

COASTAL CONSERVANCY

Staff Recommendation
January 29, 2015

LOS OSOS CREEK ACQUISITION

Project No. 14-041-01
Project Manager: Timothy Duff

RECOMMENDED ACTION: Authorization to disburse up to \$646,500, including \$510,222 from the U.S. Fish and Wildlife Service (USFWS) National Coastal Wetlands Conservation Program, to the Coastal San Luis Resource Conservation District to acquire and prepare a restoration plan for the 82-acre Morrissey Ranch located along lower Los Osos Creek in the Morro Bay watershed in San Luis Obispo County.

LOCATION: Coastal Zone, along Los Osos Creek, Morro Bay Watershed, unincorporated San Luis Obispo County

PROGRAM CATEGORY: Resource Enhancement

EXHIBITS

- Exhibit 1: [Project Location Map](#)
 - Exhibit 2: [Site Maps and Photos](#)
 - Exhibit 3: [Project Letters](#)
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RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Sections 31251-31270 of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes disbursement of up to six hundred forty six thousand five hundred dollars (\$646,500), including five hundred ten thousand two hundred twenty two dollars (\$510,222) from the U.S. Fish and Wildlife Service National Coastal Wetlands Conservation Program, to the Coastal San Luis Resource Conservation District (RCD) to acquire fee title to an 82-acre property known as the Morrissey Ranch (San Luis Obispo County Assessor Parcel Number 067-011-048), as shown on Exhibit 2 to the accompanying staff recommendation, and prepare a restoration plan for the property. This authorization is subject to the following conditions:

1. Prior to disbursement of any funds for acquisition of the Property, the RCD shall submit for the review and approval of the Executive Officer of the Conservancy (Executive Officer) the following:
 - a. All relevant acquisition documents, including the appraisal, agreement of

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purchase and sale, escrow instructions, deeds and documents of title.

- b. Evidence of the availability of all additional funds necessary to the acquisition of the property.
2. The RCD shall not pay more than fair market value for the property acquired pursuant to this authorization, as established in an appraisal approved by the Executive Officer.
3. The RCD shall permanently dedicate the Property for open space preservation, natural resource conservation, and habitat conservation purposes, through an appropriate instrument approved by the Executive Officer.
4. The RCD shall prepare a restoration plan for the Property that complies with Fish and Wildlife Code Section 2794.
5. Conservancy funding shall be acknowledged by erecting and maintaining on the properties a sign that has been reviewed and approved by the Executive Officer.”

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 Conservancy Project Selection Criteria and Guidelines.
2. The proposed project is consistent with Chapter 6 of the Public Resources Code (Sections 31251-31270) regarding the enhancement of coastal resources.
3. Protecting lands in the project area has been identified in the San Luis Obispo County Estero Area Local Coastal Plan as requiring public action to resolve existing or potential resource protection problems, consistent with Public Resources Code Section 31252.”

PROJECT SUMMARY:

Conservancy staff recommends disbursing up to \$646,500, including \$510,222 from the USFWS National Coastal Wetlands Conservation Program, to the Coastal San Luis Resource Conservation District (RCD) to acquire the 82-acre Morrissey Ranch property located along Los Osos Creek in the Morro Bay watershed, and to prepare a plan for its future restoration and management. The acquisition phase will cost \$598,000, including associated grantee and escrow costs, and the restoration planning phase will cost \$48,500. Acquiring fee title to the property would enable the RCD to pursue future restoration of the creek’s wetland and riparian habitats.

The property includes approximately 65 acres of wetland habitat and 17 acres of upland scrub habitat. It is not currently used for agriculture. The parcel has two overlying conservation easements totaling 70 acres, one held by the Natural Resource Conservation Service (NRCS) under their Wetland Reserve Program and the other held by the RCD. The remaining 12 acres include a home site located outside the existing easement area. The easements allow the landowner to maintain a private dirt road that provides access to a currently abandoned home site and an agricultural well. Unfortunately, this dirt road cuts through the creek corridor and ongoing culvert maintenance disturbs the creek’s wetland and riparian habitat, including habitat for the federally-listed south-central California steelhead, tidewater goby, and most likely the California

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red-legged frog. This road also adds sediment into the creek thereby exacerbating sedimentation of the Morro Bay National Estuary.

Once the property is acquired, the RCD intends to remove the road. This would eliminate periodic disturbance to the creek's wetlands. In addition, a more natural hydrological regime would be restored and sediment flows downstream and into the estuary would be reduced.

In addition to removing the private road the proposed restoration plan would evaluate options for improving steelhead rearing and passage in the project area and promoting habitat connectivity for the tidewater goby and red-legged frog which likely use the site for foraging and potentially breeding. Proposals to restore the property's upland coastal dune scrub habitats would also be evaluated, including options to maximize benefits to the federally endangered Morro shoulderband snail and Morro Manzanita.

The Conservancy has had a 30-plus year partnership with RCD working on land acquisition and restoration projects in the Morro Bay watershed and elsewhere in San Luis Obispo County. RCD staff and its board have maintained a consistent presence in the region and have a long record of success completing projects, managing property interests, and ensuring maintenance of improvements made with Conservancy funds. Today, their staff and board continue to demonstrate the capacity to effectively develop and implement high priority projects.

Site Description: The proposed 82-acre acquisition site is located in the coastal zone on lower Los Osos Creek in the Morro Bay watershed in San Luis Obispo County (Exhibit 2). The property is a relatively flat, irregularly-shaped parcel with three creeks, Los Osos Creek, Warden Creek, and Turri Road Creek, crossing the site. The property is approximately one mile east of Morro Bay, and adjacent to property owned by the Department of Parks and Recreation. The property abuts the Morro Bay National Estuary and includes 65 acres of palustrine wetlands, including a half-mile of designated critical habitat for the federally threatened south-central California coast steelhead trout and nine acres of critical habitat for the federally endangered tidewater goby. The remaining 17 acres is comprised of upland coastal dune scrub habitat suitable for the federally endangered Morro shoulderband snail and Morro Manzanita.

The property is privately owned and is accessed from a County road. Unpaved access roads run along the eastern portion of the property and through the eastern side of Los Osos Creek leading to a home site consisting of an unoccupied and dilapidated single family residence, a barn and a well. Due to sediment deposition, creek braiding and high stream flows that occur in average rainfall years, the road through the creek is impassable during several months of the year.

The parcel is zoned agriculture and identified by County resource maps as an area with sensitive resources, wetlands, flood hazards, and sensitive riparian vegetation.

Project History: In 1994, pursuant to the Conservancy's Morro Bay Watershed Enhancement Program, the Conservancy provided funds to the RCD to acquire a conservation easement over 145 acres of marginal farmland on Los Osos Creek, including 70 acres of the subject 82-acre property. The goal at the time was to restore a total of 110 acres to floodplain and riparian habitat while allowing agricultural uses to continue on the remaining 35 acres. By allowing the majority of the property to return to floodplain the aim was to enable it to function as a sediment deposition area, trapping sediment before it entered Morro Bay. Over the past 20 years conceptual plans and alternative restoration studies have been completed, yet to date no final plan has been prepared and no restoration project has occurred. Nonetheless, the site has accumulated several feet of sediment, though the exact amount to date has not been estimated.

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The current property owner acquired fee title to the site in 1999 with a long term goal of having its historic floodplain restored and the associated natural resources permanently protected. The owner confirmed in writing her willingness to sell the property and has offered to donate 10% of the purchase price back to the RCD for restoration planning and permitting purposes. In the spring of 2013 RCD staff contacted Conservancy staff about the proposed acquisition and Conservancy interest in the project and partnering on a grant application to the U.S. Fish and Wildlife Service National Coastal Wetlands Conservation Program. Conservancy staff submitted the federal application in the summer of 2103 and in early 2014 the project was awarded federal matching funds. In the summer of 2014 an appraisal of the property’s fair market value was submitted to the Conservancy and approved in the fall of 2014.

PROJECT FINANCING

Coastal Conservancy	\$136,278
U.S. Fish and Wildlife Service	<u>\$510,222</u>
 Project Total	 \$646,500

The anticipated source of Conservancy funds for this project is the fiscal year 2012-2013 appropriation from the Habitat Conservation Fund (HCF), which was created by the California Wildlife Protection Act of 1990 (Proposition 117). Pursuant to Fish and Wildlife Code Section 2786, HCF funds may be used for acquisition of habitat to protect rare, endangered, threatened, or fully protected species (subsection b), and the acquisition, restoration, or enhancement of aquatic habitat for spawning and rearing of anadromous salmonids (subsection e) or riparian habitat (subsection f). Acquisition of the subject property will serve to protect sensitive habitat for the federally threatened south-central California coast steelhead trout and federally endangered tidewater goby and facilitate restoration of riparian floodplain habitat. Fish and Game Code Section 2794 requires that the state or local agency that manages lands acquired with HCF funds shall prepare, with full public participation, a management plan for lands that have been acquired, which plan shall reasonably reduce possible conflicts with neighboring land use and landowners, including agriculturists. The RCD’s restoration plan will comply with these requirements. Public access to the site would threaten planned future restoration activities and complicate the long term management of sensitive aquatic and wetland habitats, including habitat for federally listed species, and thus will not be permitted.

The Conservancy’s 2012-2013 appropriation of HCF funds comes from the Disaster Preparedness and Flood Prevention Bond Act of 2006 (Proposition 1E). Proposition 1E funds are available for projects that assist with floodplain habitat restoration. (Pub. Resources Code § 5096.825(f)). The Morrissey Ranch property is within the floodplain of Los Osos Creek and its acquisition will enable future habitat restoration on the site.

Under the proposed authorization, the Conservancy will also provide \$510,222 from a grant received from the U.S. Fish and Wildlife Service. These funds were granted to the Conservancy under the National Coastal Wetland Conservation grant program specifically for the acquisition of the subject property. A portion of these funds will be used to cover Conservancy staff time for working on the project. The grantee is also providing \$56,000 of in-kind staff support.

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CONSISTENCY WITH CONSERVANCY'S ENABLING LEGISLATION:

This project would be undertaken pursuant to Chapter 6 of the Conservancy's enabling legislation (Public Resources Code Sections 31251-31270). Pursuant to Section 31251, the Conservancy may award grants to public agencies for the purpose of relocation of improperly located or designed improvements, and for other corrective measures that will enhance the natural and scenic character of the areas.

Consistent with Section 31252, the project area is identified in the County's certified local coastal program as requiring public action to protect the natural and scenic resources of the Morro Bay Estuary. See "Consistency with Local Coastal Program Policies" section, below. Consistent with Section 31251.2(a), County of San Luis Obispo officials have requested that the Conservancy undertake this project (see letters attached as Exhibit 3).

Pursuant to Section 31253, the Conservancy may provide up to the total cost of any coastal resource enhancement project. In determining the amount of Conservancy funding for this project, the factors identified in section 31253 have been considered and applied, as described in detail below, under the heading "Consistency With Conservancy's Project Selection Criteria & Guidelines."

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

Pursuant to Section 31111, the Conservancy may fund plans and feasibility studies. Pursuant to Section 31104, the Conservancy may apply for and receive financial support from public and private sources.

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 coastal and watershed resource property.

Consistent with **Goal 4, Objective C** of the Conservancy's 2013-2018 Strategic Plan, the proposed project would implement a project that preserves and restores fish and wildlife corridors between core habitat areas along the coast and from coastal to inland habitat areas.

Consistent with **Goal 5, Objective A** of the Conservancy's 2013-2018 Strategic Plan, the proposed project would develop a plan for the restoration and enhancement of coastal habitats, including coastal wetlands and intertidal areas, and a stream corridor.

Consistent with **Goal 5, Objective C** of the Conservancy's 2013-2018 Strategic Plan, the proposed project would develop a plan to preserve and enhance coastal watersheds and floodplains.

Consistent with **Goal 5, Objective F** of the Conservancy's 2013-2018 Strategic Plan, the proposed project would complete a plan to improve water quality to benefit coastal and ocean resources.

**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 October 2, 2014, 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. **Promotion and implementation of state plans and policies:** By acquiring and eventually restoring the historic floodplain of the subject property the project serves to promote and implement several state plans including:
 - *California @ 50 Million: The Environmental Goals and Policy Report* (Governor's Office of Planning and Research, 2013 Draft). Key Action #3 of the "Preserve and Steward State Lands and Natural Resources" calls for building resilience in natural systems and specifically calls out the need for well-maintained watersheds and floodplains.
 - *CA Climate Adaptation Strategy/Safeguarding California: Reducing Climate Risk Plan* (California Natural Resources Agency, July 2014). The plan identifies "Actions Needed To Safeguard Biodiversity And Habitats" including #1: Improve habitat connectivity and protect climate refugia. The acquisition will add to the effort to preserve natural resource habitats in the watersheds draining to Morro Bay.
 - *California Water Action Plan* (California Natural Resources Agency, 2014). Goal #4, "Protect and Restore Important Ecosystems", identifies restoration of coastal watersheds as a priority action. In addition, Goal #8, "Increase Flood Protection", calls for flood protection projects that achieve multiple benefits including through floodplain restoration.
 - *CA Wildlife Action Plan* (California State Department of Fish and Game, 2005). The project will further the following statewide recommended actions: d) State and federal agencies should work with cities and counties to secure sensitive habitats and key habitat linkages; g) Federal, state, and local agencies and nongovernmental conservation organizations, working with private landowners and public land managers, should expand efforts to restore and conserve riparian communities. In addition, recommended actions for the marine region include: d) the state should increase efforts to restore coastal watersheds.
 - *South-Central/Southern California Coast Steelhead Recovery Plan* (NOAA Fisheries, 2013). Specific recovery actions identified for Los Osos Creek include: 1.2 - Restore riparian zones and 11.2 - Manage roadways and adjacent riparian corridors and restore abandoned roadways.

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4. **Support of the public:** The project has broad support of the public and elected officials as demonstrated by the letters attached as Exhibit 3.
5. **Location:** The proposed project would be located within the coastal zone of San Luis Obispo County.
6. **Need:** Conservancy funds are needed to complete the land purchase and to prepare restoration plans and studies.
7. **Greater-than-local interest:** The property contains habitat for species listed under the State and federal Endangered Species Acts. Reducing sediment flows to the Morro Bay National Estuary will serve to improve the estuary's nationally-recognized significant habitat for a wide array of fish, bird and plant species and marine life.
8. **Sea level rise vulnerability:** The property is 25 feet to 30 feet above sea level and approximately one mile away from the shoreline. The planned restoration of the site's historic floodplain will serve to reduce any vulnerability to sea level rise.

Additional Criteria

10. **Leverage:** See the "Project Financing" section above.
13. **Readiness:** The landowner is ready to sell the property at the appraised fair market value approved by the Conservancy and the RCD is ready to proceed with the purchase and subsequent restoration planning.
14. **Realization of prior Conservancy goals:** See "Project History" above.

CONSISTENCY WITH LOCAL COASTAL PROGRAM POLICIES:

The project is consistent with the San Luis Obispo County Estero Area Local Coastal Plan, certified in 1987. Chapter 7 (Combining Designations) Section B (20) recommends "open space agreements or other appropriate instruments to protect portions of properties with sensitive resources." Sensitive wetland and riparian resources are located on portions of the subject property and are identified in the LCP as resources to be protected.

COMPLIANCE WITH CEQA:

The acquisition and transfer of property as provided in this staff recommendation is categorically exempt from the California Environmental Quality Act ("CEQA") pursuant to 14 California Code of Regulations: (1) Section 15325 because it is a transfer of ownership of interests in land in order to preserve open space and existing natural conditions; and (2) Section 15313 because it is an acquisition of land for fish and wildlife conservation purposes including preservation of fish and wildlife habitat. Restoration planning that includes environmental factors as provided in this staff recommendation is statutorily exempt (14 Cal. Code of Regulations Section 15262) from review under CEQA. Upon approval staff will file a Notice of Exemption for this project.