COASTAL CONSERVANCY

Staff Recommendation
September 28, 2017

TEN MILE RIVER WATERSHED
SOUTH FORK CONServation EASEMENT ACQUISITION

Project No.10-053-03
Project Manager: Lisa Ames

RECOMMENDED ACTION: Authorization to disburse up to $1 million to The Nature Conservancy to acquire a conservation easement over approximately 23,000 acres of the Lyme Redwood Forest Company property within the Ten Mile River watershed in Mendocino County.

LOCATION: Ten Mile River watershed, approximately eight miles north of the City of Fort Bragg in unincorporated Mendocino County

PROGRAM CATEGORY: Integrated Coastal and Marine Resource Protection

EXHIBITS

Exhibit 1: Project Location and Site Map
Exhibit 2: Mendocino County Assessor Parcel Nos.
Exhibit 3: Photos
Exhibit 4: Project Letters

RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Section 31220 of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes the disbursement of an amount not to exceed one million dollars ($1,000,000) to The Nature Conservancy (TNC) to acquire a conservation easement over approximately 23,000 acres of the Lyme Redwood Forest Company property, Mendocino County Assessor Parcel Nos. that are shown on Exhibit 2 to the accompanying staff recommendation.

This authorization is subject to the following conditions:

1. Prior to the disbursement of any Conservancy funds for the acquisition, TNC shall submit for review and approval by the Conservancy’s Executive Officer:
   a. All relevant acquisition documents, including but not limited to an appraisal, terms of the conservation easement, environmental assessment, agreement of purchase and sale,
escrow instructions, and documents related to title,
b. Evidence that it has obtained all funds necessary to complete the acquisition.

2. The property interests acquired with these funds shall be permanently protected for open
space preservation, fish and wildlife habitat conservation, environmental restoration and
sustainable timber production in a manner acceptable to the Conservancy’s Executive
Officer.

3. TNC shall pay no more than fair market value for the property, as established in an appraisal
approved by the Conservancy’s Executive Officer.

4. The terms of the grant agreement with TNC and the conservation easement acquired with
these funds shall be consistent with the Conservancy’s ‘Conservation Easement Standards
and Practices Governing Grants for the Acquisition of Conservation Easements’.”

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 5.5 of Division 21 of the Public
   Resources Code, regarding Integrated Coastal and Marine Resources Protection.

2. The proposed project is consistent with the current Conservancy Project Selection Criteria
   and Guidelines.

3. TNC is a nonprofit organization recognized under Section 501(c)(3) of the Internal Revenue
   Code whose purposes are consistent with the Conservancy’s enabling legislation (Division
   21 of the Public Resources Code).”

PROJECT SUMMARY:

Staff recommends the Conservancy authorize the disbursement of up to $1,000,000 to The
Nature Conservancy (TNC) to acquire a conservation easement over approximately 23,000 acres
of the Lyme Redwood Forest Company (a subsidiary of the Lyme Timber Company LP)
property located within the Ten Mile River watershed in Mendocino County (see Exhibit 1:
Project Location and Site Map). The proposed project will enable TNC to promote sustainable
forestry, protect in perpetuity the property’s open space, remove the potential to subdivide the
property, and restore fish and wildlife habitats in the riparian zones of a large portion of the
South Fork of the Ten Mile River watershed.

The Ten Mile River watershed is 96% forested, comprised mostly of second-growth coastal
redwood, Douglas fir and mixed evergreen forest with many fish-bearing streams and perennial
tributaries. The watershed provides habitat for numerous threatened and endangered species
including coho salmon, coastal Chinook salmon, steelhead trout, Northern Spotted Owl, Marbled
Murrelet, and Pacific Fisher. The Ten Mile River has been specifically mentioned in several
recovery plans as a high priority for threatened and endangered species including the Central
California Coast Coho Salmon Evolutionarily Significant Unit (CCC ESU) Recovery Plan (National Marine Fisheries Service, 2012) and the Federal Recovery Plan for the Northern Spotted Owl (US Fish and Wildlife Service, 2011). Recently, NOAA has prioritized recovery of CCC coho salmon and identified the Ten Mile River watershed specifically as an area where species recovery can be accelerated through multi-partner collaborations (“Species in the Spotlight”, NOAA, 2016).

While it is one of the least developed watersheds in northern California, the majority of the 71,000-acre Ten Mile River watershed remains largely unprotected from future subdivision and development. Lyme Redwood Forest Company (Lyme Timber, the landowner) owns a large portion of the land in the watershed (approximately 64,000 acres) and currently utilizes its holdings for timber production, quarrying and private recreation. The Ten Mile River watershed can be divided into three distinct subwatersheds: the North Fork, the Middle Fork and the South Fork. TNC has negotiated a purchase option with the landowner to acquire a conservation easement over the 23,000-acre South Fork subwatershed, which contains the most critical stream for salmonid production. Downstream of the proposed project area, the Conservancy has worked with numerous nonprofits and agencies to protect the forest, grazing, riparian and estuarine lands of the Smith, Parker and Olson ranches. Organizations that have collaborated on conserving the lower watershed include TNC, the Conservancy, The Conservation Fund, the Wildlife Conservation Board, CA Department of Fish and Wildlife, US Fish and Wildlife Service, NOAA, Natural Resource and Conservation Service and the Mendocino Land Trust.

With the proposed funding assistance from the Conservancy and the other funding partners mentioned below (see Project Financing), TNC acquisition of the conservation easement over the 23,000 acres will accomplish the following conservation goals:

- establishment of an expanded riparian buffer area (ERB) to require 300-foot wide buffers on fish bearing (Class I) streams and 200-foot wide buffers on non-fish bearing (Class II) streams, covering 6,400 acres;
- management toward more late seral-stage forest conditions in the ERB over time;
- retirement of carbon-sequestration and other mitigation credits within the ERB;
- permission to conduct additional fishery restoration activities in the ERB by TNC;
- verified sustainable forestry management practices (i.e. Forest Stewardship Council certification or equivalent) in the upland habitat areas outside the ERB; and
- removal of the threat of future subdivision and development over the entire 23,000 acres, preventing forest fragmentation of the South Fork of the Ten Mile River watershed.

TNC will characterize the extent and quality of wetland and floodplain habitats in the ERB and develop an enhancement plan to identify restorable winter rearing habitat for juvenile salmonids. The conservation easement will enable TNC to undertake restoration projects in the ERB (such as large woody debris augmentation and floodplain reactivation) and require Forest Stewardship Council (FSC) third-party management certification or an equivalent standard of the uplands outside of the ERB, thus requiring practices over and above those required by California’s Forest Practice Rules, and establishing a high bar of sustainable forest management across the entire South Fork watershed.
While still in draft form, the conservation easement will comply with the easement standards adopted by the Conservancy on May 24, 2007 (the "easement standards"). In particular, the easement will require that a baseline report and monitoring plan be prepared and approved by the Conservancy prior to close of escrow, and the easement will contain all essential provisions required by the easement standards.

Over the next several years, TNC intends to negotiate and attempt to raise funds for the acquisition of conservation easements over the remaining two subwatersheds of the Ten Mile River to protect permanently most of the watershed from future development and to accomplish the conservation easement goals described above. TNC will own the carbon sequestration rights within the ERB areas and the landowner will retain the carbon rights associated with the upland forest areas.

TNC’s long-term goal is to acquire easements over the entire Ten Mile River watershed; it selected the South Fork sub-watershed as the first phase of acquisition because it is a critical stream for salmonid production and because of TNC’s conservation work downstream on the Smith ranches. Full protection of the entire subwatershed (the South Fork) is important to the long-term ecological integrity of existing restoration efforts and plans on the coastal portion of the watershed because of the critical linkage for Pacific salmonid species between estuaries as rearing habitats and migration corridors and natal streams in upper watersheds.

TNC is highly qualified to acquire and hold the conservation easement over the Ten Mile River property, and already holds easements over 3,800 acres of adjacent lands downstream of the project. TNC is among the world’s largest conservation organizations and has been involved in acquiring interests in land for habitat protection since 1951. TNC has helped to protect approximately 15 million acres in the United States and 119 million acres worldwide.

In order to protect and restore the riparian habitat values along the Ten Mile River and ensure the practice of sustainable forestry, TNC submitted an application to fund the Ten Mile River Watershed Conservation Easement Acquisition under the Conservancy’s Proposition 1 (Water Quality, Supply, and Infrastructure Improvement Act of 2014, Water Code § 79700 et seq.) competitive grant process. The proposed project was selected under the Conservancy’s Proposition 1 Grant Program Guidelines because it ranked highly in meeting the evaluation criteria of a multi-benefit ecosystem and watershed protection and restoration project that benefits anadromous fish. If implemented, the Ten Mile River Watershed Conservation Easement Acquisition Project will achieve a number of the purposes outlined in Chapter 6 of Proposition 1 including: assisting in the recovery of an endangered species by improving watershed health and in-stream flows; protecting and restoring aquatic, wetland and migratory bird ecosystems including fish and wildlife corridors; reducing pollution or contamination of rivers and streams; and protecting or restoring natural system functions that contribute to water supply, water quality, or flood management.

**Site Description:** The 71,000-acre Ten Mile River watershed is one of the least developed coastal watersheds in Northern California. Lyme Timber owns 64,000 acres of the entire watershed, a further 3,800 acres of the estuary and lower watershed have already been protected through conservation easements. At its eastern headwaters, Ten Mile River originates at roughly 3,000-foot elevation and flows west to the Pacific Ocean for approximately 14 miles. The Ten
Mile River watershed covers an area of close to 115 square miles and consists of three main sub-watersheds: North Fork, Middle (“Clark”) Fork, and South Fork. See Exhibit 1 for a map of the sub-watersheds and the landowner’s holdings and Exhibit 2 for property photos. The rich complex of soil types form the foundation for an extremely biodiverse landscape throughout the watershed.

The California Department of Fish and Wildlife (CDFW) currently carries out instream habitat inventories across the entire Ten Mile River watershed on a 10-year schedule, capturing for example, the frequency of pools and densities of instream large woody debris among other habitat characteristics. Though fish population numbers are greatly depressed from historical numbers, spawning surveys completed by the CDFW in 2009-10 suggest that the Ten Mile River supports one of the three largest remaining runs of coho salmon in the entire CCC ESU. The project area is also a known migration corridor for Roosevelt Elk, which have recently started to recolonize the watershed from the neighboring Usal tract.

The proposed easement acquisition that is the subject of this authorization will cover 23,000 acres of the South Fork Ten Mile River sub-watershed, approximately 1/3 of the greater Ten Mile River watershed. 6,400 acres of the easement area includes an expanded riparian buffer (within which TNC will have the ability to conduct riparian and aquatic restoration projects. The South Fork watershed includes 25 linear miles of restorable anadromous fish habitat. In addition to the upland conifer habitats, wetland habitats that co-occur with native conifers in the riparian areas include Palustrine Emergent, Palustrine Forest/Shrub and Riverine. Palustrine Emergent wetlands include herbaceous marsh, primarily located on the side of stream channels. Palustrine/Forest Shrub wetlands comprise willow/alder dominated riparian woodlands located along portions of Class I and Class II watercourses and along portions of roads adjacent to the river zone. Riverine wetlands occupy gravel bars and wooded banks within the channel riparian zones and support willow/alder dominated riparian woodlands.

Timber harvesting is the main economic activity throughout the Ten Mile River watershed. The forest comprises a mixture of second- and third-generation redwood, Douglas fir and Grand fir forest. The area contains a network of dirt roads and several rock quarries utilized for on-site road maintenance. A previous owner invested in road remediation and removal projects designed to protect water quality and reduce road maintenance costs. These investments included paving and chip sealing sections of road, changing approaches to streams, replacing bridges, and resizing culverts. The current landowner actively diverts surface water from multiple drafting sites located at springs and in watercourse channels within the watershed to water roads on the property. Third-party recreational activities include hunting club leases and trail use by horseback and bicycle riding groups. Several recreational, summer-use cabins for the landowner’s guests are also located on the property.

**Project History:** Since 1885, the Ten Mile River Watershed has been owned by timber companies. The watershed supplied giant redwoods to the local sawmill in Fort Bragg, a true mill-town with the sawmill employing nearly 2,000 people at its peak before it closed in 2002. While even-aged timber management regimes (thinning and clearcutting) have been the historical norm, uneven-aged management (selective harvesting) has become increasingly important in California’s highly restrictive regulatory environment that seeks to protect riparian and wildlife habitats. Lyme Redwood Forest Company acquired 111,967 acres in 2015, 64,000
acres of which is the Ten Mile watershed and has since utilized it for timber production, quarrying, and private recreation. The conservation easement will obligate the landowner to practice a higher level of sustainable forest management over the upland areas than is required by current regulations and restorative light touch forest management across the ERB.

Several public and private conservation plans have identified the Ten Mile River watershed as a high priority for protection of natural resource values. The Conservancy-funded planning efforts Conservation Prospects for the North Coast and Mendocino Coast Conservation Plan both identified the Ten Mile River watershed and estuary as priority conservation areas, as did the CDFW’s Coho Recovery Strategy and the Pacific Coast Joint Venture’s Strategic Plan. TNC identified the watershed as a priority for conservation based on their 2011 report, Conservation Assessment of West Coast Estuaries, a study of 146 West Coast estuaries. Because the Ten Mile River watershed includes some of the highest quality restorable habitat for the critically endangered CCC coho salmon and Northern Spotted Owls, TNC started an ad hoc collaboration in 2010 with the former owner Hawthorne Timber and Trout Unlimited to restore the three forks of the Ten Mile River.

The Conservancy has been involved in protection of the Ten Mile River watershed since 2009, when staff became involved in efforts with The Conservation Fund to protect the Ten Mile Ranch at the river mouth. In 2016, the Conservancy helped TNC acquire a working forest easement over the Parker Ten Mile Ranch. In December 2015, TNC entered into a contract with Lyme Timber to purchase a conservation easement over the majority of the remaining unprotected acreage of the Ten Mile River Watershed. This agreement is set to expire in 2021. Since early 2015, TNC has been in negotiations with Lyme Timber to acquire a conservation easement over the South Fork subwatershed, which represents the first phase of the larger conservation project.

**PROJECT FINANCING**

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The expected source of Conservancy funds for this project is the fiscal year 2016 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 Water Code § 79730) and may be used “for multi-benefit water quality, water supply, and watershed protection and restoration projects for the watersheds
of the state” (Section 79731). Section 79732(a) identifies the specific purposes of Chapter 6, which include: protecting and restoring aquatic, wetland and migratory bird ecosystems including fish and wildlife corridors (subsection (a)(4)); the protection and restoration of coastal watersheds (subsection (a)(10)); reducing pollution or contamination of rivers and streams, and protecting or restoring natural system functions that contribute to water supply, water quality, or flood management (subsection (a)(11)); and assisting in the recovery of endangered species by improving watershed health, instream flows, and fish passage (subsection (a)(12)). As required by subsection (b) of § 79731, funds will be used to provide fisheries and ecosystem benefits that are greater than required applicable environmental mitigation measures or compliance obligations.

Moreover, the proposed project will provide multiple environmental benefits. (See § 79730). The project focuses on improving habitat for anadromous fish, protecting and restoring overall watershed function through sustainable timber management practices and continuing to provide and stabilize the economic benefits associated with a healthy forest.

Proposition 1 (§ 79707 (b)) also suggests that priority be given to projects that leverage private, federal, or local funding. It is anticipated that a combination of private and local funding will be secured for the project.

The proposed project was selected through a competitive grant process under the Conservancy’s Proposition 1 Grant Program Guidelines adopted in June 2015. (See § 79706(a)). The proposed project meets each of the evaluation criteria in the Proposition 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 will be undertaken pursuant to Chapter 5.5 of the Conservancy’s enabling legislation, Public Resource Code Section 31220.

Consistent with Section 31220(a)(6), the project involves granting funds to acquire and protect riparian areas, sensitive watershed lands, and fish and wildlife habitat within a coastal watershed in order to improve and protect coastal water quality and habitats. As required by Section 31220(a), the Conservancy has consulted with the State Water Resources Control Board regarding the project’s consistency with Chapter 3 of Division 20.4 of the Public Resources Code, regarding water quality of coastal waters and beaches.

Consistent with Section 31220(b)(2), the conservancy may award a grant for a project that protects or restores fish and wildlife habitat within coastal watersheds. The project lies within the Ten Mile River coastal watershed, and the acquisition of the conservation easement for habitat protection and sustainable timber production will reduce threats to fish and wildlife, and protect coastal and riparian wetlands, floodplains and other sensitive watershed lands.

Consistent with Section 31220(c), the project will include a monitoring and evaluation component as required by our Conservation Easement Standards and Practices. Monitoring will assess the effects of future timber management and habitat enhancement projects on the property’s resources. Further, the project is consistent with the Water Quality Control Plan for the North Coast Basin, in which the project area is located. See “Consistency with Local
CONSISTENCY WITH CONSERVANCY’S 2013 STRATEGIC PLAN
GOAL(S) & OBJECTIVE(S), AS REVISED JUNE 25, 2015:

Consistent with Goal 4, Objective A, the proposed project will protect up to 23,000 acres of a significant coastal and watershed resource property.

Consistent with Goal 4, Objective B, the proposed project will protect 23,000 acres of working lands through the purchase of a conservation easement.

Consistent with Goal 4, Objective C, the proposed project will preserve and restore fish and wildlife corridors between core habitats along the coast and from coastal to inland habitat areas.

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:** The project will help implement the recommendations of the following state plans:

   - **CA Water Action Plan**, Action #4, Restore forest health through ecologically sound forest management and fund protection of strategically important lands within watersheds to ensure the conversion of these lands does not have a negative impact on our water resources. The Integrated Watershed Management Plan that applies to the project area is *The North Coast Integrated Regional Water Management Plan*. The project will directly implement three objectives of this plan: Goal 2, Objective 4 - conserve and improve the economic benefits of the North Coast Region working landscape; Goal 3, Objective 5 – conserve, enhance and restore watersheds’ aquatic ecosystems including functions, habitats and elements that support biodiversity and; Goal 3, Objective 6 – enhance salmonid populations by conserving, enhancing and restoring required habitats and watershed processes.

   - **California Essential Habitat Connectivity Strategy for Conserving a Connected California.** The project will benefit a major focus of regional and local connectivity in the North Coast Ecoregion by sustaining and enhancing connectivity of high-integrity forest habitats with natural Landscape Blocks and Essential Connectivity Areas.

   - **CA Wildlife Action Plan**, Conservation Strategies 5.1.6 -Target: North Coast Riparian
Forest, Pacific Northwest Conifer Forest, Coastal Dune and Native Aquatic Assemblages and Communities through direct management, partner engagement and land acquisition.

- **NOAA National Marine Fisheries Service California Central Coast (CCC) Recovery Plan** and **CDFW’s 2004 Coho Recovery Strategy** designates the Ten Mile River watershed as a priority conservation area.
  
  o The **Plan** includes Objective 8.1 – Address the present or threatened destruction, modification, or curtailment of the species habitat or range; Recovery Action 8.1.1: Improve tree diameter. Objective 19 – Address logging threats; Recovery Actions: 19.1.3 - Allow trees in riparian areas to age, die and recruit into the stream naturally; 19.1.5 – Prevent adverse alterations to riparian species composition and structure; 19.1.6. – Prevent increased landscape disturbance.

  o The **Strategy** includes Goal 2 - to protect and enhance riparian buffer zones through conservation planning, acquisition, and easements where necessary and with willing landowners to protect coho salmon.

4. **Support of the public:** The project has broad support as demonstrated by the letters attached as Exhibit 4.

5. **Location:** The project is located just outside the coastal zone and is critical to protect water quality for salmon and steelhead populations.

6. **Need:** TNC has secured or has grants pending from private funders and the Resources Agency’s EEM program, CalFire and WCB. TNC is awaiting funding decisions from NFWF and CDFW. It is contributing significant staff time to the project. An acquisition of this scope requires funding from multiple sources. Without Conservancy funding, TNC will fall short of the funds necessary to complete the acquisition.

7. **Greater-than-local interest:** Protection of the Ten Mile River watershed has been identified as a high priority in numerous conservation plans, including TNC’s North Coast Ecoregional Plan and Aquatic Recommendations, the CDFW’s Coho Recovery Strategy, the Pacific Coast Joint Venture Strategic Plan, Save the Redwoods League’s Focal Area study, the Mendocino Land Trust’s Coastal Conservation Plan, and The Conservation Fund’s “Conservation Prospects for the North Coast”.

8. **Sea level rise vulnerability:** Because of the high elevations of the watershed, the project will not be affected by projected sea level rise and will provide for the migration and adaptation of downstream wetland, floodplain and tideland habitats.

**Additional Criteria**

9. **Urgency:** If the opportunity to purchase an easement is lost at this critical juncture of landowner cooperation, then Lyme Timber will manage the entire watershed for the production of commercial wood products possibly without FSC certification. The coho population will continue to experience erratic or delayed recovery because the riparian
network will continue to degrade from repeat harvests up against the narrower buffers required by the Forest Practice Rules.

10. **Leverage**: See the “Project Financing” section above.

11. **Readiness**: TNC and the landowner are ready to move forward with the acquisition.

12. **Realization of prior Conservancy goals**: “See “Project History” above.”

13. **Cooperation**: Numerous agencies and conservation organization are working together to protect this property in the Ten Mile River Watershed, including TNC, the Conservancy, WCB, CalFire, NOAA, CDFW and the Resources Agency.

14. **Minimization of greenhouse gas emissions**: By placing limits on development and timber harvesting, the project will likely reduce the future production of greenhouse gas emissions associated with harvesting activities. The restoration of riparian habitat and retention of trees along the south fork of the Ten Mile River will likely result in enhanced carbon–sequestration and reduced harvest activities.

**CONSISTENCY WITH LOCAL WATERSHED MANAGEMENT PLAN/STATE WATER QUALITY CONTROL PLAN:**

The proposed project is consistent with the Water Quality Control Plan for the North Coast Basin (adopted by the North Coast Regional Water Quality Control Board in 2011) in that it will protect fish and wildlife habitat in a coastal watershed, including habitat for state– and federally-listed species, and thereby protect and enhance the following existing beneficial uses identified by the water Quality Control Plan for the Ten Mile River watershed:

- Fish Migration
- Fish Spawning
- Cold Freshwater Habitat
- Wildlife Habitat

The proposed project is also consistent with the North Coast Regional Water Quality Control Board’s 2005 *Watershed Planning Chapter* discussion of the Ten Mile River, in that it will protect coho salmon and other fish in the Ten Mile River Watershed, and facilitate the restoration of their habitat. The *Watershed Planning Chapter* identifies the following steps as important for improving salmonid habitat in the Ten Mile River watershed: reductions in sediment delivery, protection and improvement in riparian functions, increases in large woody debris for sediment metering and habitat, and modification of stream channel type. The proposed project will protect riparian habitat and facilitate the restoration and enhancement of floodplain habitat. Protection of the project area is a critical first step to allow for enhancement of habitat, as discussed above.

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