

COASTAL CONSERVANCY

Staff Recommendation
September 3, 2020

NICHOLSON RANCH CONSERVATION EASEMENT

Project No. 20-011-01
Project Manager: Timothy Duff

RECOMMENDED ACTION: Authorization to disburse up to \$600,000 to The Land Conservancy of San Luis Obispo County for the acquisition of a conservation easement on the 717-acre Nicholson Ranch in northern San Luis Obispo County.

LOCATION: Inland of Cayucos and south of Highway 46 in northern San Luis Obispo County.

PROGRAM CATEGORY: Integrated Coastal and Marine Resource Protection

EXHIBITS

Exhibit 1: [Project Location Map](#)

Exhibit 2: [Project Maps](#)

Exhibit 3: [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 up to six hundred thousand dollars (\$600,000) to the Land Conservancy of San Luis Obispo County (LCSLO) to acquire a conservation easement on the 717-acre Nicholson Ranch in San Luis Obispo County (consisting of San Luis Obispo County Assessor Parcel Nos. 046-021-013, 046-031-029, and a portion of 046-021-048) (the property), for purposes of habitat protection, preservation of agriculture and open space, and protection of water supply and water quality, subject to the following conditions:

1. Prior to the disbursement of funds for the acquisition, LCSLO 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, the conservation easement, purchase and sale agreement, deeds, escrow instructions, environmental or hazardous materials assessment and title report;

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- b. A baseline conditions report;
 - c. A monitoring and reporting plan; and
 - d. Evidence that sufficient funds are available to complete the acquisition.
2. LCSLO shall pay no more than fair market value for the conservation easement, as established in an appraisal approved by the Executive Officer.
 3. The easement interest acquired under this authorization shall be managed and operated for the purposes of habitat protection, preservation of agriculture and open space, and protection of water supply and water quality. The property shall be permanently dedicated to those purposes by an appropriate instrument 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 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.

PROJECT SUMMARY:

Staff recommends that the Conservancy provide a \$600,000 grant to The Land Conservancy of San Luis Obispo County (LCSLO) for the acquisition of a conservation easement on the 717-acre Nicholson Ranch in northern San Luis Obispo County for purposes of habitat protection, preservation of agriculture and open space, *and* protection of water supply and water quality. Comprised of three parcels with eight certificates of compliance, the ranch offers outstanding views of the Pacific Ocean and Morro Bay.

The easement complements a larger landscape-level conservation effort that will result in the protection of more than 4,500 contiguous acres of private land that drain to the reservoir. The ranch is adjacent to the 1,779-acre Hill Ranch that has also been protected by a conservation easement recorded in 2018 with funding support from Conservancy Proposition 1 funds. Further west, the Hill Ranch shares a border with the 2,032-acre MK Ranch which was donated to the Land Conservancy in February 2020 for perpetual conservation purposes.

Protecting the Nicholson Ranch will also lead to important wildlife conservation benefits. The ranch sits at the intersection of two critical wildlife corridors in the southern Santa Lucia range. Together, these corridors extend from the San Rafael Wilderness in Santa Barbara County to the Silver Peak Wilderness in Monterey County (Exhibit 2, page 4). Protecting the Ranch’s wildlife habitat will ensure that species migrating to and within the region are able to move freely and find suitable habitat. Facilitating migration through these corridors will become increasingly important as species seek to adapt to the projected effects of a warming climate.

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With abundant water supplies, Nicholson Ranch is highly susceptible to residential development and/or conversion to more intensive agriculture such as orchards or vineyards. The conservation easement will retire the eight certificates of compliance, consolidate the ranch's three existing legal parcels into one single ranch parcel and limit residential development to one primary homesite and one farm support dwelling. The property will be restricted to low-intensity agriculture practices such as livestock grazing, and the easement will prohibit any land use practices that could lead to waterway impairment and excessive use of water resources, soil erosion, and vegetation removal. The easement will protect a portion of the headwaters of Cottontail Creek, and in turn protect the quality and quantity of water flowing to Whale Rock Reservoir, a municipal water source that serves the City of San Luis Obispo and Cal Poly State University (Exhibit 2, pages 1-3).

Site Description: The Nicholson Ranch is located above Whale Rock Reservoir in the hills above Cayucos, and south of Highway 46 on the north coast of San Luis Obispo County (Exhibit 2). The 717-acre ranch includes three legal parcels and eight certificates of compliance. It is comprised primarily of grasslands (490 acres), oak woodlands (156 acres), shrubland (65 acres), and riparian woodland (6 acres). (See Exhibit 2, page 5). Healthy riparian corridors form a portion of the headwaters of Cottontail Creek, which runs to the east and south of the ranch on its way to Whale Rock Reservoir. Sloping, shrub-covered hills and grassland pastures make up most of the ranch, while the eastern and central portion of the property is dominated by coast live oak woodland. The property sits within the coastal Cottontail Creek watershed, a sub-watershed within the Old Creek watershed. A small portion of the ranch (32 acres) sits within the Villa Creek watershed along its shared border with the Hill Ranch conservation easement.

The property has been a sustainably-operated cattle ranch for more than a century and has never been developed. The owners have maintained a modest herd of cattle and much of the property remains untouched. Overall, the ranch is in excellent condition to the benefit of water quality and quantity and wildlife habitat.

Grantee Qualifications: LCSLO has had an outstanding record working with the Conservancy over the past three decades on acquisition and restoration projects. The LCSLO has extensive experience owning and managing conservation properties and their established easement monitoring program will ensure the Nicholson Ranch will be protected in perpetuity for the benefit of both humans and wildlife.

Project History: LCLSLO began discussions with the Nicholson Ranch owners in 2013 regarding options to conserve the property by reducing future development potential and prohibiting conversion of the current livestock operations to more intensive land uses, such as vineyards. Formal easement negotiations began in 2017. LCLSLO contacted Conservancy staff in early 2018 to discuss funding opportunities through our Proposition 1 grant program and in the summer of 2018 Conservancy staff recommended approval of their application. In November 2018 the Department of Conservation awarded a \$1,000,000 grant toward the conservation easement acquisition through their Sustainable Agricultural Lands Conservation Program and in November 2019 WCB staff recommended \$760,000 for the project.

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PROJECT FINANCING

Coastal Conservancy	\$600,000
Department of Conservation	\$1,000,000
Wildlife Conservation Board (pending approval)	<u>\$760,000</u>
Project Total	\$2,360,000

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 13 specific purposes of Chapter 6. The proposed project is consistent with the purpose #4 (Protect and restore aquatic, wetland, and migratory bird ecosystems, including fish and wildlife corridors and the acquisition of water rights for instream flow) in that the project will protect aquatic ecosystems and a wildlife corridor. The proposed project is consistent with purpose #10 (Protect and restore coastal watersheds, including, but not limited to bays, marine estuaries, and nearshore ecosystems) in that the project will protect portions of the Villa Creek and Old Creek coastal watersheds and the quality of the water flowing to Estero Bay.

As required by Proposition 1, the proposed project provides multiple benefits. The easement acquisition will serve to protect agriculture, biodiversity and habitat, ocean and coastal ecosystems, and water supply. The risk to these diverse natural resources will be addressed by conserving a long-standing family ranch, maintaining sustainable agricultural production, restricting development within two coastal watersheds, maintaining wildlife and stream habitat in a major wildlife corridor, and protecting water quality and quantity to a municipal water source.

The 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 Section 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.

The project has been awarded \$1,000,000 in match funding through the California Department of Conservation Sustainable Agricultural Lands Conservation Program (SALC). The SALC program funds acquisition projects to protect agricultural lands from conversion and development in order to prevent and reduce greenhouse gas emissions associated with increased development. WCB staff has recommended \$760,000 in Habitat Conservation funds for the project and will request their board’s approval in November 2020.

CONSISTENCY WITH CONSERVANCY'S ENABLING LEGISLATION:

Conservancy participation in the proposed project is consistent with Chapter 5.5, Integrated Coastal and Marine Resources Protection (Section 31220) of the Conservancy's enabling legislation, Division 21 of the Public Resources Code. Section 31220(a) authorizes the Conservancy to undertake a project or award grants for coastal watershed projects that meet one or more criteria of Section 31220(b). Consistent with Section 31120(b), the proposed project will (1) protect fish and wildlife habitat within coastal watersheds and coastal waters (Section 31120(b)(2)), including endangered species habitat in the Old Creek watershed; and (2) reduce unnatural erosion and sedimentation of a coastal watershed (Section 31120(b)(4)) by preventing future land uses that could contribute to unnatural watershed erosion and sedimentation.

Consistent with §31220(a), staff has consulted with the State Water Resources Control Board in the development of the project to ensure consistency with Chapter 3 (commencing with §30915) of Division 20.4 of the Public Resources Code, the purpose of which is to restore the water quality and environment of coastal waters, estuaries, bays, and nearshore waters.

Consistent with §31220(c), the project is consistent with local watershed management plans and water quality control plans adopted by the State Water Resources Control Board and Regional Water Quality Control Boards (see the "Consistency with Local Watershed Management Plan/State Water Quality Control Plan" section below), and has a monitoring and evaluation component included in the project.

**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 a significant coastal and watershed resource property.

Consistent with **Goal 5, Objective B** of the Conservancy's 2018-2022 Strategic Plan, the proposed project will protect working lands, including farmland, rangeland and forests.

Consistent with **Goal 5, Objective C** of the Conservancy's 2018-2022 Strategic Plan, the proposed project will preserve fish and wildlife corridors between core habitat areas 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:

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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 proposed conservation easement will promote and implement several state plans, including:
 - *California Water Action Plan (2014)*. California Natural Resources Agency, the California Environmental Protection Agency, and the California Department of Food and Agriculture developed this Water Action Plan to meet three broad objectives: more reliable water supplies, the restoration of species and habitat, and a more resilient, sustainably managed water resources system. This project will advance Goal #4, which identifies restoration of coastal watersheds as a priority action in order to protect and restore important ecosystems.
 - *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. This project will advance two of the Goals for California's Future: 2) preserve and steward the state's lands and natural resources, and 3) build sustainable regions that support healthy, livable communities.
 - *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. This acquisition will preserve a portion of a significant regional wildlife corridor at the intersection of two Essential Connectivity Areas (ECAs) which converge in the southern portion of the Adelaida wildlife corridor. These ECAs are the San Geronimo – Los Padres National Forest Corridor, which extends north through Big Sur, and the La Panza Range – San Geronimo Corridor, which extends south to Cuyama Valley. In its current natural state, the Nicholson Ranch supports both local and migratory species that traverse these ECAs. This role will become increasingly important as species migrate due to climate change.
4. **Support of the public:** Protection of large, private ranches in the region is supported by the Cayucos Land Conservancy, County Supervisor Bruce Gibson, Representative Salud Carbajal, California 24th Congressional District, the San Luis Obispo Council of Governments, and landowners/ranchers in the area. See Exhibit 3, Project Letters.
5. **Location:** The project is located in the hills above Cayucos in the southern Santa Lucia range of northern San Luis Obispo County. The proposed easement would protect upland water resources in coastal watersheds that drain to the ocean, including Cottonwood and Old Creeks.

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6. **Need:** Conservancy funds are essential to supporting the Nicholson Ranch conservation easement as there is a high likelihood that the project will not be completed without Conservancy funding.
7. **Greater-than-local interest:** The proposed project will protect water resources in multiple coastal watersheds that drain to the ocean, benefit a federally threatened species (steelhead), protect a wildlife corridor, and protect public views from Highways One and 46.
8. **Sea level rise vulnerability:** This project sits within the hills above Cayucos more than 200 feet above sea level and will not be directly impacted by sea level rise.

Additional Criteria

9. **Cooperation:** Conservancy funding support will enable LCSCO and a private landowner to cooperate on the permanent protection of a private ranch property.
10. **Leverage:** See the “Project Financing” section above.

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

Projects undertaken pursuant to Chapter 5.5 of Public Resources Code Division 21 (§31220) must be consistent with local watershed management plans, if available, and with water quality control plans, adopted by the state and regional water boards. Acquisition of the conservation easement furthers the San Luis Obispo County Integrated Regional Water Management Plan, Ecosystem and Watershed Goal, Objective 2, by protecting natural land cover in order to maintain the balance of ecosystem functions in the Old Creek watershed. The project is consistent with the Water Quality Control Plan for the Central Coast Basin (2016), and specifically addresses the following beneficial use objectives in Old Creek: wildlife habitat, estuarine habitat, freshwater replenishment, ground water recharge, agricultural supply, and rare, threatened, or endangered species.

COMPLIANCE WITH CEQA:

The proposed easement acquisition is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to 14 California Code of Regulations Section 15325 because it is a transfer of ownership of interests in land in order to preserve open space, existing natural conditions and agriculture.

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