

COASTAL CONSERVANCY

Staff Recommendation
December 2, 2004

PIEDRAS BLANCAS RESORT ACQUISITION

File No. 04-077
Project Manager: Janet Diehl

RECOMMENDED ACTION:

Authorization to disburse up to \$2,000,000 to the American Land Conservancy as a matching grant to acquire for public access purposes 20-plus acres west of Highway 1 in northern San Luis Obispo County currently occupied by the Piedras Blancas Resort.

LOCATION: unincorporated northern San Luis Obispo County (Exhibit 1)

PROGRAM CATEGORY: Public Access

EXHIBITS

Exhibit 1: Area Map

Exhibit 2: Aerial photograph depicting property lines

Exhibit 3: Map showing Hearst Ranch transaction context

Exhibit 4: Photographs of Site

Exhibit 5: Letter of Commitment, American Land Conservancy

Exhibit 6: Letters of Support

RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Sections 31400 *et seq.* of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes the disbursement of an amount not to exceed two million dollars (\$2,000,000) to the American Land Conservancy (“ALC”) to acquire for public access purposes 20-plus acres west of Highway 1 in northern San Luis Obispo County, currently occupied by the Piedras Blancas Resort, and more particularly described in Exhibits 1 and 2, attached to the accompanying staff recommendation.

Disbursement of these Conservancy funds is subject to the following conditions:

1. Prior to the disbursement of any funds, ALC shall:
 - a. Submit for the review and approval of the Executive Officer of the Conservancy (“the Executive Officer”):

- i. all relevant acquisition documents, including the appraisal, agreements of purchase and sale, escrow instructions and documents of title necessary to the acquisition; and
 - ii. a signing plan for the property that meets the criteria for use of funds from the “Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond Act of 2000” (Proposition 12); and
 - b. Provide evidence to the Executive Officer that all funds necessary to complete the acquisition have been obtained.
2. ALC shall pay no more than fair market value for the property, as established in an appraisal approved by the Executive Officer of the Coastal Conservancy.
3. ALC shall permanently dedicate the property for public access, natural resource protection and open space preservation, through the deed itself or through another appropriate instrument approved by the Executive Officer.
4. ALC may transfer its interests in the property to a public agency or nonprofit organization acceptable to the Executive Officer of the Conservancy, provided that the public agency or nonprofit organization agrees to hold, manage and operate these interests in the manner set forth in condition number 3, above.
5. ALC shall record an irrevocable offer to dedicate an easement over the property for the purposes of implementing the Coastal Trail.
6. ALC shall enter into an agreement with the Conservancy, pursuant to Public Resources Code Section 831.5, to provide nondiscriminatory public access on the property.
7. Conservancy funding shall be acknowledged by erecting and maintaining signs on the property, the design and location of which has been reviewed and 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 project is consistent with the purposes and criteria set forth in Chapter 9 of Division 21 of the Public Resources Code (Sections 31400 to 31409) regarding coastal access.
2. The proposed project is consistent with the Project Selection Criteria and Guidelines adopted by the Conservancy on January 24, 2001.
3. The proposed project will serve greater than local need.
4. The American Land Conservancy is a nonprofit organization existing under Section 501(c)(3) of the United States Internal Revenue Code, with purposes consistent with Division 21 of the Internal Revenue Code. ”

PROJECT SUMMARY:

The Piedras Blancas Resort property is a half-mile of privately owned shoreline right in the middle of the 18 miles of new State Park land now being acquired at the Hearst Ranch. If the site is not acquired for public purposes, its two private beaches, 20 acres of coastal bluffs and existing motel and other commercial structures will have a very high likelihood of being redeveloped privately as a destination resort in the midst of the surrounding protected public land (Exhibits 1-4). A conservation purchase of this site would avoid the impacts of private development, and would have great potential for public access and recreational uses. With its existing parking lot and safe entry road from Highway 1, the site could provide immediate public access to the new State Park at Hearst Ranch that will stretch for nine miles on either side of it.

But if a private investor buys the site, it will remain closed to public use. Non-paying guests will not be able to use the property's sand beaches, and there will be a half-mile gap in the Coastal Trail. Lost, too, will be the potential to restore the property's natural vegetation and the possibility of developing lower cost overnight accommodations such as a public campground and/or hostel facility.

With the goal of getting this property into public ownership, the American Land Conservancy (ALC) has obtained an option to buy it at \$4,500,000. ALC has also committed to raising more than half of the purchase price (\$2,500,000) from non-state sources (Exhibit 5). State Parks staff has indicated a willingness to contribute \$500,000, if the property is conveyed to the department. Staff recommends that the Conservancy contribute the remaining \$2,000,000.

Timing is short. The purchase option expires on December 31, 2004. Immediate action is needed, then, by the Conservancy and by ALC. No Conservancy funds would be spent until matching funds were secured.

Once the immediate need to acquire the property is met, the Conservancy and ALC would work to develop a plan for appropriate access facilities and site restoration. By joining with ALC to acquire the site now, the Conservancy would:

1. Avert the immediate threat of private acquisition and development, possibly including armoring of the coast. If ALC's option expires at the end of December, a private party can acquire the property. The site's current recreational zoning permits an expansion of the use to a density of 40% of the land area. While expanding development so much would face regulatory challenges, some degree of expansion certainly is possible. Because the existing motel use is threatened by bluff erosion, it is likely that a private landowner would exercise emergency rights under the Coastal Act to protect the existing structure by installing rip-rap or another form of protective device.
2. Provide "turn-key" public access to two private beaches and the coastal bluffs linking two segments of the soon-to-be acquired Hearst Ranch. This property is ready-to-go as an area where people can pull in safely off of Highway 1, park in

- an existing paved lot, and walk a few hundred yards to the beach. Currently, though, the area is off-limits to everyone except motel customers and the owners.
3. Close the half-mile gap in the 18-mile Coastal Trail. This property sits right in the middle of the 18 miles of Hearst Ranch that the State Parks Department will soon acquire. The Coastal Trail that is envisioned to run the length of this new park will have a half-mile gap if this property remains in private hands.
 4. Capture the opportunities to restore the property, including: removal of non-native vegetation and revegetation with native species; removal of structures and/or installation of visual screening to restore ocean views and reduce current impacts on scenic resources; and adaptive re-use of existing structures (without shoreline armoring) for lower-cost visitor accommodations.
 5. Leverage private funds with public: Conservancy funds would represent less than half of the purchase price, with the remaining funds to come from private donations.

Site Description:

The Piedras Blancas Resort site lies almost exactly in the middle the Hearst Ranch's 18 miles of scenic coastline. It is depicted as the only white space west of the highway on the Hearst "Conservation Transaction Overview Map," north of the Piedras Blancas Lighthouse and south of Point Sierra Nevada (Exhibit 3 or www.resources.ca.gov/hearst_docs/1A-Conservation_Transaction_Overview_Map.pdf).

The property is far from significant population centers. The nearest town is Cambria, which lies 12 miles south. The entrance to Hearst Castle, which attracts about a million visitors per year, is seven miles south.

Two sandy beaches flank the northern and southern ends of the site. The bluffs in between the beaches rise from five to 40 feet above sea level, and support non-native grasses, iceplant and a few trees. The open character affords views of Big Sur to the north, Piedras Blancas lighthouse to the south, and Hearst Ranch's rolling hills to the east.

Improvements to the property include: a 14-unit motel with a coffee shop built during the 1950s, a recently upgraded self-serve gas station, and a caretaker's home with a garage and storage building. The former underground gasoline storage tanks that were removed from the property in 1999 apparently did not leak, according to a Phase I Environmental Site Assessment commissioned by ALC in September, 2004. That report concluded that there are no recognized hazardous environmental conditions in connection with the property.

There are three water wells on the property. The two wells currently in use by the owners have 5,000-gallon and 2,500-gallon tanks. The third well is not in use.

The property is entirely within the coastal zone, and is zoned recreational by San Luis Obispo County. This designation permits the existing uses, with the potential to expand site coverage to a density that covers no more than 40% of the land area.

Erosion is an issue here. A geotechnical report commissioned in 2001 concluded that a coastal bluff retreat rate of approximately 2.8 to 4.3 feet per year is occurring within the motel area of the site. Given these retreat rates, the report considered portions of the present motel structure threatened, and recommended rock revetment or other protective measures. Because regulatory agencies typically permit protective measures to save existing structures, a private party could exercise emergency rights to protect the part of the motel that is severely threatened by erosion with a sea wall.

The property immediately to the north (currently owned by Hearst and soon to be owned by State Parks) has been armored with rocks under an emergency permit in order to protect Highway 1. Caltrans plans to move the highway inland in this area, and then remove the sea-wall, in accordance with the emergency permit.

Highway 1 fronts the property for its entire length of 2,426 feet. The highway exists within a 60-foot wide road easement granted by the property owners. In the event the highway is relocated further inland due to coastal erosion, the road easement will revert to the subject ownership.

Relocation of Highway 1 would not leave the property landlocked, as Caltrans would need to accommodate the owner's access needs. Indeed, the highway relocation process may be a source of funding for future public access and enhancement improvements to the property, should it be acquired for public purposes.

Project History:

While the Piedras Blancas Resort has been on the market for several years, State and nonprofit staff have been focused on the 82,000-acre Hearst Ranch transaction during that time. With the Hearst transaction almost concluded, however, this strategic property can get the attention it deserves.

The current property owner has been working to sell the property for the last six months, and several serious, though ultimately unsuccessful offers have been made. ALC recently negotiated an option agreement that gives it until December 31 of this year to complete the transaction. ALC hopes to be able to extend this option for a number of months, if it secures ample commitments for funding by early December. Immediate action is needed, then, by the Conservancy and by the private funding partners.

PROJECT FINANCING:

Coastal Conservancy	2,000,000
Private donations (applications pending)	<u>2,500,000</u>
Total:	\$4,500,000

The anticipated sources of Conservancy funds for this project include:

- \$1,350,000 from the “Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond Act of 2000” (Proposition 12) from fiscal year 2004. Under Proposition 12, these funds may be used for acquisition of interests in real property in coastal areas for the acquisition of coastal resources and completion of the coastal trail.
- \$513,855 from the “Watershed, Clean Beaches, and Water Quality Act of 2002” (Proposition 40) from fiscal year 2003. Under Proposition 40, these funds may be used for acquisition and protection of land and water resources.
- \$136,145 from the “Violation Remediation Account”, fiscal years 2003 and 2004. Under this account, funds may be used to acquire real property for the purposes of public access.

Another potential source of funds is the California Department of Parks and Recreation (DPR). DPR staff has indicated a willingness to contribute up to \$500,000, if and when the property or a portion of the property is conveyed to DPR by ALC.

CONSISTENCY WITH CONSERVANCY'S ENABLING LEGISLATION:

The Conservancy's contribution would be provided under Chapter 9 (Sections 31400 to 31409) of the Conservancy's enabling legislation, Division 21 of the Public Resources Code, regarding public access and enjoyment of coastal resources. Public Resources Code Section 31400 states the Legislature's intent that the Conservancy have a principal role in the implementation of a system of public accessways to and along the state's coastline. Consistent with this section, the Conservancy will play a principal role by funding the acquisition of an important bluff-top property along the coast that will provide the public with access to two beaches currently in private ownership.

Section 31400.1 authorizes the Conservancy to award grants to nonprofit organizations to acquire land for public access purposes to and along the coast. Consistent with this section, acquisition of the subject property will serve more than local public needs.

Consistent with Section 31400.2, the amount of funding proposed has been reviewed by Conservancy staff in light of the total amount of funding available for coastal public accessway projects, the fiscal resources of the applicant, and the relative urgency of the project.

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

Consistent with **Goal 1, Objective D**, the proposed acquisition would serve to secure approximately one-half mile of new Coastal Trail right-of-way.

Consistent with **Goal 2, Objective B**, the proposed acquisition would serve to open an area that is currently closed to public use.

Consistent with **Goal 4, Objective A**, 20 acres of scenic coastal bluff lands would be acquired.

CONSISTENCY WITH CONSERVANCY'S PROJECT SELECTION CRITERIA & GUIDELINES:

The proposed project 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:** This project has widespread support, including that of State Senator McPherson, Assemblyman Maldonado, San Luis Obispo County Supervisor Shirley Bianchi, and several local environmental and recreation organizations (Exhibit 6).
4. **Location:** The proposed project is entirely within the Coastal Zone.
5. **Need:** ALC is soliciting matching funds for more than half of the acquisition costs. The acquisition would not happen without Conservancy funds.
6. **Greater-than-local interest:** Approximately four million travelers annually visit this area on Highway 1, which has been designated a State Scenic Highway and federal All-American Road. With its easy access from Highway 1, this property would make an ideal beach stop for those millions of travelers. Nearby Hearst Castle is one of the most heavily visited California state parks.

Additional Criteria

7. **Urgency:** ALC's option to acquire the property will expire at the end of this month. ALC would not be able to extend this option without the commitment of Conservancy funding.
9. **Leverage:** See the "Project Financing" section above.
12. **Readiness:** The proposed acquisition could be completed within the next few months.
15. **Cooperation:** This transaction would be an example of cooperation among a private nonprofit organization, private funders and the State.

CONSISTENCY WITH THE LOCAL COASTAL PLAN:

The proposed acquisition for public access purposes is consistent with the San Luis Obispo County Local Coastal Plan, certified by the California Coastal Commission February 25, 1988. The LCP designates this property as Recreation, Visitor-Serving. Permitted uses under Recreation Standard 25 of the LCP include coastal accessways.

COMPLIANCE WITH CEQA:

The proposed acquisition of the Piedras Blancas Resort property is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to 14 Cal. Code of Regulations Section 15325 as a transfer of ownership of interests in land in order to preserve open space, including acquisition to allow restoration of natural conditions and Section 15313 as the acquisition preserves access to public lands and waters. Upon approval, staff will file a Notice of Exemption for the proposed project.