

COASTAL CONSERVANCY

Staff Recommendation
January 20, 2011

TEN MILE RANCH (SMITH TRACT) ACQUISITION

Project No. 10-053-01
Project Manager: Karyn Gear

RECOMMENDED ACTION: Consideration and possible Conservancy authorization to disburse up to \$2,500,000 to The Conservation Fund to acquire the 464-acre Smith Tract portion of the Ten Mile Ranch, located adjacent to the Ten Mile River, Mendocino County.

LOCATION: Unincorporated Mendocino County, approximately ten miles north of the City of Fort Bragg.

PROGRAM CATEGORY: Resource Enhancement

EXHIBITS

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

Exhibit 2: [Photos](#)

Exhibit 3: [Project Letters](#)

RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Sections 31251 *et seq.* of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes the disbursement of up to two million five hundred thousand dollars (\$2,500,000) to The Conservation Fund (“TCF”) to acquire the approximately 464-acre Smith Property (Mendocino County Assessor Parcel Nos. 015-130-46, 015-130-59, 069-010-20, 069-010-38, 069-010-34, 069-020-02, 069-020-05, 069-020-07, 069-020-14, 069-052-06, 069-070-07, 069-070-11, 069-070-012, 069-070-13, 069-070-15, 069-070-17, 069-070-18, 069-070-19, 069-070-20, and 069-010-37) for the purpose of preserving open space and fish and wildlife habitat, subject to the following conditions:

1. Prior to the disbursement of Conservancy funds, TCF shall submit for the review and approval of the Conservancy’s Executive Officer (“the Executive Officer”) all title and acquisition documents including but not limited to the appraisal, agreement of purchase and sale, escrow instructions and documents of title pertaining to the acquisition.

2. TCF shall pay no more than fair market value for any property acquired pursuant to this authorization, as established by an appraisal approved by the Executive Officer.
3. All property interests acquired with these funds shall be permanently protected for public access, open space and habitat conservation in a manner acceptable to the Conservancy's Executive Officer and consistent with Public Resources Code Section 31116(b).
4. TCF shall not convey any portion of or interest in the property acquired in whole or in part with funds provided under this authorization, without the Executive Officer's approval."

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 current Project Selection Criteria and Guidelines, most recently updated on June 4, 2009.
2. The proposed authorization is consistent with Chapter 6 of Division 21 of the Public Resources Code, regarding enhancement of coastal resources.
3. The Conservation Fund is a nonprofit organization existing under Section 501(c)(3) of the Internal Revenue Code and whose purposes are consistent with the Conservancy's enabling legislation (Division 21 of the Public Resources Code)."

PROJECT SUMMARY:

Staff is recommending the Conservancy authorize the disbursement of up to \$2,500,000 to The Conservation Fund ("TCF") to acquire in fee the 464-acre Smith Tract of the Ten Mile Ranch. The acquisition is the first phase of a two-phase project to protect the 1,339-acre Ten Mile Ranch, a highly scenic, resource-rich property located along the Ten Mile River and estuary in Mendocino County. In 2009, a court-ordered partition divided the Ranch into the 464-acre Smith Tract and the 875-acre Perry Tract. The Smith Tract, which comprises 5 legal parcels, is for sale for \$5,290,000. In Phase II, the owners of the Perry Tract would like to sell a conservation easement over their tract and use the sales proceeds to acquire the fee interest in the Smith Tract, subject to a conservation easement over the whole Ranch, thereby reassembling the Ranch and permanently protecting it from subdivision and inappropriate development, and permanently protecting its habitat resources.

To accomplish this, TCF proposes to acquire the fee interest in the Smith Tract now with a \$2,790,000 three-year program related loan from the David and Lucile Packard Foundation and the Conservancy's \$2,500,000 grant. TCF will then work with the owners of the Perry Tract and The Nature Conservancy to 1) develop a conservation plan for the entire Ranch, 2) prepare a conservation easement that ensures the fulfillment of the conservation plan and 3) fund and purchase a conservation easement over the Perry Tract. Concurrent with TCF's purchase of the conservation easement, the owners of the Perry Tract will acquire the Smith Tract (also subject to the conservation easement) from TCF using the proceeds from the sale of the conservation

easement. TCF will then use the sales proceeds to repay the Packard loan. The entire Ranch will then be protected by a single conservation easement and the project will be complete. If TCF is unsuccessful at completing the second phase of the project (the Perry Tract easement), TCF could sell the Smith Tract, restricted by a conservation easement, to a private buyer, and repay the Packard loan with the proceeds. Such a sale would require Executive Officer approval.

TCF will assume the cost and responsibility of managing the Smith Tract until it is conveyed subject to a conservation easement to either the owners of the Perry Tract or another private party, in approximately 18 to 24 months. TCF owns and manages approximately 40,000 acres in Mendocino County and has experienced staff in the vicinity. TCF also contemplates entering into a management agreement with the owners of the Perry Tract to assist with daily management and oversight of the Smith Tract. TCF is talking with The Nature Conservancy about its interest in holding the conservation easement over the entire Ranch once it is reassembled as described above.

Site Description: Located approximately ten miles north of the City of Fort Bragg on the Mendocino County coast, the Ten Mile Ranch comprises a diverse mosaic of natural communities, including coastal freshwater marsh, coastal salt marsh, coastal brackish marsh, coastal terrace prairie, and redwood/Douglas fir communities. The property has historically been used as a working ranch, and the owners have harvested timber in accordance with a nonindustrial timber management plan. The Smith Tract contains the western 464 acres of the ranch, and abuts Highway 1. It rises from near sea level at the mouth of the 10 Mile River to an elevation of over 300 feet. There are five small homes and five cabins on the tract, as well as some barns and agricultural outbuildings. The tract is divided into five legal parcels, each of which could be marketed and sold separately as a home site. One of those parcels has an approved coastal development permit for a 20 unit inn.

To the west across Highway 1 lies the Department of Parks and Recreation's Inglenook Fen 10 Mile Dunes Preserve of MacKerricher State Park. A small portion of the Smith Tract extends west across the highway along the southern bank of the river, but the majority of the property lies east of the highway. To the north lies the 10 Mile River. To the east is the Perry Tract, and to the south a series of rural residential parcels. (See Exhibit 1). Visitors traversing Highway 1 and the bridge over the 10 Mile River are treated to spectacular views of the estuary and the Ranch, which has been designated as a "Highly Scenic Resource" in the Mendocino County Local Coastal Plan. (Exhibit 2: Property photos).

In terms of miles of use, the Ten Mile River is one of the most important anadromous fish streams in Mendocino County. Coastal floodplains and estuaries provide critical habitat for Chinook and coho salmon. Adults use the estuaries as holding areas for continuing upstream to spawn. Juveniles also occupy estuaries for several weeks before migrating out to sea. A significant portion of the Ten Mile River estuary occurs on the Ranch. Sensitive animals species known to occur in and around the estuary and the Ranch include steelhead trout, coho and Chinook salmon, tidewater goby, northern spotted owl, northern harrier, red tree vole, ferruginous hawk, osprey, merlin and river otter. In addition several rare plant species are known to occur in the vicinity, including the state-listed endangered Menzies wallflower, the Mendocino coast paintbrush and Thurber's reed grass, which is CNPS-listed as rare in California and is known from fewer than ten occurrences in the state.

Project History: The Ten Mile River watershed has been identified as a high priority in several public and private conservation plans. The 1975 Coastal Plan called for acquisition of the wetlands at the Ten Mile River, which the California Department of Fish and Game and the U.S. Fish and Wildlife Service classified among the most productive in the state. The Conservancy-funded planning efforts *Conservation Prospects for the North Coast* and *Mendocino Coast Conservation Plan* both identified the 10 Mile River watershed and estuary as a priority conservation area, as did the Department of Fish and Games' Coho Recovery Plan and the Pacific Coast Joint Venture's Strategic Plan.

Conservancy staff first became aware of the potential for a conservation project at the 10 Mile Ranch in January 2009. The ranch, at that point still operated as a single unit, was owned by four family members, two of whom wished to sell the property, and two wished to retain the property. Unfortunately, due to the State's fiscal crisis and the resultant freeze on new bond-funded projects that was in place at that time, we were unable to offer assistance to the landowners. Subsequently the property was divided by a court-ordered partition into two tracts – the Smith Tract, which is the subject of the proposed authorization, and the Perry Tract, still held by family members. The owners of the Smith Tract placed it on the open market for sale, and TCF has negotiated the proposed acquisition. The sellers have required that the transaction be completed by April 2011. If the conservation purchase does not come together by then, it is expected that they will proceed with marketing the property as 5 individual parcels.

PROJECT FINANCING

Coastal Conservancy	2,500,000
David and Lucile Packard Foundation Loan	<u>2,790,000</u>
Total Project Costs	5,290,000

The expected source of Conservancy funds for this project is the FY 08/09 appropriation to the Conservancy from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84). Proposition 84 authorizes the use of funds for projects that will carry out the Conservancy's statutory mission (Pub. Res. Code Section: 75060(b)). Consistency of the project with the Conservancy's statutory mission is discussed below in "Consistency with Conservancy's Enabling Legislation." Proposition 84 also requires that for acquisition projects that protect natural resources, the Conservancy give priority to projects that meet at least one of the criteria specified in Pub. Res. Code Section 75071. The proposed acquisition satisfies four of the five specified criteria:

1. The property links to existing protected areas with other large blocks of protected habitat. The linkage serves to connect existing protected areas, facilitate wildlife movement and botanical transfer, and results in sustainable combined acreage. Specifically, the Smith Tract links to the California Department of Parks and Recreation's Ten Mile Dunes State Park.
2. The project will contribute to the long-term protection of and improvement to the water and biological quality of the Ten Mile River and its estuary.

3. The property supports relatively large areas of salt marsh habitat and coastal estuarine habitat, two under-protected major habitat types.
4. The Conservancy's funds will be matched by private loan funds from the David and Lucille Packard Foundation. It is anticipated that the second phase of the acquisition, the Perry Tract, will be funded with multiple state and federal sources, further leveraging the Conservancy's investment in the Ranch. TCF will provide in-kind matching funds for its stewardship and management costs during the period of its ownership of the Smith Tract.

As required by Section 75701, Conservancy staff has submitted to the Resources Agency and posted on the Conservancy's website an explanation as to how the proposed acquisition meets the criteria of Section 75071.

CONSISTENCY WITH CONSERVANCY'S ENABLING LEGISLATION:

The proposed project is undertaken pursuant to Section 31251 et seq. of the Public Resources Code as described below.

Pursuant to Section 31251, the Conservancy may award grants to nonprofit organizations for the purpose of enhancement of coastal resources that, because of natural or human-induced events have suffered loss of natural and scenic values. Grants under this chapter are to be utilized for, among other purposes, the assembly of parcels of land within coastal resource enhancement areas to improve resource management. The proposed project would stop the further fragmentation of the Ten Mile Ranch Smith Tract into 5 separate parcels, and, when the second phase acquisition is completed, result in the reassembly of the ranch into one 1400-acre property with no potential for subdivision.

Consistent with Section 31252, the Ten Mile River estuary is identified in the Mendocino County Local Coastal Plan as requiring public action to resolve existing or potential resource protection problems. See "Consistency with Local Coastal Program Policies" section below.

Pursuant to Section 31253, the Conservancy may provide up to the total cost of any coastal resource enhancement project. The Conservancy's funds for the Smith Tract acquisition constitute less than fifty percent of the purchase price.

Pursuant to Section 31260, the Conservancy may fund the costs of land acquisition as part of an approved coastal resource enhancement project.

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

Consistent with **Goal 4, Objective 4A** of the Conservancy's 2007 Strategic Plan, the proposed project will protect 464 acres of significant coastal and watershed resource properties

Consistent with **Goal 5, Objective 5C**, the proposed project will preserve and restore wildlife corridors along the coast and from coastal to inland habitat areas.

Consistent with **Goal 7, Objective 7A**, the project will preserve working lands in a key coastal watershed.

**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 June 4, 2009, 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:** The proposed project has the support of Senator Noreen Evans, Assemblyman Wes Chesbro, The Nature Conservancy, the Mendocino Land Trust and others. See Exhibit 3 for letters of support.
4. **Location:** The proposed project would be located within the coastal zone of Mendocino County.
5. **Need:** The sellers have required a short time frame for completing purchase of the Smith Tract. TCF has secured a Packard Foundation loan for more that 50% of the purchase price. No public funding source other than the Conservancy can act with the speed required to meet the seller's deadline. It is anticipated that TCF will seek funding from several funding sources, including the U.S. Fish and Wildlife Service and the Wildlife Conservation Board to fund the anticipated Phase II acquisition.
6. **Greater-than-local interest:** Protection of the Ten Mile River estuary and its watershed has been identified as a high priority in numerous conservation plans, including The Nature Conservancy's North Coast Ecoregional Plan and Aquatic Recommendations, the Department of Fish and Games' Coho Recovery Strategy, the Pacific Coast Joint Venture Strategic Plan, Save the Redwoods League's Focal Area study, the Mendocino Land Trust's Coastal Conservation Plan, and The Conservation Fund's "Conservation Prospects for the North Coast".
7. **Sea level rise vulnerability:** Coastal estuaries are, by nature, frequently subject to flooding, erosion and storm surges, though such events could be more frequent or severe in the event of any sea level rise occurring over the next 50 to 100 years. The project has significant uplands that would either not be affected by projected sea level rise or would provide for the migration and adaptation of wetland, floodplain and tideland habitats.

Additional Criteria

8. **Urgency:** The sellers are requiring the transaction be completed by April 2, 2011. Prior to entering into a purchase and sale agreement with TCF, the sellers were contemplating selling the ranch in five separate legal parcels. If that were to happen, reassembling the Ranch would become both more expensive and more difficult to accomplish. No other funding sources have been identified that could meet the accelerated time schedule required by the sellers.

9. **Resolution of more than one issue:** The proposed project will both protect significant coastal resources and maintain a working landscape.
10. **Leverage:** See the “Project Financing” section above.
11. **Innovation:** The proposed two-phase acquisition is an innovative approach in that it allows for the immediate protection of a significant coastal property, while allowing the time to prepare a single conservation easement for both tracts, and fundraising from multiple sources for the phase II acquisition.
12. **Readiness:** The sellers have entered into a contract to sell the Smith Tract to TCF that requires the sale be completed by April 2, 2011.
13. **Realization of prior Conservancy goals:** Protection and enhancement of the 10 Mile estuary was identified in two Conservancy-funded planning efforts – the Mendocino Land Trust’s *Mendocino Coast Conservation Plan*, and TCF’s *Conservation Prospects for the North Coast*.
14. **Cooperation:** TCF and TNC, two national nonprofit organizations are cooperating on the protection of the 10 Mile Ranch. The Mendocino Land Trust has also contributed local knowledge and expertise.
15. **Vulnerability from climate change impacts other than sea level rise:** The acquisition of the Smith Tract will minimize climate change impacts by providing permanent protection, restoration and enhancement of habitats and ecosystem processes on 464 acres that could otherwise be subject to residential subdivision, agricultural intensification including grazing or unsustainable timber harvesting. The property’s protection will protect areas adjacent to shoreline habitats, which will support native species in need of shifting habitats that may result from climate change, and will specifically conserve and restore habitats that sequester carbon by protecting redwood and Douglas fir forestland. Finally, the protection of the tract will enhance and restore the property’s riparian and estuarine zones to accommodate increased flooding, erosion and storm surges.
16. **Minimization of greenhouse gas emissions:** The project will likely reduce the future production of greenhouse gas emissions by placing limits on development, grazing and timber harvesting. The restoration of riparian and wetland habitat along the floodplain of the South Fork of the Ten Mile River will likely result in greenhouse gas emission reductions.

CONSISTENCY WITH LOCAL COASTAL PROGRAM POLICIES:

The proposed project is consistent with the Mendocino County Local Coastal Program (“LCP”). The LCP specifically identifies the wetlands at Ten Mile River and the Ten Mile Beach and Dunes as Significant Natural Areas that require protection. The LCP also notes that the 1975 Coastal Plan identified the Ten Mile River wetlands as an area that should be acquired and protected. The Ten Mile River is also identified in the LCP as amongst the six most important coastal streams in Mendocino County for anadromous fish. In addition, the property contains a small area of dunes. Policy 3.1-15 state “Dunes shall be preserved and protected as Environmentally Sensitive Habitat for scientific, educational and passive recreational uses.”

Policy 3.5-3 designates the Ten Mile River estuary (including its wooded slopes, wetlands, dunes and ocean vistas visible from Highway One) as a “highly scenic area”. Protection of this rural landscape is thus consistent with conserving the scenic values of the property.

COMPLIANCE WITH CEQA: The proposed project is categorically exempt from the California Environmental Quality Act under 14 Cal. Code of Regulations Section 15313 as an acquisition of lands for preservation of fish and wildlife, and under Section 15325 as a transfer of an interest in land to preserve open space and habitat. Upon approval, staff will file a Notice of Exemption for the project.