

COASTAL CONSERVANCY

Staff Recommendation
November 30, 2017

HILL RANCH CONSERVATION EASEMENT

Project No. 17-027-01
Project Manager: Timothy Duff

RECOMMENDED ACTION: Authorization to disburse up to \$750,000 to The Land Conservancy of San Luis Obispo County for the acquisition of a conservation easement on the 1,779-acre Hill Ranch in northern San Luis Obispo County.

LOCATION: Inland of Cayucos adjacent to Highway 46 in northern San Luis Obispo County.

PROGRAM CATEGORY: Integrated Coastal and Marine Resource Protection

EXHIBITS

Exhibit 1: [Location and site 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 seven hundred fifty thousand dollars (\$750,000) to the Land Conservancy of San Luis Obispo County (LCSLO) to acquire a conservation easement on the 1,779-acre Hill Ranch in San Luis Obispo County (consisting of San Luis Obispo County Assessor Parcel Nos. 046-021-009, 046-021-010, 046-021-011, 046-031-001, 046-031-021, 046-031-023, 014-201-025, 014-201-055, 014-191-047, 014-191-048, 014-191-043) (the property), for purposes of habitat protection, preservation of agriculture and open space, and protection of water supply and water quality, subject to the following conditions:

1. Prior to the disbursement of funds for the acquisition, LCSLO shall submit for the review and approval of the Executive Officer of the Conservancy (Executive Officer):
 - a. All relevant acquisition documents for the acquisition including, without limitation, the appraisal, the conservation easement, purchase and sale agreement, deeds, escrow instructions, environmental or hazardous materials assessment and title report;
 - b. A baseline conditions report;

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- c. A monitoring and reporting plan; and
- d. Evidence that sufficient funds are available to complete the acquisition.
2. The LCSLO shall pay no more than fair market value for the conservation easement, as established in an appraisal approved by the Executive Officer.
3. The easement interest acquired under this authorization shall be managed and operated for the purposes of habitat protection, preservation of agriculture and open space, and protection of water supply and water quality. The property interests acquired under this authorization shall be permanently dedicated to those purposes in accordance with Public Resources Code Section 31116(b).
4. 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 5.5 of Division 21 of the Public Resources Code, regarding integrated coastal and marine resources protection.
2. The proposed project is consistent with the current Conservancy Project Selection Criteria and Guidelines.
3. The LCSLO 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:

Staff recommends that the Conservancy provide a \$750,000 grant to The Land Conservancy of San Luis Obispo County (LCSLO) for the acquisition of a conservation easement on the 1,779-acre Hill Ranch property in northern San Luis Obispo County for purposes of habitat protection, preservation of agriculture and open space, protection of water supply and water quality. While the appraised fair market value for the conservation easement is \$3,750,000, the landowner has offered a significant bargain sale by agreeing to a selling price of \$2,750,000.

The property is comprised of eleven parcels spread over 1,779 acres and offers outstanding views of the Pacific Ocean and Morro Bay, convenient highway access, and abundant water supplies (Exhibits 1 and 2). These features make the ranch an attractive option for residential development and/or conversion to water- and land-intensive agriculture, including vineyards. The easement will consolidate the ranch to one parcel and restrict future residential development to no more than two homesites. There is currently no residential development on the ranch. The property will be further restricted to low-intensity agriculture practices, such as cattle grazing with any additional agricultural infrastructure development limited in scale and restricted to low-impact practices. The easement will prohibit the conversion of rangeland to vineyards and restrict other increases in the intensity of agricultural land uses, including any land use practices that could lead to waterway impairment, excessive use of water resources, soil erosion, and

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native vegetation removal. While still in draft form, the proposed Hill Ranch easement will comply with the easement standards adopted by the Conservancy on May 24, 2007 (the "easement standards"). In particular, the easement will require a baseline report and monitoring plan that are consistent with the easement standards be prepared and approved by the Conservancy prior to close of escrow, and the easement will contain all essential provisions required by the easement standards.

The majority of the ranch is located within the Villa Creek watershed and includes its headwaters. Villa Creek has also been identified as an important watershed for the recovery of multiple threatened and endangered species, including South-Central California Coast Steelhead and Tidewater Goby. By protecting upland water resources on the ranch, the easement will benefit stream habitat for these and other species. The ranch also includes small portions of two other coastal watersheds, including the upper watershed area of Cayucos Creek and Old Creek, which feeds Whale Rock Reservoir, an important municipal water supply for the City of San Luis Obispo. The easement will thus serve to protect the quality and quantity of water flowing to the reservoir. The ranch is located within a critical wildlife corridor in the southern Santa Lucia range, and acquisition of the conservation easement will preserve the ability of wildlife to move through the region. Finally, retaining the ranch in its current open space condition will also help protect the scenic public views from Highways One and 46.

The proposed acquisition is being pursued within a larger landscape-level conservation effort by LCSLO. The owners of the adjacent MK Ranch will be donating a conservation easement over their 2,000-acre ranch (Exhibit 1). Together, these two projects will conserve nearly 4,000 contiguous acres of undeveloped coastal lands, accounting for 25% of the Villa Creek watershed and over 4.5 miles of Villa Creek. In June of this year, the Coastal Conservancy agreed to be a third-party beneficiary to the MK Ranch conservation easement. This relationship adds insurance for the long-term sustainability of both easements.

LCSLO has had an outstanding record working with the Conservancy over the past three decades on acquisition and restoration projects. The LCSLO has extensive experience owning and managing conservation properties and their established easement monitoring program will ensure the Hill Ranch will be protected in perpetuity for the benefit of both humans and wildlife.

Site Description: The Hill Ranch sits on the crest of the Santa Lucia range along Highway 46 West on San Luis Obispo County's north coast and offers scenic views of the cascading hills above Cayucos down to Morro Bay and the Pacific Ocean (Exhibits 1 and 2). The property's zoning designation is "Agriculture" by San Luis Obispo County. This designation would allow for no fewer than twenty two homes to be developed over the ranch's 1,779 acres.

The ranch is located within three coastal watersheds, including Villa Creek, Old Creek, and Cayucos Creek (Exhibit 1, page 3). Cienega Creek is a tributary to Old Creek. . The majority of the property (81%) drains into the Villa Creek watershed and contains the headwaters of that creek and its many initial tributaries and springs. The ranch comprises 1,376 acres (10%) of the entire Villa Creek watershed along with approximately 2.6 miles of the creek itself. Villa Creek has been identified as an important coastal watershed for the recovery of South-Central California Coast Steelhead (*Oncorhynchus mykiss*) and Tidewater Goby (*Eucyclogobius newberryi*). Another 6% of the ranch sits within the Old Creek watershed, accounting for 108 acres (1%) of the watershed, including a portion of the headwaters of Cottontail Creek. These headwaters flow throughout the year, contributing to the base flow of Cottontail Creek into Whale Rock reservoir, an important municipal water supply for the City of San Luis Obispo.

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The ranch is comprised of open grasslands, dense oak woodlands and shrubland. Healthy riparian corridors carve highly varied terrain in the upper reaches of the ranch, while lightly sloping hills and pastures make up the southern and western portions. It has been owned and managed by one family since the 1880's. The current owner operates a modest calf-cow operation with a herd of approximately 60 cattle rotated seasonally through multiple pastures to ensure that the property is not overly impacted by livestock production. Overall, the ranch has been kept in excellent condition resulting in multiple conservation benefits including the maintenance of water quality and quantity, wildlife habitat, and sustainable livestock production.

The ranch lies within a wildlife corridor situated between the Santa Lucia Ranger District of the Los Padres National Forest and the Silver Peak Wilderness in a region of San Luis Obispo County known as the Adelaida (see Exhibit 3). In particular, the Hill Ranch is situated at the intersection of two Essential Connectivity Areas (ECAs) which converge in the southern portion of the Adelaida wildlife corridor. These ECAs are the San Geronimo – Los Padres National Forest Corridor, which extends north through Big Sur, and the La Panza Range – San Geronimo Corridor, which extends south to Cuyama Valley. In its current, natural state, the Hill Ranch supports both local and migratory species that traverse these ECAs. The private lands that comprise the Adelaida wildlife corridor will become important natural areas for these species. Protecting the wildlife habitat that currently exists on the ranch will ensure that species within and migrating to these ECAs are able to move freely and find suitable habitat.

Project History: LCLSO initiated discussions with the Hill Ranch owners in 2013 on options to conserve the property by reducing future development potential and prohibiting conversion of the current livestock operations to more intensive land uses such as vineyards. In 2016 more formal negotiations began. LCLSO contacted Conservancy staff in early 2016 to discuss funding opportunities through our Proposition 1 grant program. In the fall of 2016 they submitted an application that was not approved because it lacked sufficient information about the project and its benefits. In April of 2017 the Department of Conservation awarded a \$2,000,000 grant for the acquisition through their Sustainable Agricultural Lands Conservation Program. In turn, LCLSO and Conservancy staff met to further discuss how to improve a future Conservancy grant application. In the summer of 2017 Conservancy staff recommended approval of the subsequent Proposition 1 application.

PROJECT FINANCING:

Department of Conservation:	\$2,000,000
Coastal Conservancy:	<u>\$750,000</u>
Total:	\$2,750,000

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 13 specific purposes of Chapter 6. The proposed project is consistent with the purpose #4 (Protect and restore aquatic, wetland, and migratory bird ecosystems, including fish

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and wildlife corridors and the acquisition of water rights for instream flow) in that the project will protect aquatic ecosystems and a wildlife corridor. The proposed project is consistent with purpose #10 (Protect and restore coastal watersheds, including, but not limited to bays, marine estuaries, and nearshore ecosystems) in that the project will protect portions of the Villa Creek and Old Creek coastal watersheds and the quality of the water flowing to Estero Bay.

As required by Proposition 1, the proposed project provides multiple benefits. The easement acquisition will serve to protect the agriculture, biodiversity and habitat, ocean and coastal ecosystems and resources, and water. The risk to these diverse natural resources will be addressed by conserving a long-standing family ranch, maintaining sustainable agricultural production, restricting development within two coastal watersheds, maintaining wildlife and stream habitat in a major wildlife corridor, and protecting water quality and quantity to a municipal water source.

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 a substantial seller donation of nearly thirty percent of the property’s fair market value, as noted above.

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 project has been awarded \$2,000,000 in match funding through the California Department of Conservation Sustainable Agricultural Lands Conservation Program (SALC). The SALC program funds acquisition projects to protect agricultural lands from conversion and development in order to prevent and reduce greenhouse gas emissions associated with increased development. The program evaluates projects based largely on the development threat to the property and identified the Hill Ranch as having high potential for rural-residential development of 1-10 acres.

CONSISTENCY WITH CONSERVANCY’S ENABLING LEGISLATION:

Conservancy participation in 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 undertake a project or award grants for coastal watershed projects that meet one or more criteria of Section 31220(b). Consistent with Section 31120(b), the proposed project will (1) reduce contamination of waters within the coastal zone (Section 31120(b)(1)) by prohibiting land uses and practices that could adversely affect downstream water quality; (2) protect fish and wildlife habitat within coastal watersheds and coastal waters (Section 31120(b)(2)), including endangered species habitat in the Villa Creek watershed; and (3) reduce erosion and sedimentation of a coastal watershed (Section 31120(b)(4)) by preventing future land uses that could contribute to watershed erosion and sedimentation.

Consistent with §31220(a), staff has consulted with the State Water Resources Control Board in the development of the project to ensure consistency with Chapter 3 (commencing with §30915)

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of Division 20.4 of the Public Resources Code, the purpose of which is to restore the water quality and environment of coastal waters, estuaries, bays, and nearshore waters.

Consistent with §31220(c), the project is consistent with local watershed management plans and water quality control plans adopted by the State Water Resources Control Board and Regional Water Quality Control Boards (see the “Consistency with Local Watershed Management Plan/State Water Quality Control Plan” section below), and has included a monitoring and evaluation component in the project.

CONSISTENCY WITH CONSERVANCY’S 2013-2018 STRATEGIC PLAN GOAL(S) & OBJECTIVE(S), AS REVISED JUNE 25, 2015:

Consistent with **Goal 4, Objective A**, the proposed project will protect 502 acres with significant watershed resources on the Central Coast.

Consistent with **Goal 4, Objective B**, the proposed project will protect 1,277 acres of working lands through a conservation easement.

Consistent with **Goal 7, Objective F**, the proposed project will prevent greenhouse gas emissions associated with rural residential development.

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:** The proposed conservation easement will promote and implement several state plans, including:
 - *California Water Action Plan* (2014). California Natural Resources Agency, the California Environmental Protection Agency, and the California Department of Food and Agriculture developed this Water Action Plan to meet three broad objectives: more reliable water supplies, the restoration of species and habitat, and a more resilient, sustainably managed water resources system. This project will advance Goal #4, which identifies restoration of coastal watersheds as a priority action in order to protect and restore important ecosystems.
 - *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 two of the Goals for California’s Future: 2)

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preserve and steward the state's lands and natural resources, and 3) build sustainable regions that support healthy, livable communities.

- *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 portion of a significant regional wildlife corridor at the intersection of two Essential Connectivity Areas (ECAs) which converge in the southern portion of the Adelaida wildlife corridor. These ECAs are the San Geronimo – Los Padres National Forest Corridor, which extends north through Big Sur, and the La Panza Range – San Geronimo Corridor, which extends south to Cuyama Valley. In its current natural state, the Hill Ranch supports both local and migratory species that traverse these ECAs. This role will become increasingly important as species migrate due to climate change.
4. **Support of the public:** Protection of large, private ranches in the region is supported by the Cayucos Land Conservancy, County Supervisor Bruce Gibson, Representative Salud Carbajal, California 24th Congressional District, the San Luis Obispo Council of Governments, and landowners/ranchers in the area. See Exhibit 3, Project Letters.
 5. **Location:** The project is located in the hills above Cayucos in the southern Santa Lucia range of northern San Luis Obispo County. The proposed easement would protect upland water resources in coastal watersheds that drain to the ocean, including Villa Creek.
 6. **Need:** Conservancy funds are essential to supporting the Hill Ranch conservation easement as there is a high likelihood that the project will not be completed without Conservancy funding.
 7. **Greater-than-local interest:** The proposed project will protect water resources in multiple coastal watersheds that drain to the ocean, benefit a federally threatened species (steelhead) and protect public views from Highways One and 46.
 8. **Sea level rise vulnerability:** This project sits within the hills above Cayucos more than 200 feet above sea level and will not be directly impacted by sea level rise.

Additional Criteria

9. **Cooperation:** Conservancy funding support will enable the LCSCO and a private landowner to cooperate on the permanent protection of a private ranch property.
10. **Leverage:** See the “Project Financing” section above.

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

Projects undertaken pursuant to Chapter 5.5 of Public Resources Code Division 21 (§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. Acquisition of the conservation easement furthers the San Luis Obispo County Integrated Regional Water Management Plan, Ecosystem and Watershed Goal, Objective 2, by protecting natural land cover in order to maintain the

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balance of ecosystem functions in the Villa Creek watershed. The project is consistent with the Water Quality Control Plan for the Central Coast Basin (2016), and specifically addresses the following beneficial use objectives in Villa Creek and the tributaries/headwaters of Old Creek: wildlife habitat, estuarine habitat, freshwater replenishment, ground water recharge, agricultural supply, and rare, threatened, or endangered species.

COMPLIANCE WITH CEQA:

The proposed easement acquisition is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to 14 Cal. Code of Regulations Section 15325 because it is a transfer of ownership of interests in land in order to preserve open space, existing natural conditions and agriculture. Staff will file a Notice of Exemption upon Conservancy approval of the project.