

COASTAL CONSERVANCY

Staff Recommendation
January 20, 2011

**USAL REDWOOD FOREST CONSERVATION PROJECT
SHADY DELL CREEK ACQUISITION**

Project No. 10-030-01
Project Manager: Karyn Gear

RECOMMENDED ACTION: Consideration and possible Conservancy authorization to disburse up to \$3,000,000 to the Save The Redwoods League to acquire the approximately 957-acre Shady Dell Creek Tract as part of the 50,635-acre Usal Redwood Forest Conservation project in northern Mendocino County.

LOCATION: Northern Mendocino County

PROGRAM CATEGORY: Resource Enhancement

EXHIBITS

- Exhibit 1: [Project Location and Site Map](#)
Exhibit 2: [Photographs](#)
Exhibit 3: [Project Letters](#)
-

RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Sections 31251 *et seq.* of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes the disbursement of up to three million dollars (\$3,000,000.00) to the Save The Redwoods League (“SRL”) to acquire the approximately 957-acre Shady Dell Creek tract in northern Mendocino County (Mendocino County Assessor Parcel Nos. 012-500-15, 012-510-02, 012-510-16, 012-510-17, 012-720-06, 012-720-07, 012-720-08 (with a minor lot-line adjustment)), subject to the following conditions:

1. Prior to the disbursement of funds SRL shall submit for the review and approval of the Executive Officer all title and acquisition documents including but not limited to the appraisal, agreement of purchase and sale, escrow instructions and documents of title pertaining to the acquisition.

*USAL REDWOOD FOREST CONSERVATION PROJECT – SHADY DELL CREEK
ACQUISITION*

2. SRL shall pay no more than fair market value for property acquired pursuant to this authorization, as established by an appraisal approved by the Conservancy's Executive Officer.
3. All property interests acquired with these funds shall be permanently protected for public access, open space and habitat conservation in a manner acceptable to the Conservancy's Executive Officer and consistent with Public Resources Code Section 31116(b).
4. SRL shall submit for the review and approval of the Executive Officer a signing plan acknowledging the Conservancy's contribution to the project."

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 current Project Selection Criteria and Guidelines, most recently updated June 4, 2009.
2. The proposed authorization is consistent with the purposes and objectives of Chapter 6 of Division 21 of the Public Resources Code, regarding coastal resource enhancement.
3. SRL is a nonprofit organization incorporated under U.S. Internal Revenue Code Section 501(c)(3), and whose purposes are consistent with the Conservancy's enabling legislation (Division 21 of the Public Resources Code)."

PROJECT SUMMARY:

Staff is recommending the Conservancy the authorize the disbursement of up to \$3,000,000 to Save The Redwoods League ("SRL"), to acquire the Shady Dell Creek property of the Usal Redwood Forest, adjacent to Sinkyone Wilderness State Park in northern Mendocino County. The acquisition is part of the Usal Redwood Forest Conservation Project, a joint effort of the Redwood Forest Foundation Inc. ("RFFI"), SRL, and The Conservation Fund ("TCF") to conserve over 50,000 acres of land in the Usal Creek and South Fork Eel River watersheds.

RFFI, a nonprofit organization, purchased the Usal Redwood Forest in 2007 with financing from Bank of America. RFFI's intent is to create a community forest that will be sustainably managed and harvested, and will someday provide a source of revenue for community projects.

Maintaining the property as a working forest harvested to Forest Stewardship Council (FSC) standards will provide local jobs and tax revenues and the ancillary benefits of maintaining fish and wildlife habitat and protecting a large habitat corridor that connects to over 73,000 acres of protected lands to the north.

In order for RFFI to meet its goals of keeping the forest intact as a working forest, it must pay down a significant portion of the bridge loan that enabled RFFI to acquire the property in 2007.

*USAL REDWOOD FOREST CONSERVATION PROJECT – SHADY DELL CREEK
ACQUISITION*

The only feasible way to do this is to sell a working forest conservation easement over the majority of the property, and sell a fee-title portion of the property adjacent to Sinkyone Wilderness State Park – the Shady Dell Creek property, which will be preserved as park land, open space and wildlife habitat, and will not be subject to timber harvest. The Wildlife Conservation Board will consider authorizing \$19,000,000 for the working forest conservation easement at its February 2011 meeting. The working forest easement will be held by The Conservation Fund or CalFire. Conservancy funds are proposed to be directed to the Shady Dell Creek fee-acquisition portion of the project. SRL will own and manage the Shady Dell Creek property.

The Shady Dell Creek property is the coastal portion of the Usal Forest, and directly abuts the Sinkyone Wilderness State Park. A fee acquisition of this portion of the property will enable the potential development of 1.5 miles of coastal trail off the county road, and will also provide potential sites for relocation of camping areas out of the floodplain of Usal Creek. It also contains a destination point for visitors - an area known as the Trees of Mystery– redwood trees that have been strangely contorted by wind over the decades. The acquisition will extend the protection of California’s Lost Coast by a mile southward from existing protected lands.

While the Shady Dell Creek property would be a logical addition to the adjacent Sinkyone Wilderness State Park, the California Department of Parks and Recreation (DPR) is not currently able to assume additional property management responsibilities. However DPR has worked closely with SRL and RFFI to develop the boundaries of the fee acquisition so that its protection complements the existing state park lands. RFFI is currently working with the Mendocino County on a boundary line adjustment that reconfigures the parcels to the desired acquisition boundaries. It is hoped that at some point in the future, DPR will be able to assume ownership of the property.

Once SRL acquires the Shady Dell Creek property, it proposes to develop and implement a restoration plan in cooperation with DPR that may include 1) research, planning and environmental studies to support the development of a restoration plan for the confluence of Shady Dell Creek and the lower estuary of Usal Creek to assist in the recovery of the salmonid fisheries; 2) improvements to the beachside camping area and lookout that will eventually be part of the Park; and 3) evaluation of the feasibility of moving the Coastal Trail, which currently runs along the one-lane Usal County Road, westward to a more scenic, off-road location. Some of the work will be completed prior to the property’s transfer to DPR, and other work may be completed when the property is under ownership with DPR. SRL is committed to managing the property and working with DPR on successful integration of this addition into Sinkyone Wilderness State Park in the future.

SRL’s history of conservation work in the area dates back to 1922 with acquisitions on the eastern edge of the forest conservation project. The Conservancy has worked with SRL on a number of north coast acquisition projects over the last decade, including the 25,000 acre Mill Creek acquisition in Del Norte County, and smaller acquisitions at Humboldt Lagoons State Park and Montgomery Woods State Park in the upper Big River watershed. More recently, SRL stepped in to provide interim funding for the Jenner Headlands acquisition in Sonoma County

*USAL REDWOOD FOREST CONSERVATION PROJECT – SHADY DELL CREEK
ACQUISITION*

when the State funding was frozen. SRL has proven its capabilities as a strong participant in conserving the coast.

Site Description: The Usal Redwood Forest property consists of 50,635 acres – over 78 square miles - in the South Fork Eel River and Usal Creek watersheds of northern Mendocino County (Exhibit 1). It stretches from the coast inland more than seven miles to the Highway 101 corridor. Rugged and remote, the property has been operated as commercial timber land for over 100 years. It contains 261 existing parcels that were cobbled together over the last 100 years by a variety of private timber companies to create the single 50,635 ownership that exists today. Improvements on the property are limited to a road network used for the timber operation.

The forest is a mixture of Douglas fir, redwood and a large component of tanoak related to past timber harvest practices. The property's 226 miles of class 1 and 2 streams in 22 subwatersheds provide valuable habitat for coho salmon, Chinook salmon, steelhead, prickly sculpin and Pacific lamprey. It also provides habitat for a number of terrestrial species, including bald eagle, marbled murrelet, northern spotted owl, and osprey.

The 957-acre Shady Dell Creek property, the coastal-fronting portion of the property, contains a variety of highly valuable habitats including one mile of coastline, riparian and forested habitat types. The coastal bluff scrub provides potential habitat for as many as five sensitive plant species including Mendocino coast Indian Paintbrush. Records from the California Natural Diversity Database indicate several occurrences of an old forest lichen named "Methuselah's beard lichen" (*Usnea longissima*) on the fee parcel, suggesting complex forest structure still remains and late-seral habitat may recover quickly. The property also offers habitat for the Northern spotted owl.

Early to mid-successional redwood and Douglas fir forest surrounds Shady Dell Creek, a tributary of Usal Creek which supports habitat for Chinook salmon, coho salmon and steelhead trout. Upstream recovery of anadromous habitat in the larger Usal Creek watershed through the working forest conservation easement is expected to accelerate under RFFI's management, making the Shady Dell tributary, near the creek's outlet, highly valuable habitat for fisheries recovery. The acquisition will also provide compete protection of the unusual ancient redwoods, known as Trees of Mystery, located on the property.

The Shady Dell Creek parcel is adjacent to the 7,800-acre Sinkyone Wilderness State Park to the north, and the 49,500-acre RFFI property to the east, which will be conserved through the working forest easement. Also to the north is the Sinkyone Intertribal Wilderness Council land, which then connects to the 60,000-acre King Range National Conservation Area. To the south are lands owned by Soper Wheeler, a private timber company.

Project History: As discussed in the Project Description section, RFFI acquired the Usal Forest in 2007 with private financing from the Bank of America. However, in order to manage the property to environmentally sensitive standards, RFFI knew that it would need to raise funds to pay down the bridge loan, thus easing its need to harvest more timber in the short term for debt payments, which could negatively impact the forest health and structure in the long term. Subsequently RFFI entered into a Memorandum of Understanding with The Conservation Fund to develop a conservation project that would bring public and private conservation dollars to help

*USAL REDWOOD FOREST CONSERVATION PROJECT – SHADY DELL CREEK
ACQUISITION*

protect the forest. Since 2007 TCF has worked with RFFI, the Wildlife Conservation Board, the Federal Forest Legacy Program, CalFire, State Parks, Save the Redwoods League and the Conservancy to craft the parameters of the project. Unfortunately the State’s fiscal crisis and resultant freeze on new bond-funded projects delayed action on this project until now. When it became clear that DPR would be unable to take ownership of the project in the near term, SRL stepped forward and agreed to not only provide private acquisition funding, but also to take on interim ownership and management of the Shady Dell Creek property.

In addition to the proposed acquisition, the Conservancy has assisted with several projects in the vicinity, providing funding for the Sinkyone State Park acquisitions in the late 1980s, and selling land to the Intertribal Sinkyone Wilderness Council (ITSWC) for creation of their wilderness park in the 1990s. The Conservancy has continued to work with the ITSWC on implementation of anadromous fish habitat improvement projects and the planning for a trail network linking their lands with the State Park.

PROJECT FINANCING

Fee Acquisition

Coastal Conservancy	3,000,000
Save the Redwoods League	<u>2,500,000</u>
	<i>Subtotal: 5,500,000</i>

Working Forest Conservation Easement Acquisition

Wildlife Conservation Board (pending)	19,500,000
Federal Forest Legacy Fund (pending)	<u>500,000</u>
	<i>Subtotal: 20,000,000</i>

Total Project Costs **\$25,500,000**

The expected source of Conservancy funds for this project is the FY 08/09 appropriation to the Conservancy from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84). Proposition 84 authorizes the use of funds for projects that will carry out the Conservancy’s statutory mission (Pub. Res. Code Section: 75060(b)). Consistency of the project with the Conservancy’s statutory mission is discussed below in “Consistency with Conservancy’s Enabling Legislation.” Proposition 84 also requires that for acquisition projects that protect natural resources, the Conservancy give priority to projects that meet at least one of the criteria specified in Pub. Res. Code Section 75071. The proposed acquisition satisfies four of the five specified criteria:

1. The property links to existing protected areas with other large blocks of protected habitat. The linkage serves to connect existing protected areas, facilitate wildlife movement and botanical transfer, and results in sustainable combined acreage. Specifically, the Shady Dell

*USAL REDWOOD FOREST CONSERVATION PROJECT – SHADY DELL CREEK
ACQUISITION*

property links to the Sinkyone Wilderness State Park and the Intertribal Sinkyone Wilderness Council property, which in turn link to the protected BLM King Range Conservation Area. With the completion of the Redwood Forest Foundation Usal Forest Conservation Easement, the property will also link to the east with the 49,500-acre conservation easement property.

2. The project will contribute to the long-term protection of and improvement to the water and biological quality of the Usal Creek.
3. The property supports old growth redwood forest, an under-protected major habitat type.
4. The Conservancy's funds for the Shady Dell Creek property will be matched by private funds from SRL. It is anticipated that the forest conservation easement will be funded by the Wildlife Conservation Board and the Federal Forest Legacy program further leveraging the Conservancy's investment in the area.

As required by Section 75701, Conservancy staff has submitted to the Resources Agency and posted on the Conservancy's website an explanation as to how the proposed acquisition meets the criteria of Section 75071.

CONSISTENCY WITH CONSERVANCY'S ENABLING LEGISLATION:

Section 31251 authorizes the Conservancy to award grants to nonprofit organizations to acquire land that because of natural or human-induced events have suffered loss of natural and scenic values. Prior timber harvesting practices have removed most of the ancient forest on the Shady Dell Creek Property. Acquisition of the site by SRL will enable forest and riparian habitat restoration projects to proceed.

Under Section 31253, the Conservancy may provide up to the total cost of any coastal resource enhancement project. The Conservancy's contribution for the Shady Dell Creek acquisition constitutes 55% of the fee parcel acquisition cost. In terms of the greater Usal Redwood Forest Conservation Project, the Conservancy's funds constitute less than 12% of the project cost.

Under Section 31260, the Conservancy may fund the costs of land acquisition for an approved coastal resource enhancement project.

Pursuant to section 31251.2(a) in order to enhance a resource within the coastal zone, the Conservancy may award a grant to enhance a watershed resource that, like the Usal Forest, is partly outside the coastal zone. The proposed project acquisition boundaries were drawn in part to obtain as much of the Shady Dell Creek watershed as possible, to improve habitat protection and restoration opportunities.

Consistent with section 31252, the proposed project is consistent with the Mendocino County Local Coastal Program as described in the Consistency with Local Coastal Program Policies section below.

**CONSISTENCY WITH CONSERVANCY'S 2007
STRATEGIC PLAN GOAL(S) & OBJECTIVE(S):**

Consistent with **Goal 1, Objective G** of the Conservancy's 2007 Strategic Plan, the proposed project provides the opportunity to relocate approximately 1.2 miles of the proposed coastal trail off the public road. In addition, RFFI has indicated its interest in working on a trail that would link Highway 101 with the coastal trail across the conservation easement property.

Consistent with **Goal 2, Objective C**, the proposed project would open an area that is currently closed to public use.

Consistent with **Goal 4, Objective A**, the proposed Shady Dell Creek fee acquisition will protect will protect resource lands that 1) connect existing public and other protected lands to provide large, contiguous blocks; 2) protect habitat and wildlife corridors and 3) preserve scenic vistas and open space.

While the Conservancy's funds are directed at the fee portion acquisition of the Usal Redwood Forest Conservation Project which will not continue to be operated as working land, the conservation easement portion of the project, proposed to be funded by WCB and the Forest Legacy Program, supports **Goal 7, Objective A**, as it will help preserve of 49,500 acres of working forestlands.

**CONSISTENCY WITH CONSERVANCY'S
PROJECT SELECTION CRITERIA & GUIDELINES:**

The proposed project is consistent with the Conservancy's Project Selection Criteria and Guidelines, last updated on June 4, 2009, 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:** The Usal Redwood Forest Conservation Project has widespread community support. Letters of support have been received from Assemblyman Wes Chesbro, the Counties of Mendocino and Humboldt, the Cities of Fort Bragg and Willits, and others. Letters of support are included in Exhibit 3.
4. **Location:** The Shady Dell Creek parcel is located partially in and partially outside the coastal zone of Mendocino County.
5. **Need:** Without Conservancy funding, acquisition of the Shady Dell Creek parcel will not proceed. It is a necessary part of the Usal Redwood Forest Conservation Project financing strategy. RFFI will not be able to bring down its debt load to a manageable level, and the future of the forest as working timberland would be in jeopardy.

*USAL REDWOOD FOREST CONSERVATION PROJECT – SHADY DELL CREEK
ACQUISITION*

6. **Greater-than-local interest:** The Usal Redwood Forest Conservation Project protects through fee and easement purchases more than 50,000 acres – over 78 square miles –, extends the protection of California’s famed Lost Coast by a mile, and provides the opportunity to plan for and implement a 1.5 mile section of the California coastal trail.
7. **Sea level rise vulnerability:** Vulnerability to sea level rise is minimal on the Shady Dell property. The southern portion of the property contains steep coastal bluffs that provide stunning views but no access to the shoreline. The northern portion, where shoreline is accessible from the Sinkyone Wilderness State Park could become less accessible with anticipated sea level rise over the next 50-100 years. However, it is anticipated that any future coastal trail construction would occur up on the bluff top, and thus access to the property would be maintained. The remainder of the property would not be impacted by anticipated sea level rise, and, in fact, could provide alternative locations for public access improvements currently located in potentially vulnerable areas on the existing state parklands.

Additional Criteria

8. **Urgency:** RFFI purchased the property with 100 percent private financing, a portion of which was a bridge loan. Their sale of the fee parcel (this authorization) and conservation easement is the only feasible way to repay the bridge loan and keep the property holding intact. Without the proceeds from the sale of the Shady Dell Creek property and the adjacent Usal Redwood Forest conservation easement, RFFI will likely default on its loan obligation, the property will revert to the lender, and its future will be uncertain.
9. **Resolution of more than one issue:** This project ensures the permanent protection of wildlife corridors, provides new public access and the potential to relocate 1.2 miles of coastal trail off the county road, and ensures that valuable productive timberland continues to produce timber and jobs.
10. **Leverage:** See the “Project Financing” section above
11. **Innovation:** This is an innovative project in that it creates a 49,500-acre nonprofit-owned community forest that will remain forever as working timberland, and provides 957 of new public access property.
12. **Readiness:** RFFI is anxious for the project to proceed. It is anticipated that the Wildlife Conservation Board will consider its contribution at its February 2011 board meeting, and that the complete transaction – acquisition of both the fee parcel and conservation easement would be completed in April 2011.
13. **Realization of prior Conservancy goals:** “See “Project History” above.”
14. **Cooperation:** This project is a cooperative effort with three nonprofit organizations - Save the Redwoods League, The Conservation Fund, and the Redwood Forest Foundation Inc. In addition, four state agencies: the Conservancy, the Wildlife Conservation Board, CalFire, and State Parks have all played a role in crafting the project.

15. **Vulnerability from climate change impacts other than sea level rise:** This acquisition will minimize climate change impacts by providing protection, restoration and enhancement of habitats and ecosystem processes on 957 acres that could otherwise be subject to residential subdivision or aggressive future timber harvesting. The property's protection will help minimize climate change impacts by protecting areas adjacent to shoreline habitats which will support native species in need of shifting habitats that may result from climate change, and will specifically conserve and restore habitats that sequester carbon by protecting redwood and Douglas fir forestlands. Finally, the protection of Shady Dell Creek will enhance and restore the property's riparian and estuarine zones to accommodate increased flooding and provide shading to moderate water temperature increases.
16. **Minimization of greenhouse gas emissions:** The project will provide carbon sequestration benefits because it will offer permanent protection of 957 acres of forestlands and habitat, including redwood and Douglas fir forests.

CONSISTENCY WITH LOCAL COASTAL PROGRAM POLICIES:

The proposed acquisition is consistent with policies contained in the Mendocino County Local Coastal Plan ("LCP"). The LCP identifies Usal Creek as a Special Treatment Area due to its special scenic and natural qualities. The Usal Creek area also has environmentally sensitive habitat as defined in the LCP due to its anadromous fish resources, riparian areas, and endangered plant and animal habitat. The LCP states "It is recognized that certain resource areas in this jurisdiction will require public attention to ensure their protection and enhancement such as ...sensitive coastal resources area which are suffering some form of deterioration..."(p. 46).

In addition, the following specific LCP policies support the development of a coastal trail:

Policy 3.6-5 states "Acquisition methods such as...outright purchases are preferred by the County when obtaining public access from private landowners.

Policy 4.1-2 States "...a hiking trail should be developed...It should extend from the Humboldt County line southward beyond the southern limits of the (Sinkyone Wilderness) State Park and along the Usal Road to State Highway 1."

Policy 4.1-3 states "The Board of Supervisors or appropriate entity should continue to negotiate for a trail from Humboldt County line southward to connect with other trails within the Coastal Zone."

Policy 4.1-8 "This area (Usal Creek) should be acquired and managed by the California Department of Parks and Recreation." SRL hopes to eventually transfer the Shady Dell Creek property to State Parks, at such time that it is able to assume the responsibility.

Policy 4.1-10 "coastal trails shall be established for hiking and equestrian use...along the Briceland Road and Usal Creek, and aligned with other trail segments to the south."

*USAL REDWOOD FOREST CONSERVATION PROJECT – SHADY DELL CREEK
ACQUISITION*

COMPLIANCE WITH CEQA: The proposed project is categorically exempt from the California Environmental Quality Act under 14 Cal. Code of Regulations Section 15313 as an acquisition of lands for preservation of fish and wildlife, and under Section 15325 as a transfer of an interest in land to preserve open space and habitat. Upon approval, staff will file a Notice of Exemption for the project.