

COASTAL CONSERVANCY

Staff Recommendation

May 29, 2014

UTC COYOTE RIDGE ACQUISITION

Project No 14-019-01

Project Manager: Tom Gandesbery

RECOMMENDED ACTION: Authorization to disburse up to \$1,000,000 to the Santa Clara County Open Space Authority to acquire the 1,831-acre UTC Coyote Ridge Property.

LOCATION: Unincorporated Santa Clara County

PROGRAM CATEGORY: San Francisco Bay Area Conservancy

EXHIBITS

Exhibit 1: [Site Location](#)

Exhibit 2: [Project Maps](#)

Exhibit 3: [Conservation Lands Network Biodiversity Report Profile](#)

Exhibit 4: [Letters of Support](#)

RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Sections 4.5 of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes disbursement of up to one million dollars (\$1,000,000) to the Santa Clara County Open Space Authority (“Authority”) for acquisition of approximately 1,831 acres of property known as the UTC Coyote Ridge Property (“Property”), Santa Clara County Assessor’s Parcel Numbers: 627-11-009, 627-14-011, 729-53-001, 729-53-002; 729-53-003; subject to the following conditions:

1. Prior to the disbursement of any Conservancy funds for the property, the Authority shall submit for the review and approval of the Executive Officer of the Conservancy (“Executive Officer”):
 - a. All relevant acquisition documents, including without limitation, an appraisal, purchase agreement, escrow instructions, environmental assessment, and title report.
 - b. Evidence that sufficient funds are available to complete the property acquisition.

2. The Authority shall pay no more than fair market value for the property, as established in an appraisal approved by the Conservancy's Executive Officer.
3. The Authority shall permanently dedicate the property for open space, habitat and resource protection, and public access, through an appropriate instrument approved by the Executive Officer.
4. Conservancy funding shall be acknowledged by erecting and maintaining a sign or signs on the property or in a nearby public staging area, the number, design and location of which are to be approved by the Executive Officer."

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 authorization is consistent with the San Francisco Bay Area Conservancy Program, Chapter 4.5 of Division 21 of the Public Resources Code, Sections 31160-31165.
2. The proposed project is consistent with the current Conservancy Project Selection Criteria and Guidelines."

PROJECT SUMMARY:

Staff recommends that the Conservancy disburse up to \$1,000,000 to the Santa Clara Open Space Authority (Authority) for acquisition of the 1,831-acre UTC Coyote Ridge Property (Property), currently owned by United Technologies Corporation (UTC) for purposes of open space preservation, habitat and resource protection, and public access. The site features 3.8 miles of trails, rare and endangered plant communities specific to Serpentine soils, heritage oak forests, and spectacular vistas. The Authority's goals for the Property include eventually opening the existing trails to the public and connecting the trail to existing trails at Anderson Lake County Park and Coyote Creek County Park. Visitors would be able to reach trail access points by car, bicycle, or public transit.

The Authority is a special district that was created by the State Legislature in 1993 to preserve hillsides, creek corridors, and other undeveloped land in Santa Clara County (County) through acquisition of fee or conservation easements. (Public Resources Code (PRC) §§ 35100, et seq.) The Authority also has the authority to manage and operate lands for public recreation. PRC § 35156. The Authority encompasses the cities of Campbell, Milpitas, Morgan Hill, Santa Clara, and San Jose as well as the unincorporated area of the County that is not within the jurisdiction of the Midpeninsula Regional Open Space District. The Authority receives its revenue primarily through benefit assessments that are levied by the Authority and from interest income. These revenues provide the main base for the Authority's acquisition and land improvement work. The Authority has successfully undertaken several major land acquisitions in the recent past.

Site Description:

The Property is located southeast of the city of San Jose, in the San Francisco Bay Area region of California (Exhibit 2). Coyote Ridge is immediately east of Highway 101 in the Mount Hamilton Range. It is located just to the northwest of Anderson Lake County Park, southwest of the 10,000-acre Joseph D. Grant County Park, and just to the west of The Nature Conservancy's 28,000-acre San Felipe Ranch conservation easement. The San Felipe Ranch connects to the approximately 89,000-acre Henry Coe State Park, one of the largest state parks in California.

The Property is characterized by gently rolling hills that climb from the Santa Clara Valley floor to an elevation of nearly 1,400 feet. Vegetation consists almost entirely of serpentine grasslands, one of the rarest natural communities in the San Francisco Bay Area. The Property encompasses nearly a fifth of the remaining undeveloped serpentine grassland habitat in Santa Clara County. Three miles of perennial streams and nearly seven miles of intermittent or ephemeral streams originate on the property and flow through steep canyons that support blue oak woodlands and riparian forests. These streams are tributary to Coyote Creek, an important steelhead stream that flows into San Francisco Bay. Small stands of serpentine leather-oak chaparral, prominent rock outcrops, and occasional groves of blue oak woodlands are also located on the property. According to a biodiversity portfolio report generated by the Conservation Lands Network Explorer Tool (Exhibit 3), over 1,700 acres of the property contain Rank 1 (globally rare) vegetation. The property is considered to be highly suitable for conservation, and its protection is essential to meet the goals of the Conservation Lands Network (Bayarealands.org, 2014).

Along with numerous seeps, springs, and eight ponds, the Property's serpentine grasslands provide habitat for a number of species that are considered rare, threatened, or endangered. These include serpentine-dependent species such as the federally-threatened Bay checkerspot butterfly and federally-endangered Metcalf Canyon jewelflower. The property provides critical habitat for a wide array of other listed species including California tiger salamander and California red-legged frog, as well as tule elk, burrowing owls, golden eagles, and many other raptors.

The Property also contributes to a vital wildlife linkage between the Santa Cruz Mountains and the Diablo Range through the adjacent Coyote Valley, and its protection will ameliorate the effects of climate change providing a range of microclimates and environmental gradients that will provide ecological resilience. The Property fits into a larger complex of nearby publicly and privately protected lands on Coyote Ridge, and its protection would contribute to the conservation goals of many of the Authority's partners including the California Department of Fish and Wildlife, US Fish and Wildlife Service, The Nature Conservancy, the Santa Clara Valley Habitat Agency and others.

The Authority's primary objective is to secure the permanent protection of the property to maintain its conservation values related to biodiversity and watershed integrity, and to provide future opportunities for compatible recreation activities. The Authority is in the process of acquiring an open space easement on land owned by the Santa Clara Valley Water District. Once the easement is in place, the Authority will be responsible for managing nearly 3,700 acres on Coyote Ridge, consisting of: the UTC Property, the aforementioned Water District lands and land owned by the Valley Transit Authority. By acquiring the Property, the Authority will be able to establish and manage these three properties as a 3,700-acre preserve. In addition to its significant natural resources, this preserve, which the Authority refers to as the Coyote Ridge Open Space Preserve would provide unparalleled opportunities for public recreation and

environmental interpretation within two miles of San Jose. Taking advantage of existing ranch roads, the Authority would be able to establish a system of multiple-use trails on the Property, including a new 3.8-mile section of the Bay Area Ridge Trail. Based on its dramatic scenery and close proximity to such a large urban area, the future Preserve could receive tens of thousands of visitors per year

Project History: The Property has been a conservation target for many years. In the 1990s, the Nature Conservancy carried out a comprehensive regional assessment of the ecological values of undeveloped land and concluded that the Property was of very high value and should be preserved. The site is owned by UTC a developer and manufacturer of rocket engines and aerospace technology. UTC acquired the property to function as a buffer between Hwy 101 and UTC's 5,000 plus -acre rocket testing facility to the east (Exhibit 2). In the early 2000s, UTC began decommissioning its rocket testing facility and concluded that it no longer needed the subject property and was willing to sell it to a conservation organization. The Property was never used for rocket testing; activities on the property were limited to cattle grazing. In 2011 the Authority began negotiating with UTC for acquisition of the Property.

PROJECT FINANCING

Coastal Conservancy	\$1,000,000
Gordon and Betty Moore Foundation	\$1,000,000
Valley Habitat Program	\$2,000,000
State Parks Recreational Trails Program	\$400,000
Bureau of Reclamation CVP Conservation Program.	\$1,000,000
US Fish and Wildlife-Section 6 Program (pending)	\$2,000,000
Wildlife Conservation Board (pending)	\$2,000,000
Santa Clara County Open Space Authority	\$997,000
<u>Project Total</u>	<u>\$9,397,000</u>

The anticipated source of Conservancy funds for this grant is the fiscal year 2008/09 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, PRC §§ 75001 et seq.). Proposition 84 funds may be used for San Francisco Bay Area Conservancy Program projects that protect and restore the natural habitat values of coastal waters and lands, and projects that promote access to and enjoyment of coastal resources, in the nine-county San Francisco Bay Area. (PRC§ 75060(c)). The term "protection" in Proposition 84 includes acquisition of property. PRC§ 75005(m). Acquisition of the Property will protect the significant natural habitat values of the property as well as facilitate public access to this highly scenic natural resource of the San Francisco Bay area. Acquisition of the Property is consistent with the San Francisco Bay Area Conservancy Program (Chapter 4.5 of Division 21 of the Public Resources Code), as described below. Further, the proposed acquisition is a priority for Proposition 84 funding because it supports a large area of an "under-supported major habitat" in that the land includes serpentine soil- dependent plant communities. (PRC § 75071(c)). Thus, the

proposed project is an appropriate use of Proposition 84 funds. As required by Section 75701, Conservancy staff has submitted to the Resources Agency and has posted on the Conservancy's website an explanation as to how the proposed acquisition meets the criteria of that section.

In addition to the funds listed above, the Authority has expended \$76,000 in staff time for project administration and oversight; an initial appraisal; and for other real estate services and project management services. In addition, the landowner has agreed to a \$5,000,000 bargain sale reduction in the sale price of the property (appraised value is \$5 million over what is presented here).

CONSISTENCY WITH CONSERVANCY'S ENABLING LEGISLATION:

The Project is consistent with Chapter 4.5 of Division 21 of the Public Resources Code Sections 31160 et seq. establishing the San Francisco Bay Area Conservancy Program.

The Project is located in Santa Clara County, which is within the nine-county San Francisco Bay Area, consistent with Section 31162. The proposed project is consistent with the provisions of Chapter 4.5 of Division 21 of the Public Resources Code, Sections 31160-31165, which state that the Conservancy may award grants in the nine-county San Francisco Bay Area to help achieve stated goals. Consistent with Section 31162(b), the proposed project will help "to protect... natural habitats and connecting corridors, watersheds, scenic areas, and other open-space resources of regional importance." The acquisition will result in the protection of regionally important serpentine grasslands, Coastal scrub and blue oak forest woodlands and of the wildlife corridors that the Property provides, including critical habitat for a wide array of listed species including California tiger salamander and California red-legged frog, as well as tule elk, burrowing owls, golden eagles, and other raptors. The Property encompasses nearly a fifth of the remaining undeveloped serpentine grassland habitat in Santa Clara County, and is considered vital to the recovery of serpentine dependent species including the federally-threatened Bay checkerspot butterfly and federally-endangered Metcalf Canyon jewelflower. Acquisition of the Property is recommended by the Conservation Lands Network, a five-year science-based study by over 125 organizations and individuals tasked to identify the most essential lands needed to sustain biological diversity.

Consistent with Section 31162(d), the proposed project will "provide open space and natural areas that are accessible to urban populations for recreational... purposes." The Property is located within two miles of San Jose and will provide a highly scenic hiking and biking area for residents of San Jose as well as the other cities in the Bay area. Section 31163(a) provides that "any acquisition of real property by the Conservancy pursuant to this chapter shall be from willing sellers." Consistent with this section, the seller of the Property has willingly entered into an option agreement with the Authority. The Property acquisition satisfies the criteria for determining project priority under Section 31163(c), as the project has the following characteristics: (1) it is supported by regional plans, including the Santa Clara Countywide Trails Master Plan, the Conservation Lands Network, and the Santa Clara County Habitat Conservation Plan (2) it serves a regional constituency in that the project will help preserve sensitive natural communities and also provides scenic resources and potential trail connections; (3) it can be implemented in a timely way because it will be completed within approximately 9 months; (4) unless funding is secured by December 31 2014, the benefits of a acquisition of the Property could be lost; and (5) it includes substantial matching funds.

**CONSISTENCY WITH CONSERVANCY'S 2013
STRATEGIC PLAN GOAL(S) & OBJECTIVE(S):**

Consistent with Goal 11, Objective B of the Conservancy's 2013-2018 Strategic Plan, the proposed project would protect 1,831 acres of uplands, wildlife habitat, connecting corridors, scenic areas, and other open-space resources of regional significance in the Bay Area.

Consistent with Goal 12, Objective C the proposed project will increase the amount of land accessible to the public and provide a corridor for trails.

**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 November 10, 2011, 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:** Acquisition of the Property is supported by the following organizations: Bay Area Ridge Trail Council; Santa Clara Valley Habitat Agency (HCP/NCCP Reserve System); Santa Clara County Parks and Recreation Department; Audubon Society; California Native Plant Society; California Department of Fish and Wildlife. Acquisition of the Property is also supported by State Senator Bill Monning and Assembly member Bob Wieckowski (Exhibit 3)
4. **Location:** The project is located in Santa Clara County, within the jurisdiction of the nine-county San Francisco Bay Area Conservancy Program.
5. **Need:** The Authority has entered into a Letter of Intent and intends to enter into a Purchase and Sale Agreement with the seller that requires firm funding commitments by the end of calendar year 2014 and allows escrow to close within an additional year.
6. **Greater-than-local interest:** The proposed project would protect wildlife habitat that is of state and federal significance, preserve scenic open space, and enable connection of trails to adjacent County park lands and contribute to a proposed north-south corridor .
7. **Sea level rise vulnerability:** The property is not located at elevations that will be impacted by sea level rise.

Additional Criteria

9. **Resolution of more than one issue:** Acquisition will fulfill a need to protect critical habitat, provide recreation and protect the Coyote Ridge from development.
10. **Leverage:** See the “Project Financing” section above.
12. **Readiness:** The Open Space Authority is currently finalizing funding commitments from several agencies and non-profits sufficient to acquire and manage this land. To date the Authority has conserved 16,000 acres and within those holdings it has established three open space preserves that are available for public use, consisting of over 6,000 acres of land and twenty miles of trails. This acquisition is intended to create a fourth preserve that includes public recreation, referred to as Coyote Ridge.
14. **Return to Conservancy:** See the “Project Financing” section above.
15. **Cooperation:** The project is being sold by the owner, UTC at a discount price because the company has a goal of preserving the land and returning it to public use.
16. **Vulnerability from climate change impacts other than sea level rise:** Protection of this property will help advance the California Natural Resources Agency’s 2009 California Climate Adaptation Strategy (Strategy), which recommends the protection of lands that constitute a "healthy, resilient ecosystem with a rich plant and animal biodiversity, critical to the health, safety, and welfare of human populations." Additionally, the Strategy calls for increasing the network of reserve areas that provide refuge and aids the movement of species as they adjust to changing conditions associated with climate change. Protection of this property would directly help advance this goal of the Strategy as it includes the following features: climatic and elevation gradients, microclimates, and low fragmentation.
17. **Minimization of greenhouse gas emissions:** Permanent protection of the Property will preserve its extensive grasslands and oak woodlands, resulting in long-term carbon sequestration. The Authority does not have plans to seek carbon credits for this property. Additionally, this acquisition represents some level of deferred auto trips since the property will be immediately open to the public, is reachable on public transit and by bicycle, and will provide recreational opportunities for nearby residents who might otherwise travel to more distant locations for similar recreational activities.

COMPLIANCE WITH CEQA:

This proposed land acquisition project is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to 14 Cal. Code of Regulations Sections 15313 and 15325. Section 15313 exempts acquisition of lands for fish and wildlife conservation purposes where the purpose of the acquisition is to preserve the land in its natural condition. Section 15325 exempts transfers of ownership interests in land in order to preserve habitat and open space, including transfers to preserve existing habitat, to allow continued agricultural use and/or to preserve open space for parks. The proposed project is exempt pursuant to these two sections because it is an acquisition of land for purposes of protecting the land in its natural condition in order to maintain habitat and natural resources and to eventually allow public recreation on existing trails consistent with natural resource protection.