

COASTAL CONSERVANCY

Staff Recommendation

September 20, 2007

CAMBRIA/LODGE HILL RESTORATION PROGRAM

File No. 07-079-1

Project Manager: Timothy Duff

RECOMMENDED ACTION: Authorization to disburse up to \$200,000 to the Land Conservancy of San Luis Obispo County and modification of the Conservancy's previous authorization to enable continuation of the Cambria/Lodge Hill Restoration Program, San Luis Obispo County.

LOCATION: Cambria, unincorporated San Luis Obispo County (Exhibit 1)

PROGRAM CATEGORY: Coastal Restoration

EXHIBITS

Exhibit 1: [Project Location](#)

Exhibit 2: [Map of Priority Lots](#)

Exhibit 3: [Cambria/Lodge Hill TDC Program Assessment Report](#)

Exhibit 4: [Letters of Support](#)

RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Sections 31200 *et seq.* of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes disbursement of up to \$200,000 to the Land Conservancy of San Luis Obispo County (grantee) to continue the Cambria/Lodge Hill Restoration Program (Program), including the acquisition, for purposes of open space, resource protection, public access or restoration, of real property in unincorporated San Luis Obispo County that is identified as a priority property in Exhibit 2 to the staff recommendation. The Conservancy also hereby modifies its August 22, 1986 authorization for disbursement of funds to the grantee for the Program (“the initial authorization”) so that the grantee may continue to utilize the initial authorization funds and any real property or interests acquired or held through the use of those funds in a manner consistent with the current authorization and subject to the conditions of approval for the current authorization. The grant and disbursement of funds shall be subject to the following conditions:

1. Prior to the disbursement of funds for the acquisition of real property, the grantee shall submit for the review and approval of the Executive Officer of the Coastal Conservancy (Executive Officer) all relevant acquisition documents, including but not limited to the appraisal, agreement of purchase and sale, environmental assessments, deed restriction, escrow instructions, and documents of title.
2. The grantee shall pay no more than fair market value for the acquisition of real property, as established in an appraisal approved by the Executive Officer of the Conservancy.
3. The grantee shall permanently dedicate any real property acquired pursuant to this authorization for natural resource protection, open space preservation, or public access by an appropriate instrument approved by the Executive Officer, in accordance with Public Resources Code Section 31116(b).
4. Any real property or right or interest in real property (including development rights) acquired by the grantee pursuant to this authorization may be transferred by the grantee, subject to the approval of the Executive Officer and on terms and conditions as may be prescribed by the Executive Officer. With respect to a transfer of a fee interest in real property acquired pursuant to this authorization, the grantee shall retain a conservation easement or other appropriate interest to ensure protection of the natural resources, preservation of open space or public access purposes for which the property was acquired. Prior to any transfer, the Executive Officer shall review and approve the proposed transfer and associated transfer documents, including the conservation easement or other appropriate instrument. The grantee shall not sell any right or interest in real property acquired pursuant to this agreement for less than fair market value.
5. Prior to the disbursement of funds for any hazard abatement or other restoration activity related to real property acquired pursuant to this authorization, the grantee shall submit a work program, including a schedule, budget and the names of any subcontractors, and evidence that any permits necessary to complete the maintenance activities have been obtained.

Upon termination of the Program, any remaining, unexpended Program funds and/or Program-retained development rights in real property shall be used to repay the Conservancy or, on approval of the Executive Officer, shall be used for long-term hazard abatement and other restoration activities on the real property acquired pursuant to this authorization.

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 guidelines and criteria set forth in Chapter 5 of the Public Resources Code (Sections 31200-31215) regarding the restoration of coastal resources.
2. The proposed project is consistent with the Conservancy’s Project Selection Criteria and Guidelines adopted January 24, 2001.

3. The Land Conservancy of San Luis Obispo County is a nonprofit organization existing under Section 501(c)(3) of the U.S. Internal Revenue Code, whose purposes are consistent with Division 21 of the Public Resources Code.
 4. The project area has been identified in San Luis Obispo County's Local Coastal Plan as requiring public action to resolve existing or potential resource protection problems.”
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PROJECT SUMMARY:

Disbursement of up to \$200,000 to the Land Conservancy of San Luis Obispo County (Land Conservancy) will facilitate continuation of the successful Cambria/Lodge Hill Restoration Program (Program) described in detail below. The proposed funding will enable the Land Conservancy to purchase privately-owned lots identified as priorities for protection in a recent assessment and update of the program (Exhibit 3).

The Lodge Hill area of Cambria features a challenging combination of rare Monterey pine trees, and one of the largest concentrations of antiquated, substandard lots on the California coast. While County Local Coastal Program (LCP) policies are designed to mitigate the impacts of development in the Lodge Hill area, associated development standards still permit each legal parcel to be developed with at least some structural development. Because many of these parcels are located in extremely sensitive areas, the standards are not sufficient by themselves to mitigate the cumulative impacts of development, including the potential for continued degradation of the area's pine forest. In addition, unrestrained development in the area has the potential to aggravate slope instability, increase erosion and sedimentation, and further diminish Cambria's already limited water supplies which are so low that a moratorium on water service for new homesite development has been in place throughout Cambria since 2001.

Launched in 1986 with a \$272,500 grant from the Conservancy to the Land Conservancy of San Luis Obispo County, the Cambria/Lodge Hill Restoration Program has to date successfully preserved the area's unique and environmentally sensitive pine forest habitat through a Transfer of Development Credits (TDC) program. Briefly, TDC programs facilitate the transfer of development potential from areas characterized by sensitive environmental, cultural, historic, or agricultural values to less sensitive areas where additional development or density is desired or is deemed more appropriate. Such a TDC program has enabled the Land Conservancy to purchase priority lots, sell the associated development credits, and establish a revolving fund that has continued to grow and revolve to this day. The Land Conservancy maintains a separate interest-bearing account for deposit of all funds received through the program, and prepares an audited annual report accounting for all transactions involving the account. The Land Conservancy also obtains prior Conservancy approval for each proposed transaction involving the account.

Based on a recent assessment of the program prepared by the Land Conservancy (Exhibit 2), there are up to 160 additional priority parcels yet to be acquired. However, despite the revolving nature of the TDC fund, additional funds are now needed to continue the restoration program due to several factors. First, the ongoing six-year moratorium on water hook-ups for new homesite development throughout Cambria has drastically reduced the demand for density credits. As a result, revenue from the sale of TDCs has declined and thus the funding available for subsequent lot purchases has declined. Second, in the past year several high priority acquisitions were

completed, further reducing the cash reserves. Today the ratio of cash reserves to TDCs is now out of balance. It is estimated that it could take several years for cash reserves to be replenished, and up to 20 years or more for the existing TDCs in the program's inventory to be absorbed in the market. Finally, costs to manage and maintain acquired lots have steadily increased due in part to increased need for fire abatement.

While close to \$50,000 remains in reserves, Conservancy and Land Conservancy staff have determined this amount represents the minimum balance that should be maintained in the revolving loan fund to cover ongoing hazard abatement and other restoration activities on the acquired properties, and for potential unexpected costs, including legal defense of the conservation easements acquired through the Program. When the current moratorium on water hook-ups is lifted, possibly through the construction of a desalinization plant now being pursued by the Cambria Community Services District (CCSD), it is expected that market demand for TDCs will increase, and the revenues from TDC sales will once again replenish the revolving fund for the Program. Upon termination of the program, anticipated to occur in approximately ten years when all or most of the identified priority lots have been acquired and market demand for TDCs has increased, any remaining Program funds and TDC's will be used to repay the Conservancy and/or used for ongoing hazard abatement and other restoration activities on the acquired properties.

With support from the Coastal Commission, County of San Luis Obispo, the CCSD and many in the local community, the Land Conservancy of San Luis Obispo County has successfully managed this Program for the past 20 years. By accepting the transfer of fee title to the lots acquired under the Program, the CCSD has been and continues to serve as an essential partner. The CCSD views the Program as integral to their ongoing efforts to reduce the total number of homes that could eventually be built in Cambria, which will in turn help to address major limitations on their ability to provide essential services, especially water and fire service. All transfers of lots acquired under the Program to the CCSD are subject to recordation of a conservation easement held by the Land Conservancy. Ultimately, all of the lots acquired through the Program are expected to be transferred to the CCSD. Technically, the TDC program is the County of San Luis Obispo's program, with the Land Conservancy serving as the approved non-profit organization operating the program. In practice, the Land Conservancy manages the program for the County.

Site Description:

Cambria is an unincorporated community located entirely within the coastal zone on San Luis Obispo County's northern coast. Lodge Hill is situated on both sides of Highway One south of Cambria's commercial district, and features one of the largest concentrations of antiquated, substandard lots on the California coast. Originally laid out in the 1920's and 1930's, the overall Lodge Hill subdivision is comprised of over 4,000 parcels, many of which are located within densely forested and steeply-sloped land.

Much of the northern boundary of the project area is adjacent to the Fiscalini Ranch Preserve (formerly East-West Ranch), a 430-acre property acquired by the CCSD in 2004 with Conservancy and other funding for public park and resource protection purposes. To the east and south of the area are large, unsubdivided ranch properties, and to the west lies the Pacific Ocean.

The topography of the area is characterized by moderate to steep sloping marine terraces cut by small canyons leading to a more gently sloped coastal bluff to the west, and the floodplain of Santa Rosa Creek to the north. The area's natural habitats include a mix of Monterey pine and coast live oak forest that is most dense along the hillsides facing Highway One and in Fern Canyon located on both sides of the highway. In addition, there are undeveloped areas of coastal scrub and grasslands, and pockets of riparian and wetland areas primarily in Fern Canyon and along the Highway One corridor as it descends toward Santa Rosa Creek. Cambria's stand of Monterey pines is one of only three stands that remain on the mainland of North America's Pacific coast (the other two stands are located in Monterey and San Mateo Counties).

Project History:

In the late 1970s, as the pace of home construction in the project area rapidly accelerated, the Conservancy and others recognized that such poorly planned and located development was not only threatening the viability of the area's pine forest, but also contributing to increased erosion and sedimentation. In response, in 1979 the Conservancy funded the preparation of a Cambria Lot Consolidation Feasibility Study which concluded that consolidation of each and every vacant lot within the Cambria community would be economically infeasible. Based on this initial conclusion, the County concentrated on identifying specific areas of Lodge Hill that presented the greatest constraints to development, focusing on the transfers of development credits (TDC) mechanism to carry out the policy of reducing density. In 1982, Coastal Commission staff requested Conservancy assistance in working out a new program for transferring development. In 1983, the Coastal Commission certified the County's Local Coastal Program, including the town of Cambria, but excluded the Lodge Hill neighborhood. In 1984 the County Board of Supervisors approved an outline of a new voluntary TDC program for Lodge Hill and the Coastal Commission certified the County's local Coastal Program with these Lodge Hill policies. Later that same year, the Conservancy provided funds to begin development of what would later become known as the Cambria/Lodge Hill Restoration Program. In 1985 the San Luis Obispo County Board of Supervisors approved the Cambria/Lodge Hill Restoration Plan, along with a series of ordinances to allow for transfer of development credits within project area. In 1986 the County of San Luis Obispo incorporated the Program into County's Local Coastal Program (LCP), and selected the Land Conservancy of San Luis Obispo County to initiate implementation of the Restoration Plan. In 1986 the Conservancy approved the Plan, and provided \$272,500 to capitalize the Program.

Implemented in 1986, the Restoration Plan provided a thorough analysis of Cambria's antiquated subdivisions, sensitive resources and potential impacts to them, described the roles and responsibilities of the affected public and private participants, established preliminary procedures for operating the Program, and provided a rational basis for setting acquisition priorities. The fundamental criteria used to prioritize lots for acquisition are the same today as they were when the Program began, including an evaluation of each lot's habitat values (i.e. quality and quantity of pine trees), visibility from Highway One, continuity to existing protected lots, and the size and/or number of contiguous lots with single ownership. The specific areas targeted for protection contain 775 parcels. Between 1986 and September 2007, the Land Conservancy has acquired and permanently protected 142 individual parcels in the project area, which represents close to 20 percent of the targeted area. Of these 142 parcels, 88 were

transferred in 2003 to the CCSD, and another 24 are due to be transferred to the CCSD later this year.

PROJECT FINANCING:

Coastal Conservancy

Previous Authorization (1986)	\$294,800*
Proposed Authorization	<u>\$200,000</u>
 Total Project Cost	 \$494,800**

* In 1986, the Conservancy authorized \$272,500 to the Land Conservancy of San Luis Obispo County. In 2004, \$18,500 of this grant amount was disencumbered as the funds were due to expire, and in July 2007 the Conservancy augmented the grant by \$40,800 to fund an assessment of the current Program and to identify remaining priority properties for future acquisition).

** Previous and proposed authorizations are to be reimbursed in part or whole from remaining Program assets when the Program is terminated. However, under the proposed authorization, the Executive Officer may authorize some or all of the remaining Program assets to be used for long-term hazard abatement and other restoration activities on the acquired properties.

The anticipated source of Conservancy funds for this project is an appropriation in fiscal year 2003/04 (re-appropriated in 2006) to the Conservancy from the California Clean Water, Clean Air, Safe Neighborhood Parks and Coastal Protection Fund (Proposition 40). This funding source may be used for the acquisition, rehabilitation, restoration and protection of land and water resources in accordance with the provisions of the Conservancy's enabling legislation, Division 21 of the Public Resources Code. As discussed below, the project is consistent with Chapters 5 and 6 of Division 21. Proposition 40 also requires the Conservancy to give priority to grant projects with matching funds. The grantee, in conjunction with CCSD, and through the use of the TDC program, is leveraging the Conservancy funding and thus providing a substantial contribution to the successful completion of the proposed restoration project.

CONSISTENCY WITH CONSERVANCY'S ENABLING LEGISLATION:

The proposed project is consistent with the purposes of coastal restoration projects expressed in Chapter 5 of Division 21 of the Public Resources Code (Sections 31200 et. seq.) which vests in the Conservancy authority to award grants to nonprofit organizations for the purpose of restoration of areas of the coastal zone which, because of scattered ownerships, poor lot layout, inadequate park and open space are adversely affecting the coastal environment or are impeding orderly development. Consistent with Section 31201, San Luis Obispo County has identified the Lodge Hill area as requiring public action to resolve existing or potential development problems, and the County's approved LUP specifically identifies the need for the Conservancy to assist in the establishment of a program to transfer developments away from sensitive lots. Consistent with Section 31204, the Conservancy may provide up to the total cost of the coastal restoration

project. Pursuant to Section 31213, which permits the Conservancy to authorize implementation of a restoration plan by a nonprofit organization if the local public agency is unable or unwilling to undertake restoration, the Land Conservancy of San Luis Obispo County is administering the Cambria/Lodge Restoration Program on behalf of the County. The proposed project is consistent with the San Luis Obispo County Local Coastal Program as described in the Consistency with Local Coastal Program Policies below.

Restoration activities on the acquired properties will be undertaken pursuant to Chapter 6 of Division 21 of the Public Resources Code (Sections 31251 et seq.). Section 31251 authorizes Conservancy to make grants to public agencies for corrective action that will enhance the natural and scenic character of an area that has been degraded by natural or human-induced events. In addition to actions to restore natural resources, the restoration component of the proposed project will serve to protect those natural areas from fire and other hazards. As required by Section 31252, the County's approved LUP specifically identifies the need to preserve and protect the native Monterey pines and associated sensitive habitat within the project area. The proposed restoration would serve just that purpose.

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

Consistent with **Goal 5 Objective A**, when completed the proposed project will protect and enhance up to 20 acres of coastal habitats in the Cambria/Lodge Hill area including coastal terraces, scrub, pine and oak woodlands, and coastal prairie.

Consistent with **Goal 5 Objective B**, the proposed project will preserve and restore habitat corridors both between core habitat areas along the coast and from coastal habitats to inland habitat areas.

Consistent with **Goal 5 Objective C**, the proposed project will eradicate non-native invasive species that threaten native coastal habitats, including riparian areas, wetlands and pine tree stands.

Consistent with **Goal 6 Objective B**, by acquiring private substandard lots located on steep slopes and eliminating future development, the proposed project will prevent future erosion and sedimentation and improve water quality to benefit coastal resources.

Consistent with **Goal 8 Objective A**, the proposed project will resolve land use conflicts stemming from San Luis Obispo County LCP policies and standards that are not sufficient to mitigate the potential to degrade the project area's pine forest and other natural resources.

**CONSISTENCY WITH CONSERVANCY'S
PROJECT SELECTION CRITERIA & GUIDELINES:**

The proposed project is consistent with the Conservancy's Project Selection Criteria and Guidelines adopted January 24, 2001, in the following respects:

Required Criteria

1. **Promotion of the Conservancy's statutory programs and purposes:** See the "Consistency with Conservancy's Enabling Legislation" section above.
2. **Consistency with purposes of the funding source:** See the "Project Financing" section above.
3. **Support of the public:** This project has widespread support, including that of State Senator Maldonado, Assemblyman Blakeslee, Coastal Commission staff, the County of San Luis Obispo, the Cambria Community Services District and many in the local community,
4. **Location:** The proposed project is located within the coastal zone of San Luis Obispo County.
5. **Need:** Conservancy funds are needed to continue the Cambria/Lodge Hill Restoration Program given that the revolving TDC funds have been largely depleted as market demand for density credits has declined over the years due in part to an ongoing moratorium on water hook-ups in the area.
6. **Greater-than-local interest:** Protection of the project area's rare Monterey pines, one of only three such stands that remain on the California coast, is of regional, state and national interest.

Additional Criteria

7. **Urgency:** Previous grant funds for the Cambria/Lodge Hill Restoration Program are largely depleted, and all pending lot acquisitions are on hold until additional funds are provided.
8. **Resolution of more than one issue:** The Program resolves numerous land use conflicts and protects a rare and important stand of Monterey pine trees and other coastal resources.
9. **Innovation:** The Cambria/Lodge Hill Restoration Program is innovative in that it involves a TDC program to facilitate the transfer of development potential away from sensitive coastal resources areas to areas where development more appropriate.
10. **Readiness:** The Land Conservancy has managed the Cambria/Lodge Hill Restoration Program for twenty years, and is prepared to continue to manage it for the proposed next phase.
11. **Realization of prior Conservancy goals:** See "Project History" above.
12. **Cooperation:** Implementation of the Cambria/Lodge Hill Restoration Program requires the cooperation of several essential participants including the County of San Luis Obispo, the Cambria Community Services District, the Land Conservancy, and private landowners.

CONSISTENCY WITH LOCAL COASTAL PROGRAM POLICIES:

The Cambria/Lodge Hill Restoration Program is consistent with the Land Use Element of the County's General Plan and with the North Coast Area Plan which was subsequently adopted as the County's Local Coastal Program (LCP) and amended and certified by the Coastal Commission April 2007. Specifically, Chapter 7 and accompanying Table 7 of the Land Use Element provide direction for implementation of the TDC component of the Cambria/Lodge Hill Restoration Program.

COMPLIANCE WITH CEQA:

The proposed project to fund the acquisition of land is categorically exempt from the California Environmental Quality Act ("CEQA") pursuant to 14 California Code of Regulations Section 15325 because it is a transfer of ownership of interests in land in order to preserve open space and existing natural conditions, including habitat. With respect to the proposed maintenance activities including weed abatement and fuel reduction through the thinning and clearing of tree limbs, these are categorically exempt under Section 15304 (Minor Alterations to Land), as these activities will not involve removal of healthy, mature, scenic trees. Upon approval, staff will file a Notice of Exemption for the proposed project.