



<p>AGENDA NO: 8.b</p> <p>MEETING DATE: August 12, 2025</p>
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Staff Report

TO: Honorable Mayor and City Council

DATE: August 7, 2025

FROM: Gregory Kwolek, Public Works Director
Damaris Hanson, Utilities Division Manager

SUBJECT: Chorro Creek Floodplain Resilience Project Coordination with Coastal San Luis Resource Conservation District

RECOMMENDED ACTION

Direct Staff to coordinate with Coastal San Luis Resource Conservation District on the potential Chorro Creek Floodplain Resilience Project. Any formal agreements regarding the City's commitment to participation in this project would be brought to City Council for their approval consideration before any decisions were made impacting the City's property.

BACKGROUND

Special Condition 5 (SC-5) of the City's Coastal Development Permit (CDP) for the Water Reclamation Facility (WRF) Program requires the City to mitigate for agricultural lands displaced by the construction of the Water Resources Center. Staff had originally proposed an Agricultural Mitigation Program to address SC-5 (Attachment 1), which was approved by Coastal Commission Staff in 2023. As stated on page 8 of this report, the City was required to complete and submit a compliance report by May 1, 2025, on the status of the three agricultural mitigation projects not yet completed: Recycled Water for Agriculture, Pilot Denitrifying Treatment System, and Rangeland Enhancement Activities.

Prior to the May 1, 2025 deadline, City staff proposed changes to the Agricultural Mitigation Program to replace the Pilot Denitrifying Treatment System project and the Rangeland Enhancement Activities project with Chorro Creek Floodplain Resilience Project, which would be led not by the City but the Coastal San Luis Resource Conservation District (CSLRCD). This project, discussed below, involves the City granting an easement on City property to CSLRCD in the Chorro Valley to protect the area around the property from flooding. The proposed project has far greater benefits than the two requested to be replaced, and it leverages up to \$6 million in outside funding.

In response to the City's proposal, Coastal Commission Staff indicated a preference for the City to delay submission of an updated compliance report until after it was determined whether or not the Agricultural Mitigation Program would be revised with the new project concept. Coastal Commission Staff also indicated in writing their support for the City's proposed flood protection project (Attachment 2).

DISCUSSION

The Chorro Creek Floodplain Resilience Project, which would be led and largely funded by the CSLRCD, would include replacement of an existing Chorro Creek levee, originally installed by the U.S. Army Corp. of Engineers, located on City-owned parcel (APN 073-131-010). The project would provide flood mitigation to help protect ~17.7 acres of nearby prime agricultural land and to the

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northern portion of the City's property (Attachment 3). The project would require the City to grant an easement to CSLRCD of the lower third (approximately) of the City's 4.99-acre property, which sits in a County unincorporated area and is zoned for agriculture. The property is in the coastal zone and in a flood hazard area, limiting development potential.

Flood events in the lower Chorro Creek watershed cause significant agriculture losses. During the January 2023 storm events, the creek overflowed and caused damage to the surrounding agricultural land, estimated by the Farm Service Agency at an average of \$17,150/Acre in crop losses. Figure 4 in Attachment 3 shows Modeled Flood Events for different storm intervals and how the project could reduce flooding on prime agricultural land by ~17.7 acres during a 10-year flood event, which could result in a potential savings of ~\$300,000 for nearby agricultural users, assuming ~\$17,000/Acre of crop losses. These benefits to nearby agriculture would be credited toward the City's requirement to mitigate impacts to agriculture SC-5 from the WRF Program. Additional project benefits include:

- Increase in value of City's property as a significant portion of the property would have enhanced flood protection
- Reduction in flooding to nearby area, including two other City owned properties
- Protection of coastal infrastructure, including City-owned twin bridges on South Bay Boulevard

The CSLRCD is currently in the process of completing CEQA and will be initiating 65% design for the included projects in the next month or so. Construction for the projects are anticipated to start in 2027.

Given the project benefits, City Staff now seeks City Council direction to continue working with CSLRCD to develop this project and to ultimately include it in the Agricultural Mitigation Program to help satisfy SC-5. Any formal agreements regarding the City's commitment to participation in this project would be brought to City Council for their approval consideration before any decisions were made impacting the City's property.

FISCAL IMPACT

Staff expects the Chorro Creek Floodplain Resilience Project to cost the City far less than two projects being replaced, which were estimated to cost up to \$200,000 in 2023. Precise fiscal impacts of the Chorro Creek Floodplain Resilience Project are not yet known; however, the City and RCD will work to appraise City properties affected by the project to clarify fiscal impacts. Costs associated with this planning work would be funded through the WRF Program budget and/or RCD funding.

ATTACHMENTS

1. SC-5 Approved Agricultural Mitigation Program
2. June 4, 2025 Coastal Commission Correspondence
3. Floodplain Resilience Project – Morro Bay City Property (Site 7A) Technical Memorandum