



Council Agenda Report

From: Adam Spaulding, Solid Waste & Recycling Manager

Subject: Approve Resolution 24-XXX, to Approve a Contract with SWCA Environmental Consultants for CEQA Review for Annexation of 133 acres of City-owned Property Adjacent to the Landfill, Accompanying Preparation of Rezoning and General Plan Amendments, Exploration

CEQA Determination: The City finds that this action is not a project under the California Environmental Quality Act under State Guidelines Section State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378.

Date: February 6, 2024

Facts

1. The City owns and operates a municipal landfill (hereinafter referred to as the "Landfill"), located approximately 8 miles east of Highway 101 on State Route 46.
2. In 2005, the City purchased 133 acres of land adjacent to the Landfill as a buffer from development; however, the property was never annexed into the City.
3. The unannexed land is costing taxpayers approximately \$10,000 per year in property tax payments to the county.
4. Annexation involves a series of steps including: City Council adoption of a resolution of application, compliance with California Environmental Quality Act (CEQA), and application submittal to the Local Agency Formation Commission (LAFCO).
5. Annexation requires a General Plan Amendment, Pre-Zoning.
6. Development of an advanced biosolids processing plant would require a plan for services.
7. Beginning January 1, 2022, California Senate Bill (SB) 1383 required the City to procure recovered organic waste products to meet annual procurement targets. These requirements mandate the purchase of energy or material derived from organic waste diversion.
8. The advanced conversion of biosolids offers many potential benefits including conversion to renewable natural gas and the potential to mitigate polyfluorinated alkyl substances (PFAS).
9. The City's solid waste hauler currently has a fleet of trucks fueled by natural gas derived from fossil fuels. The City's solid waste hauler would satisfy the City's SB 1383 procurement requirements if they utilized renewable natural gas derived from organic waste products diverted from regional landfills.
10. The City's wastewater treatment plant—and those of neighboring jurisdictions—produce thousands of tons of organic solid byproducts (i.e., biosolids) annually. These biosolids contain persistent pollutants such as polyfluorinated alkyl substances (i.e., PFAS or "forever chemicals"). These pollutants must be mitigated to further protect the environment and minimize potential liabilities associated with pending changes to environmental regulations.
11. In order to comply with CEQA, the City must complete an Initial Study and an environmental document. The Initial Study is anticipated to confirm the City's understanding that a Mitigated Negative Declaration (IS/MND) will be appropriate for an array of potential future uses.

Community Outreach

To date, limited outreach has focused on exploring interest in the establishment of a regional advanced biosolids processing center. First steps undertaken involved the establishment of a Central Coast Regional Biosolids Cooperative to gauge regional interest. Initial research indicates there is an adequate volume of biosolids to make a regional facility with advanced processing equipment a viable solution to satisfy environmental mitigation needs and regulatory requirements.

The Central Coast Regional Biosolids Cooperative members include: the Cities of San Luis Obispo, Santa Maria, Atascadero, Morro Bay, Pismo Beach, Santa Barbara, the Cayucos Sanitary District, South San Luis Obispo County Sanitation District, Avila Beach Community Service District (CSD), San Miguelito Mutual Water Company, Templeton CSD, San Miguel CSD, Cambria CSD, Goleta Sanitary District, and Nipomo CSD. Additional interest and support has been expressed by: Integrated Waste Management Authority, Upper Salinas-Las Tablas Resource Conservation District and San Luis Obispo Air Pollution Control District, The Governor's Office of Business and Economic Development, and the California Air Resources Board.

Options

1. Take no action;
2. Authorize the City Manager or their designee to undertake the work necessary to prepare the rezoning and associated general plan amendments, and enter into a contract with SWCA Environmental Consultants not-to-exceed \$60,912 for CEQA review of the LAFCO application submittal for Annexation of 133 acres of City-owned property adjacent to the City's landfill and, if approved by the City Council below, other issues necessary to pursue the grant opportunities.
3. Authorize City staff to apply for relevant federal and state grants to fund a potential regional facility for advanced processing of biosolids and necessary associated infrastructure.
4. Provide alternative direction to staff.

Analysis and Conclusions

The purpose of this report is for two related, but separate, objectives. First, annexation of the City owned land adjacent to the landfill would save the City approximately \$10,000 per year because City-owned property within the City limits is exempt from property taxes (the City has paid over \$100,000 in property taxes to the County of San Luis Obispo since the City purchased the property in 2005). As such, annexation of this land into the City would remove this annual expense.

The second objective of this report is to obtain feedback and approval from the City Council to pursue potential federal and state grant funding for the establishment of a regional facility for advanced processing of biosolids (or any other future concept that could be developed at the property).

The 133 acres of unused City land adjacent to the landfill is sufficient to support the installation of a regional facility that receives a variety of organic waste streams, including biosolids, and convert it into renewable energy and other valuable commodities. A written description of such a potential facility is included with Attachment 1. Based on preliminary analysis, the landfill's location is advantageous as it lies on the region's largest east/west transportation corridor. A regional facility, as described, would create regional benefits that address state and federal regulations and would mitigate environmental risks.

Subject to compliance with CEQA, City staff are seeking feedback and approval from the Council to pursue potential state and federal funding for such a project through various grant programs for the development of a biosolids processing project. Further, if City investment is required, staff would seek direction from

Council to fund Design, Build, Finance, and Operational agreements (pursuant to a competitive Request for Proposal (RFP) process).

In addition to general use of the land, Staff is contemplating, subject to compliance with CEQA, seeking and securing of grants and/or private investment options to deliver a facility capable of addressing a regional solution, with little to or no cost to City's taxpayers. Discoveries and potential grant awards would be brought to City Council for consideration of acceptance.

City staff has led the formation, via a memorandum of understanding, of regional exploratory cooperative between 16 various local agencies in San Luis Obispo and Santa Barbara Counties (listed above). The purpose of the cooperative is to explore and evaluate future development of a regional facility large enough in scale to establish the advanced processing of biosolids. A regional approach with dedicated waste volume would make future investment from private businesses possible.

If City Council declines to approve a contract with SWCA Environmental Consultants for CEQA review of potential annexation, preparation of general plan amendment, rezoning, and development of the City-owned property adjacent to Landfill; the opportunity for many significant state and federal grants will diminish opportunities to develop a regional solution to the identified biosolid disposal problems. The City is uniquely positioned to explore and potentially develop a regional solution addressing legal, regulatory, health, safety and environmental challenges facing the Central Coast region.

Fiscal Impact

The current work needed for CEQA review for Annexation of City-owned Property Adjacent to the Landfill and the potential biosolids facility is \$60,912 by SWCA Environmental Consultants. Additional filing, application and equalization fees are estimated to account for an additional \$12,855. These costs will be offset, in part, by property tax savings (\$10,000 per year), which had previously been paid to the County of San Luis Obispo. City staff recommends annexation as it supports the responsible use of government funds.

After compliance with CEQA, and should the Annexation, General Plan Amendment, and rezoning be approved, additional funding will be needed should the City Council support the development of a comprehensive RFP design, building, and operation (and financing) of a facility to remedy identified regulatory and environmental concerns previously discussed.

Depending on the City's ability to secure grants or additional funding methods (bonds, loans, etc. if desired), the City would also anticipate revenue from the development of a Regional Renewable Energy Park (RREP). The higher the grant total secured for the development of the program, the higher the share of revenue realized by the City once an RREP was operational. Through the associated tipping fees, renewable fuel sales, environmental credit sales/use, biochar sales, associated SB 1383 procurement savings, as well as additional future development opportunities, a Regional Renewable Energy Park will prove to be a source of additional revenue for the City.

As previously mentioned, the approach contemplated by City staff would require a relatively small initial investment, and existing revenues from the landfill are more than sufficient to cover costs. Significant opportunity for federal and state grant funding exists. There is also interest from non-government-organizations for financial investment that would fund development of a Regional Renewable Energy Park. Public-private partnerships are unique arrangements that facilitate capital intensive developments to the benefit of City's taxpayers.

CEQA

The City finds this particular action is not a project under the California Environmental Quality Act pursuant to State Guidelines Section State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378. This item is intended to procure the environmental documents needed for complete CEQA review for Annexation of City-owned Property Adjacent to the Landfill, accompanying preparation of rezoning and general plan amendments, application for relevant federal and state grants to establish a regional facility for advanced processing of biosolids and potential development of a regional facility for advanced processing of biosolids.

Recommendation (Options 2 and 3)

Authorize the City Manager or their designee to undertake the work necessary to prepare the rezoning and associated general plan amendments and enter into a contract with SWCA Environmental Consultants not-to-exceed \$60,912 for CEQA review of the LAFCO application submittal for Annexation of 133 acres of City-owned property adjacent to the City's landfill; and, if approved by the City Council below, other issues necessary to pursue the grant opportunities; and

Authorize staff to explore and apply for relevant federal and state grants to fund a potential regional facility for advanced processing of biosolids and necessary associated infrastructure.

Attachments

1. Resolution 24-XXX - Approving the Contract with SWCA Environment Consultants
 - a. Exhibit A – SWCA Paso Robles Landfill Annexation Proposal
2. Project Description for Regional Renewable Energy Facility
3. Annexation Project Area Map
4. Sole Source Justification for CEQA Consultant