

COASTAL CONSERVANCY

Staff Recommendation
September 29, 2016

MONTESOL RANCH WATERSHED PROTECTION ACQUISITION

Project No. 16-036-01
Project Managers: Matt Gerhart and Marilyn Latta

RECOMMENDED ACTION: Authorization to disburse up to \$1,700,000 to The Trust for Public Land to acquire a conservation easement to be held by the Land Trust of Napa County over the 7,286-acre Montesol Ranch, of which 6,184 acres are in northern Napa County, to preserve and enhance the watershed resources of the property and to protect the water quality of Lake Berryessa and its tributaries.

LOCATION: Northern Napa County

PROGRAM CATEGORY: San Francisco Bay Area Conservancy

EXHIBITS

Exhibit 1: [Project Location, Site Map and Assessors Parcels](#)

Exhibit 2: [Photographs](#)

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

Exhibit 4: [Project Letters](#)

RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Sections 31160–31165 of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes disbursement of up to one million seven hundred thousand dollars (\$1,700,000) to The Trust for Public Land (TPL) to acquire a conservation easement to be held by the Land Trust of Napa County (LTNC) over the 7,286-acre property known as Montesol Ranch (Assessor Parcel Numbers listed in Exhibit 1) (“property”), as shown in Exhibits 1 and 2 to the accompanying staff recommendation. This authorization is subject to the following conditions:

1. Prior to disbursement of any funds for acquisition of the property, TPL shall submit for the review and approval of the Executive Officer of the Conservancy (Executive Officer):
 - a) all relevant acquisition documents, including the appraisal, agreement of purchase and sale, escrow instructions, deeds, and documents of title, b) a baseline conditions report, c) a monitoring and reporting plan, and c) documentation that all other funds necessary for

the acquisition have been obtained.

2. TPL shall not pay more than fair market value for the property rights acquired pursuant to this authorization, as established in an appraisal approved by the Executive Officer.
3. Conservancy funding shall not exceed the fair market value of the portion of the property located in Napa County.
4. The easement interests acquired under this authorization shall be managed and operated for the purposes of protecting open space, preserving and enhancing wildlife habitat and water quality, and facilitating resource-compatible public use. The property interests acquired under this authorization shall be permanently dedicated to those purposes in accordance with Public Resources Code Section 31116(b).
5. Conservancy funding shall be acknowledged by erecting and maintaining a sign on the property or in a nearby publicly-viewable area, the 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 Chapter 4.5 of Division 21 of the Public Resources Code (Sections 31160 *et seq.*), regarding the Conservancy’s mandate to address the resource and recreational goals of the San Francisco Bay Area.
2. The proposed project is consistent with the current Conservancy Project Selection Criteria and Guidelines.
3. TPL and LTNC are nonprofit organizations 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 \$1,700,000 grant to The Trust for Public Land (TPL) to purchase a conservation easement over the 7,286-acre Montesol Ranch, of which 6,184 acres are in northern Napa County (Exhibit 1). TPL will transfer the easement to the Land Trust of Napa County (LTNC). The conservation easement will protect the natural resources of the Montesol Ranch while allowing for sustainable forest management, and will limit agriculture and residential development to areas within approximately 480 acres of defined envelopes. By numerous measures, the property is one of the most important properties for protection in the Blue Ridge-Berryessa Natural Area (BRBNA), an 800,000-acre conservation area of national significance. Located in the shadow of Mount Saint Helena, Montesol is the single largest privately-owned property in Napa County. The remaining 1,102 acres of Montesol Ranch are located in Lake County.

Montesol is an extraordinarily wet headwaters property in the upper Putah Creek and Pope Creek watersheds. The average annual rainfall at Montesol is approximately 60 inches, allowing the property to capture 44,670 acre-feet of freshwater per year. Of this amount, approximately

25,500 acre-feet (57%) drains from the property as in-stream flow to numerous area creeks. This supports fish and wildlife habitat throughout these watersheds, with waters eventually draining into Lake Berryessa, a federally-operated reservoir that provides water to Solano County cities and a large (\$292 million) and growing agricultural industry. This in-stream flow represents 3% of the entire water storage capacity at Lake Berryessa. Another 4,244 acre-feet (9.5%) of average annual precipitation at Montesol percolates into the ground, providing a slow and steady release of water year-round through the property's 60+ springs.

In addition to these aquatic attributes, Montesol is positioned at the intersection of an expansive complex of protected lands and as such is a critical element in multiple wildlife migration corridors. The property sits within an identified biodiversity hotspot and provides habitat for dozens of special-status species that have been documented on-site, such as Rincon Ridge Ceanothus, Colusa Layia, Morrison's Jewelflower, Coast Range Newt, and Foothill yellow-legged frog. The project area shares 14-miles of boundary with existing protected lands, including 8 miles with Robert Louis Stevenson State Park. Once completed, the project will consolidate a 22,200-acre landscape of contiguous, permanently protected lands.

The property's remarkable conservation values are facing imminent impairment due to a convergence of factors. First, the property has high market potential. It contains 1,600 acres of lands determined through expert analysis to be "well-suited" for vineyard development, with abundant water for irrigation and 76 legal parcels. There is such a scarcity of suitable vineyard land in Napa that the American Society of Farm Managers and Rural Appraisers has concluded that "Napa is effectively planted out" unless new inventory (such as Montesol) becomes available. At the same time, there is a growing, global demand for Napa-origin wines. Consequently, agricultural lands in Napa County are the most expensive in the nation and rising. Concurrently, the property is becoming a financial burden to the landowners, which now include at least 18 relatives across several generations. Combined with the outsized economic rewards available from large-scale vineyard development, the pressure to convert the property is intense and immediate. The landowners have given TPL a limited opportunity to purchase a conservation easement that would extinguish these threats; failing that outcome they can begin to subdivide and develop the property. In fact, this process has already begun as the owners have developed an initial 7-acre demonstration vineyard to inform larger-scale conversion.

The result of these conditions is that the water and other natural resources on this extraordinary 7,286-acre watershed property are facing an imminent and quantified threat. In the absence of this conservation project, the property's 76 legal parcels can be readily sold off for ranchette development and vineyards can begin to be developed across the property's 1,600 scattered acres of well-suited vineyard lands. Even at smaller scales, these land use activities will cause the discharge of sediment and pollutants associated with residential uses and vineyard cultivation. This discharge would collect in the Montesol watercourses and impair water quality on-site and downstream. Unrestricted timber harvest, both for its own economic sake and for vineyard conversion, would reduce stream shade cover, increase sediment load and cause an increase in water temperatures, thus compromising important in-stream habitat.

The proposed project is the acquisition of a 7,286-acre conservation easement to permanently extinguish subdivision, development and vineyard conversion rights, reserving vineyard rights to only 100 acres inside a concentrated 300-acre area of the property that is a historic working farm as well as 7 acres inside a separate 22-acre envelope, both of which are already impacted with

residences, roads, orchards, vineyards and associated uses. The conservation easement will impose conservation-oriented forest management protocols to conserve and improve habitat, restore historic forest species composition levels, and minimize fire hazards, while allowing for the consequent development of a carbon sequestration project in compliance with State of California's Compliance Offset Protocol that would enhance carbon storage on the property. The easement would be held by LTNC and ensures future water, forestry, wildlife and other natural resource information will be available to expand resource knowledge and stewardship in the upper Putah Creek and Pope Creek watersheds. According to a GIS analysis performed by GreenInfo Network, the project would create a 22,200-acre landscape of contiguous, permanently protected lands.

Acquisition of the conservation easement will enable TPL to exercise its right to purchase, by the end of 2018, 1,254 acres of the easement area in fee (on the west side of highway 29, adjacent to Robert Luis Stevenson State Park), as well as a trail easement to extend the regional Oat Hill Mine Trail through the property. TPL would transfer the fee lands and trail easement to the Napa County Regional Park & Open Space District to be managed for public access in concert with State Parks. Acquisition of the fee lands will significantly improve public access to Robert Louis Stevenson State Park, which is home to the second tallest mountain in the Bay Area but has only one trailhead. Acquisition of the trail easement would enable the Oat Hill Mine Trail to be extended to complete a regional connection between the Napa, Pope and Long Valleys and to intersect with the existing Palisades Trail and Bay Area Ridge Trail. Acquisition of the fee lands and trail easement would cost an additional \$1 million. Per the terms of TPL's option agreement, the fee lands and trail easement can only be acquired once the proposed conservation easement is acquired.

Site Description: Montesol Ranch possesses extraordinary water resources and hosts a wide range of habitat types and serves as an important wildlife migration corridor. The property contains over 60 springs and the headwaters of Saint Helena Creek, Troutdale Creek, Van Ness Creek, and James Creek. The existing riparian zones and stream channels are in very good condition thanks to the largely undeveloped and unutilized nature of Montesol. Most of the 7,286-acre project area is in a natural state and not currently utilized for commercial timber harvest, agricultural production (whether vineyards or grazing), residential use or any other human uses.

Montesol includes multiple habitat types that are well distributed across the property and mixed with microhabitats that support a diversity of species. The property comprises semi-wilderness made up of low elevation mountainous topography mixed with large flat valleys and canyons. Elevation ranges from approximately 1,800 feet to nearly 3,000 feet. The property's 2,500 acres of forestlands include Douglas fir, ponderosa pine, montane hardwood-conifer, montane hardwood, blue oak-gray pine, and valley foothill riparian vegetation. These areas provide nesting and breeding areas for a range of species, including the northern spotted owl and migratory birds along the Pacific Flyway. Drier areas include mixed chaparral, chamise-redshank chaparral, annual grassland, and perennial grassland habitat types. Wet areas include wet meadow, fresh emergent wetland, and lacustrine habitats. A large bowl-shaped region of the property, known as Bear Valley, features an unusual landscape of volcanic rock, serpentine soils and freshwater springs. The Bear Valley area is the headwaters for Saint Helena Creek and home to numerous special-status species. This area is defined as a Natural Zone and will receive a heightened level of protection in the conservation easement.

In a 2015 analysis, SC Wildlands noted that Montesol is situated at the junction of multiple wildlife corridors linking the Blue Ridge Mountains to portions of the Coast Range. It is designated as one of 14 landscape-level connections that are crucial to maintaining connected wildlife populations and are "meant to serve as the backbone of a regional wildlands network to which smaller wildlands can be connected."

The property has been accumulated and owned by a single family since the mid-19th century and has been used primarily as a family retreat. Most of the property's active uses are concentrated in a 300-acre working farm area with seasonal residences, orchards and the test vineyard. Today Montesol is owned by at least 18 multi-generational descendants through Montesol LLC. The family's circumstance presents a fragile and time-limited opportunity to achieve a landmark conservation victory for the region.

Project History: The project would build on a substantial legacy of Coastal Conservancy investments in Napa County. The Conservancy has provided over \$18 million in funding to 45 projects in Napa County, protecting more than 29,000 acres. The proposed project would increase the amount of natural lands in the County protected by the Conservancy by 25%, extending the benefits of the Wildlake and Duff Ranch projects – a 4,000-acre pair of properties adjacent to Montesol, which the LTNC protected with Conservancy support – and connecting these properties to Mount Saint Helena in Robert Louis Stevenson State Park.

PROJECT FINANCING

Coastal Conservancy	\$1,700,000
Gordon and Betty Moore Foundation	\$5,000,000
Wildlife Conservation Board	\$3,750,000
California Natural Resources Agency	\$500,000
Private Donor	\$300,000
Knobloch Family Foundation	<u>\$250,000</u>
Project Total	\$11,500,000

The anticipated source of Conservancy funds for this project is an appropriation from the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1, Water Code section 79700 *et seq.*). Funds appropriated to the Conservancy derive from Chapter 6 (commencing with Section 79730) and may be used "for multi-benefit water quality, water supply, and watershed protection and restoration projects for the watersheds of the state" (Section 79731). Section 79732 identifies specific purposes of Chapter 6, which include: implementing watershed adaptation projects in order to reduce the impacts of climate change on California's communities and ecosystems; protecting and restoring aquatic, wetland, and migratory bird ecosystems, including fish and wildlife corridors; protecting and restoring rural and urban watershed health to improve watershed storage capacity, forest health, protection of life and property, stormwater resource management, and greenhouse gas reduction; protecting or restoring natural system functions that contribute to water supply, water quality, or flood management; and assisting in

the recovery of endangered, threatened or migratory species by improving watershed health, instream flows, fish passage and coastal or inland wetland restoration. Because the proposed project consists of acquisition of interests in land to protect and restore watershed health, fish and wildlife corridors, natural system functions that contribute to water supply and quality, and to reduce the impacts of climate change, it is an appropriate use of Proposition 1 funds.

As required by Proposition 1, the proposed project provides multiple benefits. The acquisition will protect natural system functions that contribute to water supply and quality while also protecting fish and wildlife habitat, as well as significant habitat corridors. It will similarly protect unique biodiversity resources, while also allowing for productive forestry uses. Finally, it enables the future acquisition of land that will provide public access on a connecting regional trail.

In accordance with Section 79707(b), which requires agencies to prioritize “projects that leverage private, federal, or local funding or produce the greatest public benefit,” this project leverages substantial private funding, as noted above. The ratio of public funds to private is about 1:3.

The project was selected through a competitive grant process under the Conservancy’s *Proposition 1 Grant Program Guidelines* adopted in June 2015 (“Prop 1 Guidelines”). (See Section 79706(a)). The proposed project meets each of the evaluation criteria in the Prop 1 Guidelines as described in further detail in this “Project Financing” section, the “Project Summary” section and in the “Consistency with Conservancy’s Project Selection Criteria & Guidelines” section of this report.

TPL will provide significant matching funding to the project and LTNC will steward a \$175,000 initial endowment to provide for future costs for monitoring and management of the property.

CONSISTENCY WITH CONSERVANCY’S ENABLING LEGISLATION:

The proposed project is consistent with 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, this project (a) has potential to facilitate future public access to ridgetops through regional trails, consistent with adopted master and general plans as well as the rights of private property owners, and without having a significant adverse impact on agricultural operations and environmentally sensitive areas and wildlife; and (b) will protect connecting corridors, watersheds, scenic areas, and other open-space resources of regional importance in one of the nine bay area counties. Consistent with Section 31163(a), the acquisition of the real property will be from willing sellers. Consistent with Section 31163(c), this project is 1) supported by adopted local and regional plans, such as the Conservation Lands Network, Critical Linkages: Bay Area and Beyond, Blue Ridge-Berryessa Conceptual Area Protection Plan, and LTNC’s Priority Lands Conservation Assessment, 2) is multijurisdictional in that it spans multiple counties and serves the biodiversity and watershed protection goals of the greater Bay Area, 3) can be implemented in a timely way as all other funds are secured, 4) provides the opportunity for benefits that will be lost if the acquisition is not completed by the purchase agreement deadline of December 31, 2016, and 5) includes significant matching funds from the grantee (See “Project Financing,” above).

CONSISTENCY WITH CONSERVANCY'S 2013

STRATEGIC PLAN GOAL(S) & OBJECTIVE(S) AS REVISED JUNE 25, 2015:

Consistent with **Goal 11, Objective A** of the Conservancy's 2013-2018 Strategic Plan, the proposed project will protect 6.45 linear miles of riparian habitat within the Upper Putah and Pope Creek watersheds (0.75 miles of Saint Helena Creek, 2.8 miles of Van Ness Creek, 1.25 miles of Troutdale Creek, 1 mile of Kidd Creek, and 0.65 miles of Bateman Creek).

Consistent with **Goal 11, Objective B** of the Conservancy's 2013-2018 Strategic Plan, the proposed project will protect approximately 7,000 acres of wildlife habitat, connecting corridors, scenic areas and other open-space resources of regional significance.

Consistent with **Goal 12, Objectives C and H** of the Conservancy's 2013-2018 Strategic Plan, the acquisition of Montesol Ranch will facilitate the future purchase of land that can be used for public access and corridors 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 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:** TPL'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 significant regional wildlife corridor leading from protected lands in Sonoma and Lake Counties down to Lake Berryessa.
 - Montesol Ranch is part of the Palisades-Mount St Helena to Angwin Priority Conservation Area (PCA) #04, meaning it has been identified through the Association of

Bay Area Governments' regional assessment as an important area to conserve. The PCAs were designated as part of Plan Bay Area, the Bay Area's Sustainable Communities Strategy, a requirement of The Sustainable Communities and Climate Protection Act of 2008 (Senate Bill 375).

- Montesol Ranch is also designated as highly suitable for conservation within the Conservation Lands Network by the Bay Area Open Space Council (Exhibit 3), and has been designated as a high priority for conservation in the California Department of Fish and Wildlife, California Resources Agency, and Wildlife Conservation Board's *Blue Ridge-Berryessa Conceptual Area Protection Plan (2013)*.
4. **Support of the public:** The project is supported by Land Trust of Napa County, Lake County Land Trust, State Senator Lois Wolk (3rd District), State Assemblymember Bill Dodd (4th District), Gordon and Betty Moore Foundation, Blue Ridge-Berryessa Partnership, Napa County Resource Conservation District, Napa County Regional Park and Open Space District, California Native Plant Society, Napa Chapter, and Sierra Club, Napa Chapter (Exhibit 4).
 5. **Location:** The project is located largely in Napa County, within the nine-county San Francisco Bay Area. The Conservancy funds provided for this acquisition will not exceed the fair market value of the portion of the property located in Napa County.
 6. **Need:** The acquisition cannot be completed without Conservancy participation.
 7. **Greater-than-local interest:** Montesol Ranch is the largest private property in Napa County and a resource of regional if not statewide significant, being located as it is within the unique biogeography of the 800,000-acre Blue-Ridge Berryessa Natural Area. The proposed acquisition will provide water quality and habitat benefits for greater Lake Berryessa watershed and protect significant habitat for state and federally endangered species.
 8. **Sea level rise vulnerability:** Montesol Ranch ranges upward from elevations of 1,000 feet above mean sea level and thus is not vulnerable to sea level rise.

Additional Criteria

9. **Urgency:** Escrow must close by December 31, 2016. Due to changed family circumstances, further negotiation of a conservation transaction is unlikely to be feasible beyond this date.
10. **Resolution of more than one issue:** Acquisition of Montesol Ranch will not only preserve the conservation and open space values of the property, but will also facilitate improvements to water quality, stream habitat protection, improved carbon management, reduced fire risk, and potential for public access.
11. **Leverage:** See the "Project Financing" section above.
12. **Readiness:** TPL and LTNC have entered into a purchase agreement with the property owners and are prepared to move forward.
13. **Realization of prior Conservancy goals:** Montesol is adjacent to an existing State Park and contiguous with previous Conservancy acquisitions at Wildlake and Duff Ranch, and the Conservancy has a long history of supporting the Blue Ridge Berryessa Partnership.

14. **Cooperation:** This project is the result of cooperation among the private sector, the landowner and the Conservancy.
15. **Vulnerability from climate change impacts other than sea level rise:** The Montesol ranch landscape includes a diversity of habitat, elevations, microclimates, ecological niches and abundant water supply, thereby creating an ecological refuge with sufficient internal diversity and connectivity to allow for species migration in a changing climate and due to wildfire. In addition, the proposed project also mitigates for wildfire risk through provisions in the conservation easement that require forest management practices to reduce fire risk. Specific proscriptions for achieving this mandate will be articulated in timber management plans that can be periodically updated to conform with the latest circumstances and knowledge. Proceeds from the sale of the conservation easement will enable the landowners to implement these forest management activities before the property itself falls victim to wildfire, whereas no such financial resources currently exist.

COMPLIANCE WITH CEQA:

The proposed acquisition of a conservation easement in the Montesol Ranch 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 habitat, including existing natural conditions. The exemption explicitly includes acquisitions to allow continued agricultural use and preservation of historical resources. The proposed conservation easement will protect the natural resources of approximately 7,000 acres of the ranch, allowing for continued agriculture and use of the historic farm on the 300-acre portion of the site that has been used for those purposes in the past.

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