

COASTAL CONSERVANCY

Staff Recommendation
October 21, 2010

WILDLAKE RANCH ACQUISITION: MODIFICATION OF GRANT AUTHORIZATION

Project No. 06-027-01
Project Manager: Melanie Denninger

RECOMMENDED ACTION: Modification of the Conservancy's April 27, 2006 authorization to disburse \$2,000,000 to the Land Trust of Napa County toward acquisition of Wildlake Ranch in Napa County by providing for conditional waiver of the repayment condition and adding associated conditions.

LOCATION: East of Calistoga in Napa County (Exhibit 1)

PROGRAM CATEGORY: San Francisco Bay Area Conservancy

EXHIBITS

- Exhibit 1: [Project Location and Site Map](#)
 - Exhibit 2: [April 27, 2006 Staff Recommendation](#)
 - Exhibit 3: [Letter from Grantee Requesting Waiver of Repayment](#)
 - Exhibit 4: [Project Letters](#)
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RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Sections 31160 through 31164 of the Public Resources Code:

“The State Coastal Conservancy hereby modifies its April 27, 2006 authorization to disburse up to \$2,000,000 (two million dollars) to the Land Trust of Napa County (the Land Trust) toward acquisition of Wildlake Ranch in Napa County by adding the following additional conditions:

1. Notwithstanding the repayment provisions of Condition No. 5, above, the Conservancy, through its Executive Officer, may agree in its sole discretion to waive repayment of up to the total amount disbursed pursuant to this authorization, upon request by the Land Trust, and upon demonstration by the Land Trust to the satisfaction of the Executive Officer that it has deposited at least \$2,000,000 (two million dollars) into a secure, interest-bearing account to be held in trust and to be used solely for the purposes of stewardship and management of the habitat and natural resource values of Wildlake Ranch or for development and operation of public access facilities compatible with those values.

2. In coordination with the Napa County Regional Park and Open Space District and other interested parties, the Land Trust will make a good faith effort to open Wildlake Ranch for public access that is compatible with protecting habitat and natural resources and with deed restrictions no later than June 30, 2013.
3. The Land Trust will submit a written monitoring report to the Executive Officer every five years, commencing December 31, 2011, identifying the conditions and circumstances of Wildlake Ranch as relevant to the purposes of habitat preservation and restoration, protection of natural areas, and, to the extent compatible, public access and nature study and as compared to the conditions and circumstances described in the Land Trust's Baseline Report for Wildlake Ranch approved by the Executive Officer in October 2010."

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 project, as modified, remains consistent with the current Project Selection Criteria and Guidelines.
2. The project, as modified, remains consistent with the purposes and objectives of Chapter 4.5 of Division 21 of the Public Resources Code."

PROJECT SUMMARY:

In response to a request (Exhibit 3) from the Land Trust of Napa County (the Land Trust) to waive repayment of the Conservancy's 2006 \$2,000,000 grant toward acquisition of Wildlake Ranch, and in light of changed circumstances, staff recommends that the Conservancy amend its April 27, 2006 authorization (Exhibit 2) by allowing a waiver of the repayment provision of that authorization. This waiver shall be subject to the condition that the Land Trust demonstrate that it has deposited at least \$2,000,000 million into a secure, interest-bearing account, with those funds held in trust and used solely for the purposes of stewardship and management of the habitat and natural resource values of Wildlake Ranch or for development and operation of public access facilities compatible with those values. Two further conditions are added to the original authorization. The first obligates the Land Trust to work with the Napa County Regional Park and Open Space District (the "Park District") in making a good-faith effort to open Wildlake Ranch by June 30, 2013 for public access--such as limited hiking and camping and continued Land Trust tours-- that is compatible with the property's habitat and natural resource values. The second obligates the Land Trust to submit property monitoring reports to the Conservancy every 5 years.

The Land Trust purchased fee title to Wildlake Ranch in 2006 for approximately \$19,000,000. The Conservancy's 2006 grant authorization included a condition requiring repayment of its \$2,000,000 contribution from any funds generated by the transfer of any interest in the Property.. In the context of a proposed purchase by the Wildlife Conservation Board of a conservation easement over the property, the Land Trust has requested that the Conservancy waive repayment (Exhibit 3). The conservation easement would retain the entirety of the 3,030 acres of the

Wildlake Ranch property “in its current natural, scenic, forested, and/or open space conditions in perpetuity” and permit only limited development in certain small recreation and caretaker residential areas.

The principal effect of the recommended grant modifications is to give the Land Trust an alternative to repaying the Conservancy’s \$2,000,000 grant. That alternative is for the Land Trust to set aside at least \$2,000,000 for the for the stewardship and management of the Wildlake Ranch in accordance with the purposes of the 2006 grant, which were protection of habitat and natural resource values and for public access and nature study compatible with those values, and to make a good faith effort to open the property for such public access.

The full context for the Land Trust’s request and an explanation of the new grant conditions recommended by staff are discussed in “Project History” below.

Site Description: Wildlake Ranch comprises over 3,000 acres of beautiful, rugged, relatively untouched slopes, canyons and streams descending from ridges at about 2800 feet above sea level to the floor of Napa Valley and supports over a dozen native plant communities. The property is within a mile of Robert Louis Stevenson State Park and touches the 1,000-acre Duff Ranch, which the Conservancy helped the Land Trust acquire in 2008.

A small hunting camp used by the former owners is situated next to an impoundment known as Wild Lake. The camp is accessible via easements across neighboring properties and an internal unpaved road. The Park District’s 2008-2013 Master Plan identifies Wildlake Ranch and its vicinity, known as “the Palisades,” as providing opportunities to fill Napa County’s need for trails and camping facilities and as being important for various proposed regional trail connections.

A more extensive site description is included in the original staff recommendation, which is attached as Exhibit 2.

Project History:

Introduction

Those aspects of the project history that entail circumstances that have changed since the Land Trust acquired Wildlake Ranch and that are pertinent to the proposed grant modification are discussed below. They include the following: sources of funding provided for acquisition of Wildlake Ranch, including an outstanding loan from the David and Lucile Packard Foundation (Packard Foundation); the diminished expectation that State Parks would purchase the Land Trust’s interest in the property and manage it for public use compatible with habitat and natural resource values; the August 2010 authorization by the Wildlife Conservation Board to acquire a conservation easement over the property at a cost of \$6,000,000; and the request from the Land Trust that the Conservancy waive the repayment provision in its original grant.

Funding for 2006 Fee Acquisition

Funding for the Land Trust's acquisition of fee title to Wildlake Ranch, which was completed in July 2006, included the following:

Coastal Conservancy (Prop. 40)	\$ 2,000,000
The Betty and Gordon Moore Foundation	5,000,000
The David and Lucile Packard Foundation (loan)*	5,000,000
Multiple private donations	<u>7,000,000</u>
Total	\$19,000,000

*As of late August 2010, the balance due to repay the Packard Foundation loan is approximately \$1,500,000.

At the time of the Conservancy's 2006 authorization, the Land Trust was engaged in a fundraising campaign--Napa Valley Wild--for purchase and stewardship of Wildlake Ranch and adjacent real property, public education, and ongoing operations. While Napa Valley Wild was very successful, the funds raised have not been sufficient to retire the \$5,000,000 loan from the Packard Foundation. Since the terms of the Packard loan require the proceeds of Napa Valley Wild to be used for repayment of its loan first, the Land Trust has not been able to raise private funds as intended for implementing the Interim Stewardship Plan which the Land Trust developed as a condition of the Conservancy's grant.

Proposed Sale to State Parks

At the time of the Conservancy's 2006 grant authorization, the Land Trust was under the impression that it would be able to resell Wildlake Ranch to the California Department of Parks and Recreation ("State Parks") within a few years, and that the latter would manage it along with the nearby Robert Louis Stevenson State Park for natural resource protection, hiking and camping. The Land Trust foresaw setting aside several million dollars from the proceeds of State Parks' envisioned purchase as an endowment for management by State Parks. With a \$250,000 grant from the Conservancy, the Land Trust also embarked on preparation of a combined management plan in accordance with State Parks' standards for the cluster of properties including Wildlake Ranch, Robert Louis Stevenson State Park, and Duff Ranch (acquired in 2008 with a \$1,000,000 contribution from the Conservancy). In conceiving of the endowment and preparing this management plan, the Land Trust hoped to overcome hurdles that might have hindered the sale to State Parks.

It was particularly in anticipation of a subsequent sale to State Parks, that Conservancy staff recommended that the Conservancy include a repayment provision in the Conservancy's 2006 grant authorization. The corresponding condition in the 2006 authorization is the following:

"...Any funds generated from such a transfer in excess of the grantee's costs, up to the total amount disbursed pursuant to this authorization, shall be repaid to the Conservancy proportionately, based on all contributions to the acquisition."

By requiring repayment in the event of transfer of any property interest, the Conservancy could help the State avoid paying—in the aggregate—more than fair market value for the property, while still enabling the Land Trust obtain sufficient funds from State Parks to fund the endowment for State Parks’ property management. However, the transaction with State Parks has not occurred and now seems uncertain for the foreseeable future due to shifting resources and priorities—even if the November ballot for State Parks funding passes—eliminating the potential for State Parks to help fill the need for trails and camping in this part of Napa County and leaving the Land Trust to own and manage the property for the foreseeable future.

Acquisition of Conservation Easement by the Department of Fish and Game

On August 26, 2010, the Wildlife Conservation Board (“WCB”) authorized disbursement of \$6,000,000 for purchase by the California Department of Fish and Game (“DFG”) of a conservation easement (CE) over Wildlake Ranch. The Land Trust had hoped to sell CEs to DFG over both the Wildlake and Duff ranches for at least \$12,000,000, and had asked for a Conservancy contribution, but WCB determined that it could not allocate more than \$6,000,000 and the Conservancy staff declined to contribute more cash for protection of the properties. While the CE authorized for purchase by WCB applies to Wildlake only, its Property Acquisition Agreement with the Land Trust includes an option to purchase a CE over Duff Ranch and a right of first refusal to purchase Duff in fee.

Since the 2006 Conservancy grant authorization requires the Land Trust to obtain prior approval from the Executive Officer for transfer of the property or any interest in the property, Conservancy staff participated in crafting the terms of the conservation easement. In addition to providing for protection of habitat and natural resources, it permits certain development on a total of 60 acres of recreation facilities, such as trails, campgrounds, and food preparation and dining areas and development on a total of 7 acres of residences and out-buildings for caretakers and visiting researchers. The CE requires that the Land Trust obtain DFG and Conservancy approval at certain stages of development.

At the request of WCB staff, the Land Trust developed a Use and Improvement Program (“UIP”) for the Wildlake and Duff Ranches. The UIP includes documentation of natural resources and other existing conditions and identification of certain opportunities for hiking and camping, along with estimates of the Land Trust’s transaction costs to-date and a budget for the next 10 years of property development and management, for a total of just over \$12,400,000.

The proceeds from sale of the CE to DFG will enable the Land Trust to pay off the Packard loan (approx. \$1,500,000 balance due), leaving approximately \$4,500,000 for other purposes. In authorizing purchase of the CE, WCB required repayment of the Packard loan, but did not address disposition of the rest of the proceeds.

Request from Land Trust that Conservancy Waive Repayment

The Land Trust has asked the Conservancy to waive the repayment provision of the 2006 grant agreement. (The Land Trust’s request is attached as Exhibit 3. The repayment provision is quoted above in “Proposed Sale to State Parks”). The Land Trust notes in its waiver request that if it were “forced to repay the \$2 million to the SCC plus the \$1.5 million to the Packard

Foundation it would leave very little money to take care of the preserve.” According to the terms of the Property Acquisition Agreement (PAA) signed by WCB and the Land Trust for purchase and sale of the Wildlake Ranch CE, the Land Trust has the discretion to withdraw from the sale if the Conservancy does not waive repayment.

Under the current Conservancy repayment requirement, the impending sale of the CE for \$6,000,000 would trigger the requirement that the Land Trust repay the Conservancy not the full \$2,000,000, but its proportionate share after repaying the Packard load, or approximately \$473,850 (\$6,000,000 from WCB minus \$1,500,000 to retire the loan times the Conservancy’s 10.53% contribution to the original acquisition costs).

Conclusion

As it now appears that the Land Trust will retain responsibility for managing Wildlake Ranch for protection of habitat and natural resources and compatible public access and nature study for the foreseeable future and needs to raise funds for such management, staff is recommending that the Conservancy grant the Land Trust’s request to waive repayment of the \$2,000,000. The effects of the waiver will be 1) to enable the Land Trust to keep the \$473,850 that it would otherwise owe the Conservancy as a result of selling the CE, thus enhancing its financial ability to manage the property and, in the unlikely event of a future sale of fee title, 2) to preclude the Conservancy from being repaid the balance of the \$2,000,000.

As noted above, the Land Trust has estimated the combined 10-year management and development costs for Wildlake and Duff properties to be over \$12,000,000. To ensure that the full \$2,000,000 of which staff is recommending that the Conservancy forego repayment remains available for the costs of managing Wildlake Ranch, staff is recommending that waiver of repayment be conditioned on the Land Trust setting aside a like amount for property management.

In light of the shortage of hiking and camping opportunities in the vicinity and the original expectation that Wildlake Ranch would be open to the public for access compatible with habitat and natural resource protection, staff is also recommending that the Conservancy’s waiver or repayment be conditioned on the Land Trust making a good faith effort to open the property for public access by June 2013. The Conservancy-funded Interim Management Plan is due to be completed in June 2011 and should help guide the Land Trust in making decisions about the location and design of public access facilities.

Finally, staff is recommending a condition be added its original authorization requiring that the Land Trust submit a property monitoring report to the Executive Officer every 5 years. This condition is not tied to the waiver of repayment. It simply reflects the Conservancy’s increased efforts to ensure that its projects and property interests are monitored for compliance with grant purposes and the terms of acquisition documents.

PROJECT FINANCING

Financing for the project—a grant for acquisition in fee of Wildlake Ranch—remains unchanged from the budget included in the April 27, 2006 staff recommendation (Exhibit 2).

CONSISTENCY WITH CONSERVANCY’S ENABLING LEGISLATION:

The project, with modified conditions, remains consistent with the requirements of Chapter 4.5 of the Conservancy’s enabling legislation, Public Resources Code Sections 31160-31164, as discussed in the April 27, 2006 staff recommendation (Exhibit 2).

CONSISTENCY WITH CONSERVANCY’S 2007 STRATEGIC PLAN GOAL(S) & OBJECTIVE(S):

The project, with modified conditions, remains consistent with goals and objectives of the Conservancy’s Strategic Plan, as described in the April 27, 2006 staff recommendation (Exhibit 2).

CONSISTENCY WITH CONSERVANCY’S PROJECT SELECTION CRITERIA & GUIDELINES:

The project, with modified conditions, remains consistent with the Conservancy’s current Project Selection Criteria and Guidelines, for all of the reasons specified in the April 27, 2006 staff recommendation (Exhibit 2). The Conservancy modified its Project Selection Criteria and Guidelines in June 2009, after the Conservancy’s authorization of the proposed project, to add a seventh required criterion for consideration by the Conservancy. The proposed project is consistent with that additional required criterion, as follows:

Required Criteria

7. **Sea level rise vulnerability:** The Wildlake Ranch, all of which is located above 600 feet in altitude is well above any projected sea-level rise and will serve to provide transitional wildlife habitat for adaptation driven by climate change.

COMPLIANCE WITH CEQA:

The project, with modified conditions, remains statutorily exempt from the provisions of the California Environmental Quality Act (CEQA), for the reasons described in the April 27, 2006 staff recommendation (Exhibit 2).