

COASTAL CONSERVANCY

Staff Recommendation

December 1, 2106

RANCHO CAÑADA CARMEL RIVER ACQUISITION

Project No. 16-023-01

Project Manager: Trish Chapman

RECOMMENDED ACTION: Authorization to disburse up to \$2 million to the Monterey Peninsula Regional Park District for acquisition of approximately 170 acres of the Rancho Cañada Golf Club along the Carmel River and dedication of instream water rights in Carmel, Monterey County.

LOCATION: Carmel, Monterey County

PROGRAM CATEGORY: Integrated Coastal and Marine Resources

EXHIBITS

Exhibit 1: [Project Location Maps](#)

Exhibit 2: [Photos](#)

Exhibit 3: [Project Letters](#)

RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Section 31220 of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes the disbursement of up to two million dollars (\$2,000,000) to the Monterey Peninsula Regional Park District (MPRPD) for the purpose of acquiring a minimum of 170 acres of the Rancho Cañada Golf Club property in Carmel (portions of Monterey County Assessor Parcel Numbers 015-162-033, 015-162-041, 015-162-042, 015-162-043, 015-162-044, 015-162-045, 015-162-046, 015-162-047, and 157-181-004) and dedicating a minimum of 170-acre feet of water to instream flows pursuant to Water Code Section 1707. This authorization is subject to the following condition:

1. Prior to the disbursement of funds, MPRPD 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, baseline conditions report, and title report.
 2. MPRPD shall pay no more than fair market value for the property, based on an appraisal of the property approved by the Conservancy.
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3. MPRPD shall permanently dedicate the property for wildlife habitat, environmental restoration, open space protection, public access, and general park and park operation purposes, which may include concession operations (e.g., public and private events held within the former golf course clubhouse) and use as MPRPD's headquarters, through an irrevocable offer to dedicate the property or other instrument approved by the Executive Officer.
4. Within five years after acquisition of the property, MPRPD shall permanently dedicate at least 170-acre feet of water to instream flows pursuant to Water Code Section 1707. In addition, MPRPD shall take all steps feasible to ensure that an additional 164 acre-feet of the Rancho Cañada Golf Club water right is also permanently dedicated for instream flows. The five-year period may be extended with the written approval of 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 5.5 of Division 21 of the Public Resources Code, regarding integrated coastal and marine resources.
2. The proposed project is consistent with the current Conservancy Project Selection Criteria and Guidelines."

PROJECT SUMMARY:

The proposed authorization is to provide a \$2 million grant to the Monterey Peninsula Regional Park District (MPRPD) to acquire fee title to two adjacent properties and their associated water rights to achieve multiple benefits for the Carmel River. The two properties, referred to as the Hatton and Iceberg properties or collectively as the Rancho Cañada properties, comprise a portion of the Rancho Cañada Golf Club located along the lower reach of the Carmel River (Exhibit 1).

The Carmel River watershed, the habitat contained therein, and the species that depend on it are threatened by a legacy of human impacts, by the continued threat of development in the area, and by a changing climate. The watershed has been impacted over time by dams, streambed alteration, unsustainable water diversions, development, agriculture, failing culverts, and more. Particularly in the lower Carmel River watershed, residential development and associated water use continue to threaten the area. The river is over-allocated and often runs dry in mid to late summer when pumping overwhelms natural flows. Anticipated impacts of climate change in the Carmel River watershed include decreased water supply, more frequent and more severe flood events, and sea level rise. Despite these impacts, the Carmel River continues to support a variety of California native aquatic and riparian species, including several species of concern.

There is intense pressure to exploit water resources on the Monterey Peninsula for residential, commercial and recreational uses. Rancho Cañada de la Segunda, Inc., which manages the Rancho Cañada Golf Course, is the second largest water diverter on the river and has submitted an application to the State Water Resources Control Board (SWRCB) to perfect up to 545 acre-

feet of appropriative water rights. If successful, these rights could be sold to buyers in need of water elsewhere on the Monterey Peninsula. This has already happened with a property just downstream of the Rancho Cañada properties with water sales generating a staggering price of approximately \$250,000 per acre-foot. In the absence of this project there would be extraordinary market pressure to advance the pending appropriative rights application at the Rancho Cañada Golf Course and sell water rights off the property, thereby prolonging, if not exacerbating, the over-diversion of water from the Carmel River.

The proposed project has two primary objectives: (1) to acquire 170-185 acres of land along the Carmel River, and (2) to secure permanent instream dedication of approximately 170-190 acre feet of water rights associated with the property. Acquisition of the Rancho Cañada properties will achieve the following outcomes:

1. Increase stream flow in the Carmel River, protecting summer flows and supporting the health of anadromous fish populations, particularly the South-Central California Coast (SCCC) steelhead, a federally-threatened species;
2. Expand protection of critical coastal watershed land in the Carmel River Valley from development, thus improving ecosystem resilience to the impacts of climate change;
3. Protect habitat for SCCC steelhead, California red-legged frog, tricolored blackbird, and other listed species;
4. Enhance wildlife connectivity through the protection of 170-185 acres centrally located within both east-west and north-south migration corridors; and
5. Enable natural floodplain and wetland habitat restoration within a relatively intact section of the lower Carmel River.

As shown in Exhibit 1B, the property is located on the floor of Carmel Valley and is a critical piece of the wildlife corridor linking the open space north of Carmel Valley Road to the tens of thousands of acres of wildlife habitat south of the river. If the Rancho Cañada properties were developed, it would severely constrain the existing connectivity.

In addition to all of the ecological benefits of the project, the improvements on the property and its location relative to existing regional park lands and other protected areas provide an exceptional opportunity to serve as the visitor-serving hub for the lower Carmel River recreation areas, and environmental education and restoration programs. The property has a clubhouse, storage barn, several restroom buildings and golf cart bridges, surfaced trails that will facilitate access to visitors with limited physical mobility and a parking lot. MPRPD intends to continue using these existing facilities consistent with their current uses and/or in support of MPRPD's operations (*e.g.*, as offices). MPRPD also intends to manage the property as an extension of Palo Corona Regional Park (PCRP). One of MPRPD's future goals is to create a trail connection from the Rancho Cañada parking lot to PCRP making use of an existing golf cart bridge over the Carmel River. Access to PCRP has been limited by the County since its acquisition in 2004 due to lack of sufficient parking, and the proposed acquisition would provide an additional way for users to access the property. MPRPD has not yet prepared a management plan for use of the property as a park.

The proposed project is a collaborative effort of MPRPD, the Trust for Public Land (TPL), the Santa Lucia Conservancy (SLC) and Trout Unlimited (TU). TPL has taken the lead on the land

transaction components of the project. SLC and TU joined as local partners equipped to lead a planning and design process focused on the implementation of long-term, landscape-scale restoration for the site. SLC is also helping to raise private funds for the project. MPRPD is involved in all aspects of the project and will be the long-term owner and manager of most of the Hatton and Iceberg properties.

The Santa Lucia Conservancy (SLC), which manages 18,000 acres of open space south of the river, would like to carry out restoration and environmental education programs on the site as part of the park use of the property. SLC and MPRPD will work together to develop and implement a restoration plan for the properties once acquired. The proposed project includes SLC's acquisition of an educational access easement on a portion of the property acquired by MPRPD.

The proposed project includes two distinct components: 1) land acquisition and 2) dedication of water rights for instream flow pursuant to Section 1707 of the Water Code. The land acquisition portion of the project will protect two adjacent properties that comprise 70% of the 36-hole Rancho Cañada Golf Club in the Carmel Valley. The 140-acre Hatton property and 50-acre Iceberg property collectively contain nearly one linear mile of the Carmel River. The proposed authorization involves MPRPD's acquisition of up to 185 acres of these two properties. MPRPD is not purchasing the entire 190 acres because SLC, in a separate transaction, intends to acquire a 5-acre portion (referred to as "SLC Property" on Exhibit 1C). SLC will use the existing facilities on the five-acre area for its offices, environmental education program, restoration planning, and other activities. The 5-acre area will be created as a legal lot prior to the proposed MPRPD acquisition. Conservancy funds will not be used for the SCL acquisition.

The estimated cost of 185 acres of Hatton-Iceberg property is \$10,250,000. If full funding for the acquisition cannot be secured, the project partners have a contingency plan to sell up to 15 acres of the Hatton-Iceberg property for private residential or commercial development. Exhibit 1C shows four potential locations for these lots (Lots A-D). The potential lot locations have been selected so that development of these parcels would have the least impact on the property's ecological value. For this reason, the proposed authorization is to acquire a minimum of 170, but in reality it could be as much as 185 acres.

The second aspect of the project involves the dedication of water rights of instream flow. Based on the water use reports submitted by Rancho Cañada de la Segunda, Inc. and prior agreements between current landowners, the Hatton and Iceberg properties are entitled to use 201 acre-feet of Carmel River water annually. Under the project, MPRPD will acquire the Rancho Cañada properties and will manage them in perpetuity as publicly-accessible open space. Subsequent to acquisition of the land, MPRPD will petition the SWRCB to permanently dedicate, via a Water Code Section 1707 dedication, 170-190 acre-feet of water to instream flow annually. MPRPD will retain the remainder of the water rights to be used for future restoration efforts on the property.

The Conservancy has partnered with MPRPD on several projects including acquisition of the 10,000-acre Palo Corona Regional Park, one of the Central Coast of California's most significant undeveloped open spaces. Since its creation in 1972, MPRPD has acquired thousands of acres of critical habitat and currently owns and manages over 13,000 acres. MPRPD is well-equipped to acquire and manage the Rancho Cañada property. On November 8 of this year, voters passed

Measure E (with 71.33% approval), an MPRPD parcel tax that will provide over \$1 million per year without sunset for the purpose of operating and improving parks and open space.

Site Description: The Carmel River watershed encompasses 255 square miles with the main stem of the Carmel River flowing 36 miles from its headwaters in the Ventana Wilderness through the Carmel River Valley into the Pacific Ocean at Carmel River State Beach. The lower 16 miles of the river, in which the Rancho Cañada properties are located, are the most developed part of the watershed. The Carmel River suffers from a dramatically altered state due in large part to a long history of surface and groundwater extraction. Over 60% of the potable water used on the Monterey Peninsula is extracted from the Carmel River Watershed. The largest diverter of Carmel River water is California American Water (CAW), a water utility serving thousands of customers on the Monterey Peninsula, and the second-largest is Rancho Cañada de la Segunda, Inc., for use at the Rancho Cañada Golf Club.

The Ranch Cañada Golf Club is composed of three properties totaling 250 acres and spans both banks of the Carmel River. The three properties are the Hatton property (140 acres), the Iceberg property (50 acres), and the Rancho Cañada Villages (RCV) property (60 acres). The RCV property forms the westernmost portion of the golf club. Each property is owned separately but managed collectively as the Rancho Cañada Golf Club. The golf club includes two 18-hole golf courses laid out on the three properties.

The majority of each of the Hatton and Iceberg properties has been developed with golf facilities, including golf greens, a 23,000-square foot clubhouse, a 221-space parking lot, and a golf cart maintenance barn. Improvements also include paved and unpaved golf cart paths and four footbridges that span the Carmel River. The golf course is planted in non-native grasses and scrubs interspersed with native oaks and cottonwoods, and non-native pines between the fairways. The Carmel River, which runs through the center of the properties, together with the riparian areas and flood plain that surround it, are the major natural features of the property. Mature trees form the beginning of a gallery forest along the riverbanks. The riparian corridor is identified as a FEMA floodway.

Several conservation properties surround Rancho Cañada properties, including Joyce Stevens Monterey Pine Forest Preserve, Jacks Peak County Park, the Santa Lucia Preserve, Point Lobos State Park, and Palo Corona Regional Park, making the properties an important connector for riparian and upland species and their habitats. Connecting Jacks Peak County Park and Palo Corona Regional Park via the Rancho Cañada properties would tie together 20,000 acres of conserved lands and provide wildlife connectivity all the way to San Luis Obispo.

Immediately up and downstream of the Rancho Cañada properties is a mix of residential and commercial development. This includes plans to build a 281-unit subdivision on the RCV property. The project area and developed areas downstream have a history of flooding and are one of the highest repetitive loss areas in California in the federal flood protection program.

Project History: In early 2015, the Hatton property within the Rancho Cañada Golf Club was listed for sale. At that time MPRPD, SLC and TU felt compelled to find a way to protect the property because of the land's conservation values and extraordinary potential. Property in this location had not been available for purchase since the 1970s and the need for swift action was required to ensure that the property would not fall into the hands of a private developer. Development plans were already underway for the RCV property so the threat of development

was very high. MPRPD contacted TPL for assistance and sparked a collaborative partnership between these groups. In early 2016, the four organizations committed to working collaboratively to protect the property.

Coastal Conservancy staff were contacted early in the process and expressed an interest in the project but felt that the Iceberg property was critical to the achieving maximum ecological values. The four partners agreed and acquisition of the Iceberg property was added to the project objectives.

TPL took ownership of the Hatton property in June 2016 to ensure it wasn't purchased by a development interest. TPL acquired the property with financing and would need to sell it back into the private market if not acquired by MPRPD for public purposes. With the exception of the winning bid from TPL, all five competing bids were from developers. At the same time TPL also secured an agreement to purchase the Iceberg property. Since June the project partners have been working together to secure funds needed to purchase both properties from TPL and secure them in public ownership for all of the reasons described in the Project Summary.

Given the Carmel River's urgent need for more water, TPL negotiated a voluntary agreement with CAW to immediately, but only temporarily, return some of the properties' water to the river until funds could be raised to protect the properties and retire their water rights in perpetuity. CAW's payment for this temporary forbearance of water rights is one of the sources for acquisition funding for the project. The voluntary agreement will pass to MPRPD following acquisition of these properties. Under this agreement, one of the two 18-hole golf courses on Rancho Cañada ceased operations on July 7, 2016 in order to begin the reduction of water diversion for golf course use as soon as possible. The other 18-hole golf course will shut down in January 2017, further reducing water diversion and providing immediate and short-term benefit to river flow in this section of the river. The forbearance agreement will be in effect through 2019 and CAW has the option to extend the agreement for an additional year.

PROJECT FINANCING

Coastal Conservancy	\$2,000,000
Proposition 1 - \$750,000	
Proposition 84, Monterey Bay - \$750,000	
Carmel River Settlement Funds - \$500,000	
Wildlife Conservation Board (pending)	\$4,500,000
California Department of Fish and Wildlife (pending)	\$950,000
California Natural Resources Agency	\$1,500,000
California American Water Company forbearance agreement payments	\$1,300,000
Monterey Peninsula Regional Park District	\$15,000
Project Total	\$10,265,000

There are three anticipated sources of Conservancy funds for this project. The first 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: protecting and restoring coastal watersheds, including, but not limited to bays, marine estuaries, and nearshore ecosystems; and 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. Because the proposed project consists of acquisition of land to protect and restore the floodplain of the Carmel River and to increase instream flows, it will help achieve these Chapter 6 purposes.

As required by Proposition 1, the proposed project provides multiple benefits, including increased instream flows, protection of an important wildlife corridor, potential for future floodplain restoration, and additional recreational opportunities for the region. 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 at least \$1.3 million in local, private funding.

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.

The second 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 (PRC) Section 75001 *et seq.* (Proposition 84). Proposition 84 authorizes the Conservancy’s use of these funds for the purposes of the protection of coastal watersheds, including projects to protect and restore the natural habitat values of coastal waters and lands, and projects that promote access to an enjoyment of the coastal resources of the state. (PRC Section 75060.) Proposition 84 allocates funding specifically for the protection of Monterey Bay and its watersheds, including the Carmel River. (PRC Section 75060(e)). Proposition 84 defines the term “protection” to include acquisition and restoration. (PRC Section 75005(m).) Projects funded with Proposition 84 funds must be consistent with the Conservancy’s enabling legislation (Division 21 of the Public Resources Code). The proposed project is consistent with Chapter 5.5 of Division 21, as discussed below in “Consistency with Conservancy’s Enabling Legislation.” Since the proposed project consists of acquisition of land to protect and restore the natural habitat values of the Carmel River and surrounding floodplain and provide increased recreation opportunities for the public, it is an appropriate use of Proposition 84 funds.

Consistent with Proposition 84 requirements (PRC Section 75071), 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) Landscape/Habitat Linkages – the project will protect the wildlife corridor between the protected

lands on the south side of the river and Jack's Peak park north of the project site; and (2) the project funding includes a non-state matching contribution toward the acquisition costs.

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.

The third anticipated source of funds for the project is the Carmel River Settlement Account, which consists of funds paid by CAW pursuant to a settlement agreement with the National Marine Fisheries Service concerning alleged Endangered Species Act violations. The settlement requires CAW to pay \$11.2 million over a seven-year period. Originally these funds were managed by the California Department of Fish and Wildlife (CDFW), but were subsequently transferred to the Conservancy for disbursement. The settlement funds can only be used to improve habitat conditions for, and production of, SCCC steelhead, or otherwise aid in the recovery of SCCC steelhead in the Carmel River watershed. In addition, these funds can only be expended for mitigation of impacts from well-pumping and water withdrawals by CAW. The proposed project will improve habitat conditions for SCCC steelhead through long-term dedication of a minimum of 170 acre-feet of water to instream purposes; therefore, the proposed project is consistent with the funding source.

The agreement for the disbursement of the settlement funds directs that the Conservancy also attempt to "maximize the value of the funds by seeking cash or in-kind matching contributions from fund recipients or non-State, third party project partners whenever possible." Under the proposed project, the settlements funds would be leveraged more than ten to one. In addition to the funds shown above, MPRPD will contribute an additional \$280,000 to other project costs including immediate capital improvements to address immediate deferred maintenance needs. The Santa Lucia Conservancy is raising private funds that will go toward immediate management needs and future restoration of the property.

CONSISTENCY WITH CONSERVANCY'S ENABLING LEGISLATION:

Conservancy funding of the proposed project is consistent with Chapter 5.5, Integrated Coastal and Marine Resources Protection (Section 31220) of the Conservancy's enabling legislation, Division 21 of the Public Resources Code. Section 31220(a) authorizes the Conservancy to award grants for coastal watershed projects that meet one or more criteria of Section 31220(b). Section 31220(b)(6) authorizes the Conservancy to award grants for the purpose of acquiring, protecting, and restoring coastal wetlands, riparian areas, floodplains, and other sensitive watershed lands, including watershed lands draining to sensitive coastal or marine areas. Consistent with this section, the proposed project will result in the acquisition and protection of floodplain property along the Carmel River that drains into the Monterey Bay National Marine Sanctuary.

Consistent with Section 31220(a), staff has consulted with the State Water Resources Control Board in the development of the project to ensure consistency with PRC Section 30915 concerning protection and restoration of water quality of coastal waters.

As Section 31220(c) requires, the proposed acquisition is consistent with the Greater Monterey Area Integrated Watershed Management Plan, as discussed in detail below under "Consistency with Local Watershed Management Plan/State Water Quality Control Plan."

**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 approximately 170 acres of a significant coastal watershed resource property.

Consistent with **Goal 4, Objective C** of the Conservancy's 2013-2018 Strategic Plan, the proposed project will preserve and restore fish and wildlife corridors along the coast and from coastal to inland habitat areas.

**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:**
 - *California Water Action Plan* (2014). California Natural Resources Agency, the California Environmental Protection Agency, and the California Department of Food and Agriculture developed the 2014 California Water Action Plan (CWAP) to meet three broad objectives: more reliable water supplies, the restoration of species and habitat, and a more resilient, sustainably managed water resources system. The protection of the Rancho Cañada properties advances specific CWAP objectives of Action 4: Protect and Restore Important Ecosystems, a) Restore coastal watersheds, and b) Enhance water flow in stream systems statewide.
 - *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. This project will advance the strategy to steward and protect natural (and working) landscapes, particularly those that provide essential habitat for native species and that provide migration corridors and access to additional habitat and food.
 - *CA Climate Adaptation Strategy/Safeguarding California: Reducing Climate Risk Plan* (CA Natural Resources Agency, July 2014). By protecting an important wildlife corridor and habitat for threatened species, including the SCCC steelhead, the project will help to

implement Objective 2 Biodiversity and Habitat, which seeks to improve habitat connectivity and protect climate refugia.

- *SCCC Steelhead Recovery Plan* (National Marine Fisheries Service, 2013). The SCCC steelhead Recovery Plan calls out the Carmel River steelhead as a Core 1 population, identified as the highest priority for recovery in the plan. The plan cites restoring flows, access to spawning and rearing habitats and instream conditions necessary to support steelhead as the principal recovery actions for the plan.
 - *California Red Legged Frog Recovery Plan* (USFWS 2002). The USFWS Recovery Plan for California red-legged frog identifies the Carmel River Watershed as a core area and cites water diversion and urbanization among several other factors that lead to the degradation and loss of California red-legged frog habitat. By dedicating water to instream use forever, this project will address both of these plans and provide immediate and lasting benefit to steelhead, red-legged frog and other river-dependent wildlife species in the system.
4. **Support of the public:** The project has received support from elected officials Senator William Monning and Assemblymember Mark Stone. It has been awarded a \$1.5 million grant award from the California Natural Resources Agency and strong indications of support from the California Wildlife Conservation Board and CDFW. In addition to the multiple project partners, supporters include the National Fish and Wildlife Foundation, California Department of Natural Resources' River Parkways Program, Sierra Club Ventana Chapter, the Planning and Conservation League, the Big Sur Land Trust, the Monterey Pine Forest Watch, and the Carmel River Steelhead Association (See Exhibit 3, Project Letters).
 5. **Location:** The project site is located on the north bank of the Carmel River approximately two miles from the ocean. The project will enable restoration of the Carmel River floodplain which will enhance habitat for steelhead.
 6. **Need:** MPRPD has secured funding from a variety of sources, but Conservancy funding is needed to complete the acquisition.
 7. **Greater-than-local interest:** The project is regionally significant in that it will protect a critical wildlife migration corridor, demonstrate to a statewide audience the efficacy of dedicating water to in-stream flow, enable improved public access to Palo Corona Regional Park, and complement other conservation efforts in the region.
 8. **Sea level rise vulnerability:** Elevations on the property range from about 30-50 feet above sea level; therefore, the project is not at risk from predicted sea level rise before 2100.

Additional Criteria

9. **Urgency:** MPRPD has a rare and fleeting opportunity to acquire the subject properties. The landowners of the Hatton property received five bids from developers in addition to TPL's winning bid. This shows the high threat of losing the property and associated water rights if the property is not quickly permanently secured.
10. **Resolution of more than one issue:** The proposed project will address two significant issues in the area. First, it will result in decreased withdrawals from the river and therefore increased in stream flow. Second, it will provide a parking area that can be used when accessing Palo Corona Regional Park.

11. **Leverage:** See the “Project Financing” section above.
12. **Readiness:** MPRPD is ready to acquire the property as soon as they have secured the necessary funding.
13. **Realization of prior Conservancy goals:** The proposed project will build upon other investments made by the Coastal Conservancy in the Carmel River area, including grants to support MPRPD's Palo Corona Ranch Acquisition (\$9,050,000); MPRPD's Whisler Wilson Ranch Acquisition (\$1,000,000), Big Sur Land Trust's McWhorter property acquisition (\$500,000); Big Sur Land Trust's Lower Carmel River Floodplain Restoration – Planning Phase (\$250,000); TU's Potrero Creek Restoration (\$117,500); California State Parks' Hatton Canyon acquisition (\$963,000); Carmel River Steelhead Association's Carmel River Lagoon Large Wood Augmentation (\$360,000), and multiple aspects of the San Clemente Dam Removal project. The proposed project is one more step towards the landscape scale restoration of the Carmel River.
14. **Cooperation:** This project is the result of cooperation among many partners and stakeholders including the Trust for Public Land, the Santa Lucia Conservancy, MPRPD, Trout Unlimited, California American Water, and adjacent property owners.
15. **Vulnerability from climate change impacts other than sea level rise:** The proposed project will provide an additional buffer against the effects of climate change in the Carmel River Valley by protecting water resources, wildlife habitat, natural floodplain, connectivity with nearby protected lands, and east-west and north-south migration corridors. For species, including California red-legged frog, SCCC steelhead, tricolored blackbird, California quail, mule deer, gray fox, coyote, brush rabbit, and Smith's blue butterfly, protected waters and wildlife corridors such as those protected through the proposed project will be critical as these species and their habitats are forced to adapt to continued climate change.

Water conservation efforts outlined in this grant application address issues arising from decreased rainfall across the watershed and statewide. The project's permanent enhancement of streamflow in the Carmel River will protect habitat for aquatic species including SCCC steelhead. The project also permanently protects significant acreage within the FEMA 100-year floodplain, providing a floodplain buffer for communities downstream.

CONSISTENCY WITH LOCAL WATERSHED MANAGEMENT PLAN/ STATE WATER QUALITY CONTROL PLAN:

Projects undertaken pursuant to Chapter 5.5 of Public Resources Code Division 21 (Section 31220) must be consistent with local watershed management plans, if available, and with water quality control plans, adopted by the state and regional water boards. The Water Quality Control Plan for the Central Coastal Basin adopted by the Regional Water Quality Control Board designates several beneficial uses for the Carmel River that will be protected or enhanced by the proposed project including: cold fresh water habitat, wildlife habitat, threatened or endangered species; and migration of aquatic organisms (Table 2.1 Basin Plan).

The Monterey Peninsula, Carmel Bay, and South Monterey Bay Integrated Regional Water Management Plan (Monterey IRWMP) provides the following guidance: “Priority actions to address local climate change impacts should focus on three prioritized vulnerabilities: 1)

decreased water supply; 2) increased flooding and erosion of creeks and rivers; and 3) coastal inundation of urban development, other land uses, and impacts to coastal river and wetland ecosystems". Acquisition of the Rancho Cañada properties and subsequent dedication of instream flow in the Carmel River addresses these vulnerabilities by returning 170-190 acre feet of water to the river annually and enabling restoration of the flood plain on the lower Carmel River, thus offering protection for nearby urban development from flooding.

COMPLIANCE WITH CEQA:

The proposed acquisition of the Rancho Cañada 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 restoration of natural conditions, to prevent encroachment of development into flood plains, and to preserve open space or lands for park purposes (Section 15325, subsections (c), (d) and (f)). The proposed acquisition will enable future restoration of the floodplain, including riparian and transition habitats, and MPRPD intends to develop a plan for opening the property for passive public recreation. In addition, Section 15316 exempts acquisitions of land for purposes of creating a park where the land is in a natural condition and the management plan for the park has not yet been prepared. The MPRPD intends to develop a plan for use of the natural areas of the property as a park.

The proposed acquisition is also exempt pursuant to Section 15301, which exempts the operation and maintenance of existing public and private facilities involving no expansion of use. MPRPD's plan to continue using the existing facilities on the property, either for their current uses or as offices or other MPRPD operations-related uses entails the continued operation and maintenance of the existing facilities; there will not be an expansion of use because MPRPD's use will involve either the same or less intensity of use than the prior golf course use.

Finally, the dedication of water rights to instream uses is exempt pursuant to Section 15061(b)(3), which exempts projects when it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. Pursuing a Water Code Section 1707 instream dedication to ensure water remains in the river will have a beneficial, not adverse, effect on the environment. Furthermore, the dedication of water rights to instream uses is also exempt pursuant to Section 15301 because it is part of the operation of an existing facility involving no expansion of use.

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