

COASTAL CONSERVANCY

Staff Recommendation
October 17, 2019

ARROYO BURRO WATERSHED PALERMO ACQUISITION

Project No. 19-033-01
Project Manager: Rachel Couch

RECOMMENDED ACTION: Authorization to disburse up to \$300,000 to the City of Santa Barbara to acquire a 5.3 acre property in lower Arroyo Burro watershed, Santa Barbara County, California.

LOCATION: Santa Barbara, California

PROGRAM CATEGORY: Resource Enhancement

EXHIBITS

- Exhibit 1: [Project Location Maps](#)
Exhibit 2: [Site 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 *et seq.* of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes the disbursement of an amount not to exceed three hundred thousand dollars (\$300,000) to the City of Santa Barbara (“grantee” or “City”) to acquire Santa Barbara County Assessor Parcel Nos. 049-040-032 and 049-040-030, consisting of approximately 5.3 acres, for the purpose of preserving fish and wildlife habitat, open space, and public access subject to the following conditions:

1. Prior to the disbursement of funds for the acquisition, the grantee shall submit for the review and approval of the Executive Officer of the Conservancy (Executive Officer):
 - a. All relevant acquisition documents for the acquisition including, without limitation, the appraisal, purchase and sale agreement, deed, escrow instructions, environmental or hazardous materials assessment, and title report;
 - b. A baseline conditions report; and

- c. Evidence that sufficient funds are available to complete the acquisition.
2. The grantee shall pay no more than fair market value for the property, as established in an appraisal approved by the Executive Officer.
3. The property acquired under this authorization shall be managed and operated for the purpose of preserving fish and wildlife habitat, open space, and public access. The property shall be permanently dedicated to those purposes by an appropriate instrument approved by the Executive Officer.
4. Conservancy funding shall be acknowledged by erecting and maintaining a sign on the property or in a nearby publicly viewable area, the design and location of which are to be 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 authorization is consistent with Chapter 6 of Division 21 of the Public Resources Code, regarding enhancement of coastal resources.
2. The proposed project is consistent with the current Conservancy Project Selection Criteria and Guidelines.

PROJECT SUMMARY:

Staff recommends that the Conservancy authorize disbursement of up to \$300,000 to the City of Santa Barbara (“City”) to acquire in fee the approximately 5.3-acre Arroyo Burro Palermo Property (the “property”), a degraded but highly scenic and natural resource-rich property located within the lower Arroyo Burro watershed. Once acquired, the City will own and manage the property.

The property is one of the last undeveloped properties abutting a creek within the Santa Barbara city limits. In addition, the site, which is zoned for residential development, is one of the last remaining developable open spaces in the Las Positas Valley (Exhibit 1). Acquisition will permanently protect riparian, wetland, and upland habitat associated with Arroyo Burro Creek, which runs through the property, and it will eliminate the threat of future residential development in this important portion of the floodplain. The project is part of a larger ongoing effort by the City and County of Santa Barbara to protect the Las Positas Valley and the Arroyo Burro Creek watershed. This local effort has resulted in the protection of 338-acres of open space land for habitat and passive recreation located northwest and southeast of the Palermo property (Exhibit 1).

Acquisition of the property will also facilitate future restoration along the creek to improve riparian habitat function and water quality and increase the resiliency of the lower watershed to drought cycles and more frequent or intense storms associated with a changing climate. Lower Arroyo Burro Creek Watershed has historically been impacted by poor water quality caused by urban runoff, erosion and sedimentation, and infestations of invasive species such as *Arundo donax*. However, the lower watershed, and this property, in particular contains diverse habitats including riparian, oak woodland, and coastal sage scrub. The City of Santa Barbara is considering a project to restore the riparian area after the property is acquired, which would protect and buffer the urbanized areas from the effects of flooding. Acquisition of these two parcels would result in the permanent protection of the riparian corridor and prevent the adverse impacts of urbanization.

Finally, the southern end of the Las Positas Valley has historically been a destination area for local residents and visitors alike with active and passive recreation available at Elings Park, Arroyo Burro County Beach Park, the Douglas Family Preserve, Hidden Valley Open Space and the recently acquired and restored Arroyo Burro Open Space (See Exhibit 1 map). The property is located between Arroyo Burro Open Space and Hidden Valley Park. The acquisition of the property will provide an opportunity for the City to plan, and possibly develop, trails that could eventually link these parks and open spaces along approximately three miles between Highway 101 and the Pacific Ocean.

Acquisition of the project site provides a time-sensitive opportunity. Preliminary review by the City indicates that the property is likely developable for residential use. The local community in and around the Las Positas Valley has held differing views of the merits and impacts of proposed residential development on the community and on sensitive ecological habitats along Arroyo Burro Creek. The acquisition and preservation of the property would address the community's concerns over the impact of development on sensitive habitat and open space resources.

Site Description: The property is located along Arroyo Burro Creek within the City of Santa Barbara. The mainstem of Arroyo Burro flows through the property. Fed by seeps and springs, the creek maintains perennial flow from the subject property downstream to the estuary. To the west of the property are steep slopes primarily dominated by coastal sage scrub which continue downstream of the site. To the east is a school district-owned property that is currently used as passive recreational open space and dominated by coast live oak woodland. Downstream and to the east, the creek channel passes through a few privately-owned parcels before reaching the City's recently restored Arroyo Burro Open Space. Upstream and to the north of this site the creek flows through the restored Hidden Valley Open Space Park. Residential development borders the creek further north to Highway 101. North of Highway 101 are dense urban commercial land uses such as car dealerships, a mall, apartments, and office buildings. The acquisition will fill in the "missing link" in dedicated riparian open space along Arroyo Burro Creek between Highway 101 and the Pacific Ocean – a distance of approximately three miles.

The property historically consisted of natural open space areas along Arroyo Burro and agricultural uses in the upland areas. The property contains approximately 1,000 linear feet of creek frontage. This portion of Arroyo Burro contains perennial flows through a wide riparian corridor. The riparian corridor is a mix of native and non-native species including native western sycamores, coast live oaks, arroyo willows, and non-native eucalyptus trees, removed *Arundo donax* stands, and dense areas of cape ivy and periwinkle.

There is an active groundwater well on the property, which was previously used for onsite agriculture and which is still used for offsite irrigation. An agricultural lease on a small portion of the property expired in June of 2019 and was not renewed by the private landowner. It is anticipated that agricultural uses will have ceased by the time the City takes ownership, and the City does not plan to resume agricultural use of the property. Discontinuance of agricultural uses on-site will significantly reduce the volume of groundwater being pumped from the well. A limited amount of water will continue to be pumped from the well for an adjacent avocado orchard owned by the seller of the property. If that adjacent property is subdivided in the future, or used for non-agricultural purposes, the rights to the well and the water will revert to the City. At that time, the City could abandon and remove the well.

Arroyo Burro Creek within the project area has generally been impacted by channel incision and is impaired by active bank erosion, disconnected floodplain, and extensive stands of exotic invasive vegetation. The creek and riparian corridor are home to a variety of native birds, mammals, amphibians, and reptiles. The creek channel is utilized by a resident population of three-spined stickleback, and Baja California Tree frogs. Focused bird surveys along the riparian corridor just up and down stream of the property have detected over 60 different species of resident and migrating birds.

The creek channel is mapped as critical habitat for federally endangered southern California steelhead trout and is listed as a core 3 watershed in the National Marine Fisheries Service's *Southern California Steelhead Recovery Plan*. Suitable rearing and spawning habitat exists onsite but there are significant barriers to migration in the watershed that still need to be addressed. The federally endangered tidewater goby is a resident downstream in the Arroyo Burro Estuary. The deep pools within the creek corridor are also potential habitat for the federally threatened California red-legged frog, which occurs in other south coast streams but has not been confirmed in the Arroyo Burro watershed. Frequent sightings of numerous other species of mammals indicate that Arroyo Burro Creek is an important and highly-traveled wildlife corridor.

Grantee Qualifications: The City of Santa Barbara Creeks Restoration and Water Quality Improvement Division (Creeks Division) was established in 2001. The purpose of the Creeks Division is to develop and implement creek and ocean water quality improvement, riparian habitat restoration, wetlands enhancement, and community education projects and programs. Since its inception, the Creeks Division has undertaken several acquisition and restoration projects. Funded by a permanent voter-approved 2% transient occupancy tax on hotel visitors,

the Creeks Division currently has two full-time restoration specialists on staff available to manage fish passage and creek restoration projects and has dedicated annual operating funds for maintaining all its projects in perpetuity. The Creeks Division will fund and oversee all maintenance and monitoring of property. If the City of Santa Barbara chooses to move forward with a restoration project in this location, the Creeks Division would lead the effort.

Project History: The City of Santa Barbara Creeks Division has undertaken several projects to improve conditions in the Arroyo Burro watershed. This includes the acquisition (2016) and restoration (2018) of the 14.7 acre Arroyo Burro Open Space. The Conservancy contributed \$500,000 to the acquisition and \$550,000 to the restoration of that site. Other projects undertaken by the City in the watershed include restoration of Mesa Creek and the Arroyo Burro Estuary; restoration of Upper Las Positas Creek at the Municipal Golf Course; the Upper Arroyo Burro Restoration project; the ongoing watershed wide *Arundo* eradication effort; and the recently completed restoration effort on Arroyo Burro in Hidden Valley Park.

City Creeks Division staff initiated contact with the owners of the Palermo property in September 2013 to request permission to access the property to remove a large stand of *Arundo donax* as part of the City's Invasive Plant Removal Program. The property owners granted the City a right-of-entry and the *Arundo* removal work was completed in 2016. In 2018, Creeks Division staff and the property owners began a dialogue about the potential sale of the subject property to the City. An independent appraisal of the property was completed in May 2018. A Purchase Agreement was executed between the property owners and the City, and escrow was opened in November 2018. Phase I and II Environmental Studies of the property were completed by April 2019. In April, City staff applied to the Conservancy for a Proposition 1 grant.

PROJECT FINANCING

Coastal Conservancy	\$300,000
Natural Resources Agency	\$500,000
Wildlife Conservation Board (requested)	\$500,000
City of Santa Barbara	\$975,000
Project Total	\$2,275,000

The anticipated source of Conservancy funds for this project is an appropriation from the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1, Water Code section 79700 *et seq.*). Funds appropriated to the Conservancy derive from Chapter 6 (commencing with Section 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 identifies specific purposes of Chapter 6, which include:

protecting and restoring coastal watersheds, including, but not limited to bays, marine estuaries, and nearshore ecosystems; and protecting and restoring rural and urban watershed health to improve watershed storage capacity, forest health, protection of life and property, stormwater resource management, and greenhouse gas reduction. Because the proposed project consists of acquisition of land to protect and restore Arroyo Burro Creek and its floodplain, it will help achieve these Chapter 6 purposes.

The City is contributing to acquisition costs. In addition, the City is contributing significant in-kind services, including staff time, appraisals, fundraising, managing all due diligence and providing legal expertise to successfully close escrow on the project. The cash value of this contribution is estimated at \$35,000.

CONSISTENCY WITH CONSERVANCY’S ENABLING LEGISLATION:

The proposed project is undertaken pursuant to Section 31251 *et seq.* of the Public Resources Code (Chapter 6 of Division 21), as described below.

Pursuant to Section 31251, the Conservancy may award grants to nonprofit organizations for the purpose of enhancement of coastal resources that, because of natural or human-induced events have suffered loss of natural and scenic values. Grants under this chapter are to be utilized for, among other purposes, the assembly of parcels of land within coastal resource enhancement areas to improve resource management. Pursuant to Section 31251.2(a), the Conservancy may award grants to enhance a watershed resource that is partly outside of the coastal zone in order to enhance the natural or scenic character of coastal resources within the coastal zone. The project site is outside the coastal zone, however the acquisition and potential restoration of the site will protect and enhance the natural character of Arroyo Burro Creek, a watershed resource, by preventing further watershed degradation caused by development in the floodplain, which has exacerbated water quality problems in the coastal zone such as erosion, sedimentation and pollution.

The Arroyo Burro Creek watershed is identified in the City of Santa Barbara Local Coastal Plan as requiring public action to resolve existing or potential resource protection problems. See “Consistency with Local Coastal Program Policies” section, below.

Pursuant to Section 31253, the Conservancy may provide up to the total cost of any coastal resource enhancement project. Consistent with Section 31253, the following factors were considered in determining the amount of Conservancy funding for this project: the total amount of funding available for coastal resource enhancement projects, the fiscal resources of the applicant, the urgency of the project, and the Conservancy’s project selection criteria, as described in detail below, under the heading “Consistency With Conservancy’s Project Selection Criteria & Guidelines.” The Conservancy’s funds for the property acquisition constitute less than 13 percent of the purchase price.

CONSISTENCY WITH CONSERVANCY'S [2018-2022 STRATEGIC PLAN](#)

GOAL(S) & OBJECTIVE(S):

Consistent with **Goal 5, Objective A** of the Conservancy's 2018-2022 Strategic Plan, the proposed project will protect 5.3 acres of significant coastal and watershed resource property to add to a larger publicly accessible open space.

**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* (CA 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 the Pacific Ocean.
 - *California Water Action Plan* (California Natural Resources Agency, 2014). Goal #4, "Protect and Restore Important Ecosystems", identifies protection of coastal watersheds as a priority action.
 - *CA Wildlife Action Plan* (California State Department of Fish and Game (now Fish and Wildlife), 2005). The project will further the following statewide recommended action:
d) State and federal agencies should work with cities and counties to secure sensitive habitats and key habitat linkages.

4. **Support of the public:** The project is supported by State Senator Hannah-Beth Jackson, Assemblymember Monique Limon, the Environmental Defense Center, and the Santa Barbara Urban Creeks Council. See Project Letters, Exhibit 3.
5. **Location:** The proposed project is located outside the coastal zone in the City of Santa Barbara.
6. **Need:** The proposed project represents a unique opportunity to move quickly to acquire the property, which only recently became available for purchase. Conservancy funds are needed to complete the acquisition and will substantially leverage other fund sources.
7. **Greater-than-local interest:** If acquired, the property could connect visitors and locals alike to a network of public parks and open space lands in the immediate vicinity totaling approximately 338 acres. Acquisition of the property would also enable opportunities for additional trails, a bike path, habitat restoration, and expanded environmental education. Increasing public access to this network of parks would also encourage public access to the California Coastal Trail, which runs along the shoreline of most of Santa Barbara's south coast. Santa Barbara receives approximately 5.5 million visitors per year, many of whom take advantage of the many coastal recreational opportunities.
8. **Sea level rise vulnerability:** The project site is located between 60 and 75 feet above sea level and will not be directly affected by sea level rise in the next 100 years. The latest Our Coast, Our Future (OCOF) sea level rise scenario flood mapper does not show sea level rise affecting the project site over the next 500 years.

Additional Criteria

9. **Urgency:** The landowner has only recently agreed to sell the property for public use and this may be the public's only opportunity to acquire the site.
10. **Leverage:** See the "Project Financing" section, above.
11. **Realization of prior Conservancy goals:** See "Project History" above.
12. **Vulnerability from climate change impacts other than sea level rise:** The project site is in a lower reach of the relatively large and steep Arroyo Burro Creek watershed, and contains approximately 1,000 linear feet of the creek and surrounding floodplain, so the property could be affected by flooding and erosion resulting from an increase in the frequency of storms anticipated with ongoing climate change. Protecting riparian areas and wetlands is essential in buffering urban areas from the effects of flooding.
13. **Minimization of greenhouse gas emissions:** Removing the threat of development on the property will also reduce the consumption of natural resources and energy that would otherwise occur with construction and occupancy of residences on the property.

CONSISTENCY WITH LOCAL COASTAL PROGRAM POLICIES:

The City of Santa Barbara’s Local Coastal Plan (LCP), amended in 2019, addresses the protection of biotic, riparian and marine resources, as well as water quality of the City’s coastal zone creeks. LCP policy 4.1-1 states that the City will “consider actions for further restoration of Environmentally Sensitive Habitat Areas (ESHAs), wetlands, and creeks,” and policy 4.1-3 states that the City will “protect, maintain, and, where feasible, restore the biological productivity and the quality of coastal waters, creeks, wetlands, estuaries, lakes, and marine resources.” The proposed acquisition is consistent with these policies in that the acquisition of the property will protect a coastal creek by preventing further development along the creek, which has the potential to impact downstream water quality.

CEQA COMPLIANCE:

The proposed acquisition of the Palermo property by the City is categorically exempt from the California Environmental Quality Act pursuant to 14 Cal. Code of Regulations Section 15325 as a transfer of ownership of interests in land in order to preserve open space and existing natural conditions, including habitat. The exemption explicitly includes acquisitions to allow protection and restoration of natural conditions, to prevent encroachment of development into flood plains, and to preserve open space or lands for park purposes (Section 15325, subsections (a),(c), (d) and (f)). The proposed project will preserve the Palermo property along Arroyo Burro Creek for habitat and open space, preventing residential development in the floodplain and allowing for future restoration of the site. The proposed acquisition is also categorically exempt pursuant to 14 Cal. Code of Regulations Section 15316 as an acquisition of land in order to establish a park where the land is in a natural condition and the management plan for the park has not been prepared.

Upon approval, staff will file a Notice of Exemption for the project.