
EXHIBIT 2

COASTAL CONSERVANCY

Project Summary

January 24, 2002

HAMMONS ACQUISITION AND RESTORATION

File No. 01-059

Project Manager: Timothy Duff

RECOMMENDED ACTION: Approval of the Hammons Conceptual Resource Enhancement Plan and authorization to (1) accept \$550,000 in U.S. Fish and Wildlife Service grant funds; (2) disburse up to \$1,200,000 to the Wildlife Conservation Board ("WCB") for acquisition of the 580-acre Hammons property; and (3) disburse up to \$100,000 to the Bay Foundation for restoration planning.

LOCATION: Coastal Zone at the base of Hollister Peak within the Morro Bay Watershed, unincorporated San Luis Obispo County (see Exhibits 1 and 2, Regional and Location Maps)

PROGRAM CATEGORY: Coastal Resource Enhancement

ESTIMATED COST:	<u>Cost</u>	<u>Funding Source</u>	<u>Amount</u>
Acquisition:		Wildlife Conservation Board	\$2,900,000
		State Parks Department	500,000
		Caltrans TEA	1,000,000
		U.S. Fish and Wildlife Service	500,000
		Bay Foundation	200,000
		Coastal Conservancy	<u>700,000</u>
		Acquisition Total	\$5,800,000
Restoration:		U.S. Fish and Wildlife Service	50,000 *
		NRCS	200,000
		Bay Foundation	300,000
		SWRCB Prop 13	500,000
		Coastal Conservancy	<u>50,000 *</u>
		Restoration Total	\$1,100,000
Total Project Cost:			\$6,900,000

Expected sources of Conservancy funds include the Salmonid Restoration Fund from the Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (Proposition 12) and Habitat Conservation Funds (HCF) which

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may be used for projects that restore and enhance wetlands and aquatic habitat providing spawning and rearing of anadromous salmonids.

*Of the \$1.1 million expected to be available for restoration activities, \$100,000 (including \$50,000 in Conservancy funds and \$50,000 in U.S. Fish and Wildlife Service funds granted to the Conservancy) will be available for planning and design purposes only.

PROJECT SUMMARY: This project is of critical importance to the Conservancy's long-term protection efforts in the Morro Bay National Estuary which began 15 years ago with the initiation of the Conservancy's Morro Bay Watershed Enhancement Program (MBWEP). The proposed acquisition and restoration of the 580-acre Hammons property represents a continuation of the highly successful MBWEP. When completed, the project will improve the water quality and health of wetland and aquatic habitats both in the bay and in upland areas.

Rapid rates of sedimentation have caused Morro Bay to lose an average of 25 percent of its volume over the past 100 years. The greatest impacts have occurred in the biologically rich south bay and delta where it is estimated that sedimentation has reduced bay waters by 40 to 60 percent. Chorro Creek is the primary creek in the watershed, and the majority of sediment flows to the bay (as well as nutrients and pathogens) originate in the Chorro Creek drainage. With nearly 1.5 miles of Chorro Creek bisecting the Hammons property, the site is ideally situated to serve as a sediment deposition area.

Following completion of the acquisition, a specific restoration and management plan will be prepared for the property. Pursuant to recommendations provided in the Hammons Conceptual Resource Enhancement Plan (attached as Exhibit 3), restoration efforts are likely to include the removal or breaching of existing levees to allow portions of the property adjacent to the creek to return to floodplain. In addition to reducing sediment and nutrient loads to the bay, restoring floodplain areas previously used for row crop farming will improve water quality, restore degraded habitat for red-legged frog populations, and expand steelhead spawning areas.

When areas historically used for farming are restored to floodplain, water that had been diverted from Chorro Creek for row crop and orchard irrigation will be returned to the creek, thereby restoring higher water flows. Increased water flows,

combined with the proposed revegetation of the property's riparian corridor and associated wetland areas, will enhance habitat for the endangered steelhead and other important wildlife species that occur in the project area.

The property is located at the base of Hollister Peak, one of seven volcanic peaks stretching from Morro Bay to the City of San Luis Obispo. These peaks, or "Morros," are regional landmarks that provide travelers along Highway 1 with miles of spectacular views. Although currently zoned for agricultural use, the property's spectacular open space vistas, rolling oak-studded hillsides, and proximity to Highway 1 and the City of Morro Bay, combine to give it strong appeal for more extensive development. The proposed acquisition will permanently protect unspoiled views of Hollister Peak from Highway 1 and prevent the kind of leapfrog development that has occurred on lands surrounding several of the other landmark morros in the region. The acquisition will also help protect the scenic rural character along this stretch of Highway 1 between the cities of San Luis Obispo and Morro Bay—a heavily traveled corridor that connects two urban areas.

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COASTAL CONSERVANCY

Staff Recommendation
January 24, 2002

HAMMONS ACQUISITION AND RESTORATION

File No. 01-059
Project Manager: Timothy Duff

STAFF

RECOMMENDATION: Staff recommends that the State Coastal Conservancy adopt the following Resolution pursuant to Sections 31104 and 31251-31270 *et seq.* of the Public Resources Code:

“The State Coastal Conservancy hereby approves the Hammons Conceptual Resource Enhancement Plan attached as Exhibit 3 to the accompanying staff recommendation and authorizes (1) acceptance of funds in the amount of five hundred thousand dollars (\$500,000) from the U.S. Fish and Wildlife Service Wetland Conservation Program; (2) disbursement of an amount not to exceed one million two hundred thousand dollars (\$1,200,000) to the Wildlife Conservation Board for acquisition of the property known as the Hammons property (“the property”), San Luis Obispo County Assessor’s Parcel Nos. 073-201-005 and -006, more particularly shown in Exhibit 4, attached to the accompanying staff recommendation; and (3) disbursement of an amount not to exceed one hundred thousand dollars (\$100,000) to the Bay Foundation for preparation of a site-specific management and restoration plan for the property, including preparation of final design drawings, bid specifications and cost estimates for any projects proposed by the plan.

This authorization is subject to the following conditions:

1. Prior to disbursement of any funds for acquisition of the Property, the Wildlife Conservation Board shall submit for the review and approval of the Executive Officer of the Conservancy (“Executive Officer”) all relevant acquisition documents, including but not limited to the appraisal, agreement of purchase and sale, escrow instructions and documents of title;
2. The Wildlife Conservation Board shall pay no more than fair market value for the Property, as established in

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an appraisal approved by the Department of General Services;

3. The Wildlife Conservation Board shall permanently dedicate the Property for natural resource protection, public access and open space preservation by an appropriate instrument approved by the Executive Officer, in accordance with Public Resources Code Section 31116(b);
4. Conservancy funding shall be acknowledged by erecting and maintaining a sign on the Property, the design and location of which has been reviewed and approved by the Executive Officer; and
5. Prior to disbursement of any funds for development of the restoration and management plan, the Morro Bay Foundation shall submit for the review and approval of the Executive Officer of the Conservancy (Executive Officer): (1) written evidence that it has available to it an amount totaling no less than four hundred thousand dollars (\$400,000) in non-state funds for purposes of implementing recommendations in the plan; and (2) a work program, schedule and budget for preparation of the plan."

Staff further recommends that the Conservancy adopt the following findings:

"Based on the accompanying staff report and attached exhibits, the State Coastal Conservancy hereby finds that:

1. The proposed project is consistent with Chapter 6 of the Public Resources Code (Sections 31251-31270) regarding the enhancement of coastal resources;
2. The proposed project is consistent with the guidelines and criteria set forth in the Conservancy's Project Selection Criteria and Guidelines adopted on January 24, 2001; and
3. Lands in the Morro Bay Watershed and Estuary are identified as significant and environmentally-sensitive resources requiring public action to protect as recommended in the Hammons Conceptual Resource Enhancement Plan, attached as Exhibit 3 and approved by the Conservancy January 24, 2002."

STAFF DISCUSSION:

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Project Description: Pursuant to recommendations contained in the Hammons Conceptual Resource Enhancement Plan (Exhibit 3), acquisition of the subject property will provide the land area needed to create a sediment deposition area. Following completion of the acquisition by the State Wildlife Conservation Board (WCB), the Conservancy will work with staff at WCB and our other local, state, and federal partners to prepare a specific site restoration and management plan that evaluates a variety of methods to restore the site.

The recommendations contained in the Hammons Conceptual Resource Enhancement Plan state that by removing or breaching levees, and allowing portions of the subject property to return to floodplain, the site would serve as an ideal sediment deposition area, trapping sediment before it enters Morro Bay. The Plan recommends revegetating the property's riparian corridor and associated wetland habitat with appropriate native riparian and grassland species to increase the site's sediment trapping capability and to enhance habitat for the endangered steelhead, red-legged frog, and other important plant and wildlife species known to occur in the project area.

In addition, up to 500 acre-feet of water currently diverted from Chorro Creek each year for row crop and orchard irrigation would remain in the creek, thereby restoring higher water flows and enhancing water quality and habitat for steelhead. Increased flows would also improve the quality of the property's revegetated riparian and wetland areas, further enhancing the quality of the site's sensitive habitat areas.

The site restoration plan will identify the optimal design for construction of the proposed sediment basin, including designs for restoration of freshwater and riparian wetlands. The project may involve the breaching of a levee on Chorro Creek to allow flows to spread over portions of the property so that sediment would be deposited at the site rather than further downstream and into the bay. This approach would involve restoring previously farmed floodplain areas to their original condition and then planting these areas with native riparian and grassland species.

The project is consistent with the Comprehensive Conservation and Management Plan (CCMP) recently completed by the Morro Bay National Estuary Program (MBNEP) and approved earlier this year by the U.S. Environmental Protection Agency. The CCMP recommends restoration of floodplain and riparian habitat in the watershed in an effort to reduce sediments and other pollutants entering the bay. Because Chorro Creek is the

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primary creek in the watershed, it provides a majority of sediment flows to the bay. Acquisition and restoration of the subject property, which includes 1.5 miles of the Chorro Creek corridor, is considered critical to achieving these and other conservation goals established in the CCMP.

The project is also consistent with recommendations made in the Morro Bay Watershed Enhancement Plan approved by the Conservancy in 1990. This Plan recommended both erosion control work and creation of sediment deposition areas in the Chorro Creek and Los Osos Creek drainages to help remedy the problem of rapid infilling of the bay.

Following acquisition of the subject property, the State Department of Fish and Game will assume ownership and management responsibilities. Funds, from a variety of sources described in the "Project Financing" section below, will then be used to prepare the site-specific restoration and management plan that will provide detailed site design and construction drawings, bid specifications, and cost estimates to implement the restoration concepts described in the Hammons Conceptual Resource Enhancement Plan.

Project Financing: Acquisition

The Conservancy has been awarded a total of \$550,000 in funds from the U.S. Fish Wildlife Service Wetland Conservation Program, of which \$500,000 will go towards the acquisition of the subject property. The Conservancy will provide these U.S. Fish Wildlife Service funds and up to \$700,000 for the acquisition. In addition, the Wildlife Conservation Board, State Department of Parks and Recreation, Caltrans, and the Morro Bay Foundation will together provide up to \$4,600,000 towards the acquisition.

Restoration

In addition to the \$50,000 from the U.S. Fish Wildlife Service Wetland Conservation Program, the Conservancy is also providing \$50,000 for restoration planning, including preparation of final designs, bid specifications, and cost estimates to construct and maintain the project(s) proposed in the plan. The U.S. Fish and Wildlife Service, Natural Resources Conservation Service, State Water Resources Control Board, and Bay Foundation are together expected to contribute up to \$1,050,000 towards restoration planning and construction.

The expected sources of Conservancy funds include \$500,000 from the Salmonid Restoration Fund from the Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection

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Bond Act of 2000 (Proposition 12) and \$250,000 from the Habitat Conservation Funds (HCF) which may be used for projects that restore and enhance wetlands and aquatic habitat providing spawning and rearing of anadromous salmonids.

<u>Cost</u>	<u>Funding Source</u>	<u>Amount</u>
Acquisition:	Wildlife Conservation Board	\$2,900,000
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Restoration Total	\$1,100,000	
Total Project Cost:	\$ 6,900,000	

*Of the \$1.1 million expected to be available for restoration activities, \$100,000 (including \$50,000 in Conservancy funds and \$50,000 in U.S. Fish and Wildlife Service funds granted to the Conservancy) will be available for planning and design purposes only.

Site Description: The 580-acre Hammons property is located at the base of Hollister Peak, one of the seven volcanic peaks or “morros” that provide San Luis Obispo County with its most distinctive geologic feature. The property consists of two parcels, north and south, that are bisected by Highway 1 (see Exhibit 2). The south parcel is 320 acres and contains approximately 1.5 miles of lower Chorro Creek, one of the two primary creeks flowing to Morro Bay that provides spawning and rearing habitat for the southern steelhead. Much of the creek is bounded by levees to prevent flooding of the adjoining floodplain areas that have been farmed with field crops since the 1940s. Portions of these fields are considered farmed wetland according to the definitions used by the Natural Resource Conservation Service. Riparian habitat exists in areas not currently being farmed.

The north parcel is 260 acres and contains roughly 60 acres of avocado trees with open rangeland and riparian areas covering

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the remainder of the property. The northwest border of this parcel abuts San Luisito Creek, a tributary to Chorro Creek also used by steelhead. Agricultural uses represent the largest diversion of water from Chorro Creek and its tributaries from this property. Approximately one mile downstream is the Chorro Flats property, a 120-acre parcel the Conservancy helped to acquire and restore in 1996, primarily to reduce sediment flows to Morro Bay. Located roughly two miles downstream, Morro Bay State Park encompasses most of the bay and adjoining estuary areas.

About one-third of the watershed is in some kind of public ownership, including Morro Bay State Park, Chorro Valley County Park, Los Padres National Forest, and the U.S. National Guard facility (Camp San Luis). The remainder of the watershed is in private ownership and contains the residential and commercial areas of Los Osos, parts of the City of Morro Bay, and scattered ranchettes and large homes. Primarily, however, the watershed is made up of large cattle ranches and farms.

Project History: In 1986, the Conservancy initiated the Morro Bay Watershed Enhancement Program to study Bay sedimentation processes and to identify measures by which high rates of sedimentation could be slowed to prevent habitat, recreational, and commercial losses in the Bay. Initial research in connection with the Watershed Program revealed that the south Bay had indeed lost 65 percent of its open water, and the entire Bay an average of 25 percent, during the last 100 years. It was clear that, at this rate, the entire Bay would convert to upland within a few hundred years, preceded by a catastrophic loss of tidal marshes and mudflats in the south Bay many years before.

In 1990, the Conservancy adopted the Morro Bay Watershed Enhancement Program Plan (the Plan). The focus of the Plan has been to reduce sedimentation in Morro Bay and to expand and enhance wetlands and other habitat in the Morro Bay watershed. The Plan recommends erosion control projects in the upper watershed to reduce stream sediment loads, and the acquisition and restoration of lands in the lower watershed along both the Chorro and Los Osos Creek drainages to trap sediment upstream of the bay. Pursuant to this Program, in 1994 the Conservancy funded several erosion control projects in the watershed which have resulted in the preservation of valuable agricultural land, restoration of wetland and wildlife habitat, and reduced sediment loads to the bay.

To implement recommendations in the Plan calling for creation of sediment deposition areas to trap sediment before it entered

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Morro Bay, in 1990 the Conservancy provided funds to purchase a property along lower Chorro Creek known as the Chorro Flats property. Completed in 1996, the Chorro Flats project created a sediment deposition site upstream of the bay in the Chorro Creek drainage and provided for enhancement of the creek's riparian corridor. In this respect, the proposed project would serve to augment the purpose and function of the nearby Chorro Flats acquisition and restoration project. As with the Chorro Flats project, sediment capture on the Hammons site would reduce sediment loads to the bay, expand steelhead spawning areas and other wildlife habitat, and improve water quality.

In 1996, the Conservancy also helped fund a floodplain acquisition and restoration project in the Los Osos Creek drainage (the "Martines" property) that is similar to both the completed Chorro Flats project and the proposed Hammons project. Conservancy staff is currently working on the preparation of a management and restoration plan for the Los Osos Creek sediment deposition area that will provide recommendations for future land acquisition and site-specific restoration efforts in this drainage. In June 2001 the Conservancy authorized funds for construction of additional erosion control projects in the upper watershed.

PROJECT SUPPORT: This project, and the Conservancy's Morro Bay Watershed Enhancement Program as a whole, enjoys the strong support and active participation of numerous public agencies including the California Department of Fish and Game, California Department of Parks and Recreation, the Central Coast Regional Water Quality Control Board, Coastal San Luis Resources Conservation District, the Morro Bay National Estuary Program (MBNEP), the Natural Resources Conservation Service (NRCS), and the University of California Cooperative Extension (UCCE). This project is also supported by many state and local elected officials and numerous nonprofit organizations. See letters of support attached as Exhibit 5. Additional letters will be mailed separately and/or provided at the board meeting.

CONSISTENCY WITH CONSERVANCY'S ENABLING LEGISLATION: This project would be undertaken pursuant to Chapter 6 of the Conservancy's enabling legislation (Public Resources Code Sections 31251-31270).

Public Resources Code Section 31251.2(a) authorizes Conservancy participation in projects to enhance a watershed resource

that is partly outside the coastal zone where such action protects or enhances coastal resources within the coastal zone. Portions of the Morro Bay watershed are located both within and outside the coastal zone and, consistent with Section 31251.2(a), the project will enhance the natural and scenic character of coastal resources within San Luis Obispo County's Coastal Zone. Consistent with Section 31252(a), County of San Luis Obispo officials have requested that the Conservancy undertake this project (see support letters attached as Exhibit 5). Consistent with Section 31252, the project area is identified in the County's certified local coastal program as requiring public action to protect the natural and scenic resources of Hollister Peak and the Morro Bay Estuary.

Consistent with Section 31253, the level of Conservancy funding for this project has been determined through consideration of the total amount of funding available for coastal resource enhancement projects and the relative urgency of the project. Consistent with Section 31260, which allows the Conservancy to fund up to 40 percent of a state agency's land acquisition costs, the Conservancy will fund just 12 percent of the project's total land acquisition costs.

Consistent with Section 31251, the Conservancy may award grants to nonprofit organizations for the purpose of enhancement of coastal resources. The Morro Bay Foundation is a private, nonprofit organization that qualifies under Section 501(c)(3) of the United States Internal Revenue Code, and whose purposes are consistent with those defined in Section 31013 of the Public Resources Code.

CONSISTENCY WITH
CONSERVANCY'S
PROJECT SELECTION
CRITERIA & GUIDELINES:

The proposed project is consistent with the Conservancy's Project Selection Criteria and Guidelines adopted January 24, 2001, in the following respects:

Required Criteria

Promotion of the Conservancy's Statutory Programs and Purposes: Implementation of the proposed project would advance the purposes of Division 21 of the Public Resources Code, Chapter 6, by protecting the coastal resources located in the Morro Bay watershed and estuary.

Consistency with Purposes of the Funding Source: The \$550,000 in federal funds was awarded to the Conservancy

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specifically for acquisition and restoration of the subject property. The Salmonid Recovery Funds from the Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (Proposition 12) and the Habitat Conservation Funds will be used for the protection of wetlands and aquatic habitat providing spawning and rearing of anadromous salmonids.

Support From the Public: The program is supported by many public agencies, officials and nonprofit organizations as described in the “Project Support” section above.

Need: Conservancy funds are needed to match other funds available for the project. Without Conservancy funds, as well as the U.S. Fish and Wildlife funds granted to the Conservancy for this project, the project could not be completed.

Greater Than Local Interest: Enhancing the riparian and wetland habitats of Chorro Creek and the Morro Bay National Estuary, which includes habitat for several state and federally listed species, provides greater than local benefits.

Additional Criteria

Resolution of More Than One Issue: The project will serve to enhance the natural resources of the Morro Bay watershed and estuary, which provide habitat for numerous threatened and endangered species including steelhead. In addition, the project will serve to protect scenic resources located along Highway 1, a designated State Scenic Highway

Leverage: Conservancy funds of \$750,000 will leverage more than \$6 million dollars in additional matching grant funds for the project.

Readiness: An appraisal was approved by the State Department of General Services. The funding needed to acquire the property has been obtained from a number of federal, state and local sources described in the “Project Financing” section above. Funding to prepare the restoration and management plan is available and approximately \$500,000 is in place to implement the plan with several additional grant applications still outstanding and expected to be awarded next year. Any additional grant funds needed to complete the planned restoration efforts will be pursued by project partners.

Cooperation: This project is a model of cooperation and support. The Conservancy, together with the State Wildlife Conservation Board, Departments of Fish and Game and Parks and Recreation, U.S. Fish and Wildlife Service, Coastal San Luis

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RCD and Central Coast Natural Resources Conservation Service (NRCS) staff, the Morro Bay National Estuary Program and Morro Bay Foundation, have developed a cooperative relationship to acquire and restore the property.

Realization of Prior Conservancy Goals: This project represents a continuation of the Conservancy's Morro Bay Watershed Enhancement Program which was initiated in 1986 and is intended to promote the goals and objectives previously established by that program.

CONSISTENCY WITH THE COASTAL ACT:

The proposed project is consistent with the Coastal Act. Specifically, Public Resources Code Section 30231 calls for the maintenance and, where feasible, restoration of biological productivity and the quality of coastal waters, streams, wetlands, estuaries, and lakes appropriate to maintain optimum populations of marine organisms. The project helps to accomplish these goals by enhancing the property's riparian corridor and associated wetland habitat, improving water quality in Chorro Creek and improving habitat for the endangered steelhead, red-legged frog, and other important plant and wildlife species known to occur in the project area. Decreasing sedimentation in the Morro Bay Estuary will help restore biological productivity and the quality of the Morro Bay Estuary. The proposed project is also consistent with Public Resources Code Section 30251 which states that scenic and visual qualities of coastal areas shall be considered and protected as a resource of public importance.

CONSISTENCY WITH LOCAL COASTAL PROGRAM POLICIES:

The San Luis Obispo Estero District Local Coastal Plan (LCP) specifically states that Chorro and Los Osos Creeks, the two major drainages into Morro Bay, should be maintained in their natural state to protect native vegetation and wildlife habitats. The LCP refers to Morro Bay as the most important wetland on the central coast and calls for public acquisitions and the development of a watershed management program by the County and other agencies to support the continued viability of all estuarine activities in Morro Bay.

In addition to the project's benefit for native vegetation and wildlife habitats, the proposed acquisition will preserve as scenic open space the base of Hollister Peak, one of the region's landmark "morros." This is consistent with Local Coastal Plan (Estero Area Plan) policies for the project area which states, "Permanently protect the agricultural, open space, and scenic

resources of the Morros,” and “Prevent further urban and suburban encroachment into the Los Osos and Chorro Valleys in order to maintain valuable agricultural and open space resources.”

COMPLIANCE

WITH CEQA: The State Department of Fish and Game will preserve the property for natural resource and open space purposes, including access for public recreation where suitable. The acquisition of the property as provided in this staff recommendation is thus categorically exempt from the California Environmental Quality Act (CEQA) pursuant to 14 Cal. Code of Regulations Section: (1) 15325 because it is a transfer of ownership of interests in land in order to preserve open space and existing natural conditions; (2) Section 15313 because it is an acquisition of land for fish and wildlife conservation purposes including preservation of fish and wildlife habitat; and (3) Section 15313 because it will preserve access to public lands and waters where the purpose is to preserve the land in its natural condition.

The Hammons Conceptual Resource Enhancement Plan recommends only acquisition and restoration planning which are activities exempt under CEQA, 14 California Code of Regulations Sections 15325 and 15313, as discussed above. Preparation of a restoration plan is exempt from CEQA under 14 California Code of Regulations Section 15262 in that the actions involve only feasibility or planning studies for possible future actions. Staff will file a notice of exemption upon approval.