

Sustaining Agriculture and Conservation in the Coyote Valley:

June 20, 2012 DRAFT - Overview of Recommendations
Conserving Coyote Valley Agriculture Feasibility Study Phase II

***What is the vision, what will it take, when can it be achieved,
and what will it cost?***

BACKGROUND

The purpose of the *Conserving Coyote Valley Agriculture Feasibility Study (Study)* is to assess the potential for creating an economically viable and ecologically and culturally valuable, agricultural resource area for the 7,000 acre Coyote Valley (Valley), located just south of San Jose. The Study is funded by and being conducted in partnership with the San Francisco Bay Area Program of the State Coastal Conservancy (SCC) in partnership with the Santa Clara County Open Space Authority (OSA). The Study is guided by an Advisory Committee that includes landowners, farmers, City, County and other key agencies, organizational partners, and funders.

The Study is organized in two phases. The purpose of Phase One, completed in December 2011, was to investigate existing conditions and to make a determination of baseline feasibility. Based on the findings from the existing conditions research, opportunities and constraints analysis, and input from key technical advisors, it was determined that there was sufficient baseline feasibility to undertake Phase Two.

The purpose of Phase Two is to: (1) refine the overall vision and formulate objectives; (2) evaluate specific conservation mechanisms and financing models that could be employed to support economically viable agricultural operations and an ecologically valuable resource area; and (3) identify potential implementation strategies and options for governance and ongoing management. Phase Two defines the “service area” for Coyote Valley agriculture and the economic and environmental benefits that would accrue to the surrounding community and the greater Bay Area.

This document outlines the recommendations for the specific actions and resources necessary to enhance and permanently protect important agricultural and natural resources and make agriculture feasible in the Coyote Valley.

WHAT WE ENVISION

Vision for a Permanent Agricultural Resource Area

“The Coyote Valley is home to a regionally significant agricultural resource area that permanently conserves important farmland and key habitat; supports livelihoods for its farmers, ranchers and agricultural employees; provides healthy food and a recreational amenity for Bay Area communities; and protects important ecological and cultural resources of the region.”

Taken as a whole, the Coyote Valley is a single and singular place. It is a long, wide alluvial valley bounded by the foothills of the Santa Cruz Mountains to the west and north and by Coyote Creek and, beyond the creek, by the foothills of the Diablo Range to the east. This location between major uplands ecosystems and as part of the flatland for a large watershed for San Francisco Bay, gives the valley its unique and regionally-important natural resource values. Its urban geography is well located between the City of San Jose and the Bay Area metro region (7 million people) to the north and the smaller City of Morgan Hill to the south. This urban-edge context, combined with its agronomic values, has made the valley a significant agricultural resource area for the region for centuries.

In terms of current land use and regulatory context, the Coyote Valley is three places, South Valley, Mid-Valley, and North Valley. The South Valley is an unincorporated area designated by the County and neighboring cities as a “non-urban buffer” and is characterized by a mosaic of residential, recreational, business, and agricultural land uses. The Mid-Valley is an unincorporated area designated as “urban reserve” by the City of San Jose and is characterized by large scale agricultural land uses with a small pocket of residential land uses. The North Valley, part of San Jose and designated as “campus-industrial”, is characterized by large-scale agricultural land uses and includes one tech campus.

This Study considers the Valley as a whole as well as its three subareas in formulating the vision and phased, recommended actions for protecting and enhancing Coyote Valley agriculture and habitat. Recommendations for the start-up phase are based on the significant distinctions between the three subareas. The second phase or “stabilization” phase, it is expected that implementation of recommended actions would begin to foster common elements between the three subareas. The fulfillment of the vision for long-term stability would result from the implementation of recommendations that emphasize the sustainability of agriculture and conservation within the whole valley, and as part of the regional sustainability context.

Goals for a Permanent Agricultural Resource Area

Starting goals for the three subareas: *To create a valley-wide framework, such that*

- *The **South Valley** anchors this framework by maximizing the viability of agriculture as a major, permanent land use within a mosaic of lands uses and habitat enhancements*
- *The **Mid-Valley** amplifies this framework by supporting the viability of agriculture and habitat enhancement as major, defining and integral elements of the Valley.*
- *The **North Valley** extends this framework by building on the synergy between development goals and agricultural and habitat conservation resource area goals within the Valley*

Below are the overall goals with key objectives *for the long-term sustainability of agriculture and conservation within the valley as a whole*:

Goal 1. *Protect and enhance important agricultural resources*

- A range of mechanisms are used to secure permanent protection of at least 70% (around 3,000 acres) of the existing 4,300 acres of farmland.
- Provision is made for a sufficient, reliable, and affordable supply of irrigation water for agriculture.
- Soil quality and biodiversity, essential elements of sustainable agriculture, are significantly enhanced.
- Organic and sustainable production are the predominant agriculture systems.

Goal 2. *Maximize the economic viability of agriculture*

- An Agricultural Enterprise Program (AEP) is established as the foundational element that supports all aspects of agricultural viability, including regulatory streamlining, education and training, public and private investment, and public engagement and awareness.
- A marketing and branding effort as a component of the AEP contributes to the success of individual farmers, increases the value of and awareness of products and producers, coordinates valley-wide events and programs, and fosters the recognition of the Valley as a significant agricultural resource of the region.
- Farmers, both current and new, have access to the technical, financial, HR, and marketing assistance they need to increase their profitability.
- Key infrastructure systems, ranging from processing facilities to traffic calming mechanisms are established.
- Partnerships facilitate transitions between retiring and aspiring farmers, help coordinate demand and supply of fair labor, and help support training and internships programs.

Goal 3. *Conserve and enhance ecological function and habitat value consistent with local general plans and other regional conservation efforts*

- Key habitats, particularly for endangered species, species of special concern, and species indigenous to the Valley, are conserved and restored.
- The valley's function as an area that supports connectivity between ecosystems, is preserved and enhanced.
- The valley's hydrologic function including surface flows in creeks, ground-water recharge, and storm water conveyance, is protected and enhanced
- Co-management that optimizes and balances habitat value, agricultural production, and food safety, is widely practiced.
- There are multiple programs and facilities for natural resources and agricultural education for all age and interest groups, as well as opportunities for research collaborations with institutions and agencies.
- Given the primary focus on agricultural viability any conflicts between agriculture and ecological/habitat goals are addressed with best practice technologies and methods.

Goal 4. *Conserve and enhance key cultural and recreational resources*

- Cultural and recreational resources are integrated with agricultural and natural resources to create a mosaic of compatible activities and attractions that draw visitors to the Valley and support agro- and eco-tourism
- Cultural resources, such as the Coyote Hamlet, that contribute historic context and interest, are protected and enhanced.
- Improved and new trail connections through the valley link with existing regional trail systems and visitor destinations within the valley (e.g., farm stands, harvest festivals, pick-your-own farms, etc.)

Goal 5. *Engage landowners, farmers, community leaders, and other key stakeholders in developing and managing the agricultural resource area*

- Landowners and farmers are invested in the development and management of the resource area.
- Nearby communities regard and interact with the Valley as a valued amenity.
- Ongoing opportunities are fostered to align public benefit with private economic benefit

Goal 6. *Position the agricultural resource area in the context of local and regional sustainable communities strategies*

- The resource area reflects and furthers City, County, and regional sustainable communities goals, objectives, and strategies.

PROGRAM RECOMMENDATIONS: WHAT IT WILL TAKE

The recommended vehicle to achieve the vision for the Valley is the *Coyote Valley Agricultural Enterprise and Conservation program* (COVAEC). This program would develop a multi-faceted system to coordinate public, private, and philanthropic investments to optimize economic, environmental, and social returns while sustaining and enhancing agricultural and conservation activities in the Coyote Valley. The COVAEC would recognize that conditions vary in each part of the Valley (e.g., North, Mid, and South), and would call for different activities in different parts of the Valley as applicable. The Program would be developed incrementally over time.

Key components of the COVAEC include:

1. *Overall project management, coordination and advocacy*
2. *Programs to address physical and infrastructure needs for farming, conservation and recreation*
3. *Programs to address human capital needs*
4. *Programs to address financial needs and to attract investment in the area*
5. *Programs to market the place, its products and its importance to the region*

Within the framework of support created by the overall project management and advocacy activities and programmatic components, individual farmers and property owners would continue to make their own decisions about how to use their land. Those wishing to take advantage of the support and resources put in place by the COVAEC will have access to an expanded range of tools and resources that would promote long-term economic viability of agricultural operations and enhanced habitat values within the area.

Following are brief descriptions of the recommended components of the COVAEC and their constituent activities.

1. Overall Project Management, Coordination and Advocacy

The COVAEC program will be implemented over a period of 20 years. It requires leadership, coordination, and ongoing advocacy. Initially, the program requires, at the minimum, core funding and a dedicated staff person(s) to initiate implementation and to begin building program capacity. To minimize the start-up requirements, it is recommended that this person work under the umbrella of an existing stakeholder organization willing to establish the position as an extension of its current scope of operations. Other partner organizations are expected to assist in funding the position and overseeing program start-up. Assuming successful implementation of “Start-Up” Phase activities, after five years or so, the COVAEC program may become an independent organization. In addition to overall project management and coordination, recommended management components include:

- a. Formation of a governing Advisory Board to direct activities and initiatives, to support fundraising efforts, and to guide program growth
- b. Formation of sub-committees that include representation from a wide variety of Valley stakeholders to spearhead main programmatic elements.
- c. Advocacy activities that seek to integrate the COVAEC program into ongoing and future initiatives, plans and policies at the local, regional, State, Federal, private sector and philanthropic realms.

2. Programs to Address Physical Needs of Farming, Conservation, and Recreation

Long-term success of the COVAEC project requires programs that ensure that the Valley farmers have land and water to grow their crops. Current threats to the availability of land and water include escalating costs of land and uncertainty about the supply of water to service long-term needs within the valley. The success of the COVAEC requires the enhancement and protection of habitat as a land use function complementary to and supportive of agriculture. It also requires integration with existing and new recreation facilities, especially trail systems, as an important component for agtourism opportunities. Program components include:

- a. Preservation of priority areas not currently planned for development
- b. Securing water supplies for agricultural and habitat resources

- c. Creating an “agricultural and habitat infill” program and developing “infrastructure” that supports agricultural operations
- d. Continuing to explore options for tools to aggregate agriculture lands

3. Programs to Address Human Capital Needs

Farmers and farm-workers represent a third fundamental requirement for farming in Coyote Valley. It is necessary to support existing farmers and to “cultivate” a new generation of farmers to establish new operations and to step in to fill the vacuum as existing farmers enter retirement. In addition, an anticipated transition to more diversified and intensive farming activities require increases in farm labor. Program components include:

- a. Technical assistance for farmers
- b. Recruitment, training, and mentoring of new and beginning farmers
- c. Preserving and expanding farmer and farm-worker housing opportunities

4. Programs to Address Financial Needs and attract Investment in the area

The COVAEC program requires a range of investment mechanisms in order to fully realize the vision. In addition to traditional sources of private capital, the program utilizes grants, loans, and investments from public and philanthropic sources. Program components include:

- a. Seeking funding from existing programs that have compatible or mutually beneficial objectives
- b. Establishing a pool of funds for COVAEC programs and projects
- c. Utilizing various financial tools to offset costs of COVAEC projects
- d. Establishing a cooperative, assessment district, and/or other organizational structures among Coyote Valley farmers to assist with funding/financing needs

5. Programs to Market the Place, its Products and its Importance to the Region

Marketing programs under the COVAEC serve two different but related purposes. The first is to build awareness of the Coyote Valley, attract visitors to the area for ongoing activities and special events, and build a constituency for the COVAEC program itself. The second is to build market awareness of Coyote Valley produce and products as a way to increase overall demand for Coyote Valley products (thus supporting expanded production in Coyote Valley) and to enhance the value of its products (thus enhancing economic viability). Program components include:

- a. Education and outreach
- b. Branding and identity initiatives
- c. Visitor attractions to Coyote Valley
- d. Product marketing activities

WHEN IT WILL HAPPEN

In all likelihood, the tools proposed as part of the COVAEC will be implemented over a 20 to year time period in order to achieve the vision for conserving Coyote Valley agriculture. In addition, when all project goals are met, continuation of certain coordination and marketing functions would be needed. Following is an overview of several phases of the project that provide the reader with a sense of the progression of activities over time that leads to achieving the goals outlined herein.

Start-Up Phase: Establish Momentum, Organizational Capacity and Initial Programmatic Support (2012-2015)

The start-up phase of the program involves establishing the organizational capacity to manage the implementation of the various program components and to build advocacy at the local, regional, state, and national levels for necessary supporting policies and resources. Critical first steps include: developing a management agreement with an existing entity to ‘house’ the project; establishing an Advisory Board to provide oversight and champion the project; establishing sub-committees to ensure that specific program areas are realized,; establishing start-up funding commitments; hire dedicated project staff; and begin initial implementation activities. Start up implementation activities include:

1. Management and advocacy

- a. Establish agreement with managing entity to provide fiscal sponsorship and program oversight
- b. Establish Advisory Board including funders, landowners, farmers and representatives of key agencies, and plan a regular meeting schedule; establish sub-committees, as feasible, of Coyote Valley farmers and South Valley land owners.
- c. Secure core funding for Start-up Phase.
- d. Retain core staff/consultants: a COVAEC Program Development Manager (50%-100% FTE) responsible for initiating start-up program elements with a major focus on partnership building and engagement in current, related initiatives; and a Fundraising-Development Consultant (~ 25% FTE) responsible for writing grants and producing a business prospectus for potential investments.
- e. Conduct advocacy activities with local (cities and County), regional, State, Federal, private sector and philanthropic realms in order to catalyze support for COVAEC and seek integration of COVAEC programs into various initiatives, plans, and policies that have shared objectives.
- f. Grow the capacity of the COVAEC program based on Advisory Board guidance and availability of funding; if and as warranted, initiate process of forming an independent organization.
- g. Establish baseline for longitudinal study of diversified farming systems (social, economic, & environmental) in the Coyote Valley as a model for multifunctional urban-edge agriculture.

- h. If the concept of a Priority Ag Conservation Area (PACA) is developed as a subset of Priority Conservation Area (PCA) designations for the SCS, advocate for the inclusion of the Mid-Valley.

2. Physical and infrastructure needs for farming, conservation, and recreation

- a. Secure an agreement from the Water District to the effect that the District will plan for an adequate water supply (~ 10,000 acre feet/year) for agriculture. Methods could include ground water recharge and/or provision of infrastructure (e.g. the cross-valley pipe-line or use of Fisher Creek as a canal)
- b. Based on input from farmers and funding availability, develop “infrastructure” that supports agricultural operations, such as water distribution infrastructure (likely in partnership with Water District and the Guadalupe-Coyote RCD); hedgerow plantings for habitat provision (e.g. beneficial insects and corridor dwellers) on farm edges and along road-ways; and cold storage and processing facilities (likely on specific farms, perhaps with funding support tied to facility-sharing provisions)
- c. In South and Mid Valley, facilitate preservation of priority areas not currently planned for development, through fee title purchase, easements, Williamson Act contracts, and other mechanisms, in order to provide a critical mass of land for production agriculture and habitat conservation.
- d. In South Valley, create an “agricultural and habitat infill” program as a means to put smaller parcels of land that are currently interspersed within the urban mosaic into productive agricultural or habitat use compatible with adjacent residential or commercial uses; this activity could start with a demonstration project.
- e. In South and Mid Valley, continue to explore options for establishment of dedicated trails and/or trail easements along roadways, and potentially in between and or through private properties; likely in partnership with the Santa Clara County Park District.
- f. In the South or Mid Valley, establish demonstration farm on at least 10 acres that shows best practices for diversified, organic, high value agriculture integrated with on-farm habitat enhancement.
- g. In South Valley, continue to explore feasibility of options for tools such as Transfer of Development Rights programs, and cluster development approaches that could help to aggregate agriculture lands to help support habitat viability as local and regional conditions change over time.

3. Human capital needs

- a. Support needs of farmers for financial, technical, and marketing assistance by connecting them with the relevant resources and providing any direct assistance as feasible; (the Asian Greenhouse Growers would be a specific focus).
- b. Work with existing landowners to identify/create opportunities for experienced farmers to establish new or expanded operations for higher value agricultural production in South and Mid Valley; in collaboration with CA FarmLink and ALBA, recruit farmers for these new opportunities; in collaboration with the Stanford Nonprofit Law Clinic, keep abreast of best-practices lease terms.

- c. Working with incubator farm organizations, urban agriculture leaders, funders, and landowners, identify opportunities to create an incubator farm site. The target audience would be new and beginning farmers and community gardeners seeking to scale up to a small commercial scale.

4. Financial needs

- a. Based on priorities identified by farmers, conservationists, and key stakeholders, seek funding from existing programs that target compatible objectives (e.g., existing loan and grant programs such as USDA, NRCS, CalFreshworks; land conservation funds; regional food systems funders, etc.)
- b. As feasible, establish and manage a pool of funds specifically targeted for grants, investments, and loans for COVAEC projects.
- c. Continue to explore the feasibility of utilizing tools such as TDRs, ecosystem services payments, carbon sequestration payments, mitigation payments, mitigation land/easement purchases, etc. to offset costs of COVAEC program elements.
- d. Advocate for recognition of the Coyote Valley by San Jose, Morgan Hill, and LAFCO, as a desired location for agricultural and habitat mitigation
- e. Explore the feasibility of establishing a cooperative, assessment district, and/or other organizational structures among Coyote Valley farmers that would raise funds to support certain programs that are best undertaken by a group, rather than individually (e.g., cooperative advertising, shared infrastructure, etc.)

5. Marketing programs

- a. In collaboration with farmers, establish a marketing campaign to build awareness about farmers and their farm products, including their availability, seasonality, and market outlets; activities would include construction of a website; linkages with existing relevant local marketing initiatives; and participation in and organization of special events
- b. In collaboration key stakeholders, including farmers, Coyote Valley businesses, conservation organizations, the County Parks Department, and Water District, promote the multiple experiences available to Coyote Valley visitors; develop additional educational experiences and special events.
- c. Develop and promote a Coyote Valley brand

Stabilization Phase: Protect Priority Areas, Develop Critical Agricultural Infrastructure, and Transition to Higher Value Agricultural Production (2012-2022)

A key goal of the stabilization phase is to create a critical mass of productive agricultural land for ongoing agricultural activities within the Coyote Valley. Approximately 1,000 to 2,000 acres is needed which is 50% of the Coyote Valley acreage currently in production. Other related goals are to make investments that enhance the viability and profitability of farming and to increase the agricultural production value within Coyote Valley from the current average of approximately

\$2,500 per acre per year (excluding mushroom production) to around \$7,500 per acre per year (an average gross for fruit and vegetable production within the County).

Within the next 10 years, the COVAEC program will work with interested property owners, farmers, the City of Morgan Hill, the City of San Jose, Santa Clara County, and interested conservation organizations to establish interim and permanent protection for agricultural and habitat lands within the Mid and South Valley areas.

The program will also secure funding for additional agricultural infrastructure, trail easements, and a small ag-tourism and public education facility. During this phase, the funding for the project's ongoing organizational, advocacy, and marketing functions would begin to transition from primarily philanthropic grants to funds that are either self-generated, or generated from mechanisms that are intended to support projects such as this.

Examples of new program and/or project activity that would be added during the Stabilization Phase include:

In the South Valley:

- Continued facilitation of a program to match interested residential landowners who have at least 10 acres of arable land, with new farmers who can work on smaller scales. This could include a demonstration vineyard.
- Continued exploration of TDR options, perhaps linked with clustered development, as a means to aggregate and protect larger areas of agricultural land.
- Facilitating permanent protection of, and ongoing productive management of, priority agricultural lands.

In the Mid Valley:

- Facilitating permanent protection and ongoing productive management of priority agricultural lands.
- Facilitating permanent protection and enhancement of habitat, especially on farms and also on lands adjoining farms and along trails and roads, to enhance connectivity values

In the North Valley:

- Engaging developer landowners to explore concepts for inclusion of habitat and agricultural functions in and around development projects to provide for an amenity and to "connect" this area culturally and aesthetically to the balance of the Valley.

Final Phase: Long-Term Stability (2012-2035)

The schedule goal for the project is to achieve long-term stability for Coyote Valley agriculture and conservation by 2035. By this time, agriculture would be the main driver of economic investment within the Valley, generating as much as \$40 million in annual production and agtourism revenues, employing 1,200 workers (around 1 worker per 5 acres, an additional 300 Monterey Mushroom employees, and additional agtourism and education workers), and meeting

a significant portion of the food needs of the Bay Area metro region. Approximately 3,000 acres of land would be protected for agricultural use (around two thirds of all lands currently in agricultural production), and other land uses in the Valley would be developed so that they not only complement and support the agricultural activity, but they benefit from their proximity to this thriving agricultural district. Funding for maintenance of ongoing program components would be self-sustaining (e.g., participating growers would support cooperative marketing programs, etc.). Examples of ongoing program activities include:

- As requested by farmers, the COVAEC would establish a centralized food hub that provides processing, distribution, and marketing functions.
- A partnership of existing organizations and the COVAEC would develop, endow, and manage, a permanent education center. Offerings would include programs and experiential activities for a wide range of audiences, on subjects such as agricultural and natural resources, the history and geography of the valley, and myriad agricultural and naturalist topics. This center would also help coordinate agtourism activities and facilitate the engagement of volunteers for example in habitat enhancement projects. Such a center would cost around \$10 - \$15 million to develop and would have an annual operating budget of around \$1.5 million.

Ongoing Operation (Beyond 2035)

Once long-term stability is achieved for Coyote Valley, it is advisable for the COVAEC to continue to function, to provide overall coordination and marketing, and ensure that as property ownership turns over, established farmers retire, new farmers take their place, and market conditions evolve, the Coyote Valley remains a relevant and a key agricultural district that responds to the needs of the Bay Area region. Examples of ongoing activities, which would establish COVAEC as a key component of the Bay Area metro regions foodshed:

- In partnership with organizations such as FarmLink, COVAEC would facilitate transitions between retiring and aspiring farmers.
- Beyond its role in the Coyote Valley, the COVAEC would support and advise on other local and regional efforts, such as the establishment of wholesale produce and flower market and public marketplace in San Jose, and the establishment of a Bay Area Agricultural Economic Development Commission.

PROGRAM RECOMMENDATIONS: WHAT IT WILL COST

This section provides an overview of estimated project costs, for each of the three phases of implementation described above. Provided below are estimated start-up costs and annual operating costs for the Start-Up phase. It is necessary to secure these funds from supporting partners as an initial investment in establishing the program. Then, the Stabilization Phase and the Final Phase sections provide estimates of the incremental capital costs necessary to support

activities during these phases as well as the ongoing annual operating costs during each phase. Finally, the Ongoing Maintenance section provides an estimate of the ongoing expenditures that would be necessary to support the program on a perpetual basis.

Start-Up Phase

Initial Capital Costs

Annual Operating Costs During Phase

Stabilization Phase

Incremental Capital Costs Through End of Phase

Annual Operating Costs During Phase

Final Phase

Incremental Capital Costs Through End of Phase

Annual Operating Costs During Phase

Ongoing Maintenance

Annual Operating Costs

