

Exhibit 2: August 2003 Staff Recommendation for original grant to  
Sustainable Conservation

COASTAL CONSERVANCY

Staff Recommendation  
August 14, 2003

**PERMIT ROADMAP FOR OFF-STREAM WATER STORAGE:  
SAN MATEO AND NORTHERN SANTA CRUZ COUNTIES**

File No. 03-085  
Project Manager: Timothy Duff

**RECOMMENDED ACTION:** Authorization to disburse up to \$375,000 to Sustainable Conservation for development of a permit roadmap for the construction and management of off-stream water storage ponds for agricultural purposes and riparian enhancement.

**LOCATION:** Coastal watersheds of San Mateo and northern Santa Cruz Counties from the southern boundary of the City of Pacifica to the northern boundary of the City of Santa Cruz (Exhibit 1)

**PROGRAM CATEGORY:** Resource Enhancement

**RESOLUTION AND FINDINGS:**

Staff recommends that the State Coastal Conservancy adopt the following Resolution pursuant to Sections 31251 to 31270 of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes disbursement of an amount not to exceed \$375,000 to Sustainable Conservation for development of a permit roadmap for the construction and management of off-stream water storage ponds for agricultural purposes and riparian enhancement, subject to the condition that prior to the disbursement of any Conservancy funds, the Executive Officer of the Conservancy shall approve in writing a final work program, budget and time schedule for the project; and the names of any contractors that Sustainable Conservation intends to employ.”

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 the purposes and criteria set forth in Chapter 6 of the Public Resources Code (Sections 31251 to 31270) regarding enhancement of coastal resources.
2. The proposed project is consistent with the Project Selection Criteria and Guidelines adopted by the Conservancy on January 24, 2001.

Exhibit 2: August 2003 Staff Recommendation for original grant to  
Sustainable Conservation

3. The project area has been identified in San Mateo and Santa Cruz County Local Coastal Plans as requiring public action to resolve existing or potential resource protection problems.
  4. Sustainable Conservation is a nonprofit organization existing under Section 501(c)(3) of the U.S. Internal Revenue Code, and whose purposes are consistent with Division 21 of the Public Resources Code.”
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**PROJECT SUMMARY:**

The project involves the disbursement of up to \$375,000 to Sustainable Conservation for development of a permit roadmap for construction and management of off-stream water storage ponds for agricultural purposes and riparian enhancement.

Protection of agriculture on the San Mateo and northern Santa Cruz coasts is a high priority for the Conservancy because this agriculture: 1) represents a vibrant sector of the region's coastal economy, 2) provides open space, 3) prevents inappropriate development, and 4) creates opportunities for land stewardship. Despite a reduction in acreage over the years, in 2000 agriculture generated nearly \$200 million in total production value revenue in San Mateo County alone. Today however, the viability of the region's agricultural economy is threatened by regulations that are forcing landowners in the area to take prime farmland out of production.

A majority of the agricultural operations on the San Mateo and northern Santa Cruz coasts depend on summer diversion of water from perennial creeks and streams for irrigation and/or stock watering purposes. The listing in 1996 of coho salmon as an endangered species by the state and the listing of coho salmon and steelhead as threatened species by the federal government led to closer review by federal and state agencies of the potential impacts of summer diversions on these species. In streams with existing or historic populations of either of these two listed species, the State Department of Fish and Game (DFG) requires minimum summer flow be maintained as habitat for the fish. These minimum flow requirements are expected to further restrict or eliminate summer diversion for agricultural purposes on many of the streams in the project area. In fact, a substantial amount of agricultural land has fallen out of irrigated production in the last two years due to enforcement of state and federal regulations.

Diverting water in the winter when flows are higher and storing that water in off-stream storage ponds appears to be a promising alternative to summer diversions, and one that would help maintain the viability of agriculture in the region. To enable landowners to store winter flows, and thereby reduce or eliminate summer diversions and improve conditions for salmonids, this project would determine appropriate methods to divert stream flows during winter, capture upland runoff, and store this water in off-stream storage ponds for agricultural use during the dry summer months. Farmers would thus reduce their use of summer flows by the equivalent of what they are able to divert and capture in the winter.

Diverting winter flows, however, could have deleterious effects on fish and must be evaluated to ensure proper timing and quantity of diversion. In addition, the siting and maintenance of ponds cannot imperil other threatened and protected species in the area

## Exhibit 2: August 2003 Staff Recommendation for original grant to Sustainable Conservation

such as the California red-legged frog and San Francisco garter snake that would likely utilize the riparian habitat created by the ponds. This proposed project would thus ensure that the siting, construction, operation, and maintenance of these water diversions and storage ponds would comply with all state and federal regulatory mandates and be compatible with watershed functions. The timing and quantity of water diversions will be scientifically determined to ensure that stream flow and channel characteristics are supportive of fish habitat and life histories. By seeking programmatic agreements with the regulatory agencies, this project would establish an expedited regulatory review process for individual landowners to use.

The San Mateo and Santa Cruz County Farm Bureaus estimate that approximately 50 new 49-acre foot ponds may be needed in the project area with a collective storage area capacity of 2,450 acre-feet per year. The 2,450 acre-feet of water is expected to irrigate 1,600 acres of production, or 40 percent of the total irrigated acreage in the project area. While the local farm bureaus have not yet confirmed the number of existing ponds that could be retrofitted to reduce dependence on summer diversions, this project would also provide expedited permitting and technical assistance for the retrofitting and maintenance of existing ponds.

Landowners participating in the program would agree to construct, manage, and maintain their ponds in accordance with environmental protection measures outlined in the agreements to be negotiated with the regulatory agencies. One of the conditions to be applied as a management constraint on cooperators will be the obligation to utilize the impounded water only for agricultural purposes as defined by the San Mateo and Santa Cruz County Local Coastal Plans. This obligation will act as an assurance that the amount of water diverted in the winter will replace the necessity to divert that amount of water in the critical summer period, and that it be used for agricultural purposes only.

Sustainable Conservation is an appropriate grantee for this project given its success working on similar projects requiring innovative, pragmatic strategies that actively engage regulatory agencies and private landowners in resource protection and land conservation. Sustainable Conservation has already developed permit coordination programs throughout the central coast region, including the watersheds of Elkhorn Slough, Morro Bay, and the Salinas River.

**Site Description:** The project area encompasses all of the watersheds and sub watersheds in the coastal zone of San Mateo and northern Santa Cruz Counties, including but not limited to the San Vicente, Frenchman's, Pilarcitos, San Gregorio, Pescadero, Butano, and Gazos Creek watersheds in San Mateo County and the Scott, San Vicente, Molino, Liddell, Majors, and Wilder Creek watersheds in northern Santa Cruz County (Exhibit 1). The project area contains 245 miles of "blue line" streams spread over 226 square miles. All of these watersheds are tributary to the Monterey Bay National Marine Sanctuary and many, if not all, have historically provided habitat for coho salmon and steelhead. There are several species known to occur on the project area that are listed as threatened or endangered under the State and Federal Endangered Species Acts including coho salmon, steelhead, California red-legged frog, and the San Francisco garter snake.

**Project History:** On the San Mateo and northern Santa Cruz County coasts, reductions of summer in-stream creek flows stemming from historic diversions for farmland irriga-

Exhibit 2: August 2003 Staff Recommendation for original grant to  
Sustainable Conservation

tion have adversely impacted populations of coho salmon and steelhead. With the listing in 1996 of coho salmon and steelhead, federal and state regulators have been increasingly concerned that summer diversions for agricultural and municipal purposes have caused water base flows to become so low that juvenile populations of these species have been impacted.

In many cases, landowners have been diverting summer flows for decades based on riparian water rights associated with their agricultural property. Historically, demonstration of water rights was the sole requirement for summer diversion unless a diversion point required alterations to the streambed. In those cases, a State Department of Fish and Game (DFG) Streambed Alteration Agreement was also required. With the 1996 listing of coho salmon and steelhead, federal and state regulators have directed some owners of farmland in the area to reduce or eliminate their use of creek flows diverted in the summer months for irrigation purposes in order to keep limited water flows in these streams for the benefit of the listed fishes during the dry summer months. Today, otherwise productive farmland in the area owned by individual farmers and land trusts such as Peninsula Open Space Trust (POST) and the Trust for Public Land (TPL) that lease out farmland, is follow due to a lack of water available for irrigation stemming from these regulatory requirements.

In May of 2002, the Conservancy was one of several sponsors of the San Mateo County Land Stewardship Conference, an event that brought together landowners, including farmers and land trusts, local and state elected officials, regulatory agency staff, nonprofit groups, local and state resource agencies, and concerned citizens, to share and discuss the many challenges to effective land stewardship. Out of this event, consensus was reached on the need to develop a strategy to balance limited water supplies on the coast to serve the needs of the agricultural community while meeting the regulatory requirements to benefit protected fish species.

Beginning in the fall of 2002, the Bay Area Open Space Council convened a series of steering committee meetings and, with additional Conservancy funding, assembled a technical advisory committee to determine if the approach outlined in the subject proposal was feasible. In June 2003, Conservancy and project consultant staff joined members of the technical advisory committee in a meeting with the Secretary of the State Resources Agency and the Director of Fish and Game. At this meeting it was confirmed that the approach outlined in this proposal was innovative, necessary and feasible.

**PROJECT FINANCING:**

Coastal Conservancy	\$375,000
Department of Fish and Game*	135,000
NRCS (in-kind)	<u>15,000</u>
<b>Total Project Cost</b>	<b>\$525,000</b>

The source of the Coastal Conservancy funds is expected to be the Conservancy's Salmonid Recovery Program Funds, FY 2001/02 budget appropriation from Proposition 12. These funds may be used for projects that serve to benefit salmonids. The subject proposal is consistent with this purpose in that coho and steelhead habitat would be enhanced

Exhibit 2: August 2003 Staff Recommendation for original grant to  
Sustainable Conservation

though an increase in the amount of water remaining in coastal streams as a result of a reduction in water diversions during summer months.

\* A grant application was submitted to the State Department of Fish and Game and grant awards are expected to be announced in the spring of 2004. In addition, other grant funds will also be pursued, including federal farm bill and state water board funds.

**CONSISTENCY WITH CONSERVANCY'S ENABLING LEGISLATION:**

This project would be undertaken pursuant to Chapter 6 (Sections 31251-31270) of the Conservancy's enabling legislation, Division 21 of the Public Resources Code, regarding enhancement of coastal resources. The project is consistent with §31251, which authorizes the Conservancy to award grants to nonprofit organizations to enhance coastal resources.

Consistent with §31252, the proposed project area is identified in the San Mateo and Santa Cruz County certified Local Coastal Programs as requiring public action to resolve existing or potential resource protection problems.

The proposed project is consistent with §31253, which authorizes the Conservancy to provide up to the total cost of any coastal resource enhancement project.

**CONSISTENCY WITH CONSERVANCY'S  
STRATEGIC PLAN GOAL(S) & OBJECTIVE(S):**

Consistent with **Goal 6 Objective A**, the proposed project would entail the development of a plan to preserve and restore coastal watersheds and agriculture.

Consistent with **Goal 7 Objective B**, the proposed project would foster the long-term viability of coastal agriculture, and assist farmers and ranchers to reduce impacts of their operations on wildlife habitat and water quality.

**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**

1. **Promotion of the Conservancy's statutory programs and purposes:** See the "Consistency with Conservancy's Enabling Legislation" section above.
2. **Consistency with purposes of the funding source:** See the "Project Financing" section above.
3. **Support of the Public:** This project enjoys the support of numerous state and local elected officials, agencies, and nonprofit groups including the State Department of Fish and Game, Assemblymembers John Laird and Gene Mullin, State Senators Byron Sher and Bruce McPherson, San Mateo County Supervisor Rich Gordon and Santa Cruz Supervisor Mardi Wormhoudt, the farm bureaus of San Mateo and Santa

Exhibit 2: August 2003 Staff Recommendation for original grant to  
Sustainable Conservation

Cruz Counties, the Natural Resources Conservation Service, the local Resource Conservation District, the Bay Area Open Space Council, and others (see letters of support in Exhibit 2).

4. **Location:** The proposed project would be located within the coastal zones of San Mateo and northern Santa Cruz Counties.
5. **Need:** Virtually all the farms in the project area are currently dependent on summer diversions, and several have been required to stop diverting water until a strategy to address protection of listed species is developed. However, the evaluation and review needed to ensure that the desired winter diversions and pond construction and maintenance complies with all federal and state environmental mandates is too costly and time consuming for individual landowners to pursue on their own. This project will provide an expedited process that landowners need in order to construct off-stream water storage facilities. Based on a review of the location of irrigated agriculture lands within the project area, the local farm bureaus estimate that there will be a need for approximately 30 new ponds in the San Mateo County region and 20 in the northern Santa Cruz region. Funds expected to be provided by the DFG for this project will not be available until next summer, and Conservancy funds are needed now to initiate the project in order to minimize the amount of additional farmland taken out of production, and return fallow land to productivity as soon as possible.
6. **Greater-than-local interest:** By improving habitat for several state and federally listed species including coho and steelhead, the project will further state and federal goals of restoring listed salmonids and protect and enhance other aquatic species of the Monterey Bay National Marine Sanctuary. In addition, providing a reliable source of irrigation water from off-stream ponds will benefit the agricultural economy of this central coast region that serves markets throughout the state and beyond.

**Additional Criteria**

7. **Urgency:** See the “Need” paragraph above.
8. **Resolution of more than one issue:** The project will resolve resource protection issues associated with the coho, steelhead, and other listed species, and resolve several of the regulatory constraints that are currently impacting the ability of farmers to irrigate their fields.
9. **Leverage:** See the “Project Financing” section above.
10. **Conflict resolution:** The project’s approach of working voluntarily with landowners to resolve water storage and resource protection issues provides an alternative to regulatory enforcement and, when completed, should provide a roadmap for resolving the current conflict stemming from efforts to balance the use of limited water supplies for species protection and for agriculture.
11. **Innovation:** The proposed project is a unique approach to resolving conflicts between protection of listed species and providing adequate water for farming.

Exhibit 2: August 2003 Staff Recommendation for original grant to  
Sustainable Conservation

12. **Readiness:** The grantee and project partners are ready to proceed immediately and complete the first phase of the project before other funding becomes available next summer for phase two.
15. **Cooperation:** This project entails the cooperation of private landowners, regulatory agencies, nonprofit groups, and local governments. See the “Project Support” Section above.

**CONSISTENCY WITH LOCAL COASTAL PROGRAM POLICIES:**

The proposed project is consistent with several of the priorities listed in the the San Mateo and Santa Cruz County Local Coastal Programs (LCP):

**San Mateo County LCP**

Agricultural Water Supplies: Policy 5.21 Establish strategies for increasing agricultural water supplies without endangering sensitive habitats.

Small Water Impoundments: Policy 5.26(a) Encourage farmers, acting individually or as a group, to develop their own water supplies by utilizing small off-stream reservoirs which draw from winter stream flows.

Protection of Sensitive Habitats: Policy 7.35 “[P]reserv[e] all habitats of rare and endangered species.

**Santa Cruz County LCP**

Riparian Corridors and Wetlands: Objective 5.2 To preserve, protect and restore all riparian corridor and wetlands for the protection of wildlife and aquatic habitat, water quality, erosion control, open space, aesthetic and recreational values and the conveyance and storage of flood waters.

Program (h): Identify and restore aquatic and marine habitats which have been damaged due to human activities.

Watershed Protection: Objective 5.5a To protect and manage the watersheds of existing and future surface water supplies to preserve the quality and quantity of water produced and stored to meet the needs of County residents, local industry, agriculture, and the natural environment.

**COMPLIANCE WITH CEQA:**

Development of a streamlined permit roadmap is categorically exempt from the California Environmental Quality Act (CEQA) under 14 Cal. Code of Regulations Section 15306, in that these actions consist of planning studies and feasibility analyses, data collection, research, and resource-evaluation activities. Staff will file a Notice of Exemption upon authorization.

Exhibit 2: August 2003 Staff Recommendation for original grant to  
Sustainable Conservation

**EXHIBIT 2**

**Letters of Support**