

COASTAL CONSERVANCY

Staff Recommendation
September 29, 2016

**LOS PEÑASQUITOS LAGOON FEASIBILITY
AND RESTORATION DESIGN STUDY**

Project No. 78-046-04
Project Manager: Megan Cooper

RECOMMENDED ACTION: Authorization to disburse up to \$183,320 to the Los Peñasquitos Lagoon Foundation to complete an environmental review of the draft Los Peñasquitos Lagoon Enhancement Plan and to develop a feasibility study and restoration design for a pilot wetland restoration project at Los Peñasquitos Lagoon.

LOCATION: Los Peñasquitos Lagoon, City of San Diego

PROGRAM CATEGORY: Resource Enhancement

EXHIBITS

Exhibit 1: [Project Maps and Figures](#)

Exhibit 2: [Project Letters](#)

RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Sections 31111 and 31251 – 31270 of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes the disbursement of up to one hundred eighty three thousand three hundred and twenty dollars (\$183,320) to the Los Peñasquitos Lagoon Foundation to complete an environmental review of the draft Los Peñasquitos Lagoon Enhancement Plan and to develop a feasibility and restoration design study for a habitat restoration and water quality improvement project at Los Peñasquitos Lagoon. Prior to the disbursement of funds, the Los Peñasquitos Lagoon Foundation shall submit for the review and written approval of the Conservancy’s Executive Officer a work program, including budget and schedule, and any contractors to be employed under the grant.”

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 Section 31111 of the Public Resources Code regarding grants to undertake plans and feasibility studies, and with Chapter 6 of Division 21

of the Public Resources Code (Sections 31251 – 31270) regarding enhancement of coastal resources.

2. The proposed project is consistent with the current Conservancy Project Selection Criteria and Guidelines.
 3. The Los Peñasquitos Lagoon Foundation is a nonprofit organization formed under section 501(c)(3) of the U.S. Internal Revenue Code, and its purposes are consistent with Division 21 of the Public Resources Code.”
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PROJECT SUMMARY:

Staff recommends that the Conservancy authorize the disbursement of up to one hundred eighty three thousand three hundred and twenty dollars (\$183,320) to the Los Peñasquitos Lagoon Foundation (“LPLF”) to assist California State Parks and the City of San Diego (“the City”) to conduct environmental review of the draft Los Peñasquitos Lagoon Enhancement Plan, and to develop a feasibility and restoration design study (the “Study”) for a habitat restoration and water quality improvement project (“the restoration project”) at Los Peñasquitos Lagoon (“the Lagoon”). The Study will include data collection, modeling, design, and initial engineering for the project areas identified in the Los Peñasquitos Lagoon Enhancement Plan, and include a sediment management area, a freshwater management area, and a 23-acre salt marsh restoration project. The Study will also provide the background information needed to complete tiered environmental review (CEQA/NEPA) for the restoration project, which will occur after completing environmental review of the Enhancement Plan, in a future project phase. Construction of the enhancement project is not funded through this grant.

Once a pristine coastal estuary with extensive salt flat and salt marsh, the Los Peñasquitos Lagoon has lost over half of its historic habitats as a result of human activities and land-use change. Land-use changes have resulted in above-normal levels of sediment input, dry-weather flows of freshwater, introduction of invasive species, and poor water quality. These stressors have led to native habitat loss and conversion. If these stressors are not addressed, they will continue to degrade the Lagoon’s valued natural resources and ecological services.

The LPLF is currently completing an update of the Los Peñasquitos Lagoon Enhancement Plan (“Enhancement Plan”) in order to investigate restoration alternatives for the Lagoon. The draft of the Enhancement Plan will be ready to distribute by September 2016. The Enhancement Plan was developed through a public stakeholder-driven process that was supported by baseline analyses of lagoon conditions and habitat trajectory modeling. Through this process, several restoration projects within the Lagoon were identified (Exhibit 1). The restoration project includes a sediment management area, a freshwater management area, and a 23-acre salt marsh restoration project at the Lagoon. This pilot project will help address freshwater intrusion issues from Sorrento Creek that are transforming historically functional salt marsh and riparian habitat into freshwater marsh choked with invasive plants. The pilot project will begin to address these freshwater intrusion issues on a small-scale, and will be used to inform future, larger-scale projects that are identified in the Enhancement Plan. The Study developed through this project will further investigate the hydrological and biological opportunities and constraints of the pilot restoration project, and will develop restoration designs for the identified areas.

The first task in the proposed project is to complete environmental review of the Enhancement Plan for the entire Lagoon, and create an EIR or other appropriate document. This EIR will provide a process for agencies and public review the restoration concepts for the entire Lagoon, to think holistically about the opportunities and constraints of projects proposed within the Enhancement Plan, and to adopt the plan as a guide to future restoration projects in the Lagoon. Having an EIR will also make future CEQA analysis of individual projects, such as the proposed restoration project, more efficient and facilitate their implementation.

The second task in the proposed project is to develop the Study for the restoration project area. This will be the first project to be completed from the Enhancement Plan. The City has committed to partially funding the development of the Study in order to comply with its regulatory requirement to restore 84 acres of salt marsh at the Lagoon as compliance for the Los Peñasquitos Sediment Total Maximum Daily Load (TMDL). Because of the City's obligation under the Lagoon's Sediment TMDL, they have begun to work with the LPLF to implement projects identified in the updated Enhancement Plan that focus on salt marsh restoration and improved water quality. The Conservancy's funds will complement the City's funds for the completion of the Study, particularly by supporting the scientific and technical input and review that the City is not able to fund, which is needed to make the project consistent with the Enhancement Plan and with the best available science. The City has encouraged the LPLF to take on the role of technical and scientific oversight for the Study (see Exhibit 3).

The elements of the Study for the pilot project include:

- Hydrodynamic and sediment transport modeling for the entire Lagoon;
- Inlet dynamic modeling and assessment of inlet maintenance;
- Geotechnical investigation;
- Hydrodynamic modeling for the restoration site;
- Habitat evolution modeling;
- Scientific monitoring program.
- Restoration design alternatives

The information developed through the Study will be used by the City to complete environmental review (CEQA/NEPA) of the pilot project, which will be completed subsequent to this current project. The CEQA/NEPA document for the pilot project will utilize the Enhancement Plan EIR paid for through the current project.

The level of technical review and guidance that will be provided through the Conservancy's funding will facilitate the development of a robust, resilient and cutting-edge restoration Study. Following the completion of the Study, the LPLF will work together with the City to secure funds to complete environmental review, and final design and engineering for the restoration project.

The Conservancy has worked with the LPLF since 1983 to develop the long-term restoration and management vision for the Lagoon. This grant will help to ensure that the pilot project design will implement this long-term vision. LPLF has been a local steward of the lagoon and effective partner to the Conservancy and State Parks in managing this coastal resource.

Site Description: Los Peñasquitos Lagoon is a 565-acre coastal estuary located in coastal north San Diego County, within the City of San Diego. The Lagoon is a State Marsh Natural Preserve that is part of the Torrey Pines State Natural Reserve, which is owned and managed by California State Parks (CSP). The Lagoon receives drainage from a 60,000-acre watershed comprised of three primary sub-drainages: Carmel Valley, Los Peñasquitos Canyon and Carroll Canyon. It provides critical habitat for five listed bird species and contains 26 sensitive plants, most of which are classified as “Rare & Endangered” by the California Native Plant Society. The Lagoon also serves as an important refuge for migratory birds using the Pacific Flyway and is the closest coastal estuary providing essential fish habitat to support the La Jolla State Marine Conservation Area (ASBS #29) and San Diego-Scripps State Marine Conservation Area (ASBS #31).

Project History: The Conservancy has been involved with the enhancement, restoration and monitoring of the Lagoon for 33 years. LPLF’s first enhancement plan was funded by the Conservancy in 1983. The update of this original Enhancement Plan was initiated in 2006 with another small grant from the Conservancy. Since then, the LPLF has been working closely with its partners and public stakeholders, and a grant from the County of San Diego, to complete the update of the original Enhancement Plan.

The Conservancy has also funded the long-term monitoring program at LPL for several years; in 2012, 2006 and 1996. This monitoring program has run continuously since 1987 and provides the critical information needed to guide restoration and management decisions at the Lagoon based on current biological and physical conditions of the Lagoon.

In March 2016 the proposed project was added to the Work Plan for the Southern California Wetlands Recovery Project (WRP). The WRP’s managers group worked iteratively with the LPLF to develop a project that reflects the technical understanding and consensus needed for this phase of the project.

PROJECT FINANCING

Coastal Conservancy	\$345,300
City of San Diego	\$450,000*
Project Total	\$795,300

*committed for fiscal year 2017

The expected source of Conservancy funds for this project is an appropriation to the Conservancy from the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1, Water Code § 79700 et seq.). Funds appropriated to the Conservancy derive from Chapter 6 (commencing with § 79730 of the Water Code) and may be used “for multi-benefit water quality, water supply, and watershed protection and restoration projects for the watersheds of the state” (*Id.* § 79731). Section 79732(a)(10) identifies the purposes of these funds to include the protection and restoration of coastal watersheds within bays, marine estuaries, and nearshore ecosystems.

As required by Proposition 1, the proposed project provides multiple benefits. Implementation of the Study in the lagoon will restore tidal salt marsh habitat, a high priority habitat for both water quality and climate resiliency. Additional benefits include improved flood management and protection of public health from vector-borne illness that includes West Nile Virus. In addition, development of the Study will require coordination with the City to implement improvements to water quality in the watershed to support salt marsh restoration in the Lagoon.

In accordance with Prop 1, Section 79707(b), which requires agencies to prioritize “projects that leverage private, federal, or local funding or produce the greatest public benefit”, this project leverages significant local funding as noted above.

The proposed project was selected through a competitive grant process under the Conservancy’s *Proposition 1 Grant Program Guidelines* adopted in June 2015 (“Prop 1 Guidelines”). (See *Id.* § 79706(a)). The proposed project meets each of the evaluation criteria in the Prop 1 Guidelines as described in further detail in this “Project Financing” section, the “Project Summary” section and in the “Consistency with Conservancy’s Project Selection Criteria & Guidelines” section of this report.

CONSISTENCY WITH CONSERVANCY’S ENABLING LEGISLATION:

The proposed project would be undertaken pursuant to Chapter 6 of Division 21, Public Resources Code Sections 31251-31270, regarding natural resource enhancement projects as well as Section 31111 of the Public Resources Code.

Consistent with Section 31251, the proposed disbursement would provide funding to a nonprofit agency to undertake activities necessary for the enhancement of a depleted natural resource that has been impacted by improper location of improvements or human-induced events, and have suffered the loss of natural resource values. The Lagoon is a depleted natural resource that has suffered from the impacts of the surrounding development. LPLF will undertake activities necessary for the proper design and development of restoration activities that will address the stressors impacting the Lagoon.

As required by Section 31252, the planning area for the proposed project is identified in the City of San Diego’s Local Coastal Program as requiring public action to resolve the historical impacts to the natural resources of the area. See additional discussion in the “Consistency with Local Coastal Program Policies” section, below.

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, in the “Consistency with Conservancy’s Project Selection Criteria & Guidelines” section.

Pursuant to Section 31111, the Conservancy “may fund and undertake plans and feasibility studies, and may award grants to public agencies and nonprofit organization” for the purposes of restoring coastal habitat and undertaking other functions prescribed in Division 21. Consistent with this section, the proposed project provides funds to a nonprofit organization to complete restoration and management planning to enhance estuarine and wildlife habitat.

**CONSISTENCY WITH CONSERVANCY'S 2013 STRATEGIC PLAN
GOAL(S) & OBJECTIVE(S), AS REVISED JUNE 25, 2015:**

Consistent with **Goal 5, Objective A** of the Conservancy's 2013-2018 Strategic Plan, the proposed project is to develop plans for the restoration and enhancement of coastal wetland habitat.

**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:**
 - **[California @ 50 Million: The Environmental Goals and Policy Report \(2013 Draft\)](#)**
Preserve and Steward the State's Lands and Natural Resources; Increase ecosystem services and biodiversity. The proposed project is designed to accomplish this goal by restoring and enhancing a sensitive coastal ecosystem by improving ecological functions in a way that supports native species.
 - **[Safeguarding California: Reducing Climate Risk Plan \(July 2014\)](#)**
Ocean and Coastal Ecosystems and Resources; Improve management practices for coastal and ocean ecosystems and resources, and increase capacity to withstand and recover from climate impacts. The proposed project will accomplish this goal by restoring a wetland system that has adequate areas of surrounding upland transitional habitat that will allow for wetland migration and transgression.
 - **[California Water Action Plan](#).**
Protect and restore important ecosystems (restore coastal watersheds and strategic coastal estuaries): The proposed project is designed to accomplish this goal.
 - **[Southern California Wetlands Recovery Project](#)** (WRP).
Preserve and restore coastal wetland ecosystems. The proposed project was developed at the request of the WRP and is designed to accomplish the WRP's goals.
4. **Support of the public:** This project is supported by the large number of public stakeholders that participated in the development of the Enhancement Plan. In addition, the City of San Diego, County of San Diego, and State Parks support and encourage the project (see Exhibit 3).
5. **Location:** The proposed project is located within the coastal zone of the City of San Diego.

6. **Need:** Support from the Conservancy is critical at this moment because the City of San Diego is proceeding with the Study to meet TMDL compliance milestones, scheduling and deadlines. While having the City pay for the Study is a great opportunity for implementation of the Enhancement Plan to move forward, State Parks and LPLF must have funding to participate in and contribute to the Study.
7. **Greater-than-local interest:** The Los Peñasquitos Lagoon State Marsh Natural Preserve is a natural resource that is part of the Torrey Pines State Natural Reserve, a state park visited by over one million people per year. In addition, coastal salt marsh is a high priority habitat in Southern California that has been greatly impacted by urban stressors and will face additional threats from climate change. The project will contribute to the regional recovery of this highly valued and rare habitat.
8. **Sea level rise vulnerability:** LPL is highly vulnerable to sea level rise (SLR). Sea level rise and marsh migration was investigated in the Enhancement Plan, using the State's SLR rates (2-12" by 2030, 5-24" by 2050, and 17-66" by 2100). The proposed restoration alternatives were developed with the goal of increasing resiliency of the Lagoon to sea level rise, and the Study will continue to address this goal.

Additional Criteria

9. **Urgency:** Support from the Conservancy is critical at this moment because the City of San Diego is proceeding with the Study to meet TMDL compliance milestones, scheduling and deadlines. Failure to integrate input from the TAC at this point would be a lost opportunity that may not present itself in the future.
10. **Resolution of more than one issue:** This Study was designed to address both the restoration of the Lagoon proposed by LPLF and State Parks, the watershed restoration actions identified in the City's WQIP, and the City's TMDL requirements at the Lagoon. Aside from restoring salt marsh within the Lagoon, the Study will also include design elements that support improved flood management, protect public health from vector-borne illness that includes West Nile Virus, and reduction of invasive plant species in areas of historical salt marsh and upland transition areas.
11. **Leverage:** See the "Project Financing" section above.
14. **Readiness:** LPLF has been working with State Parks on the Enhancement Plan and with the City on TMDL compliance for approximately five years. They are ready to begin work immediately on the environmental review of the Enhancement Plan and technical review of the Study.
15. **Realization of prior Conservancy goals:** "See "Project History" above."
16. **Return to Conservancy:** See the "Project Financing" section above.
17. **Cooperation:** This project will be a cooperative effort between LPLF (the grantee), State Parks (the largest landowner), the City of San Diego, public stakeholders, and the Technical Advisory Committee, which will be made up of scientific experts and resource and regulatory agencies.

CONSISTENCY WITH LOCAL COASTAL PROGRAM POLICIES:

The proposed project is consistent with the goals of the City of San Diego's Local Coastal Program. Specifically, Goal #5 of the Torrey Pines Community Plan, the City's LCP for the project area, states: "Preserve, enhance and restore all natural open space and sensitive resource areas, including Los Peñasquitos Lagoon and associated uplands." The proposed project will address this stated goal of the LCP.

COMPLIANCE WITH CEQA:

Development of the EIR and the proposed Study is statutorily exempt from the provisions of CEQA pursuant to 14 California Code of Regulations Section 15262, since it involves only feasibility or planning studies for possible future actions which have not yet been approved, adopted, or funded. As also required by Section 15262, the Study is intended to provide information needed to consider and assess environmental factors associated with development of the pilot project.

The restoration design will incorporate environmental considerations into project conceptualization, design and planning consistent with Section 15004(b)(1), and will not have a significant adverse effect or limit the choice of alternatives or mitigation measures before CEQA compliance, consistent with Section 15004(b)(2). Implementation of any improvements will be the subject of an environmental analysis approved by the City of San Diego prior to funding and implementation of those improvements.

Staff will file a Notice of Exemption upon approval of the proposed project.