

COASTAL CONSERVANCY

Staff Recommendation

January 29, 2004

**COAST DAIRIES WATER RESOURCES PLANNING**

File No. 03-160

Project Manager: Prentiss F. Williams

**RECOMMENDED ACTION:** Authorization to disburse up to \$300,000 to the County of Santa Cruz to conduct site studies and environmental analysis, and to draft applications for submittal to the State Water Resources Control Board for permits to appropriate water from streams on Coast Dairies for the irrigation of approximately 700 acres of farmland; and to conduct feasibility studies pertaining to the development of water storage reservoirs on the property.

**LOCATION:** Northern Santa Cruz County, near the town of Davenport, five miles north of the City of Santa Cruz (Exhibit 1)

**PROGRAM CATEGORY:** Preservation of Agricultural Land

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**EXHIBITS**

Exhibit 1: Project Location

Exhibit 2: Site Map

Exhibit 3: Letters of Support

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**RESOLUTION AND FINDINGS:**

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Sections 31000 *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 County of Santa Cruz to conduct site studies and environmental analysis, and to draft applications for submittal to the State Water Resources Control Board for permits to appropriate water from streams; and to conduct feasibility studies pertaining to the development of water storage reservoirs on the Coast Dairies property, subject to the following conditions:

1. Prior to the disbursement of any Conservancy funds, the County shall submit for the review and written approval of the Executive Officer of the Conservancy a work plan, budget and schedule for the completion of the work and the names and qualifications of any contractors to be employed to carry out the work plan.

2. Prior to the disbursement of any Conservancy funds, the County shall provide the Conservancy with written evidence that it has obtained permission from the owner of the Coast Dairies property to enter the property for purposes of carrying out the work.
3. The Conservancy does not anticipate providing funds for water-resource planning or studies beyond the current authorization, or for implementation of future water-development projects on the property.”

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 the purposes and criteria in Chapter 4 of Division 21 of the Public Resources Code (Sections 31400 *et seq.*) regarding the preservation of agricultural land.
2. The proposed authorization is consistent with the Project Selection Criteria and Guidelines adopted by the Conservancy on January 24, 2001.”

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#### **PROJECT SUMMARY:**

**Project Description:** The proposed authorization consists of a grant to enable Santa Cruz County to undertake the preliminary steps necessary to develop the water resources at Coast Dairies and to enable the continued cultivation of irrigated crops on the property. The County would use the Conservancy funds to conduct the site studies and environmental analysis needed to prepare applications for submittal to the State Water Resources Control Board for permits to appropriate water from streams on the Coast Dairies property to irrigate 700 acres of farmland. This would include conducting a feasibility study regarding the development of off-stream water storage reservoirs at Coast Dairies, including the identification of potential locations and the preparation of conceptual designs. The perfection of appropriative water rights and the construction of water storage reservoirs are necessary if farming operations are to continue at Coast Dairies. The Coast Dairies property was acquired by the Trust for Public Land (TPL) in 1998 using funds from the Coastal Conservancy and the Packard Foundation. TPL expects to transfer various portions of the Coast Dairies property to the California Department of Parks and Recreation (DPR) and the United States Bureau of Land Management (BLM) in the near future.

Until recently, DPR and BLM were committed to take ownership of the entire Coast Dairies (approximately 7,000 acres), with all of the existing agricultural leases in place. Under that plan, DPR would take title to the approximately 400 acres west of Highway 1 and BLM would have owned all of the remaining land east of Highway 1. However, BLM has very recently determined that it cannot accept ownership of any of the lands subject to agricultural leases. TPL is currently in the process of seeking an entity to acquire the agricultural lands that is willing and able to maintain them as farmland. This latest development has made it all the more critical that a source of irrigation water be identified for Coast Dairies; in the absence of a water source, farming will not be economically feasible, even for a nonprofit organization.

Farmers have been diverting water from Coast Dairies streams to irrigate crops for over 100 years. Most of the water was taken in the summer and fall months from the many streams adja-

cent to the agricultural fields pursuant to riparian water rights. However, in May 2002 the National Marine Fisheries Service (NMFS) and the California Department of Fish and Game (DFG) determined that these dry season diversions of water reduced stream flows to levels that were unacceptably low for the maintenance of fish habitat. Of primary concern to NMFS and DFG were the coho salmon and steelhead, both of which are present in Coast Dairies streams and both of which have been listed as endangered by both federal and state authorities. In order to protect in-stream habitat for these two species, NMFS and DFG advised the farmers at Coast Dairies to immediately cease all water diversions from streams on the property. Although there has been some dry farming and grazing on the Coast Dairies in the past, cultivation of irrigated crops is currently the only economically viable agricultural use for these farm lands. Unable to divert stream water, the farmers on Coast Dairies have been left without a source of water for irrigation and have been forced to significantly scale back their operations. In spite of these difficulties, all of the original lessees have expressed a desire to continue farming on Coast Dairies and have maintained their leases at a reduced rate. The loss of summer water diversions poses a significant problem for TPL because it pledged to the local community to preserve agricultural operations on Coast Dairies when it purchased the property. This development is also of great concern to the County of Santa Cruz and the local farming community, which are committed to preserving agriculture on the central coast.

Because of the need to maintain summer flows in Coast Dairies streams sufficient to meet the habitat needs of the coho salmon and steelhead, summer diversions of water for crop irrigation are no longer permissible. According to the *Guidelines for Maintaining Instream Flows to Protect Fisheries Resources Downstream of Water Diversions in Mid-California Coastal Streams* (adopted by DFG and NMFS on June 17, 2002), the best way to provide a sustainable source of irrigation water at Coast Dairies is through the use of winter diversions of water from streams on the property and storage in a series of small off-stream reservoirs for use in the summer. Preliminary studies conducted by TPL have indicated that the volume of winter flows in Coast Dairies' streams is high enough to allow the diversion of approximately 300 acre-feet of water in an average year while maintaining sufficient in-stream flows to preserve healthy fish populations.

The County of Santa Cruz places great importance on the preservation of agriculture at Coast Dairies and wants to facilitate the implementation of a long-term solution to the water supply issues as soon as possible. The County has therefore offered to take the lead role in securing permits to appropriate stream water in the winter and for developing the necessary storage reservoirs. The studies now proposed for Conservancy funding are a necessary precursor to future efforts on the part of the County. It is expected that staff of the County Department of Public Works would coordinate the work, working closely with the Conservancy and other public agencies.

**Site Description:** The Coast Dairies is located along Highway 1, about five miles north of the City of Santa Cruz (Exhibit 1). Encompassing approximately 7,000 acres, the property stretches about seven miles from Laguna Creek at its southern boundary to the southern edge of Scott Creek Beach at its northern boundary, and extends inland approximately two miles. The property surrounds the coastal town of Davenport (Exhibit 2). Prior to its acquisition by TPL, approximately 700 acres of the Coast Dairies property was leased by farmers and used primarily for artichoke and Brussels sprout production. At least 500 of these 700 acres have been designated as prime agricultural soils. The Santa Cruz County Local Coastal Plan identifies the Coast Dairies as agricultural land and the property is zoned for commercial agriculture.

**Project History:** The Coastal Conservancy has been involved in the preservation of the Coast Dairies since 1994, when it obtained a purchase option for the property from the Coast Dairies and Land Company. The option was not exercised due to the failure at the polls of the California Parks and Wildlife Initiative, which would have provided funds for the acquisition. The property was optioned again in 1997 by the Save-the-Redwoods League, which later transferred its option to the Trust for Public Land (TPL). TPL exercised its option in 1998 and acquired the Coast Dairies property using \$6,000,000 from the Conservancy along with another \$20,000,000 from the Packard Foundation and \$18,000,000 in local and private grants. The Conservancy also granted \$100,000 to TPL in 1998 to help in the preparation of a resource enhancement and property management plan. In 2001, the Conservancy granted another \$220,000 to TPL to complete a plan for the management of public access on the 7,000-acre property. The public access and resource enhancement studies have been completed and have been integrated into a single document entitled “Coast Dairies Long-Term Resource Protection and Access Plan.” This document will guide all future activities on the property.

**PROJECT FINANCING:**

Coastal Conservancy \$300,000

The source of funds for the proposed authorization is expected to be the Conservancy’s FY 02/03 appropriation from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund (Proposition 40). Consistent with the purposes of this funding source, the proposed authorization would be carried out in accordance with the provisions of the Conservancy’s enabling legislation and would involve the preservation of a coastal resource.

**CONSISTENCY WITH CONSERVANCY’S ENABLING LEGISLATION:**

The proposed authorization is consistent with Chapter 4 of the Conservancy’s enabling legislation, Division 21 of the Public Resources Code, regarding the preservation of agricultural land. Chapter 4 authorizes the Conservancy to “award grants to public agencies and nonprofit organizations for the purpose of undertaking improvements to and development of such [agricultural] lands where such action is required to meet the purposes of this section [§31156].” The purposes of Chapter 4 are to prevent the loss of coastal agricultural lands to other uses and to enable the continuation of agricultural production on these lands. In this case, obtaining permits to appropriate water is absolutely necessary in order to maintain these lands in agricultural production. Without a source of water for irrigation, there is no economically viable agricultural use possible on the Coast Dairies. The preliminary work funded by the Conservancy will help the County determine the feasibility of implementing a future water development project.

The proposed authorization is also consistent with §31111, which allows the Conservancy to award grants to public agencies to undertake plans and feasibility studies.

**CONSISTENCY WITH CONSERVANCY’S STRATEGIC PLAN GOAL(S) & OBJECTIVE(S):**

Consistent with **Goal 7, Objective B** of the Conservancy’s Strategic Plan, the proposed authorization would foster the long-term viability of coastal agriculture.

**CONSISTENCY WITH CONSERVANCY'S  
PROJECT SELECTION CRITERIA & GUIDELINES:**

The proposed authorization is consistent with the Conservancy's Project Selection Criteria and Guidelines adopted January 24, 2001, 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. **Support of the public:** The preservation of agriculture on the Coast Dairies is a high priority for the local farming community and both local and state legislators, and the proposed authorization has the strong support of Assemblyman John Laird, State Senator Bruce McPherson, County Supervisor Mardi Wormhoudt, and the Santa Cruz County Farm Bureau, among many others. Copies of the letters received in support of the grant are attached as Exhibit 3.
4. **Location:** Coast Dairies is located within the coastal zone of Santa Cruz County.
5. **Need:** Although the County has sought funds to develop the water resources on the Coast Dairies from a variety of other organizations, most potential funders are unable or unwilling to fund the perfection of water rights. The Coastal Conservancy is the only agency with both the financial resources and a mandate that is sufficiently flexible to fund these activities. The County of Santa Cruz has identified a number of sources that could be available for future development of water resources.
6. **Greater-than-local interest:** This authorization is of statewide and regional importance. Coast Dairies is an historic working landscape along the central coast of California. Significant agricultural activities have occurred on the property for over a hundred years, and an agricultural easement for a significant portion of the traditional agricultural land has already been purchased and is in place. The proposed authorization would help to restore and preserve the traditional agricultural activity on the Coast Dairies and will help maintain the regional agricultural economy.

**Additional Criteria**

10. **Conflict resolution:** If successful, the future development of the water resources at Coast Dairies has the potential to serve as a model program for resolving conflicts between irrigated agriculture and protected fisheries in coastal areas.
12. **Readiness:** The County has been in the forefront of efforts to resolve the water supply issues at Coast Dairies. County staff is familiar with the technical and regulatory issues involved and are ready to initiate the work upon approval of this grant request.
13. **Realization of prior Conservancy goals:** The Conservancy has been involved in efforts to preserve farmland on the central coast for more than 20 years. Most recently, the Conservancy has joined a multi-agency task force that is attempting to develop a regional approach to resolving the conflicts between habitat preservation and the continued viability of agriculture on the central coast. One of the efforts of this task force is the creation of a permit "road-

“roadmap” and programmatic EIR for off-stream water storage by Sustainable Conservation using a grant from the Coastal Conservancy. Success in developing the water resources at Coast Dairies and restoring traditional agricultural activities would serve to advance these efforts by demonstrating that irrigated agriculture can be compatible with healthy fisheries.

15. **Cooperation:** The funding request for the proposed authorization was submitted to the Conservancy under the auspices of the “Coast Dairies Agricultural Water Working Group,” organized by Supervisor Mardi Wormhoudt. This group consists of representatives of 14 organizations including the Santa Cruz County Farm Bureau, Save Our Agricultural Lands, all of the public agencies having a regulatory or management interest in Coast Dairies, the agricultural water users, and a number of community organizations. The purpose of this group is to work cooperatively to find a solution to water supply problem on the Coast Dairies in order to preserve agriculture on the property.

**CONSISTENCY WITH LOCAL COASTAL PROGRAM POLICIES:**

The proposed authorization accords with the policies and recommendations of Section 2 of the Santa Cruz County Local Coastal Program certified in January 1983, relating to the protection of agriculture. It is the intent of Section 2 that the maximum amount of prime agricultural land shall be maintained in agricultural production. The proposed authorization is consistent with this goal in that the development of water resources on Coast Dairies is essential to the continued cultivation of the 700 acres of agricultural land on the coast.

**COMPLIANCE WITH CEQA:**

The proposed authorization would be statutorily exempt from the provisions of the California Environmental Quality Act (CEQA), as provided in 14 Cal. Code of Regulations Section 15262, as it involves only feasibility or planning studies for possible future actions. In accordance with that section, the study will consider environmental factors. The authorization is also categorically exempt under Section 15306 as a study or information-gathering activity.