

COASTAL CONSERVANCY

Staff Recommendation

April 18, 2013

PRESERVATION RANCH ACQUISITION

Project No. 12-063-01

Project Manager: Karyn Gear

RECOMMENDED ACTION: Authorization to disburse up to up to \$10,000,000 to The Conservation Fund to acquire the approximately 19,650-acre Preservation Ranch property in northern Sonoma County.

LOCATION: East of Sea Ranch, near the community of Annapolis, unincorporated northern Sonoma County (Exhibit 1)

PROGRAM CATEGORY: Reservation of Significant Coastal Resource Areas

EXHIBITS

- Exhibit 1: [Project Location Maps](#)
 - Exhibit 2: [Sonoma County Assessor Parcel Numbers](#)
 - Exhibit 3: [Conservation Lands Network Report](#)
 - 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 et seq. of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes the disbursement of up to ten million dollars (\$10,000,000) to The Conservation Fund (“TCF”) to acquire approximately 19,650 acres currently known as “Preservation Ranch” near the community of Annapolis in unincorporated northern Sonoma County (Sonoma County Assessor Parcel Nos. as listed in Exhibit 2 to the accompanying staff recommendation). Title to the property or portions of it may vest in Sustainable Conservation Inc. (“SCI”). This authorization is subject to the following conditions:

1. Prior to disbursement of any Conservancy funds, TCF shall:
 - a. Submit for review and approval of the Executive Officer of the Conservancy (“Executive Officer”) all relevant acquisition documents, including but not limited to the appraisal, escrow instructions and documents of title.

- b. Obtain all other funds necessary to complete the acquisition.
- c. Enter into a revenue sharing agreement acceptable to the Executive Officer of the Conservancy.
2. TCF shall pay no more than fair market value for the property, as established in an approved appraisal.
3. The property shall be permanently dedicated, in a manner acceptable to the Executive Officer, for purposes of protecting and restoring habitat and open space, including, without limitation, protecting, restoring, and enhancing water quality and salmonid habitat; preventing fragmentation of forest lands; potential carbon sequestration and creation of carbon credits to help address climate change; compatible public access; and sustainable forestry.
4. Prior to or concurrently with a conveyance by TCF to SCI of an interest in the property, TCF and SCI shall enter into an agreement approved by the Executive Officer reserving to TCF rights in the property adequate to the purposes of this authorization.
5. Conservancy funding shall be acknowledged by erecting and maintaining on the property a sign or signs reviewed and approved by the Executive Officer.
6. TCF and SCI shall use their best efforts to obtain, within two years of this authorization, certification of Preservation Ranch as a “well managed forest” under the Forest Stewardship Council, and independent third-party certification of compliance with the Sustainable Forestry Initiative Standard.
7. With the written approval of the Executive Officer, TCF or SCI may sell the two disjunct portions of the property and the vineyard, as shown on Exhibit 1 to the accompanying staff recommendation.
8. With the written approval of the Executive Officer, TCF or SCI may eventually sell the property or portions of it, consistent with the acquisition purposes and the revenue sharing agreement, and subject to appropriate conservation restrictions.
9. Within two years of this authorization, TCF shall submit for the review and approval of the Executive Officer written recommendations for public access on the property.”

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 8 of Division 21 of the Public Resources Code, regarding reservation of significant coastal resources.
2. The proposed project is consistent with the Conservancy’s current Project Selection Criteria and Guidelines.

3. TCF and SCI are nonprofit organizations existing under section 501(c)(3) of the U.S. Internal Revenue Service, and whose respective purposes are consistent with Division 21 of the Public Resources Code.”
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PROJECT SUMMARY:

Staff is recommending that the Conservancy authorize the disbursement of up to \$10,000,000 to The Conservation Fund (“TCF”) to acquire the approximately 19,650-acre property known as “Preservation Ranch” in northern Sonoma County (see Exhibit 1). This acquisition will put to rest the most contentious land use debate in Sonoma County – the proposed conversion of more than 1,800 acres of the property’s forestlands and grasslands to vineyards, and subdivision of the ranch into 60 rural residential estate parcels.

Preservation Ranch covers 30 square miles of the Gualala River watershed. The land is rugged and undeveloped, except for a network of legacy logging roads and a seventeen-acre vineyard with associated small house, and has for many decades been industrial timberland. The ranch connects to over 50,000 acres of protected working forest and open space lands. More than 20 miles of class 1 and 2 streams traverse the property, including significant stretches of Buckeye, Franchini and Rockpile Creeks, and the Wheatfield Fork of the Gualala River, all important for steelhead trout. Past logging practices have increased the delivery of sediment to these streams; management under TCF will reduce sediment flow to these waterways.

The property is designated as “essential and important for conservation” in the Bay Area’s Conservation Lands Network (Exhibit 3) and encompasses numerous natural communities, including redwood/Douglas fir forest, coastal oak woodland, montane hardwood forest, mixed chaparral, coastal scrub, grasslands, and numerous streams, wetlands, seeps and springs. These habitats are home to known occurrences of several special-status species, as well as myriad non-listed fish and wildlife species. Because of these extensive natural attributes, the current owner’s proposal to convert 1671 acres of forestland and 190 acres of grasslands to vineyards, and then subdivide the ranch into 60 estates, has caused significant concern in the community. An Initial Study of the proposed development prepared by Sonoma County under the California Environmental Quality Act acknowledged that the vineyard conversion portion of the development proposal alone was expected to result in the removal of more than 302,000 trees.

With TCF’s purchase of the property, the threat of conversion and subdivision of the ranch will be forever removed. TCF will maintain the property as a working forest, and, through patient management, will enhance the forest and riparian habitats throughout the property. The Sonoma County Agricultural Preservation District (“SCAPOS”), which is expected to contribute funds to the acquisition, will obtain a conservation easement over the Ranch, with the exception of two disjunct parcels and a vineyard that may be sold subject to the approval of the Executive Officer and suitable conservation restrictions, as discussed below. SCAPOS’s easement will further protect the conservation values of the property. Development on the property will be restricted to two small areas – one for a single residence, and one for the potential development of an educational facility.

Access to the site is primarily through the private “Kelly Road.” Kelly Road provides adequate access to the Ranch for timber management, but is not open to the general public; thus extensive

public access is not anticipated on the Ranch following acquisition. However, TCF, as a condition of this grant, will work with the Conservancy and others to identify public access opportunities for the site, perhaps in conjunction with the 40-acre Soda Springs Reserve, a Sonoma County Park which abuts the property.

TCF negotiated the acquisition price of \$24,500,000. An appraisal prepared by an MAI appraiser, who is also a registered professional forester qualified to appraise timber values, valued the property at a greater amount. As required by legislation enacted last year, the timber portion of the appraisal received a separate, independent review. The appraisal has been reviewed and approved by the Department of General Services.

In addition to the proposed Conservancy contribution, acquisition funds are expected from TCF, SCAPOSD, the Gordon and Betty Moore Foundation (via a grant to the Sonoma Land Trust), and interim financing provided by TCF. In order to repay the interim financing portion of the funding, three tracts, comprising seven assessor parcels (Sonoma County Assessor Parcel Nos. 121-050-007,-009, 121-040-008,-009, 122-080-039, 121-100-006, 121-130-004) may be sold (see Exhibit 1). Two tracts are undeveloped except for logging roads, and are physically disjunct from the bulk of the property, making management more difficult as part of the current project. The first is an approximately 320-acre parcel to the north, and the second is approximately 720 acres and lies to the west. The third parcel considered for possible sale contains a developed 17.2-acre vineyard (the “Walala Vineyard”) with a small house. This parcel is located on the central southern edge of the property, and, as it has already been converted to vineyard, it is not relevant to the forest conservation project. Any parcel sold would be conveyed subject to restrictions against further subdivision and conversion, and proceeds from the sale(s) would be used first to repay any private bridge financing costs incurred by TCF for the acquisition, and then for property management and revenue sharing.

The large scale of this proposed acquisition, its topographical diversity (elevations range from 75 to 2339 feet), direct connectivity to 50,000 acres of other protected lands, and the north-south and east-west extent provides the possibility of landscape resiliency in the face of climate change. The proposed acquisition also has the potential to sequester a large amount of carbon dioxide, helping to address global warming, consistent with the requirements of AB 32. If the property is used for carbon sequestration, it may also produce revenue that would help to sustain the Conservancy and its programs, consistent with the Conservancy’s 2013-2018 Strategic Plan and the Conservancy’s 10 Year Funding Plan.

In developing this project, staff initiated discussions with a number of Conservancy partners, and evaluated several potential forest conservation projects that could have carbon sequestration benefits. Preservation Ranch rose to the top for several reasons. First and foremost, it is a critical conservation project in its own right, and is imminently threatened with conversion to other uses. Second, the scale of the project is such that it has the potential to provide significant carbon sequestration (and resulting revenue). Third, the project proponent, TCF, has broad experience in developing and managing working forests and carbon sequestration projects and is, in fact, the largest provider of forest carbon offsets in California.

While the carbon market is still developing, initial projections indicate that the Conservancy could see revenues from this project as early as 2014. TCF provided an initial carbon analysis modeled by their staff experts. Conservancy staff had an independent analysis done of the preliminary TCF modeling, which helped further refine the carbon projections, and indicated that

the site with improved management has the potential to sequester more than 2.4 million tons of carbon over a ten year period. Future revenues could also be derived from sustainably-harvested timber on the ranch, though due to the depleted timber stocks, this is a likely a longer-term proposition. Implementation of forest practices like those in place on the Garcia and Gualala River Forests (adjacent forests already owned and managed by TCF) will result in a more rapid recovery of the property's timber inventory. This increase in available inventory is expected eventually to result in a stable cash flow from timber production that will contribute to the sustainability of the local timber economy in a way that is compatible with the long-term ecological integrity of the property.

In the interim, TCF expects to verify the project as an "improved forest management project" under the U.S. Forest Project Protocol adopted by the California Air Resources Board in 2011. In simplified terms, this process requires TCF to develop a baseline analysis of the property's carbon stocks, an analysis of the management that would occur in the absence of the carbon sequestration project, an analysis of carbon stocks under improved forest management, and then periodically analyze existing carbon stocks to measure carbon sequestration. TCF's analyses must be certified by an independent third-party auditor. Certified metric tons of sequestered carbon (Air Resources Board Offset Credits or "ARBOCs" as they are known), can then be registered and sold on the carbon offsets market.

In order to best manage the property for the purposes of this authorization, including carbon sequestration, title may be vested in Sustainable Conservation Inc. ("SCI"), a tax exempt corporation organized to support the charitable purpose of TCF under Sections 501(c)(3) and 509(a) of the U.S. Internal Revenue Code. TCF will manage the property as a working forest and will seek to obtain within two years "well managed forest" certification from the Forest Stewardship Council (FSC) and independent third party certification of compliance with the Sustainable Forest Initiative (SFI) standard. These certification processes will require a management plan for the property.

TCF is uniquely qualified to undertake this project. It already owns and manages 55,000 acres of working forests in Mendocino County, 38,000 of which are contiguous with Preservation Ranch. It has verified and sold carbon credits in the voluntary carbon market since 2008, and thus has the necessary experience to develop a carbon sequestration project on Preservation Ranch. As a national conservation organization, it also has the necessary financial and staff resources to effectively manage the property. The Conservancy worked with TCF on two large forest acquisitions in Mendocino County, the Garcia Forest and Big River/Salmon Creek, which are models of working forest conservation. SCI is a nonprofit organization affiliated with TCF, whose purpose is to support the charitable purposes of TCF.

As a condition of the proposed Conservancy authorization, TCF will be required to enter into a revenue sharing agreement with the Conservancy. The agreement will require sharing of any property revenues after property management expenses are covered. The revenue agreement is further described in the "Project Financing" section below.

Site Description: Preservation Ranch lies in northwestern Sonoma County, east of the community of Sea Ranch, and west of Lake Sonoma. The westernmost portion of the property is approximately three miles inland from the coast, and the property extends over nine miles in a west-east direction. The northern boundary is the Sonoma/Mendocino County line, and Skaggs Springs Road is the southern boundary (Exhibit 1). In total, the ranch covers 30 square miles,

entirely within the Gualala River watershed, and ranges in elevation from 75 to 2,339 feet. There are 160 existing legal parcels, ranging in size from 5 to 640 acres spread across the landscape.

The property's landscape is characteristic of the Coast Ranges of western Sonoma County, with predominantly northwest-southeast trending ridges and intervening valleys. The geology, soils and climate of the area result in moderately steep to steep, forested slopes with gentler, flatter ridgetops, some covered with oak woodlands and grasslands. As discussed in the "Project History" section below, the property has been industrial forestland for many decades, and as a result, the majority of the property is covered by second and third growth redwood and douglas fir forests with some sugar pine. Other vegetation types found on the ranch include montane hardwoods, riparian corridors, chaparral and coastal scrub.

The Gualala River has been listed by the state as an impaired water body under Section 303(d) of the federal Clean Water Act (CWA), due to sedimentation and elevated temperatures. The input of sediment into the streams is related to unstable underlying geology, steep slopes and high rainfall. Approximately 190 miles of legacy logging roads crisscross the property, and exacerbate the problem. Under TCF management, the road network will be assessed and treated, to diminish sediment inputs to the Gualala River tributaries.

The property is directly adjacent to 38,000 of Mendocino County forestland owned and managed by TCF, which manages its lands for natural diversity, ecological integrity and economic productivity (including sustainable forest management) and the restoration of significant habitat for wildlife, fish and plants. An additional 12,000 acres of adjacent private property is protected through conservation easements that limit development potential.

Project History: Prior to the arrival of Europeans, what is today Preservation Ranch was inhabited by the Kashaya Pomo, who subsisted on hunting, fishing and gathering. Evidence of their presence is still found scattered across the landscape. After European settlement and before World War II, Preservation Ranch comprised primarily separate homesteader claims, with some small orchards, grazing and limited timber harvest being the predominate uses. After 1945, timber companies aggregated homesteads across the north coast to create large timberland tracts, and aggressive mechanized timber harvest began in the 1950's and 1960's, prior to the adoption of California's Forest Practice Act in 1973. As a result, much of Preservation Ranch was clearcut during that period, and has been harvested twice, and in some areas three times.

Prior to 2004, the Ranch was part of a larger 57,000 acre industrial forest tract called "Longview" that included the Garcia and Gualala River Forests. In 2004, the Longview Tract was essentially divided into three, with the sale of the Garcia River Forest to TCF (which was purchased in part with Conservancy funds), and Preservation Ranch to an investment partnership backed by CalPERS and led by Premier Pacific Vineyards ("PPV"), whose intent was to subdivide the property into 60 estate parcels, and convert approximately 1,671 acres of forests and 190 acres of grasslands and oak woodlands to vineyards, dotted across the landscape (see Exhibit 1). The intermediary property, the Gualala River Forest, was retained by the prior owner until 2011, when TCF acquired the property with funding assistance from WCB and The Nature Conservancy.

Beginning in 2004, PPV worked to move its development project through the planning process with Sonoma County. PPV perfected Certificates of Compliance, confirming the 160 legal

parcels on the ranch, and prepared a number of background studies to support its 2008 application to Sonoma County for necessary zoning and conversion approvals for the proposed development/conversion project. In 2009 Sonoma County prepared an initial study for the proposed development/conversion plan which identified a number of potentially significant development impacts. Among other things, the Initial Study found that the project may:

- “[D]egrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels”;
- “Eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory”; and
- Induce “substantial population growth in [the] area, either directly (for example, by proposing new homes and businesses) or indirectly (for example through extension of roads or other infrastructure).”

PPV’s proposed project was highly controversial throughout Sonoma County, and drew media coverage from local and national newspapers in the Summer and Fall of 2011, including the New York Times and the Los Angeles Times. An on-line petition gathered more than 90,000 signatures in opposition to the project, before the petition was closed. Opponents’ concerns focused on the conversion of timberland to vineyards, fragmentation of habitats, and impacts to the Gualala River and its anadromous fish.

In October 2011, CalPERS severed its ties with PPV on Preservation Ranch, gaining control of the property, and in December of that year Friends of the Gualala River, a local advocacy group called on CalPERS to abandon its development plans and consider a conservation solution. CalPERS and TCF subsequently began discussing a conservation transaction in early 2012. Before Summer 2012, Conservancy staff began working with TCF and CalPERS to develop the project which is the subject of this proposed authorization.

PROJECT FINANCING

Coastal Conservancy	\$10,000,000
The Conservation Fund	\$6,000,000
Sonoma County Agricultural Preservation & Open Space District (pending)	\$4,000,000
Gordon & Betty Moore Foundation (pending)	\$1,000,000
The Conservation Fund (interim financing)	\$3,500,000
Project Total	\$24,500,000

Conservancy funding for the project is expected to come from funds originally appropriated in 2002 from Proposition 40, the “California Clean Water, Air, Safe Neighborhood Parks and Coastal Protection Act of 2002.” The project is consistent with this funding source in that it would be carried out in accordance with the Conservancy’s enabling legislation as discussed below, specifically for acquisition and protection of land and water resources.

Consistent with Proposition 40, other entities will provide a large amount of matching funds. TCF will provide \$6,000,000 of its own capital towards the acquisition, as well as \$3,500,000 of interim financing that will be reimbursed through the sale of the vineyard and, if necessary and consistent with the purposes of this authorization, two other discontinuous tracts. SCAPOSD is expected to provide \$4,000,000 towards the acquisition, and will retain a conservation easement over the property (other than the vineyard and the discontinuous parcels). The Sonoma Land Trust applied for and hopes to receive a \$1,000,000 grant from the Gordon and Betty Moore Foundation for the project.

As a requirement of the Conservancy’s grant, TCF will enter into a revenue sharing agreement with the Conservancy. As discussed in the “Project Summary” section above, TCF will seek to register the property as an improved forest management project under the U.S. Forest Protocol adopted by the California Air Resources Board in 2011. If the carbon market proceeds as anticipated, TCF and SCI would eventually sell carbon offsets, generating revenue from the property. It is anticipated that the proceeds from carbon offset sales will exceed the basic operation and management costs of the property. In addition, in the future when the property is sufficiently restocked with merchantable timber, TCF expects to harvest timber sustainably off the property. This and any other revenue above costs from the property will be shared with the Conservancy. A preliminary 10-year analysis of potential carbon offset production indicates that the property could generate as many as 1,800,000 ARBOCs, the value of which will depend on market conditions over the period. Under the revenue sharing agreement, the Conservancy will receive approximately 62.5% of any net revenues from the sale of ARBOCs. Additional revenues in later years could come from sustainable harvest of wood products, or other markets that develop over time. Net revenues are not guaranteed to arise; actual revenues could be higher or lower, and will of course depend on a number of factors, including TCF’s ability to successfully register the project under the ARB program, the market price of carbon offsets and wood products from year-to-year, the cost of land management, and regulatory compliance.

CONSISTENCY WITH CONSERVANCY’S ENABLING LEGISLATION:

This project is undertaken pursuant to Chapter 8 (Sections 31350-31356, regarding reservation of significant coastal resources), and Section 31113 (regarding climate change) of the Conservancy’s enabling legislation, Division 21 of the Public Resources Code.

Section 31350 states the intent of the Legislature to vest in the Conservancy authority to protect interests in key coastal resource lands that otherwise would be lost to public use. Preservation Ranch is a significant property that covers 10 percent of the Gualala River watershed, a coastal draining river, and is under imminent threat of conversion to uses that would further impair the river. The Gualala River is listed as impaired due to sediment under Section 303(d) of the federal Clean Water Act. Preventing subdivision and vineyard conversion, and improving forest

management, will contribute significantly to the attainment of water quality objectives in the Gualala River watershed. The property provides contiguity to 35,000 acres of adjacent, protected forestlands, and its acquisition will protect habitats and plant and animal species of concern. Acquisition of the property and improved management by TCF will also allow for increased carbon sequestration.

Under Section 31352(a), if a nonprofit organization is unable due to limited financial resources or other circumstances to protect an interest in real property for a purpose provided in Section 31351, the Conservancy may award a grant to a nonprofit organization to enable this. In relevant part, Section 31351 authorizes the Conservancy to cooperate with nonprofit organizations in ensuring the acquisition and protection of interests in real property for purposes of Division 21, and for purposes of fish and wildlife habitat to meet the policies of local plans. TCF and SCI are both nonprofit organizations existing under Section 501(c)(3) of the U.S. Internal Revenue Code; while TCF is bringing a significant financial contribution of its own towards the acquisition, the acquisition cannot occur without the Conservancy's support, due to the magnitude of the project.

The proposed acquisition will help meet the objectives of several chapters of Division 21, including:

- Chapter 4.5 - the San Francisco Bay Area Conservancy Program (Section 31160 *et seq.*): protection, restoration, and enhancement of natural habitats and connecting corridors, watersheds, scenic areas, and other open-space resources of regional importance (Section 31162(b)).
- Chapter 5.5 Integrated Coastal and Marine Resources Protection (Section 31220): protection and restoration of coastal watersheds; sediment management to protect or restore fish and wildlife habitat, reduce unnatural erosion, and sedimentation; acquisition, protection and restoration of riparian areas and other sensitive watershed lands.
- Chapter 6 – Coastal Resource Enhancement (Section 31251 *et seq.*): enhancement of coastal resources to improve resource management, and for corrective measures, including through acquisition, to enhance the natural and scenic character of affected areas. (Section 31251).

The acquisition will protect fish and wildlife habitat and maintain the use of the site as a working forest, consistent with the *Sonoma County General Plan Land Use Element* and *Sonoma County Zoning Code Regulations*, and would further support the goals and/or policies of the North Coast Regional Water Quality Control Board's *Water Quality Control Plan for the North Coast Region*, the California Department of Forestry and Fire Protection's *Changing California, Forest and Range 2003 Assessment Summary*, California Department of Fish and Game's *Recovery Strategy for Coho Salmon*, and The Conservation Fund's *Conservation Prospects for the North Coast*.

Under Section 31113(a), in implementing Division 21, the Conservancy is authorized to address the impacts and potential impacts of climate change on resources within its jurisdiction, and is further authorized to undertake projects that reduce greenhouse gas emissions. It is well understood by scientists that the rapidly warming climate will have profound effects on the ability of many species to persist. A 2012 Resources Legacy Fund report, *Ecosystem Adaptation To Climate Change In California – Nine Guiding Principles* prepared by an expert panel, recommended (a) conservation of the variety of ecological settings that will continue to support California's biodiversity and ecosystems as they shift in response to the changing climate, and

(b) conservation and restoration of landscape linkages and connectivity areas that will allow diverse species to move to new locations and will enhance overall species persistence. The protection of Preservation Ranch, with its diverse biological attributes, large size and its adjacency to other protected lands furthers these guiding principles and recommendations. The project provides a range of elevations and habitats, prevents habitat fragmentation and conversion, and creates significant linkages to allow for the migration of species adjusting to changing conditions due to climate change. In addition, it is anticipated that TCF will register the forest as an improved forest management project, increasing the rate of carbon sequestration on the property, and creating carbon offsets that will assist the State with obtaining its goals of greenhouse gas reductions in accordance with AB32, the Global Warming Solutions Act of 2006, which set the 2020 greenhouse gas emissions reduction goal into law.

Under Section 31113(b), the Conservancy may award grants to nonprofit organizations for activities authorized in 31113(a). In awarding the grants the Conservancy is directed to prioritize projects that maximize public benefits, including reducing emissions of greenhouse gases, preserving natural lands and conserving biodiversity. The proposed acquisition has multiple benefits. In addition to the reduction of greenhouse gases, acquisition of the site will maintain a large contiguous block of habitat, connecting with over 35,000 acres of protected forests; will ensure the site is maintained as a working forest and not subdivided into rural estates with associated development impacts; will remove the threat of forest conversion to vineyards, as proposed by the current owner; and has the potential to provide public access to an area currently off limits to the public.

**CONSISTENCY WITH CONSERVANCY'S 2013
STRATEGIC PLAN GOAL(S) & OBJECTIVE(S):**

Consistent with **Goal 4, Objective A** of the Conservancy's 2013-2018 Strategic Plan, the proposed project would protect a significant watershed resource. The property covers 10 percent of the Gualala River watershed.

Consistent with **Goal 4, Objective C**, the project protects a wildlife corridor, and connects to 32,000 acres of protected forests.

Consistent with **Goal 5, Objective G**, the project will improve water quality by eliminating the threat of conversion of land to vineyards, and removing the development potential with its subsequent threats to water quality.

Consistent with **Goal 6, Objective B**, the proposed project fosters the long term viability of working lands by removing the threat of subdivision, and placing the property under the management of a conservation entity whose goal is patient management to restore working forests, and the environmental benefits they provide.

As the project is located in Sonoma County, one of the nine Bay Area counties, the acquisition is also consistent with the following Goals and Objectives of the San Francisco Bay Conservancy Program:

Consistent with **Goal 11, Objective B** relating to the San Francisco Bay Conservancy Program, the proposed project protects wildlife habitat, connecting corridors and open space of regional significance.

Consistent with **Goal 13, Objective A**, the proposed acquisition protects a working forest in the San Francisco Bay Region.

**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 enjoys strong local support, including that of Senator Noreen Evans, Assemblyman Wes Chesbro, Congressman Jared Huffman, the Sonoma County Supervisor Efren Carillo, The Nature Conservancy, Sonoma Land Trust, Redwood Coast Chapter of the Sierra Club, Friends of the Gualala River and many others. Letters of support can be found in Exhibit 4.
4. **Location:** Preservation Ranch is located outside of the coastal zone in the Gualala River watershed, east of Sea Ranch and near the community of Annapolis, northern Sonoma County.
5. **Need:** This is a significant acquisition both in terms of acreage and cost, and requires funding from multiple sources. The Conservancy is the only state agency that can act within the short time frame available to complete the purchase. TCF is bringing substantial private resources to the project, SCAPOSD is providing a strong local agency match, and private foundation funds are also anticipated, but absent Conservancy participation, the acquisition will not occur.
6. **Greater-than-local interest:** Protecting Preservation Ranch furthers both local and regional long-term conservation strategies. This project is the most recent opportunity developed by TCF as part of its well-established North Coast Forest Conservation Initiative. Since 2004, TCF, and its public and private partners, have protected more than 100,000 acres of forestland on the North Coast. Of these protected forests, TCF directly owns and manages more than 54,000 acres and has demonstrated that forest conservation can successfully balance environmental restoration and stewardship with the economic imperatives of ownership and the desire to sustain the local timber economy. Large understocked tracts of coastal forest can be returned to ecological and economic viability through patient, adaptive management by a nonprofit organization, in partnership with private and public entities and community stakeholders.
7. **Sea level rise vulnerability:** Preservation Ranch is located well inland and ranges in elevation from 75 to 2339 feet, and is thus not vulnerable to rises in sea level over the planning horizon.

Additional Criteria

8. **Urgency:** PPV and its partners have invested significant resources to perfect the 160 certificates of compliance for the property, and prepare necessary studies to move their development plan forward. The purchase and sale agreement requires the transaction to be completed by May 31, 2013. If this conservation transaction is unsuccessful, it is expected that the ranch will be subdivided and sold, to maximize return on investment.
9. **Resolution of more than one issue:** Acquisition of Preservation Ranch will resolve the most divisive land use battle in Sonoma County – the proposed conversion of forests to vineyards. The project will have many beneficial outcomes. It will: ensure the property continues to serve as a wildlife corridor; remove the possibility of habitat fragmentation; remove the threat of water quality impairments from subdivision and subsequent development of the ranch; and over the long term, support the continuance of a viable timber industry in Sonoma County.
10. **Leverage:** See the “Project Financing” section above.
11. **Conflict resolution:** The Preservation Ranch development proposal currently in process with the County is highly controversial. Acquisition of the property to maintain it a working forest with habitat benefits will put the controversy to rest, and is supported by many diverse groups (see Exhibit 4: Project Letters).
12. **Innovation:** This project is innovative in that it will not only protect a significant block of habitat, but it will also maintain the property on the tax rolls, provide jobs associated with watershed restoration and forestry, and will provide a potential source of revenue to TCF and the Conservancy into the future.
13. **Readiness:** TCF has entered into a purchase and sale agreement with the property owner that requires the transaction be completed by May 31, 2013. SCAPOSD is expected to consider its portion of the funding package at its April 23, 2013 meeting. All other funds have been secured. The Conservancy has worked on a number of acquisitions with The Conservation Fund, and all have been completed successfully and in a timely manner.
14. **Realization of prior Conservancy goals:** “See “Project History” above.”
15. **Return to Conservancy:** See the “Project Financing” section above.
16. **Cooperation:** Acquisition of Preservation Ranch involves the cooperation of many entities – TCF, which negotiated the transaction and will manage the land; SCI, which will hold title to the property; SCAPOSD, which will contribute funds to the acquisition and hold a conservation easement over the land; the Sonoma Land Trust, which has assisted with private fundraising; and the Conservancy, which will contribute to the acquisition, and will receive a share of revenues derived from the management of the forest.
17. **Vulnerability from climate change impacts other than sea level rise:** The project objective is to protect and restore a redwood/douglas fir forest, along with a variety of other natural habitats and a significant wildlife corridor. Over time, species composition may shift due to changes in climate, but the size of the property, the topographical diversity and the geographical extent (north-south and east –west) provide the opportunity for migration of

plants and animals over time, and therefore the project is expected to be resilient to climate change.

18. **Minimization of greenhouse gas emissions:** The project involves the acquisition of forestlands, and thus in and of itself will not result in greenhouse gas emissions. In fact, avoiding conversion of a portion of the property to vineyard is considered a reduction in potential emissions. It is the intent of TCF to register the project as a carbon offset project, and manage the forest in such a way as to enhance carbon sequestration, thereby assisting the State in achieving its greenhouse gas reduction goals contained in AB 32 – California’s Global Warming Solutions Act of 2006.

COMPLIANCE WITH CEQA:

The acquisition of Preservation Ranch is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) because it consists of the acquisition of interest in land to preserve open space and habitat (14 Cal. Code of Regulations Section 15325). The acquisition is also exempt under Section 15313 (acquisition of lands for fish and wildlife conservation purposes). Upon approval of the project, staff will file a CEQA Notice of Exemption.