

COASTAL CONSERVANCY

Staff Recommendation
May 24, 2012

NOLAN RANCH ACQUISITION

Project No. 12-009-01
Project Manager: Jeff Melby

RECOMMENDED ACTION: Authorization to disburse up to \$500,000 to The Nature Conservancy for acquisition of the 1,155-acre Nolan Ranch near San Jose in unincorporated Santa Clara County.

LOCATION: Approximately 12 miles east of downtown San Jose, Santa Clara County

PROGRAM CATEGORY: San Francisco Bay Area Conservancy

EXHIBITS

- Exhibit 1: [Project Location and Site Maps](#)
 - Exhibit 2: [Project Photographs](#)
 - Exhibit 3: [Conservation Lands Network Analysis](#)
 - 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 31160-31165 of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes the disbursement of up to \$500,000 (five hundred thousand dollars) to The Nature Conservancy (TNC) for acquisition of Assessor’s Parcel Numbers 627-06-002, 627-07-013, 627-07-014 in Santa Clara County which compose the 1,155-acre Nolan Ranch (shown in Exhibit 1, which is attached to the accompanying staff recommendation), for the purposes of preserving open space, scenic resources, plant and wildlife communities, and other natural resources; protecting watersheds; and enabling public access that is compatible with those purposes. This authorization is subject to the following conditions:

1. Prior to disbursement of any Conservancy funds, TNC shall submit for review and approval by the Executive Officer of the Conservancy (“the Executive Officer”):
 - a. All relevant acquisition documents including but not limited to the appraisal, environmental assessments, agreement of purchase and sale, easements, escrow instructions, title reports and documents of title necessary for the purchase of the property.
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- b. Evidence that there is legal access to the property.
 - c. Evidence that sufficient funds are available to complete the acquisition.
 - d. A stewardship plan, budget, and schedule describing the actions that TNC will take, prior to the anticipated transfer of the property to Santa Clara County Department of Parks and Recreation (County Parks), to monitor and maintain existing natural resources on the property and any natural resource-compatible public access, and any grazing proposed for the property.
 - e. A plan showing the design and placement of signs acknowledging Conservancy funding for the acquisition.
2. TNC shall pay no more than fair market value for the property, as established in an appraisal approved by the Executive Officer.
 3. TNC shall permanently dedicate the property for the purposes of preserving open space, scenic resources, plant and wildlife communities, and other natural resources; protecting watersheds, and enabling public access that is compatible with those purposes, by recording an offer to dedicate or other instrument acceptable to the Executive Officer and consistent with Public Resources Code Section 31116(b).
 4. TNC shall submit a written monitoring report to the Executive Officer before close of escrow on acquisition of the property, and at five-year intervals thereafter for as long as it holds a property interest, identifying the conditions and circumstances of the property as relevant to the purposes of preserving open space, scenic resources, plant and wildlife communities, and other natural resources, protecting watersheds, and enabling public access that is compatible with those purposes.”

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.
2. The proposed authorization is consistent with the purposes and objectives of Chapter 4.5 of Division 21 of the Public Resources Code, regarding the San Francisco Bay Area Conservancy Program.
3. TNC is a nonprofit organization existing under the provisions of Section 501(c)(3) of the United States Internal Revenue Code, and whose purposes are consistent with Division 21 of the Public Resources Code.”

PROJECT SUMMARY:

Staff is recommending that the State Coastal Conservancy authorize the disbursement of up to \$500,000 (five hundred thousand dollars) to TNC for acquisition of Assessor’s Parcel Numbers 627-06-002, 627-07-013, 627-07-014 in Santa Clara County which compose the 1,155-acre Nolan Ranch (Exhibit 1), for the purposes of preserving open space, scenic resources, plant and

wildlife communities, and other natural resources; protecting watersheds; and enabling public access that is compatible with those purposes.

Project Importance

Acquisition of the Nolan Ranch is a priority for Conservancy assistance because the property is large, prominent in the viewshed, biologically rich and diverse, and will become an important addition to the adjacent Joseph D. Grant County Park (County Park; Exhibit 1). Protection of the Nolan Ranch expands an existing network of protected lands that stretches nearly 70 miles from Pleasanton to Pacheco Pass. It links this corridor to the highest peak in the entire Bay Area – Mt. Hamilton’s Copernicus Peak – by providing a direct connection between the County Park and the University of California at Santa Cruz’s property at Lick Observatory. Expanding and connecting this network of protected lands with particularly broad ecological gradients increases the resiliency of the landscape and the species it supports to climate change. The acquisition will enable existing trails at the County Park, including the Bay Area Ridge Trail, to link with Mount Hamilton. The project will help implement open space, rangeland and watershed protection goals and objectives of the Conservancy’s Strategic Plan, further the Conservancy’s long-standing efforts to assist with open space protection, and implement State and regional plans as follows:

2009 California Climate Adaptation Strategy: Protection of this property will help expand a large scale network of protected areas, including providing a terrestrial linkage to Copernicus Peak, and linkages for species that use aquatic and riparian habitats along Smith and Sulphur Creeks.

Bay Area Conservation Lands Network (CLN; also known as Upland Habitat Goals): The CLN is a science-based assessment tool created by multiple agencies, and used to identify priorities for conservation of large blocks of lands needed to preserve biodiversity in the Bay Area. The Conservancy helped fund creation of the CLN by the Bay Area Open Space Council. Applying the geographic information systems database and analytical tools of the CLN indicates that the Nolan Ranch is identified as lands essential to accomplishing the Conservation Goals of the CLN. Among the vegetation conservation targets that protection of the property would help accomplish are those for Central Coast riparian forests; valley, black and coast live oak forest and woodland; blue oak woodland; blue oak-foothill pine woodland; mixed montane chaparral; chamise chaparral; coastal sage scrub; annual grassland (with scattered native grasses); montane hardwood/mixed evergreen forest, and California bay forest (Exhibit 3).

The regional importance of this site due to its location linking existing protected lands and habitat movement corridors, as well as protection of high-quality examples of an incredible diversity of Central Coast California habitat types cannot be over-emphasized. These communities support known occurrences of listed species including foothill yellow-legged frog (California Species of Special Concern [CSSC]), coast range newt (CSSC), Pacific pond turtle (CSSC), and native trout; as well as potentially providing habitat for the Federally Threatened California red-legged frog, Federally and State Threatened California tiger salamander, western spadefoot (CSSC), tule elk, American badger (CSSC), and mountain lion; among many native and wide-ranging species. The presence of year-round, cold water from multiple large spring sources is also regionally-important for water supply and security and for climate change adaptation for nature.

Acquisition and Management

In February of 2011, TNC secured an option to acquire fee title to the entire 1,155-acre Nolan Ranch property for \$2,600,000 from the current landowner, Owen Nolan. The option was extended on February 2, 2012 and the current agreement expires on August 2, 2012, with the option to extend to September 4th, with closing scheduled for 60 days after exercise. The amount offered by TNC is just below the fair market value of fee title as determined in an appraisal conducted by Hulberg and Associates in November 2011. While the fee value has been determined, the easement value has not, and therefore the appraisal will not be completed until the end of April, 2012. The proposed sources of funding for the purchase price of the fee acquisition are the Conservancy (\$500,000), San Francisco Public Utilities Commission (SFPUC; \$866,000), Santa Clara County Department of Parks and Recreation (County Parks; \$866,000), Moore Foundation (\$368,000). Before closing, TNC will assign its Option to buy fee simple ownership of the property to the County and County will grant TNC a conservation easement over the property at closing. In addition, the County, SFPUC and TNC will each contribute one third of the due diligence, appraisal, closing and title insurance costs (*there will be two title policies*). Lastly, the Moore Foundation will provide an additional \$50,000, \$40,000 of which will be used for fencing on the property and \$10,000 of which will be used to pay for a baseline documentation report.

The Nolan Ranch will be added to and managed as part of County Parks' 9,560-acre Joseph D. Grant County Park (County Park) for public recreation. Recreation activities being considered include hiking, mountain biking, horseback riding, and backcountry camping. County Parks receives funding from a Parks Charter Fund, of which 80% annually is dedicated to management and maintenance of its parklands. In addition, TNC will hold a conservation easement over the property that will be monitored annually for compliance with the terms of the easement. A baseline conditions report will be completed in advance of the acquisition in order to document conditions on the property at the time that the easement is established. Funding for annual compliance monitoring of the conservation easement in the form of a long-term monitoring and management fund will be provided to TNC by the SFPUC.

An objective of the SFPUC in this transaction is to protect water quality and promote good stewardship of natural resources in the Alameda Creek watershed, which provides a portion of SFPUC's water supply captured in Calaveras and San Antonio reservoirs downstream of the property. To protect the natural and ecological resources on the property, TNC will hold a conservation easement over the entire property which will restrict uses to those that are compatible with maintaining the conservation values on the site.

TNC is an international nonprofit 501(c)(3) membership organization. Founded in 1951, TNC and its 1 million members have safeguarded nearly 15 million acres in the United States. TNC has also worked with like-minded partner organizations to preserve more than 119 million acres in Latin America, the Caribbean, the Pacific, and Asia. TNC and its more than 3,500 employees work in all 50 states and 37 other countries around the world.

The California Chapter — TNC's largest state program, with 120,000 members — has protected hundreds of parcels of land and many waterways, including nearly 1.5 million acres of spectacular California landscapes, many miles of rivers and their tributaries, and 3.8 million

acres of the sea floor off the coast. The chapter, which is widely recognized for pioneering numerous innovative conservation methods, is engaged in more than two dozen large-scale projects from one end of the state to the other and in ocean conservation off the coast. The Coastal Conservancy has undertaken numerous successful projects with TNC.

Site Description: Nolan Ranch encompasses the headwaters of Sulphur Creek, an important, perennial tributary to Alameda Creek, which provides 10% of the drinking water to the San Francisco Bay Area. The property ranges in elevation from approximately 2,200 to 3,800 feet above sea level. This dramatic elevation gradient and complex geology contribute to the property's tremendous topographic, and associated ecological, diversity. Habitats represented on Nolan Ranch include grasslands, oak woodlands, rock outcroppings, maritime chaparral, riparian, and regionally-significant montane types. Stream and upland habitats are in excellent condition, providing a reliable, clean water supply for people and native plants and animals, as well as an important habitat linkage for movement of wildlife within this property and beyond to other protected lands throughout the range. Both of these characteristics will be increasingly important as the climate in the region warms and becomes effectively drier.

Project History: The Nolan Ranch was identified as a priority in TNC's Mount Hamilton Project area over a decade ago because of its pristine aquatic habitats and tremendous diversity of natural communities. The Mount Hamilton Project is a TNC platform site within the Central Coast Ecoregion where TNC has been engaged at a high level of planning and protection since 1997, directly contributing to the protection of approximately 115,000 acres. TNC's long-term strategy in this area does not include ownership of any fee interest, and TNC has worked to transfer most of its ownership to public partners or private buyers while retaining permanent conservation easements to ensure protection of these properties in perpetuity.

Presently TNC has a signed option agreement to purchase the property for \$2,600,000. The exercise date is August 2, 2012 unless TNC, or the County, as the case may be, elects to extend the option term to September 4, 2012. Closing will occur on or before 60 days after the option is exercised. If the option term is extended and it is not exercised then the option consideration goes to the seller.

PROJECT FINANCING

Coastal Conservancy	\$500,000
San Francisco Public Utilities Commission	866,000
Santa Clara County	866,000
Moore Foundation	368,000
Total Project Costs	\$2,600,000

The anticipated source of Conservancy funds is the FY 2010 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," Public Resources Code Sections 75001 *et seq.*). Proposition 84 funds are available for all San Francisco Bay Area Conservancy Program projects that protect and restore natural habitat values of coastal watershed lands, including projects that protect land through acquisition (Public Resources Code sections 75005(m) and 75060(c)).

Acquisition of the property by TNC will protect the natural habitat values of the property, which is in the San Francisco Bay watershed.

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 Section 75071. The proposed acquisition satisfies four of the five specific criteria because the project will: link protected habitat areas of the County Park and the University of California at Santa Cruz's property at Lick Observatory, facilitating wildlife movement and resulting in a more sustainable combined acreage (Section 75071(a)); contribute to long-term protection of the water quality of Alameda, Smith and Sulphur Creeks which are in the priority watershed of San Francisco Bay, a major biological region of the state (Section 75071(b)); support a relatively large area of under-protected major habitat types (Section 75071 (c)); and include non-state matching contributions toward the acquisition (Section 75071 (e)). See "PROJECT SUMMARY" and "Site Description" above for information related to these criteria.

As mandated by Section 75071(f), Conservancy staff has submitted to the Resources Agency, and posted on the Conservancy's website, an explanation of how the proposed acquisition meets the criteria established in Section 75071 for use of Proposition 84 funding.

CONSISTENCY WITH CONSERVANCY'S ENABLING LEGISLATION:

The proposed project is consistent with the provisions of Chapter 4.5 of Division 21 of the Public Resources Code, Sections 31160-31165, which state that the Conservancy may award grants in the nine-county San Francisco Bay Area to help achieve stated goals. Consistent with Section 31162(b), the proposed project will help "to protect...natural habitats and connecting corridors, watersheds, scenic areas, and other open-space resources of regional importance." The property acquisition will result in the protection of the Central Coast riparian forests; valley, black and coast live oak forest and woodland; blue oak woodland; blue oak-foothill pine woodland; mixed montane chaparral; chamise chaparral; coastal sage scrub; annual grassland (with scattered native grasses); montane hardwood/mixed evergreen forest, and California bay forest plant communities on the property and of the wildlife corridors that it provides. Because the property is part of the watershed of Alameda Creek and the San Francisco Bay, the project also protects watershed land.

Section 31163 (a) provides that “any acquisition of real property by the Conservancy pursuant to this chapter shall be from willing sellers.” Consistent with this section, the seller of the property, Owen Nolan has willingly entered into an option agreement with TNC.

The property acquisition satisfies the criteria for determining project priority under Section 31163(c), as the project has the following characteristics: (1) it is supported by regional plans; (2) it serves a regional constituency in that the project will help preserve sensitive natural communities and also provides scenic resources and potential trail connections; (3) it can be implemented in a timely way because it will be completed within approximately four months; (4) unless the acquisition closes by October 1, 2012, the benefits of a conservation acquisition of the property could be lost; and (5) it includes substantial matching funds.

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

Consistent with **Goal 10, Objective D** of the Conservancy’s 2007 Strategic Plan, the proposed project would protect 1,155 acres of uplands, wildlife habitat, connecting corridors, scenic areas, and other open-space resources of regional significance in the Bay Area.

Consistent with **Goal 11, Objective C** the proposed project will increase the amount of land accessible to the public and provide a corridor for trails.

**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 November 10, 2011, 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 broad support from the public, as demonstrated by the project letters attached as Exhibit 4 to this staff report.
4. **Location:** The project is located in Santa Clara County, within the jurisdiction of the nine-county San Francisco Bay Area Conservancy Program.
5. **Need:** In order to meet the time constraints of the seller, TNC needs to assemble acquisition funding in time to close escrow by October 1, 2012. No other acquisition funding is available in time for the deadline to close escrow. Without funding from the Coastal Conservancy, it would not be possible to complete the transaction and the opportunity to leverage other funding sources to protect the Nolan Ranch would be lost.

6. **Greater-than-local interest:** The proposed project would protect wildlife habitat that is of state and federal significance, preserve scenic open space, and enable connection of trails in the County Park and the University of California's Lick Observatory at Mount Hamilton.
7. **Sea level rise vulnerability:** The property is not vulnerable to rising sea level, as it lies between 2,200 and 3,800 feet above sea level.

Additional Criteria

8. **Urgency:** See "Need" above in "Required Criteria."
9. **Leverage:** See the "Project Financing" section above.
10. **Readiness:** With the commitments from County Parks, SFPUC, and Moore Foundation, and the proposed Conservancy funding authorization, TNC will have the funds needed to complete the acquisition of the Nolan Ranch during the agreed upon escrow period.
11. **Cooperation:** The Living Landscape Initiative (LLI), a partnership of five conservation organizations in the Bay Area including TNC, Peninsula Open Space Trust, Sempervirens Fund, Save-the-Redwoods League and Land Trust of Santa Cruz County, supported by the Moore and Packard Foundations, identified conservation priorities stretching from Mount Hamilton to the Coast and Monterey Bay. The LLI will provide \$418,000 for the acquisition and start-up stewardship because of the importance of this project in securing regional linkages.

COMPLIANCE WITH CEQA:

Land acquisition for the purpose of preserving the land in its natural condition and providing public access is categorically exempt from California Environmental Quality Act (CEQA), under 14 California Code of Regulations Section 15313, as an acquisition of lands for preservation of fish and wildlife habitat; Section 15325, as a transfer of an interest in land to preserve open space and habitat, and in particular, preservation of the existing natural conditions, including plant and animal habitats; and Section 15316, as an acquisition of land to establish a park where the land is in natural condition and a management plan as a park has not yet been created.

Staff will file a Notice of Exemption following Conservancy authorization.