosion, water treatment, permit entitlements and other environmental concerns at the haul out site.
- Assess the cost and benefits of full-service and/or DIY operations, including the costs associated with attracting and maintaining qualified staff and liability and insurance to cover vessel owners and crew working on their own boats.
- Consider the costs and benefits of the inclusion of a ship's store that could service vessel owners and boatyard staff. A partnership with the existing chandlery in Morro Bay may be worth investigation.
- A diverse client base of recreational, commercial, and marine research enables the facility to be less reliant on any one industry and operate with greater resilience.
- Showers, laundry facilities, dry storage, parks, restaurants and other visitor serving amenities may serve to attract more clients.
- Consider the costs and benefits to users of a staging dock
- Consider advantages and disadvantages of owning the property upon which the boatyard / haulout land is located.
- Consider that advantages of a City-owned facility and or property as opposed to a private ownership.
- Consider the costs and benefits of long or short-run use of mobile bead blast and soda wash contractors.

¹⁷ In 2014, a customer posted on Latitude 38 Magazine that he was informed over the phone that Gravelle's no longer allows boat owners and their crew conduct repairs and maintenance and anything done to the outside of your boat has to be performed by a Gravelle's employee at the rate of \$80/hour." The caller was informed that the reason for the change was too many "sloppy" boat owners allowed too much contamination to run into the waters of Moss Landing. As such, for this reviewer, Gravelle's is no longer an option.

5 Key Findings and Recommendations

5.1 Key Findings

The ultimate goal of establishing a boatyard and haulout facility in Morro Bay is to ensure the community has the physical resources and services to support resilient, independent and economically productive commercial, recreational, research and safety/security marine-dependent activities.

The Boatyard and Haulout Facility Market Demand Analysis was conceived and implemented to advise decision makers on the potential demand if a boatyard and haulout facility were established in Morro Bay. The findings of this first phase will advise decision makers if subsequent steps ("Phase II") in the investigation should be taken; such as:

- Alternative sites analysis
- Conceptual site plans
- Technical investigations including CEQA
- Potential ownership structure assessment and
- Coastal Development Permit and Regulatory agency approval

The following is a summary of the highest priority and most pertinent information that was generated from the extensive input gathered from the City, commercial and recreational fishing communities, representatives from the Morro Bay Yacht Club, and a written survey that was distributed to the entire boating community. Information was also gathered from a review of pertinent State, Federal and industry databases and site visits to Ventura Harbor Boatyard, Santa Barbara Boatyard, and Gravelle's Boatyard as well as email and phone communication with representatives from these facilities. The report also includes information provided by representatives from the marine travelift industry.

Timing is Everything

The Morro Bay City Council has acknowledged the community's desire for a boatyard and haulout facility and has been assessing options since 1997. If property becomes available to the City as a result of the decommissioning of the Dynegy power plant, the timing may be right to engage in next steps of the boatyard haulout assessment process.

Broad Support

There is strong interest and support from a diversity of local stakeholders, led by the commercial fishing industry (MBCFO), recreational boaters (MBYC), the environmental community (MBNEP) and others. Vessel owners and operators have a keen interest in a local facility. As direct patrons, it would reduce the distance they must travel to haul their boats out and perform maintenance. The MBNEP, as a representative of the environmental community, supports a potential boatyard and haulout project to enable Morro Bay to quickly address leaking or derelict vessels, protecting the estuary and fulfilling a key tenet of their mission. A project of this scope and scale will require close collaboration with and support from as many marine-dependent users and stakeholders as possible.

Of those who responded to the survey, 20% travel to Ventura for haulout and maintenance, 11% to Santa Barbara, 20% to Port San Luis, 7% to Moss Landing and 45% to "other" facilities.

Local Demand

Of the 450 vessels in Morro Bay, 110 responded to a written survey. From those responses, Morro Bay could expect approximately 269 customers/vessels per year to spend between \$1.1 million and \$2.3 million at the haulout and boatyard facility. This assumes the facility would allow some work to be conducted by vessel owners and would provide the basic services such as bottom cleaning and sanding, painting, replacement of zincs, drive shaft and rudder repair and maintenance (see Appendix D for details).

Industry Trends

Approximately 450 recreational and commercial vessels are in Morro Bay; many owners of which have confirmed their interest in and intent to patronize a local boatyard and haulout facility. In addition, approximately 300 recreational vessels and dozens of commercial fishing vessels visit Morro Bay each year and represent additional potential demand. Highlights of trends in these “demand” industries include:

- **Commercial fishing** activity in Morro Bay, measured in earnings at the dock, has increased by over 370% in the last 5 years and mirrors trends in the State (CDFW).
- **Recreational boat registration**, California is number 4 in the nation at over 800,000 (Recreational Boating Statistical Abstract, 2011, NMMA)
- **Ship, Boat Building and Repair** industry is valued at approximately \$670 million in California (NOAA, ENOW).
- **Recreational fishing** trips and the number of CPFV anglers rose in 2012 and 2013, back to 2004 and 2005 levels (CDFW).

Competitive Climate

Small coastal communities like Morro Bay are relatively isolated from services such as a boatyard and haulout services. As these services are a universal requirement of boat owners large and small, recreational and commercial, there exists a fairly high percentage of latent local demand. As indicated in the survey responses, the majority of vessel owners in the harbor would likely patronize a boatyard and haulout facility in Morro Bay.

Decision makers in Morro Bay should also consider that Between Point Richmond in San Francisco Bay and Ventura (approximately 375 miles), there are no boatyard and haulout facilities with over 80-ton travelift capacity. While there are only two or three vessels currently in the harbor that require this capacity, decision makers should weigh the costs (capital, maintenance) and benefits (more revenue) of a larger capacity Travelift. Decision makers must also consider increased boat traffic in the harbor that a larger capacity lift might attract, although it would like not be more than one or two boats per month.

“I am surprised there are no facilities in that stretch of coast with more than 100 metric ton capacity. Even from Ventura south, there are few, if any, facilities with high capacity lifts”
(Jason Johnson, North American Sales Manager, Marine Travelift, personal communication, October, 2014)

Reputation

Through spoken interviews and the formal survey conducted for this project, the reputation of the staff and their ability to address technical projects such as aluminum and stainless steel fabrication and the quality of workmanship are top criteria for vessel owners on where they haul their boats out. The capacity of the travelift also becomes a "calling card" and defines the facility and the target clientele.

Soda blasting is a high-pressure, air-driven method of cleaning and stripping paint from steel, fiberglass and aluminum substrates in

Innovation

Innovative approaches to funding for capital equipment, management and the use of new technology are important influences to the performance and tenability of a boatyard and haulout business.

Over 75% of survey respondents claimed that they engage in bottom cleaning in a typical haulout.

Three of the project case studies use, at some capacity, mobile soda and bead blast services. This gives those facilities the capability to address an important task without investing in and maintaining expensive equipment and personnel. Mobile blasting services also provide a solution for compliance with environmental requirements, as all the liquid and solid material used in the process is taken off site.

The Ventura Harbor Boatyard took a non-conventional approach to funding for the purchase of their travelift through a public-private collaboration with the Harbor District. The Port San Luis boatyard and haulout is partially managed by the Port San Luis Harbor District, with a lease to private individuals

Public versus Private

Based on our research, without consistent demand from large vessels undertaking extensive work, it is difficult to maintain a private boatyard and haulout facility, particularly considering land acquisition costs. A publicly owned facility is able to assume the perspective of addressing the public good, protecting harbor assets as well as addressing the tenets of the Coastal Act, by supporting commercial and recreation fishing and marine-dependent activities. A publicly owned facility will also have access to grant sources not available to a private business. Grant sources that were identified by other facilities include: Central Coast Joint Cable Fisheries Liaison Committee, San Luis Obispo Council of Governments, and the California Division of Boating and Waterways. A more extensive list of potential funding sources for planning and development of a boatyard and haulout facility can be found in Appendix B.

Of those that responded to the project survey, 43% claimed that they chose a haul out facility because of its "closeness and convenience", 24% claimed to make that decision because they could work on their boat themselves.

Client Diversity

A diverse customer base of commercial fishermen, recreational boaters, research vessels and local and visiting boats will translate to greater feasibility and resiliency. Ventura has benefited greatly from clients in the marine oil and gas industry and Gravelle's from the nearby research institutions such as MBARI and Moss Landing Marine Labs. Morro Bay does not have the proximity to oil rigs or research institutions and may consider attracting such clientele, with, for

example a large capacity travelift and/or access to technicians with experience on larger and more complex engagements (shipwright, welders, fabricators).

Do-it-Yourself or Boatyard Staff

Evidenced by survey responses, whether a vessel owner is allowed to work on his boat or not is a strong influencing factor on boatyard and haulout facility choice, particularly for commercial fishermen. Being able to work on your own boat only followed proximity as the strongest influence on boatyard choice. Many respondents also claimed to be influenced by qualified and experienced staff. Even those vessel-owner who undertake most of their own haulout and boatyard work, seek the expertise of welders, electrician, carpenters, rigging experts and diesel mechanics.

Storage for Sailboats

The present sailboat storage facility in Morro Bay is considered inadequate and representatives from the MBYC and sailing community expressed strong sentiment that there is demand for storage and an economic opportunity is being missed in Morro Bay. While many of the survey respondents keep their boats in the water or have trailerable vessels (and don't need storage), over 30 respondents stated that they would patronize a storage facility in Morro Bay. The majority of these respondents were sailboat owners but commercial and recreational motor craft owners have expressed their interest and support as well and make up the potential market for dry storage.



Photo: Boat storage on the South Embarcadero, Morro Bay

5.2 Recommendations

The recommendations herein are aimed at advising leaders and decision makers in Morro Bay on the next steps in the possible planning of a boatyard and haulout facility, including the possibility the project is simply not feasible or tenable.

Recommendations that follow are based on the profile of potential demand and market conditions drawn from: 1) on-going discussions with and a formal survey of the local commercial and recreational fishing community, the recreational boating community and the City of Morro Bay, 2) case studies of four regional boatyard and haulout facilities and 3) a review of data from local, state, federal and industry archives.

This report is an excellent example of the community's capacity to identify priorities, procure funding and execute projects.

The survey sought specific information on local vessel owners' influences and preferences on boatyard and haulout facility patronage and the frequency and type of work in which they engaged.

The case studies were intended to shed light on various approaches as they may affect demand: lift capacity, service protocol, financing, customer base and related infrastructure.

Based on the findings of this project and understanding of the potential local demand of approximately 269 customers/vessels and \$1.74 million per year and the additional potential demand from visiting vessels, **it is recommended that the community proceed with follow-on steps to test feasibility of and possibly pursue entitlements for a boatyard haulout facility in Morro Bay.** Based on the findings, it is unlikely an entirely privately owned and managed boatyard and haulout facility would be successful in Morro Bay, one that would carry the burden associated with all land and infrastructure costs (mortgage, taxes, etc). As such, it is recommended that the community work closely with Dynegy, the City, and other proven funding sources to acquire land and approach the project from a public private partnership model that has proven effective as illustrated in the case study section of this report. Still, it is possible that the project is found to be untenable if appropriate physical sites cannot be identified or procured, or there are regulatory hurdles that cannot be mitigated. The recommendations are as follows:

Research included a review reports generated from Morro Bay's 17-year pursuit of a boatyard and haulout facility and trends in the California ship and boat building industry, and local user groups such as commercial and recreational fishing and recreational vessel ownership.

The MBCFO, MBYC and the MBNEP were strong proponents of a boatyard and haulout facility in Morro Bay and the Market and Demand Analysis.

- 1) Proceed with the next steps in the investigation based on:
 - a. Very strong support in the community from a diverse stakeholder base that consists of commercial, recreational and environmental interest groups and individuals.
 - b. The potential of approximately 269 local vessel/customers that generate \$1.74 million per year, plus additional potential demand and earnings from visiting vessels (see Appendix D for details).
 - c. The fact that such a facility could serve the public good, protect harbor assets and strengthen marine dependent infrastructure and services in Morro Bay a community with a vibrant working waterfront heritage.
 - d. Those steps include: potential sites analysis, conceptual and preferred site plan alternatives, technical investigations and CEQA, regulatory approval and permit acquisition and assessment of management and acquisition strategies.
- 2) Work closely with Dynegy as they divest from the power plant. Identify appropriate sites for the boatyard facility which may be made available to the City as a result of that divestiture.
- 3) Consider a public-private partnership structure where the City owns the property and either provides a ground lease to a private operator, or assumes operation of the facility for the public good to protect and support marine dependent uses while contracting or subleasing certain aspects of the operation.

A boatyard and haulout facility is consistent with the community's commitment to marine dependent uses. Measure D, passed by voters in 1985 is intended to protect and support the commercial and recreational fishing industries by reserving Harbor lease sites north of Beach Street for their use.

A high capacity hoist could complement the facility in Port San Luis by attracting larger boats into the area that will not compete but bring demand for "shared" goods and services.

- 4) Work closely with the Port San Luis Harbor District in developing a boatyard, haulout and marine services cluster in San Luis Obispo County. Clusters harness geographic proximity and complementary business profiles where human and technical resources can be shared making the "cluster" more efficient and attractive than if the facilities operated independently.
- 5) Consider the costs and benefits of high capacity hoist, possibly 100-ton, to give Morro Bay a competitive advantage and the ability to attract larger boats with larger maintenance projects. Also, understand clearly if significant impacts in the form of increased vessel traffic would occur in the harbor.
- 6) Consider a gantry crane to augment the services provided by the Travelift and increase the customer base by catering to the smaller vessel recreational and sailing community as well as the small recreational and commercial fishing vessels.
- 7) Consider working closely with a private chandlery, and including a ship's store, with extensive inventory as part of the facility.

- 8) Consider including dry storage for sailboats and other trailerable vessels and a service where the boats can be easily hauled out and put in, serving on the recreational sailing fleet.

Survey respondents indicated that 40% would store their vessels if there were an appropriate facility in Morro Bay, the majority of those respondents went on to indicate that they would spend between \$50 and \$150 per month for storage.

Survey respondents indicated that 40% would store their vessels if there were an appropriate facility in Morro Bay, the majority of those respondents went on to indicate that they would spend between \$50 and \$150 per month for storage.

- 9) Consider engaging experts who have owned and managed boatyards and haulout facilities for participation on an Advisory Committee as the project progresses or ultimately as a facility manager. Chad Gravelle is moving to San Luis Obispo County as Gravelle's Boatyard is being sold, he and Damon Hulst owner of Santa Barbara Boatyard have expressed interest in contributing to or participating in a potential Morro Bay project.

- 10) Consider grants or low-interest loans for the next steps in the investigation process, including revenue-sharing options with another public agency to fund all or a portion of the boatyard haulout entitlements (consider as an example the Port San Luis Harbor Terrace project for which the State Coastal Conservancy is funding the Coastal Development Permit in exchange for a revenue sharing agreement with the Port San Luis Harbor District). See Appendix B for a list of potential funding sources that could support further steps towards and development of a potential Morro Bay boatyard haulout facility.

The City of Morro Bay and the Central California Joint Cable Fisheries Liaison Committee have contributed generously to the Demand and Market Analysis and should be considered to assist with next steps.

lisa wise consulting, inc.

planning economics natural resources

Appendix A: SURVEY INSTRUMENT

Appendix A contains the survey as it was distributed to the boating community in Morro Bay, through primary contacts at the Morro Bay Commercial Fisherman's Organization, Morro Bay Yacht Club, Harbor Patrol.

Morro Bay Boatyard-Haul Out Facility Survey

Name: _____ **Contact Information (Optional):** _____

Date: _____

Lisa Wise Consulting, Inc. has been hired by the Morro Bay Commercial Fisherman's Organization (MBCFO) and the City of Morro Bay to assess the potential market demand for a vessel haul out and boatyard service facility in Morro Bay. An important aim of our research is to understand what are the types and quantity of services required by local vessel owners. Please complete the survey to the best of your ability and return by Friday October 10th to Lisa Wise Consulting, Inc. via email to brian@lisawiseconsulting.com; facsimile to (805) 595-1978; or post to:

Lisa Wise Consulting, Inc.
Attn: MB Boatyard/Haul Out Project Manager
983 Osos Street,
San Luis Obispo, 93401

Any information that you provide will be handled with confidentiality; personal names and vessel information will not be released to the public or used in the report.

Also available online at: <https://www.surveymonkey.com/s/RGFGHYK>

Thank you on behalf of the City of Morro Bay and the MBCFO.

1. Where is your homeport? _____

2. If Morro Bay is your homeport, how long have you been here?

| < 5 years

| Between 6 and 10 years

| Between 10 and 14 years

| Between 15 and 19 years

| > 20 years

3. What type of vessel do you own or operate?

- | Sail
- | Motor Recreational
- | Commercial Fishing
- | Research
- | CPFV
- | Other Commercial, please specify _____

4. What is the length of your vessel? _____

5. What is the weight of your vessel?

- | < 5 tons
- | Between 6 and 30 tons
- | Between 31 and 60 tons
- | > 61 tons

6. How often do you haul your vessel out of the water?

- | Every year
- | Every 2 years
- | Every 3 years
- | Less than once every 3 years

7. How much do you usually spend on a typical haulout?

- | Less than \$1,000
- | Between \$1,001 and \$5,000
- | Between \$5,001 and \$10,000
- | Greater than \$10,001

8. What type of work does your typical haulouts include?

9. How often do you engage in a "major" haulout?

- | More than every 4 years
- | Every 4 years
- | Every 5 years
- | Less than once every 5 years

10. How much do you usually spend during a “major” haulout?

- Less than \$10,000
- Between \$10,001 and \$20,000
- Between \$20,001 and \$30,000
- Greater than \$30,001

11. What type of work do your major haulouts include?

12. Do you typically perform work on your boat yourself?

- Yes
- No
- Yes, except for tech work such as: Electrical
- Yes, except for tech work such as: Electronics
- Yes, except for tech work such as: Welding and Fabrication
- Yes, except for tech work such as: Carpentry
- Yes, except for tech work such as: Rigging
- Yes, expect for tech work such as: Other (please specify) _____

13. Where do you typically haul out? _____

14. What are the primary reasons for your choosing that facility?

- Close and/or Convenient
- I Can Work on Boat Myself
- Availability of Expert Technical Trades
- Travelift/Hoist Capacity
- Price

15. Would you store your boat in Morro Bay if there was a dry storage facility?

- Yes
- No

16. If Yes, approximately, how much would you spend per month to store your vessel in Morro Bay?

\$_____per month

17. Is there any additional information you would like to provide regarding a boatyard in Morro Bay?

Thank you for participating in this survey

Appendix B: CALIFORNIA BOATYARDS

As indicated in Chapter 4, boatyard haulout facilities located along the California Coast comprise the competitive climate to be considered in assessing demand for a potential facility in Morro Bay. Appendix B identifies boatyard and haulout facilities by County, as follows.

ALAMEDA COUNTY

Bay Ship and Yacht Company, Alameda
Berkeley Marine Center, Alameda
British Marine, Oakland
Svendsen's Boat Works, Alameda
The Boat Yard at Grand Marina, Alameda

CONTRA COSTA COUNTY

Bay Marine Boatworks, Point Richmond
Bethel Harbor, Bethel Island
Bridgehead Marine Services, Antioch
Delta Boat Works, Isleton
Diablo Boat Works, Bethel Island
KKMI, Point Richmond
Marine Emporium, Bethel Island

LOS ANGELES COUNTY

Al Larson Boat Shop, Terminal Island
Colonial Yacht Anchorage, Wilmington
Gambol Industries, Long Beach
King Harbor Marine Center, Redondo Beach
Marina Shipyard, Long Beach
Seamark Marine, Marina del Rey
The Boatyard, Marina del Rey
Wilmington Marine Service Boatyard, Wilmington
Windward Yacht & Repair Center, Marina del Rey

MARIN COUNTY

Sausalito Shipyard & Marina, Sausalito
Bayside Boatworks, Sausalito
KKMI, Sausalito
North Bay Boatworks, Sausalito
Richardson Bay Boatworks, Sausalito
Spaulding Wooden Boat Center, Sausalito

NAPA COUNTY

Napa Valley Marina, Napa

ORANGE COUNTY

Balboa Boat Yard of California, Newport Beach Basin Marine, Newport Beach
BellPort Newport Harbor Shipyard, Newport Beach

Cabrillo Boat Shop, Newport Beach
Dana Point Shipyard, Dana Point
Larson's Shipyard, Newport Beach
South Coast Shipyard, Newport Beach,
Sunset Aquatic Shipyard, Huntington Beach

SACRAMENTO COUNTY

Ament Marine Services, Isleton

SAN BERNARDINO COUNTY

Dependable Performance Marine, Fontana

SAN DIEGO COUNTY

Driscoll Boat Works, San Diego
Driscoll Mission Bay Boat Yard & Marina San Diego
Fonteneau Yacht Repair, San Diego
Knight & Carver Yacht Center, National City
Koehler Kraft, San Diego
Marine Group Boat Works, Chula Vista
Nielsen Beaumont Marine, San Diego
Oceanside Marine Centre, Oceanside
Shelter Island Boatyard Yachtways, San Diego

SAN FRANCISCO COUNTY

Drake Marine, South San Francisco
San Francisco Boat Works, San Francisco

SAN LUIS OBISPO COUNTY

Morro Bay Boatyard, Morro Bay
Port San Luis Boatyard, Avila Beach

SAN JOAQUIN COUNTY

Delta Marine Services, Stockton

SANTA BARBARA COUNTY

Harbor Marineworks, Santa Barbara

VENTURA COUNTY

Chris Russell's Marine Services, Oxnard
Bell Port Anacapa Marine Services, Oxnard
Ventura Harbor Boatyard, Ventura

SOLANO COUNTY

Walton's Marine Repair, Rio Vista
Vallejo Boatworks, Vallejo

Appendix C: POTENTIAL FUNDING SOURCES

The Potential Funding Options section is intended to provide guidance on funding mechanisms that may be applicable to support on-going planning and implementation of a boatyard and haulout facility in Morro Bay. The inventory of potential funding options is meant as a "living document" and to be augmented as new opportunities arise.

Morro Bay has been very successful in identifying, pursuing and attaining funding sources to achieve community priorities on the waterfront. Examples include the City being awarded the National Fish and Wildlife Fisheries Innovation Fund grant (2013) to create the first Community Sustainability Plan in California, and support from the California Coastal Conservancy to fund a Business Plan (2008) and establish a state-of-the art ice machine (2006). The Morro Bay Commercial Fishermen's Organization has also worked very successfully with the Central Coast Joint Cable Fisheries Liaison Committee (CCJCFCLC) to fund four years of Economic Impact reports, and the CCJCFCLC and the City are funding this Market Demand Analysis.

The CCJCFCLC was formed to work directly with the fishing community to mitigate for loss and disruption of fishing grounds due to the installation and presence of communication cable(s) on the seafloor in local waters. The Committee is made up of representatives from the communication companies and the local fishing industry. While focused on fisheries in the Morro Bay and Port San Luis area, has funded projects that benefit regional fishermen, particularly the trawl industry as they were impacted the most heavily.

The following grant and debt sources may be applicable to fund parts of the on-going planning, entitlement and development of a boatyard and haulout facility in Morro Bay.

Grant Funding

CCJCFCLC Community Grants¹⁸ have provided funding for a range of projects in Morro Bay and should be considered for on-going planning and implementation.

The CCJCFCLC was formed to work directly with the fishing community to mitigate for loss and disruption of fishing grounds due to the installation and presence of communication cable(s) on the seafloor in local waters. The Committee is made up of representatives from the communication companies and the local fishing industry. While focused on fisheries in the Morro Bay and Port San Luis area, has funded projects that benefit regional fishermen, particularly the trawl industry as they were impacted the most heavily.

¹⁸ <http://www.slofiberfish.org/index.html>

CDBG Planning and Technical Assistance Grant, Operated by the California Department of Housing and Community Development, the purpose of the CDBG program¹⁹ is to create or retain jobs for low-income workers. This program provides funding for economic development projects, public infrastructure improvements, as well as housing and community related projects and activities.

SLO County Council of Governments (SLOCOG) Plans and Specs, SLOCOG provides funding to support specifications and plans for development projects aimed at community benefit. Port San Luis Harbor District has harnessed these funds for planning to extend the mobile hoist pier and improve the performance of their boatyard and haulout facility.

California Coastal Conservancy²⁰ may consider funding the entitlement or components of the development of the boatyard and haulout facility as it is aimed at the public good, serves a diversity of marine users groups and has a strong environmental stewardship component and strong support from the environmental community. The Coastal Conservancy's Urban Waterfronts Program funds a wide range of projects that promote public access to the coast, natural resource management, and restoration of urban waterfronts. These grants can include funding construction of infrastructure.

California State Coastal Conservancy's, Climate Ready Grant, while round 3 of this grant application was due on November 17, 2014, the community should consider future rounds as the boatyard and haulout facility is established. This grant is aimed at the following types of projects: Control and abate air pollution, specifically by reducing greenhouse gases; acquire, preserve, or restore natural areas or ecological reserves at risk due to climate change; protect nongame species and threatened and endangered plants and animals from the impacts of climate change; protect, enhance, and restore fish and wildlife habitat and related water quality where impacted by climate change; and acquire real property containing sensitive natural areas for parks to reduce the impacts of climate change.

California Sport-fishing and Boating Safety Act, grant funding that was used in 1999 to purchase a Travelift in the Ventura Boatyard, with matching funds from the Harbor District and the VHB. If this bill is re enacted in 2014, funds will be available through 2021.

National Fish and Wildlife Foundation, The National Fish and Wildlife Federation's Fisheries Innovation Fund Grant²¹ provides funding for improving capacity in fishing communities, including promoting participation in community-supported fishing associations; reducing bycatch; and improving fishery-related data collection and quantity for use in science, management and business purposes. NFWF is interested in subsequent rounds of funding to support implementation oriented projects.

¹⁹ www.hcd.ca.gov/fa

²⁰ <http://scc.ca.gov/category/grants/>

²¹ <http://www.nfwf.org/Pages/fisheriesfund/2012-fisheriesfund-rfp.aspx#.UR6cEEpVSrU>

California Sea Grant, California Sea Grant²² programs are structured around healthy marine ecosystems, sustainable resource use, coastal community development, new technology, and education, training and public information. Strategic goals include working with stakeholders to resolve conflicts over resource-use, creating social and economic incentives to encourage the preservation and sustainable use of marine resources, and promoting vibrant coastal economies.

Economic Development Administration (EDA), The EDA is part of the U.S. Department of Commerce. EDA investment programs²³ include: Global Climate Change Mitigation Incentive Fund, Public Works and Economic Development Program, Economic Adjustment Assistance Program, Research and National Technical Assistance, Local Technical Assistance, Planning Program, University Center Economic Development, and Trade Adjustment Assistance for Firms. Applications for EDA programs are evaluated based on the following guidelines: (1) market-based and results driven, (2) strong organizational leadership, (3) advance productivity, innovation, and entrepreneurship, (3) looking beyond the immediate economic horizon, anticipating economic changes, and diversifying the local and regional economy, and (4) high degree of commitment through local government matching funds, support by local officials, cooperation between business sector and local government.

Debt Funding

California Maritime Infrastructure Bank and Authority, The California Maritime Infrastructure Bank and Authority²⁴ services financing for ports and harbors, and provides lease financing for infrastructure used by ports and port tenants. The Bank and Authority is not a commercial bank, and only member authorities may participate in financing programs. Thus to seek funding from the Bank and Authority, the City of Morro Bay must become a member of the organization.

New Resources Bank (NRB), New Resources Bank²⁵ funds businesses and organizations that contribute to environmental and social sustainability. NRB is working with Ilwaco Fish Company and Wild Planet to facilitate their growth and capacity.

Community Lending, Under the federal Community Reinvestment Act (1977), depository institutions are required to help meet the credits needs of the community in which they operate. Many banks have community-lending programs. For example, Wells Fargo has a Community Lending division that provides interim construction financing for community development commercial real estate projects. Wells Fargo offers construction loans, permanent loans, bond financing, and letters of credit to developers and public agencies.

²² www-csgc.ucsd.edu/FUNDING/IndxFunding.html

²³ www.eda.gov/InvestmentsGrants/Investments.xml

²⁴ <http://www.californiamaritimeinfrastructureauthority.org>

²⁵ <https://www.newresourcebank.com/>

General Obligation Bonds. General Obligation Bonds may be sold by a public entity that has the authority to impose ad valorem taxes. Ad valorem taxes are based on an assessed value of real property and must be approved by a two-thirds majority vote of the people. Primary use of this tax is to acquire and improve public property.

NOAA Fisheries Finance Program. The NOAA Fisheries Finance Program is a direct government loan program²⁶ funded by Congress to provide long-term loans to aquaculture, mariculture, and commercial fisheries industries. There is no minimum or maximum loan amount, but it cannot exceed 80 percent of the eligible project's cost. The loan interest rate is fixed at two percent over the U.S. Treasury's cost of funds with loan maturities up to 25 years and no early pay-off penalties. A one-time filing/commitment fee equal to half of one percent of the proposed loan amount is required at the time the application is filed.

Community Facilities District (CFD). A CFD or Mello-Roos District is an area where a special property tax on real estate, in addition to the normal property tax, is imposed on those real property owners within a Community Facilities District. These districts seek public financing through the sale of bonds for the purpose of financing public improvements and services. The property tax paid is used to make the payments of principal and interest on the bonds. The services and improvements that CFDs can finance include streets, sewer systems and other basic infrastructure, police protection, fire protection, ambulance services, schools, parks, libraries, museums and other cultural facilities. By law, the CFD is also entitled to recover expenses needed to form the CFD and administer the annual special taxes and bonded debt.

U.S. Small Business Administration (SBA) Loan Programs. The 7(a) Loan Program includes financial help for businesses with special requirements. For example, funds are available for loans to businesses that handle exports to foreign countries, and for other very specific purposes. Qualifying businesses may use proceeds to purchase land or buildings, and/or to cover new construction as well as expansion or conversion of existing facilities. Commercial fishing vessels are eligible to receive loans under this program

The 504 Loan Program provides approved small businesses with long-term, fixed-rate financing used to acquire fixed assets for expansion or modernization. 504 Loans are typically structured with SBA providing 40% of the total project costs, a participating lender covering up to 50% of the total project costs, and the borrower contributing 10% of the project costs. Under certain circumstances, a borrower may be required to contribute up to 20% of the total project costs. To be eligible for a 504 Loan, businesses must be operated for profit and fall within the size standards set by the SBA. Under the 504 Program, a business qualifies if it has a tangible net worth not more than \$15 million, and an average net income of \$5 million or less after federal income taxes for the preceding two years prior to application.

²⁶ www.nmfs.noaa.gov/mb/financial_services/ffp.htm

Appendix E: FINANCIAL CALCULATIONS

The revenue projection calculations in Appendix D are drawn directly from the 110 completed surveys and the range of responses in the questions. As there are a total of 450 possible vessel-owner respondents in Morro Bay, 110 completed surveys yields a confidence interval of 8.25 and confidence level of 95% that those completed surveys represent the behavior of the total possible (450) respondents. Final calculations (from the surveys) are increased by a factor of 4.09 ($110 \times 4.09 = 450$).

For example, the average number of respondents who indicated that they engage in typical haulouts every year is 36.7. Those 36.7 represent the behavior of all 450 vessels with a confidence level of 95% and confidence interval of 8.25. As such, approximately 150.3 vessel owners would engage in a typical haulout annually. Similarly, 29 respondents claimed they engage in major haulouts every year (factored over 6 years). This 29 would translate to approximately 118.8 major haulouts per year in Morro Bay. The total number of haulouts, typical and major is the sum of 151 and 118 or 269.

Another example is Question 7, which asks: How much do you spend on a typical haulout? The four possible responses include less than \$1,000, between \$1,001 and \$5,000, between \$5,001 and \$10,000 and greater than \$10,001. Question 10 poses a similar opportunity for major haulouts. Lows and highs of possible responses were averaged and the subtotal was increased by a factor of 4.09 to arrive at the number of potential users (with a confidence interval of 8.25 and confidence level of 95%), 269.

All of these calculations assume that the boatyard and haulout facility in Morro Bay captures all of the money spent by vessel owner customers on typical and major haulouts and that the facility offers the services identified by respondents as the most important, such as (DIY) allowing vessel owners to work on their vessels and basic services: water blast, sanding, painting, zinc replacement, rudder and drive shaft maintenance and repair.

lisa wise consulting, inc.

planning economics natural resources



**Morro Bay Harbor Advisory Board
Marine Facilities Ad Hoc Committee Report
April 1, 2015**

The Morro Bay Harbor Advisory Board's marine facilities ad-hoc committee met on March 30, 2015 to discuss its review of the Lisa Wise Consulting, Inc. "*Morro Bay Boatyard and Haulout Facility Market Demand Analysis*" public review draft report, dated March 2015. Present for the meeting were Lexie Bell for the National Estuary Program; Dana McClish, Harbor Advisory Board member; Alan Alward, Harbor Advisory Board member; and Ron Reisner, Harbor Advisory Board member. Prior ad-hoc committee review activities included committee members Adrienne Harris for the National Estuary Program; Jeremiah O'Brian for the Morro Bay Commercial Fisherman's Organization; and Eric Endersby, Morro Bay Harbor Department Director, the City of Morro Bay contract liaison with Lisa Wise Consulting, Inc.

After considerable discussion of the public review draft report's content, to include its "Key Findings and Recommendations", the Ad Hoc Committee's current review comments are as follows:

1. Through the study, the Ad Hoc Committee has learned a great deal about the potential demand for a Morro Bay marine facility, and to some extent the potential nature of that facility, as it relates to local need and desire. The study captured data and information from various disparate sources, including local Morro Bay owner/operators of pleasure boats and commercial fishing boats, as well as from relevant marine facilities both North and South of Morro Bay along the California coast, to include San Francisco Bay.
2. The Ad Hoc Committee supports the concept of keeping a Morro Bay marine facility process moving forward, specific to the local needs of such a facility, with that process focusing on a marine facility that includes a vessel haulout capability, a working boatyard, and vessel storage.
3. The Ad Hoc Committee recommends that the Committee, as well as the City Harbor Director who served as the City's liaison to the market demand analysis study, have the opportunity to apply what it has learned by assisting in formulating the criteria for a future feasibility study focused on a Morro Bay marine facility, as a next step in the overall process. The Ad Hoc Committee and the Harbor Director have key information relative to the type, nature and scale of a marine facility in Morro Bay, and look forward to applying that information to the benefit of the process and the City.

Key Committee Comments

- There is information that suggests the California Joint Cable/Fisheries Liaison Committee may not at present be in a position to make available its funds that were at one time identified for further study of a Morro Bay marine facility.
- In part, the study achieved the following: identifying the types of marine facility demand expressed by the study's 110 survey respondents; articulating the considerable local support for a marine facility; and suggesting the involvement of experienced marine facility operators in future feasibility study.

- The Committee points out that concerning the “Timing is Everything” comments in Section 1.2 and 5.1 of the study report, circumstances would appear to have changed relative to those comments. For instance, the City reports that for the foreseeable future there will be no further discussions with Dynergy concerning City acquisition of Dynergy property (beyond the recent acquisition of the “triangle parking lot”). Also, Port San Luis is moving ahead with improving the capabilities of its marine Travelift facility. Such factors would appear to mitigate a short-term urgency factor in the “Timing is Everything” consideration.
- In Section 2.1 of the report, “Frequency & Cost”, it is not clear to the Committee what is meant by the “... or more ...” reference in the first and second sentences of the paragraph.
- Referring to the data provided in Sections 1.2, 2.1, and Appendix D of the report, and to the revenue projection cited in Section 5.1, a logic path between the two is apparent. However, the Committee points out that the mathematical calculations are dependent upon a series of assumptions that begin with information derived from the study’s survey. If the survey information is in any way incomplete or flawed, and/or the assumptions are not correct or fully defensible, the study’s conclusion is brought into question, i.e. that “Based on the findings of this project and understanding of the potential local demand of approximately 269 customer/vessels ...”, “... **\$1.74 million per year** ...” in revenue would be available for a Morro Bay marine facility. Such uncertainty would have implications for the study report’s recommendation, “... **that the community proceed with follow-on steps to test feasibility of and possibly pursue entitlements for a boatyard haulout facility in Morro Bay.**” Any such uncertainty could be addressed by activities such as those described in review comment 3. above, and the next bullet point below.
- The Committee recommends that enhanced demand data be pursued in future vessel owner/operator surveys, which expands upon potential Morro Bay marine facility user information. Such enhancements include survey content, as well as survey distribution and follow-up to encourage survey responses.
- In Section 5.1, page 37, paragraph 10), the report makes reference to, “... grants or low-interest loans for the next steps in the investigative process ...” as well as for the pursuit of, “... boatyard haulout entitlements ...”. Applying for such grants and/or low-interest loans would likely require very defensible market analysis data, as well as very defensible financial feasibility data and projections.