

COASTAL CONSERVANCY

Staff Recommendation
March 25, 2021

LOS OSOS CREEK RESTORATION

Project No. 14-041-03
Project Manager: Timothy Duff

RECOMMENDED ACTION: Authorization to disburse up to \$436,395, including \$386,395 awarded to the Conservancy by the U.S. Fish and Wildlife Service National Coastal Wetlands Conservation Program, to the Coastal San Luis Resource Conservation District to restore approximately 56 acres of coastal habitat along Los Osos Creek in the lower Morro Bay watershed in San Luis Obispo County, and adoption of findings under the California Environmental Quality Act.

LOCATION: Morro Bay Watershed, unincorporated San Luis Obispo County.

EXHIBITS

- Exhibit 1: [Project Location Map](#)
 - Exhibit 2: [Site Plan and Photos](#)
 - Exhibit 3: [Los Osos Creek Wetland Restoration Initial Study/Mitigated Negative Declaration, including Mitigation Monitoring and Reporting Plan](#)
 - Exhibit 4: [Letters](#)
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RESOLUTION AND FINDINGS

Staff recommends that the State Coastal Conservancy adopt the following resolution and findings.

Resolution:

The State Coastal Conservancy hereby authorizes a grant of an amount not to exceed \$436,395, including \$386,395 awarded to the Conservancy by the U.S. Fish and Wildlife Service National Coastal Wetlands Conservation Program, to the Coastal San Luis Resource Conservation District (“the grantee”) to restore approximately 56 acres of coastal habitat along Los Osos property in the lower Morro Bay watershed in San Luis Obispo County.

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Prior to commencement of the project, the grantee shall submit for the review and written approval of the Executive Officer of the Conservancy (Executive Officer) the following:

1. A detailed work program, schedule, and budget.
2. Names and qualifications of any contractors to be retained in carrying out the project.
3. A plan for acknowledgement of Conservancy funding.
4. Evidence that all permits and approvals required to implement the project have been obtained.

Findings:

Based on the accompanying staff recommendation 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 resource enhancement.
2. The proposed project is consistent with the current Conservancy Project Selection Criteria and Guidelines.
3. The Conservancy has independently reviewed and considered the Los Osos Creek Wetland Restoration Initial Study/Mitigated Negative Declaration (IS/MND) adopted by the Coastal San Luis Resource Conservation District on February 26, 2021 pursuant to the California Environmental Quality Act ("CEQA") and attached to the accompanying staff recommendation as Exhibit 3. The Conservancy finds that the proposed project as designed and mitigated avoids, reduces, or mitigates the potentially significant environmental effects to a less-than-significant level, and that there is no substantial evidence based on the record as a whole that the project may have a significant effect on the environment, as defined in 14 Cal. Code Regulations Section 15382.

STAFF RECOMMENDATION

PROJECT SUMMARY:

Conservancy staff recommends disbursing up to \$436,395, including \$50,000 in Conservancy funds and \$386,395 awarded to the Conservancy by the U.S. Fish and Wildlife Service National Coastal Wetlands Conservation Program, to the Coastal San Luis Resource Conservation District (RCD) to restore approximately 56 acres of coastal habitat along Los Osos Creek in the lower Morro Bay watershed in San Luis Obispo County (Exhibit 1). Conservancy staff also recommends adoption of findings under the California Environmental Quality Act related to the project.

The primary objective of the project is to restore hydrologic and ecosystem function at the site by facilitating the reestablishment of historic channels and floodplains along the creek and an adjacent tributary. Past modifications made to the property to facilitate irrigated row crop farming led to degradation of the habitats and increased sediment flows into Los Osos Creek. Enhancing wetlands along the historic floodplain of Los Osos Creek and thereby reducing

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sediment flows to the Morro Bay National Estuary is a high priority identified in the Morro Bay National Estuary Comprehensive Conservation Management Plan (2012).

With Conservancy funding awarded in 2019, the RCD completed final site restoration plans (Exhibit 2). The project will implement the final site plans, which call for removal of three culverts located along a dirt road that provides access to an abandoned home site on the property and to an agricultural well on an adjacent property. The culverts will be replaced with a seasonal, rocked ford crossing to improve fish passage while allowing continued access to the irrigation well and pump supporting farming operations on the adjacent property. The section of the road leading to the abandoned homestead on the property will be removed once the structures are demolished and removed, and the associated septic tank and domestic well are decommissioned. The removed road area will then be seeded with native vegetation. Approximately 755 feet of levee will be removed allowing the creek and tributary to flow onto the adjacent floodplain. Finally, existing utility poles will be realigned or removed from the floodplain. When completed the project will have restored 40 acres of coastal wetlands and 16 acres of upland coastal dune scrub habitat.

The proposed restoration will reduce the volume of sediment entering Morro Bay by facilitating sediment deposition on the site's historic floodplain. Increasing wetlands and associated vegetation filtration systems will improve water quality both at the site and downstream by reducing nitrates and other pollutants entering the estuary. Rearing habitat and stream passage for the federally threatened south-central California coast steelhead trout will be enhanced as will foraging, breeding and high-flow refuge habitat for the federally endangered tidewater goby and federally threatened California red-legged frog. The proposed restoration of upland coastal dune scrub habitats will benefit the species that depend on them, including habitat for the federally endangered Morro shoulderband snail and Morro Manzanita.

The community has been actively engaged in all phases of the project beginning in 2014 when the RCD initiated a campaign to first acquire the property and then to restore it. Local community groups including the Morro Coast Audubon Society, Morro Bay Foundation, and Creekside Land Conservancy have all committed volunteer and in-kind staff support to the restoration of the property. Local, state, and federal officials and agency staff have also been engaged in the project, including attending site visits, providing technical assistance and grant funding, and submitting letters of support.

Site Description: The entire 82-acre property on which the project is located is owned by the RCD and is in the coastal zone on lower Los Osos Creek in the Morro Bay watershed in San Luis Obispo County (Exhibits 1 and 2). The parcel is zoned agriculture and identified by County resource maps as an area with sensitive resources, wetlands, flood hazards, and sensitive riparian vegetation. The property is a relatively flat, irregularly-shaped parcel with three creeks, Los Osos Creek, Warden Creek, and Turri Road Creek, crossing the site. The property is approximately one mile east of Morro Bay, and adjacent to property owned by the Department of Parks and Recreation. Accessed from a county road, the property abuts the Morro Bay National Estuary and includes 65 acres of palustrine wetlands, including a half-mile of designated critical habitat for the federally threatened south-central California coast steelhead and nine acres of critical habitat for the federally endangered tidewater goby. The remaining 17

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acres is comprised of upland coastal dune scrub habitat suitable for the federally endangered Morro shoulderband snail and Morro Manzanita.

The Natural Resource Conservation Service holds a conservation easement over 70 acres of the 82-acre site under their Wetland Reserve Program. The remaining 12 acres includes an abandoned farmstead located outside this easement area. A dirt road bisecting the creek and riparian corridor provides access to the farmstead and a nearby agricultural well.

Grant Applicant Qualifications: The Conservancy has had a 30-plus year partnership with the RCD working on land acquisition and restoration projects in the Morro Bay watershed and elsewhere in San Luis Obispo County. RCD staff and its board have maintained a consistent presence in the region and have a long record of successfully completing projects, managing property interests, and ensuring maintenance of improvements funded by the Conservancy. The staff and board continue to demonstrate the capacity to effectively develop and implement high priority projects and to administer grants from the Conservancy and other agencies.

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 below.
2. **Consistency with purposes of the funding source:** See the "Project Financing" section below.
3. **Promotion and implementation of state plans and policies:** Restoring the historic floodplain of the subject property serves to promote and implement several state plans including:
 - California @ 50 Million: The Environmental Goals and Policy Report (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 (July 2014). The plan identifies "Actions Needed To Safeguard Biodiversity And Habitats" including #1: Improve habitat connectivity and protect climate refugia. The restoration project will add to the effort to preserve natural resource habitats in the watersheds draining to Morro Bay.
 - California Water Action Plan (2014). Goal #4, "Protect and Restore Important Ecosystems", identifies restoration of coastal watersheds as a priority action.
 - CA Wildlife Action Plan (2005). The project will further the following statewide

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recommended actions: g) Federal, state, and local agencies and nongovernmental conservation organizations, working with private landowners and public land managers, should expand efforts to restore and conserve riparian communities. In addition, recommended actions for the marine region include d) the state should increase efforts to restore coastal watersheds.

- South-Central/Southern California Coast Steelhead Recovery Plan (2013). Specific recovery actions identified for Los Osos Creek include: 1.2 - Restore riparian zones and 11.2 - Manage roadways and adjacent riparian corridors and restore abandoned roadways.
4. **Support of the public:** The project has support of the public, including several community groups and elected officials as demonstrated by the letters attached as Exhibit 4.
 5. **Location:** See the "Project Summary".
 6. **Need:** The RCD will not be able to complete the restoration project without Conservancy funds.
 7. **Greater-than-local interest:** The property contains habitat for species listed under the State and federal Endangered Species Acts. Reducing sediment flows to the Morro Bay National Estuary will improve the estuary habitat for a wide array of fish, bird and plant species and marine life.
 8. **Sea level rise vulnerability:** The property is 25 feet to 30 feet above sea level and approximately one mile away from the shoreline. The planned restoration of the site's historic floodplain will serve to reduce any vulnerability to sea level rise.

Additional Criteria

9. **Readiness:** The RCD intends to construct the project in the late summer and fall of 2021.
10. **Realization of prior Conservancy goals:** In 2014, the Conservancy awarded a grant to the RCD to acquire the Los Osos Creek property and prepare a conceptual plan to restore the property's creek and riparian habitat. In 2019 the Conservancy provided additional funds to the RCD to prepare the final restoration plans and secure all required permits to construct the project.

PROJECT FINANCING

Coastal Conservancy	\$50,000
U.S. Fish and Wildlife Service (<i>via</i> a grant to the Conservancy)	\$408,275
Wildlife Conservation Board (pending)	<u>\$157,500</u>
Project Total	\$615,775

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The anticipated source of Conservancy funds for this project is an appropriation from the Habitat Conservation Fund (HCF), which was created by the California Wildlife Protection Act of 1990 (Proposition 117, Fish and Game Code Sections 2780-2799.6). Pursuant to Fish and Game Code Section 2786, HCF funds may be used for the acquisition, restoration, or enhancement of aquatic habitat for spawning and rearing of anadromous salmonids (subsection e) or riparian habitat (subsection f). Restoration of the subject property will serve to protect sensitive habitat for the federally threatened south-central California coast steelhead, which is an anadromous salmonid, and it will restore riparian habitat for the California red-legged frog and the federally endangered tidewater goby. The local California Conservation Corps will be used for to the extent practicable for some of the restoration tasks.

The Conservancy was awarded a U.S. Fish and Wildlife Service National Coastal Wetland Conservation grant of \$408,275 to construct the project. The Conservancy will retain \$21,880 dollars to fund the Conservancy's administrative services and grant the balance to the RCD. The RCD applied to the Wildlife Conservation Board's Habitat Enhancement and Restoration Program, and expects the award to be formally approved by the summer of 2021.

In-kind services provided by the RCD and local groups are estimated to be valued at \$10,000.

CONSISTENCY WITH CONSERVANCY'S ENABLING LEGISLATION:

The proposed project will be undertaken pursuant to Chapter 6 of the Conservancy's enabling legislation (Public Resources Code Sections 31251-31270). Pursuant to Section 31251, the Conservancy may award grants to public agencies for the purpose of enhancement of coastal resources that, because of indiscriminate dredging or filling, improper location of improvements, natural or human-induced events, or incompatible land uses, have suffered loss of natural and scenic values. The project will restore a section of Los Osos Creek's wetland and riparian habitat and address degradation caused by prior uses of the property.

Section 31252 requires that all areas proposed for resource enhancement by a state agency, local public agency, or nonprofit organization pursuant to Chapter 6 shall be identified in a certified local coastal plan or program as requiring public action to resolve existing or potential resource protection problems. The San Luis Obispo Estero District Local Coastal Plan (LCP), Chapter 6, Section V. *Morro Bay Estuary and its Watershed*, Policy A.1. calls for slowing the process of bay sedimentation and keeping Los Osos Creek "free of excessive sediment and other pollutants to maintain fresh water flow into the estuary, nurture steelhead and support other plant and animal species." The proposed restoration project is consistent with this policy.

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

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described in the “Consistency With Conservancy’s Project Selection Criteria & Guidelines” section above. The Conservancy’s funds for the project constitute less than 25 percent of the overall project budget.

CONSISTENCY WITH CONSERVANCY’S [2018-2022 STRATEGIC PLAN](#) GOAL(S) & OBJECTIVE(S):

Consistent with **Goal 6, Objective B** of the Conservancy’s 2018-2022 Strategic Plan, the proposed project will restore 56 acres of coastal habitats.

Consistent with **Goal 6, Objective D** of the Conservancy’s 2018-2022 Strategic Plan, the proposed project will preserve and enhance a coastal watershed and floodplain.

Consistent with **Goal 6, Objective E** of the Conservancy’s 2018-2022 Strategic Plan, the proposed project will restore fish habitat and improve fish passage.

Consistent with **Goal 6, Objective G** of the Conservancy’s 2018-2022 Strategic Plan, the proposed project will improve water quality to benefit coastal and ocean resources.

CEQA COMPLIANCE:

The project’s potential impacts were evaluated in the Los Osos Creek Wetland Restoration Initial Study/Mitigated Negative Declaration (IS/MND) adopted by the Coastal San Luis Resource Conservation District when it approved the project on February 26, 2021 pursuant to the California Environmental Quality Act (“CEQA”). The potential impacts and mitigation measures in the MND are summarized below. The MND identifies impacts to biological resources, cultural resources, geology and soils, hazards and hazardous materials, and hydrology and water quality. The MND indicates that all of the potentially significant environmental effects of the project are reduced to less-than-significant through mitigation measures that have been agreed to by the RCD. The mitigation measures are identified in the Mitigation, Monitoring, Reporting Plan (MMRP), which is included in the MND as Appendix E. The mitigation measures include standard protocols for avoiding impacts to species of concern, including state- and federally-listed threatened and endangered species.

Biological Resources

The project could result in direct and indirect impacts to federal and/or state listed plant and animal species, including California red-legged frog, steelhead, Tidewater goby, Morro shoulderband snail and Marsh sandwort. With the implementation of the mitigation measures the project will have less than significant effects on riparian and wetland habitat or other sensitive natural community identified in local or regional plans, policies, regulations or by the California Department of Fish and Game or U.S. Fish and Wildlife Service. Specifically, mitigation measures to reduce potential impacts to special status species to less than significant include seasonal avoidance, training of construction workers, biological monitoring during construction, and project compliance with all state and federal permits. Potential impacts on wetlands and riparian areas will be minimized by conducting the majority of work from an existing access road. Where feasible, the construction shall occur

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from the bank, or on a temporary pad underlain with filter fabric. No mechanized equipment (e.g. internal combustion hand tools) will enter wetted channels, and use of heavy equipment shall be avoided in a channel bottom with rocky or cobbled substrate. No wetlands or other waters of the U.S. would be permanently lost; temporary impacts would occur during the removal of culverts and construction of the rocked ford crossing, as well as during the levee breaching.

Cultural Resources

While pre-historic resources exist in the project area, no human remains were identified in the cultural survey and no paleontological resources are anticipated to be discovered. To reduce the potential impact to a less-than-significant level, in the event that any pre-historic or historic resource is discovered during construction, appropriate measures will be taken, including halting work until an archaeologist can review the discovery. If buried cultural materials are discovered by archaeologists or construction personnel, work in the immediate area of the find would be diverted until the discovery is evaluated and any necessary plans are developed for treatment of the find(s) or mitigation of adverse effects. For all ground disturbing construction activities in the upland area, the applicant shall retain a county-approved archaeologist to monitor these activities.

Geology and Soils

The project will change drainage patterns that have the potential to result in substantial on- or off-site sedimentation, erosion or flooding. The project includes implementation of best management practices ("BMPs") to limit the amount of sediment and runoff, including the installation of straw bales and silt fences. Immediately after project completion all exposed soil will be stabilized with mulch, seeding, and/or placement of erosion control blankets. All bare and/or disturbed slopes (larger than 10' x 10' of bare soil) will be treated with erosion control measures such as straw mulching, netting, fiber rolls, and hydroseed as permanent erosion control measures.

Hazards and Hazardous Materials

Remediation activities will include removal of asbestos from the old house prior to demolition. The house is located within the upland area of the restoration site, creating the potential for accidental releases of small quantities of this hazardous material that could degrade soil and water quality. This potential effect will be mitigated to less than significant through a specific asbestos mitigation measure that requires any spill to be contained, reported and cleaned up. The project will not routinely transport, use, or dispose of hazardous materials and therefore will not create a significant hazard to the public or the environment.

Hydrology and Water Quality

The project has the potential to adversely impact water quality standards and waste discharge requirements. Erosion control measures including straw bales, coir rolls, erosion control blankets, and silt fences shall be in place at all times during construction. All bare and/or disturbed slopes (larger than 10' x 10' of bare soil) will be treated with erosion control

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measures such as straw mulching, netting, fiber rolls, and hydroseed as permanent erosion control measures. Regular water quality monitoring during and after construction will be conducted to ensure that the project does not violate water quality standards or waste discharge requirements, nor will it substantially degrade water quality. Water quality protection measures will be documented in the 401 Water Quality Certification for this project.

Staff has independently evaluated the MND and concurs that there is no substantial evidence that the proposed project will have a significant effect on the environment. Staff therefore recommends that the Conservancy find that the project as mitigated avoids, reduces or mitigates the possible significant environmental effects to a level of less-than-significant and that there is no substantial evidence that the project will have a significant effect on the environment as that term is defined by 14 Cal. Code Regs. §15382.

Upon approval of the project, Conservancy staff will file a Notice of Determination.