

COASTAL CONSERVANCY

Staff Recommendation
March 24, 2016

SAND HILLS FARM ACQUISITION (ELKHORN SLOUGH)

Project No. 16-003-01
Project Manager: Janet Diehl

RECOMMENDED ACTION: Authorization to disburse up to \$1,580,000 to the Elkhorn Slough Foundation to acquire the 107-acre Sand Hills Farm Property in the Elkhorn Slough watershed in Monterey County, to preserve and enhance the natural resources of the property and to improve the water quality of Elkhorn Slough.

LOCATION: Elkhorn Slough, unincorporated Monterey 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 31251-31270 of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes disbursement of up to one million five hundred eighty thousand dollars (\$1,580,000) to the Elkhorn Slough Foundation (“ESF”) for the purpose of acquiring the Sand Hills Farm Property in the Elkhorn Slough watershed (Monterey County Assessor Parcel Numbers 129-211-038 and 129-213-004), consisting of approximately 107 acres. This authorization is subject to the following condition:

1. Prior to the disbursement of funds, ESF shall submit for review and approval of the Executive Officer of the Conservancy (“the Executive Officer”) all relevant documents, including, without limitation, the appraisal, purchase agreement, escrow instructions, environmental assessment and title report.
2. ESF shall pay no more than fair market value for the property, as approved by the Conservancy, based on an appraisal of the property.
3. ESF shall permanently dedicate the property for wildlife habitat, environmental restoration, open space protection, agricultural preservation and possible public access through an

irrevocable offer to dedicate the property or other instrument approved by the Executive Officer.

4. Conservancy funding shall be acknowledged by erecting and maintaining a sign on the property or in a nearby public staging area, the design and location of which 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 project is consistent with the purposes and objectives set forth in Chapter 6 of Division 21 the Public Resources Code (Section 31251-31270) regarding enhancement of coastal resources.
2. The proposed project is consistent with the current Conservancy Project Selection Criteria and Guidelines.
3. Elkhorn Slough Foundation 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.”

PROJECT SUMMARY:

The proposed authorization will provide a \$1,580,000 grant to the Elkhorn Slough Foundation (ESF) to purchase and preserve ESF’s highest priority conservation target in the Elkhorn watershed – the 107-acre Sand Hills Farm property in unincorporated Monterey County (Exhibit 1). Buying this property will give ESF the opportunity to reconfigure and fallow some of its fields, which will reduce the sediment and nutrient pollution that currently drains from its steep hills into the Slough. The purchase also will protect 25 acres of maritime chaparral/coast live oak woodland, and provide an additional link between the Elkhorn Slough National Estuarine Research Reserve (“the Reserve”) and a three-mile corridor of existing preserves east of the Slough.

Although the Sand Hills Farm property was identified 17 years ago as a high priority acquisition in the Elkhorn Slough Watershed Conservation Plan (produced with Conservancy support), there was not a willing seller until last year. ESF’s negotiations with the current owners, the Renteria family, resulted in a purchase option that expires in less than three months, on June 8, 2016. The Renterias have agreed to sell at the property’s fair market value of \$1,580,000, as established in an appraisal that has been reviewed and approved by Conservancy staff. ESF will assume management responsibility in perpetuity, as well as provide acquisition costs and restoration funds projected to total \$443,600.

This is the first phase of the land trust’s “Ridgeline to the Tideline Initiative,” a projected seven-year effort to acquire and restore critical lands that drain directly into Elkhorn Slough and the Reserve (Exhibit 1, page 2). The initiative targets eight worn-out sand hill farms with steep fields that have been chronic sources of erosion and degradation of water quality in the slough. Acquisition is the crucial initial step to eliminate the sources of sedimentation on these steep slopes. The Conservancy’s support is critical at this time to accomplish the first acquisition

identified in the initiative by June; ESF has proposals pending with other agencies and nonprofits to support subsequent acquisitions and restoration work.

Once the properties identified in the initiative are acquired, ESF expects to develop plans for continued agriculture and restoration that follow the model that it successfully developed under the Watershed Conservation Plan – reconfiguring the farm footprints, taking steep slopes out of production, and establishing sustainable, certified organic farms. ESF expects to restore fallowed hills to native habitat, and will have the option to provide public access if appropriate for the resources of the property. For the Sand Hills Farm property, ESF has set aside its own funds for the proposed restoration and farm operation.

Without acquisition funding from the Conservancy, ESF would not be able to buy and protect this property before the purchase agreement expires in June. The opportunity to fill this gap in protective ownership in the Elkhorn Slough watershed would be lost, as a strong market exists in the greater Monterey Bay area for large acreage estate-type properties such as the Sand Hills Farm.

With its strong history of protecting key lands in the Elkhorn watershed and in-depth knowledge of local properties, ESF is well-equipped to complete the Sand Hills Farm purchase, as well as the other acquisitions identified in its Ridgeline to the Tideline Initiative. ESF is building on almost 20 years of successful work initiated with the Conservancy-funded Watershed Conservation Plan, which has resulted in the direct protection of over 3,000 acres of slough land and water areas, through more than 40 transactions totaling \$35 million. The Conservancy contributed about 13% of the cost of those acquisitions, or \$4.5 million, which has led to a tremendous leveraging of resources.

Site Description: The Sand Hills Farm property is composed of two county assessor parcels totaling 107 acres in an unincorporated area of Monterey County known as Royal Oaks, just east of Elkhorn Slough. It extends from Elkhorn Road at the edge of the Elkhorn Slough salt marsh, at about 12 feet elevation, to a maritime chaparral-covered ridgeline at about 350 feet elevation. The property faces south and west, with the lower portion being relatively gently sloped while the upper part is steep to very steep. The hills in this area were formed from old marine sand dunes, and are very prone to erosion.

The land has been farmed conventionally for decades, with a farm footprint maximized for production. Rows of strawberries cover about 60% of the land, extending into steep and very steep parts of the property. The farm has suffered from decades of unmitigated erosion, leading to tens of thousands of cubic yards of sediment and associated pollution (nitrate and phosphate primarily) flowing into the adjacent Reserve. A sediment plume stemming from the Sand Hills Farm can be clearly seen in the aerial photograph included in Exhibit 2.

Improvements on the Sand Hills Farm property include a single-family dwelling, a large three-sided barn, a well for the farm and a well for the dwelling. Both wells have good quality and quantity of water. Soil and landform stabilization is the most important land management challenge for this property, followed by weed abatement and habitat restoration.

On its upper reaches, the property supports more than 25 acres of maritime chaparral/coast live oak woodland community. The chaparral is considered by Monterey County to be Environmentally Sensitive Habitat. Several rare plants and animals are known to inhabit adjacent property owned by ESF, including these listed species: Santa Cruz long-toed

salamander, California tiger salamander and Red-legged frog. Anecdotal evidence including wildlife cams show this area and the adjoining lands to be significant corridors for wildlife movement, including bobcats, grey fox, deer, coyote and mountain lions.

The Sand Hills Farm property lies across a narrow road from the Reserve, a 1,700-acre reserve managed by the California Department of Fish and Wildlife in concert with the National Oceanic and Atmospheric Administration. Extending inland for seven miles, the Slough provides extraordinary biological diversity and recreational opportunities. The estuary contains many distinctive habitat types including subtidal channels, tidal creeks, mudflats, salt marshes, and tidal brackish marshes. These habitats provide a rich ecosystem essential for more than 340 bird species, 550 marine invertebrate species, and 102 fish species. Elkhorn Slough is an important nursery for commercial and recreational fish and a premier migratory stopover for birds. Elkhorn Slough has been recognized as a Globally Important Bird Area by the National Audubon Society and a Western Hemisphere Shorebird Reserve Network by the Manomet Center for Conservation Sciences.

Estuaries like Elkhorn Slough are among the most threatened ecosystems in California, and as a result, a disproportionate number of rare, threatened, and endangered species reside in these areas. In the Elkhorn Slough watershed, two dozen species are included in these categories, including the iconic Southern sea otter, a federally threatened species. The estuary also provides many beneficial human uses such as recreational boating, hiking and bird watching. Moreover, the coastal wetlands minimize shoreline erosion and filter polluted waters.

Project History: This project is the start of the second phase of acquisitions set forth in the 1999 Elkhorn Slough Watershed Conservation Plan, developed by the Coastal Conservancy, The Nature Conservancy (TNC) and the Elkhorn Slough Foundation, with review and input from the California Department of Fish and Wildlife (CDFW) and the Reserve. The plan has guided ESF's efforts to buy and restore critical habitat in the Elkhorn watershed over the past 17 years.

ESF has aimed to buy the Sand Hills Farm property since the plan was completed, but the owners only recently became willing to sell. With this property as the lead, ESF is re-doubling its efforts to acquire eight watershed properties (totaling 361 acres) that represent the greatest threat to the Slough from upland sources. ESF's long-term goal is to eliminate disturbance on the steep slopes, restore native habitats, reconfigure the farms to sustainable footprints and convert to organic cultivation, permanently protecting the farm use while also protecting the downstream natural resources and wildlife values. ESF, working with TNC and CDFW, has demonstrated the efficacy of this approach in transforming this watershed. Past work has led to a measurable reduction of nutrients coming into slough wetlands. ESF is working with CDFW and the Wildlife Conservation Board on additional transactions that will match the proposed Conservancy funding.

PROJECT FINANCING

Acquisition Costs (Sand Hills Farm Property):

Coastal Conservancy (acquisition)	\$1,580,000
Elkhorn Slough Foundation (acquisition costs)	<u>43,600</u>
Total Acquisition Costs:	\$1,623,600

Anticipated Restoration Costs

Elkhorn Slough Foundation \$400,000

The anticipated source of Conservancy funds for this project is an appropriation from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006, Public Resources Code section 75001 *et seq.* (Proposition 84). Section 75060(e) allocates funding specifically for the protection of Monterey Bay and its watersheds, which include Elkhorn Slough and its watershed. Proposition 84 authorizes the Conservancy’s use of these funds for the purposes of enhancement of coastal resources through projects undertaken pursuant to the Conservancy’s enabling legislation (Division 21 of the Public Resources Code), including Chapter 6 regarding Coastal Resource Enhancement Projects. Consistency of the project with Chapter 6 is discussed below in “Consistency with Conservancy’s Enabling Legislation.” Since the proposed project consists of acquisition of land to improve resource management for enhancement of Elkhorn Slough, it is an appropriate use of Proposition 84 funds.

Consistent with Proposition 84 requirements, in evaluating proposed projects that involve acquisition for the purpose of natural resource protection, Conservancy staff gave priority to this project because it demonstrates the following characteristics: (1) the property is adjacent to two existing preserved properties and will provide a link ensuring habitat, open space, scenic and recreation connections in the Monterey Bay watershed (see Public Resources Code Section 75071(a)); (2) the project will contribute to the long-term protection of and improvement to the water and biological quality of Elkhorn Slough, a priority watershed as identified by the Resources Agency (see Public Resources Code Section 75071(b)); and (3) the project funding includes a non-state matching contribution toward the acquisition costs (see Public Resources Code Section 75071(e)).

As required by Section 75071(f), Conservancy staff has submitted to the Natural Resources Agency and has posted on the Conservancy’s website an explanation as to how the proposed acquisition meets the criteria for Proposition 84 funding.

ESF will provide future costs for restoration and management of the property, although specific restoration plans have not yet been developed.

CONSISTENCY WITH CONSERVANCY’S ENABLING LEGISLATION:

Conservancy funding of the proposed project is consistent with Chapter 6 (Sections 31251-31270) of the Conservancy’s enabling legislation, Division 21 of the Public Resources Code, regarding enhancement of coastal resources. Pursuant to Section 31251, the Conservancy may award grants to nonprofit organizations for the purpose of enhancement of coastal resources that, because of human-induced events, or incompatible land uses, have suffered loss of natural and scenic values. Such grants must be used for assembly of parcels of land to improve resource management, relocation of improvements or for other corrective measures that will enhance the natural and scenic character of the area. The proposed project consists of the acquisition of land to enable improved resource management and future corrective measures. The acquisition will

enable ESF to manage the habitat and agriculture resources of the property in a manner that enhances the Elkhorn Slough complex, which is a coastal resource that has been degraded by erosion from historical farm uses.

Consistent with Section 31252, Elkhorn Slough has been identified in the Monterey County Local Coastal Program as requiring public action to resolve existing resource protection problems. The North Monterey County Local Coastal Program calls for the protection and, where possible, enhancement and restoration of environmentally sensitive habitats, including riparian corridors, wetlands, rare and endangered species habitat, and maritime chaparral.

Section 31253 states that the Conservancy may provide up to the total cost of a coastal resource enhancement project. Consistent with Section 31253, the following factors were considered in determining the amount of Conservancy funding for this project: the total amount of funding available for coastal resource enhancement projects, the fiscal resources of the applicant, the urgency of the project, and the Conservancy's project selection criteria. The proposed project has been determined to be consistent with these criteria, as discussed below, under the heading "Consistency with Conservancy's Project Selection Criteria & Guidelines."

The continuation of farming on the property is consistent with Section 31261, which permits development within a coastal resource enhancement project, where such development is compatible with the primary objectives of resource protection and enhancement of the coastal zone.

CONSISTENCY WITH CONSERVANCY'S 2013 STRATEGIC PLAN GOAL(S) & OBJECTIVE(S), AS REVISED JUNE 25, 2015:

Consistent with **Goal 4, Objective A** of the Conservancy's 2013-2018 Strategic Plan, the proposed project will protect a 107-acre significant coastal watershed resource property.

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 October 2, 2014, 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. **Promotion and implementation of state plans and policies:** ESF's acquisition of the subject property would serve to promote and implement several state plans including:
 - *California Water Action Plan*. Goal #4, "Protect and Restore Important Ecosystems," which identifies restoration of coastal watersheds as a priority action.

- *California @ 50 Million: The Environmental Goals and Policy Report* (Governor's Office of Planning and Research, 2013 Draft). Key Action #3 of the "Preserve and Steward State Lands and Natural Resources" calls for building resilience in natural systems and specifically calls out the need for well-maintained watersheds and floodplains.
 - *CA Climate Adaptation Strategy/Safeguarding California: Reducing Climate Risk Plan* (CA Natural Resources Agency, July 2014). The plan identifies "Actions Needed to Safeguard Biodiversity and Habitats" including #1: Improve habitat connectivity and protect climate refugia. This acquisition will preserve a wildlife corridor leading from the wetlands of Elkhorn Slough (which drains to Monterey Bay) to upland preserves.
4. **Support of the public:** The project has the support of state and local elected officials, public agencies and nonprofit organizations (Exhibit 3).
 5. **Location:** The proposed project is located within the coastal zone of Monterey County.
 6. **Need:** Without funding from the Conservancy, ESF would not be able to acquire and permanently protect this property before the purchase agreement expires in June. The opportunity to fill this gap in protective ownership in the Elkhorn watershed would be lost.
 7. **Greater-than-local interest:** Elkhorn Slough is one of the most ecologically important and largest estuarine systems in California, as signified by its designation as a National Estuarine Research Reserve. The proposed acquisition will provide water quality and habitat benefits for the Elkhorn Slough complex and protect significant habitat for state and federally endangered species.
 8. **Sea level rise vulnerability:** The lower end of the Sand Hills Farm property is 12 feet above sea level, well above the 55-inch sea level rise/storm surge projected for the year 2100.

Additional Criteria

9. **Urgency:** ESF has only three months to acquire this property, as its purchase agreement expires in June. If ESF doesn't buy this property, the property could be lost to another buyer intending to continue farming the existing footprint. Runoff from the property would continue to pollute downstream tidal wetlands.
10. **Leverage:** See the "Project Financing" section above.
11. **Readiness:** If the Conservancy approves the proposed grant, ESF will be ready to close the acquisition in June.
12. **Realization of prior Conservancy goals:** The Conservancy has worked with ESF and other organizations for over two decades to preserve and restore the resources of Elkhorn Slough. As described in the Project Description and History sections, acquisition of this property will help to realize the longstanding Conservancy objective of enhancement of Elkhorn Slough.
13. **Cooperation:** This project is the result of cooperation among the private sector, the landowner and the Conservancy.
14. **Vulnerability from climate change impacts other than sea level rise:** This project, as a fee acquisition, is intended to protect this property in perpetuity. Its vulnerability to non-sea-level rise climate change includes changing precipitation and habitat conditions that could

make this site no longer suitable for maritime chaparral and coast live oak forest or limited farming activities. Nevertheless, this property would continue to provide habitat for species moving north or coastward in response to climate change, and would prevent erosion and degradation of the Reserve.

CONSISTENCY WITH LOCAL COASTAL PROGRAM POLICIES:

The proposed project is consistent with the North Monterey County Local Coastal Program as follows: Section 2.3 defines environmentally sensitive habitats as “areas in which plant or animal life or their habitats are rare or especially valuable because of their special nature or role in an ecosystem and which could be easily disturbed or degraded by human activities and developments.” Section 2.3.1 states that environmentally sensitive habitats of North Monterey County “shall be protected, maintained, and where possible, enhanced and restored.” Consistent with this section, the proposed project will provide for the permanent protection of the Sand Hills Farm property, which includes 25 acres of maritime chaparral/coast live oak woodland community. Chaparral is considered by Monterey County to be Environmentally Sensitive Habitat.

COMPLIANCE WITH CEQA:

The proposed acquisition of the Sand Hills Farm property is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to 14 Cal. Code of Regulations Section 15325 as a transfer of ownership of interests in land in order to preserve open space and existing natural conditions, including habitat. The exemption explicitly includes acquisitions to allow continued agricultural use and to allow restoration of natural conditions (sections 15325(b) & (c)). The Conservancy’s grantee, the ESF, intends to preserve the natural conditions, including plant and animal habitats, in some areas of the property and allow the continued agricultural use of the property.

Upon approval, staff will file a Notice of Exemption for the proposed project.