



→ *coyote valley* SUSTAINING AGRICULTURE & CONSERVATION

FEASIBILITY STUDY AND RECOMMENDATIONS
NOVEMBER 2012

executive summary

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 within the 7,400 acre Coyote Valley (Valley), located just south of San Jose. The genesis of the Study was the opportunity, following the cessation of the Coyote Valley Specific Plan, to reconsider a future for the Valley in which agriculture would be revitalized as a significant regional resource. The Study was organized in two phases. The purpose of Phase I, completed in December 2011, was to investigate existing conditions and to make a determination of baseline feasibility.

The purpose of Phase II was to: (1) refine the overall vision and formulate objectives; (2) investigate certain existing conditions in more depth than the Phase I work allowed; (3) evaluate specific conservation mechanisms and financing models that could be employed to support economically viable agricultural operations and an ecologically valuable resource area; and (4) identify potential implementation strategies and options for governance and ongoing management.

The project was funded by a grant from the San Francisco Bay Program of the State Coastal Conservancy and was advised by a Partner Group from the Coastal Conservancy, the Santa Clara County Open Space Authority and The Health Trust. Phase II was guided by an Advisory Committee that included landowners and farmers; representatives from the City of San Jose, City of Morgan Hill, Santa Clara County and other key agencies; and organizational partners and funders. The Phase I and Phase II reports are available for download from the website of the project funder: <http://scc.ca.gov/overview-the-san-francisco-bay-area/coyote-valley/>.



The vision and goals reflect input from key stakeholders.

➔ *vision*

“The Coyote Valley is home to a regionally significant agricultural resource area that contains both 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.”

GOALS ➔

1. Protect and enhance important agricultural resources
2. Maximize the economic viability of agriculture
3. Conserve and enhance ecological function and habitat value consistent with local general plans and other regional conservation efforts
4. Conserve and enhance key cultural and recreational resources
5. Engage landowners, farmers, community leaders, and other key stakeholders in developing and managing the agricultural resource area
6. Integrate the agricultural resource area into local and regional sustainable communities strategies
7. Position any future development as synergistic with agriculture and conservation goals

The full report states objectives for these goals as well as implementation challenges and opportunities.

STUDY METHODOLOGY and FINDINGS: WHAT WE LOOKED AT and WHAT WE FOUND

The Study's Phase I Report investigated existing regulatory and physical conditions and current land uses. Phase II expanded the analysis of existing conditions in order to look more closely at specific conditions that are critical for sustaining agriculture and conservation: (1) the considerable differences in land uses, land values, and landowner expectations between the South, Mid and North parts of Coyote Valley; (2) availability of water for irrigation; (3) current cropping patterns and trends; (4) and land value trends.

Phase II also looked at a wide range of tools and mechanisms, as well as at exemplary models and case studies that successfully employ many of these tools. Finally, more in-depth analysis of local, regional, state and federal policy context was undertaken in order to identify the range of policies supportive of sustaining agriculture in the Coyote Valley, in Santa Clara County, and in the region.

Coyote Valley as a Sum of its Parts

Physically, the Coyote Valley is a single and singular place. However, in terms of current land use and regulatory context, the Coyote Valley is three places: South Valley, Mid-Valley, and North Valley. The Study primarily considered the Valley as a whole in creating the vision and goals for protection and enhancement of agriculture and conservation areas. In Phase II it became clear that development of objectives, articulation of challenges and opportunities, and formulation of strategies, required consideration both of the whole valley and of the South, Mid and North as separate and distinctive areas of the valley.

The objectives for the South, Mid and North spring from the overall vision of creating a valley-wide framework for a vital agricultural resource area, such that:

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

Existing Conditions Update: Availability of Water for Irrigation

The hydrology of the Coyote Valley is complex in terms of its physical components and its regulatory context. This was evident in the Phase I findings about water management, ground water drainage patterns, ground water use, surface water, and flooding conditions. In addition, Coyote Valley water resources are part of Santa Clara Valley water resources which in turn are linked with regional and statewide resources. Given this complexity, it has been a challenge for this Study to answer to the question – *Is there sufficient, reliable, and affordable supply of water for continued and expanded irrigated farmland agriculture in the Coyote Valley?* The answer is a conditional yes. Agriculture is a protected designated beneficial use but is also one of several competing uses. Ongoing advocacy by stakeholders and water conservation by farmers will both be necessary to assure sustainable groundwater production for agriculture and other uses into the future.



Existing Conditions Update: Current Cropping Patterns and Agricultural Production Trends

Following Phase I, further research and ongoing discussions with farmers in the Coyote Valley indicated there are opportunities to increase the viability of agriculture. Interest and enthusiasm to pursue those opportunities, while not widespread, are certainly present. Encouraging experimentation will require a sharing of risk among landowners, growers, and other stakeholders. Key insights include:

- *There seems to be more demand than supply for irrigated farmland.*
- *Ag Production Value. Based on an analysis of current cropping patterns relative to other farmland in the South Bay, there is potential to increase ag value from the current average of around \$2,000 to \$6,000 per acre (over 3,400 acres, excluding mushrooms and nursery products), through the following approaches: expanded cultivation of higher value crops; introduction of new higher value crops; obtaining better prices for under-valued crops; decreasing hay production; transition to organic production; and an increasing agri-tourism. The ability to achieve this increase will depend on farmers' interest in transitioning to higher value crops, and their ability to access land, water, technical assistance, capital and markets.*

Existing Conditions Update: Land Value Trends

Phase I information on land sales in the Coyote Valley since 2004, included transactions that ranged in value from \$10,000 per acre to \$372,000 per acre for property without infrastructure. Subsequent to most of the land sales identified in the Phase I report, the City of San Jose updated its General Plan and re-designated the mid-Valley area as Urban Reserve, not anticipated to be used for urban development for at least 30 years. Although based on a limited number of transactions, recent land sales have trended to per-acre price ranges that are towards the lower end of all of the sales identified in the Phase I study. This may indicate that the market is starting to recognize the changed outlook for development in the Coyote Valley and that the speculative value of the land is declining.



Potential Tools and Programs

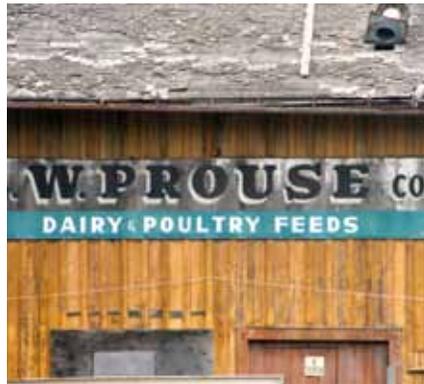
As part of the Phase II Study, potential farmland protection tools and programs that have been used in different parts of the country were analyzed. The tools and programs work in a variety of ways to strengthen agriculture economically, environmentally and culturally. Some of these tools and programs are aimed at stopping or mitigating the loss of farmland to urban development. Others facilitate farming operations and farmland management for public access and education, habitat conservation, and long-term stewardship of the land. From the list of available tools and programs, the most relevant and feasible ones were selected for further study. These included: Agricultural Resource Area; Conservation Easement and Land Acquisition; Place-based Branding Programs; Regional Food Hub; Transfer of Development Rights (TDR); Conservation Easement and Land Acquisition; and Density Bonus.

The tools and program ideas were translated into potential actions for the Valley as a whole and for each of the three sub-areas. These potential actions became the basis for the recommendations described in the following section.

Making the Case: Local, Regional, State and Federal Policy Context

As of the summer of 2012, many compelling local, regional, state and federal policy efforts are underway or pending that support the creation of a thriving agricultural and environmental resource area in the Coyote Valley. These policies range from City and County General Plan updates, to regional sustainability planning initiatives that link goals for built and 'green' infrastructure, to California's pending eco-systems services markets, to federal programs for beginning farmers. Collectively, these efforts provide a robust framework for strengthening the economic viability of regional agriculture and local food systems. They also support the conservation and enhancement of working landscapes and natural lands as resources essential to metro-region sustainability.

Considering existing conditions and the local and regional policy context, it is feasible to sustain agriculture and conservation in the Coyote Valley provided that stakeholders take concerted, significant and strategic action.



➔ *program recommendations*

Program Recommendations: What Would it 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 multi-faceted systems to coordinate investments that optimize economic, environmental, and social returns while sustaining and enhancing agricultural and conservation activities in the Coyote Valley. The program would be developed incrementally over a 25-year time period, would cost an estimated \$50 million, and would cover five key areas:

WHAT WOULD IT TAKE?



COYOTE VALLEY AGRICULTURAL ENTERPRISE AND CONSERVATION PROGRAM (COVAEC)

1. Overall project management, coordination and advocacy. Components: committed key partners, core funding, advisory board, and dedicated personnel.
2. Programs to address physical and infrastructure needs for farming, conservation and recreation. Components: preservation of priority areas; secured water supply; an "agricultural and habitat infill" program; development of agricultural infrastructure; and tools to aggregate and permanently protect agriculture lands.
3. Programs to address human capital needs. Components: technical assistance for farmers; support for experienced farmers seeking additional acreage; new farmers; and more farmer and farm-worker housing opportunities
4. Programs to address financial needs and to attract investment in the area. Components: private capital; and grants, loans, and investments from public and philanthropic sources.
5. Programs to market the place, its products and its importance to the region. Components: public education; branding and identity initiatives; visitor attractions; and product marketing activities

Within the framework of support created by the overall project 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 program would 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. The overall approach is intended to catalyze agricultural land uses that can be synergistic with development if and when it happens as well as an alternative to development.

Program Recommendations: When Would it Happen?

Following is an overview of the phases of the project (Start-Up, Stabilization, and Full Build Out) that demonstrate the phasing of activities needed to achieve the vision and goals.

Start-Up Phase: Establish Momentum, Organizational Capacity & Initial Program Support (2013-2015)

The Start-Up Phase of the program establishes the capacity to implement initial program components and to build advocacy at the local, regional, state, and national levels for necessary supporting policies and resources. Critical first steps include: establishing agreements with partner organizations to undertake specific recommendations and provide high level programmatic and fiscal oversight; establishing an Advisory Board to provide input and champion the project; establishing start-up funding commitments; and orienting personnel (most likely housed at partner organizations) and contractors to begin initial implementation activities. The three year start-up phase entails activities for a critical initial year followed by activities for a two-year period.

Stabilization Phase: Protect Priority Areas, Develop Infrastructure & Increase Ag Value (2016-2022)

The Stabilization Phase would include specific activities in the South, Mid and North parts of the Valley and in the five key COVAEC areas: management and advocacy; physical and infrastructure needs for farming, conservation and recreation; human capital needs; financial needs; and marketing needs.

A key goal of the seven-year Stabilization Phase is to create a critical mass of higher value agricultural land. Approximately 2,000 acres is needed which is around 50% of the Coyote Valley acreage currently in production. Other related goals are to facilitate and 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 \$2,000 per acre per year (excluding mushroom and nursery production) to around \$6,000 per acre per year (\$7,500 is the average gross for fruit and vegetable production within the County).

During this phase the COVAEC program would 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 would also secure funding for additional agricultural infrastructure, trail easements, and a small agri-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.

Final, Full Build Out Phase: Ensuring Long-Term Stability (2023-2038)

The goal is to achieve long-term stability for Coyote Valley agriculture and conservation by 2037. By this time, agriculture would be the main driver of economic investment within the Valley, generating close to \$50 million in annual production and agri-tourism revenues, employing over 1,000 workers and meeting a notable portion of the food needs of the South Bay region. At least half of the valley would be dedicated to agriculture and conservation, 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. Some funding for maintenance of ongoing program components would be self-sustaining.

In addition, the fifteen year build-out phase would yield the following results:

- 1. Management and Advocacy.** *COVAEC would become an independent organization (or arm of an existing entity) with full capacity for advocacy, program administration, project development, marketing and education.*
- 2. Physical and infrastructure needs for farming, conservation, and recreation.** *All major improvements needed for the creation of a vital agricultural and habitat resource area, inter-mixed with some degree of development, would be implemented.*
- 3. Human capital needs.** *The agricultural and conservation resource area would be meeting the needs of farmers for good livelihoods, of their employees for good working conditions, of individual and institutional consumers for fresh local food, of the community for an accessible recreational amenity, of conservation stakeholders for enhanced eco-systems services and eco-systems connectivity, and for the region as a whole for enduring and engaging working landscapes.*
- 4. Financial needs.** *COVAEC would deploy a range of financial mechanisms to achieve all its goals.*
- 5. Marketing programs.** *Coyote Valley agriculture would have a committed local constituency and a regional reputation that would help ensure its ongoing success. A partnership of existing organizations and the COVAEC would develop, endow, and manage, a permanent education center. A 25-year longitudinal diversified farming systems study of the Coyote Valley would conclude and yield important information for other projects with similar goals.*

Ongoing Operation (Beyond 2037)

Once long-term stability is achieved for the Coyote Valley, it would be advisable for the COVAEC to continue 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 key agricultural district that responds to the needs of the Bay Area region.

Program Recommendations: What Would it Cost?

The initial estimate of the funding requirement to implement the recommendations is around \$50 million. Estimated costs are divided into three categories: Programmatic Actions and Operations (total cost of ~\$10 million), Land Conservancy (total cost of ~\$27 million), and Agricultural and Resource Area Development (total cost of ~\$13 million). Funding would be provided by a combination of public, philanthropic, and private sources and by donation of in-kind services by stakeholder organizations.

SUMMARY OF TOTAL COVAEC COSTS FOR 25 YEARS			
	Phase 1	Phase 2	Phase 3
	Start-Up	Stabilization	Full Build-out
	2013-2012	2016-2022	2023-2038
	3 years	7 years	15 years
<i>Operations</i>	\$669,000	\$2,625,000	\$6,750,000
<i>Development</i>	\$625,000	\$1,940,000	\$10,020,000
<i>Land Conservancy Net Costs</i>	\$1,750,000	\$9,125,000	\$15,750,000
TOTAL COVAEC COSTS BY PHASE	\$3,044,000	\$13,690,000	\$32,520,000
TOTAL COVAEC COSTS			\$49,254,000

Program Recommendations: What Would the Investment Return?

The return on investment would be measured in more than traditional financial terms. Most of the investments of the COVAEC funds themselves would be for activities which do not return a specific stream of income to the investor, but rather leverage these investments to create public goods that would benefit the Coyote Valley as a whole and the surrounding region. These include: increased agricultural viability; increased local food production; preservation of agricultural history and culture; increased provision of eco-systems services; preservation of open space; and a permanent and multi-functional land use between the northern edge of Morgan Hill and the southern edge of San Jose.

Program Recommendations: Who Would Make it Happen?

Realization of the vision for a permanent agricultural resource area through implementation of the COVAEC program would require the steadfast engagement of key stakeholders over decades and through all the challenges, as well as opportunities, that these next decades will doubtless bring.

These key stakeholders include: farmers and landowners; City and County; land conservancy organizations; other governmental agencies; funders; advocacy organizations; and not least, consumers and the local community. At the end of the day, one of the most vital forces in sustaining Coyote Valley agriculture may be this last remaining area of the Valley of the Heart's Delight being held once again in the hearts of many people as a treasured community resource.



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