

COASTAL CONSERVANCY

Staff Recommendation

December 8, 2005

**ARGANO RANCH ACQUISITION
SAN LUIS OBISPO CREEK WATERSHED**

File No. 05-084

Project Manager: Timothy Duff

RECOMMENDED ACTION: Authorization to redirect up to \$400,000 in previously authorized funds to the Land Conservancy of San Luis Obispo County for acquisition and restoration of a 17.5-acre portion of the Argano Ranch in the San Luis Obispo Creek watershed.

LOCATION: The San Luis Obispo Creek watershed extends from its headwaters at the crest of the Cuesta Grade to the ocean at Avila Beach, in San Luis Obispo County (Exhibit 1). The Argano Ranch is located along the lower reach of the creek as shown in Exhibit 2.

PROGRAM CATEGORY: Resource Enhancement

EXHIBITS

Exhibit 1: Regional Location Map

Exhibit 2: Conservation Area & "City to the Sea Trail" Map

Exhibit 3: Ahearn Ranch Acquisition Staff Recommendation

Exhibit 4: Parcel Map

Exhibit 5: Site Photos

Exhibit 6: Lot Line Adjustment Map

Exhibit 7: Letters of Support

RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Sections 31251-31270 of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes the redirection of up to four hundred thousand dollars (\$400,000), which was previously authorized for disbursement to the City of San Luis Obispo for acquisition of the Ahearn Ranch, for disbursement, instead, to the Land Conservancy of San Luis Obispo County (grantee) for the acquisition and restoration of a 17.5-acre portion of the Argano Ranch (San Luis Obispo County Assessor’s Parcel No. 076-251-032), as depicted on Exhibit 4 to the accompanying staff recommendation, subject to the following conditions:

1. Prior to disbursement of Conservancy funds for the acquisition:
 - a. The grantee shall submit for the review and approval of the Executive Officer of the Conservancy (“Executive Officer”) all relevant acquisition documents, including but not limited to the appraisal, agreement of purchase and sale, environmental assessments, escrow instructions, and documents of title.
 - b. The grantee shall provide evidence that all funds necessary to complete its acquisition of portions of the Argano Ranch are available.
2. The purchase price of the 17.5-acre portion of the Argano Ranch shall not exceed fair market value for the property, as established in an appraisal approved by the Conservancy.
3. The grantee shall permanently dedicate the 17.5-acre portion of the Argano Ranch for natural resource protection, public access, open space preservation and agricultural land preservation by an appropriate instrument approved by the Executive Officer and recorded, in accordance with Public Resources Code Section 31116(b).
4. If the grantee receives State Department of Fish and Game (DFG) grant funds for acquisition of the subject property, within three months of receiving the DFG grant funds the grantee shall reimburse the Coastal Conservancy in the full amount of the DFG grant funds.
5. Prior to the disbursement of restoration funds, the grantee shall submit for the review and approval of the Executive Officer of the Conservancy:
 - a. Evidence that it has obtained all necessary permits and approvals, and all other funds necessary to complete the proposed restoration projects.
 - b. A final work program, including a budget, schedule, and names of any contractors and subcontractors to be employed for these tasks.
6. In implementing the restoration activities funded under this authorization, the

grantee shall carry out all requirements and/or conditions contained in all necessary approvals and permits.

7. Conservancy and Proposition 12 funding shall be acknowledged by erecting and maintaining a sign on the Argano Ranch, the design and location of which has been reviewed and approved by the Executive Officer.
8. Any revenues generated from leases and rents on the property shall be utilized by the grantee solely for maintenance, operation or management of the property consistent with the purposes of the acquisition, as described in condition number 3, above.”

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 6 of Division 21 of the Public Resources Code (Sections 31251 to 31270) regarding enhancement of coastal resources.
2. The proposed project is consistent with the Conservancy’s Project Selection Criteria and Guidelines adopted January 24, 2001.
3. The Land Conservancy of San Luis Obispo County is a nonprofit organization existing under Section 501(c)(3) of the U.S. Internal Revenue Code, whose purposes are consistent with Division 21 of the Public Resources Code.
4. The project area has been identified in San Luis Obispo County's Local Coastal Plan as requiring public action to resolve existing or potential resource protection problems.”

PROJECT SUMMARY:

Conservancy staff recommends authorization to redirect \$400,000 in funds previously approved by the Conservancy for the acquisition by the City of San Luis Obispo of the Ahearn Ranch, located in the San Luis Obispo Creek Watershed. The disbursement of funds for this acquisition was approved by the Conservancy at its meeting on May 27, 2004, but unfortunately the proposed acquisition fell through (see “Project History” below). If approved, these funds would be redirected to the Land Conservancy of San Luis Obispo County (grantee) for the acquisition of a 17.5-acre portion of the Argano Ranch, another property located in the same watershed along lower San Luis Obispo Creek. Acquiring the subject property would achieve many of the same general purposes for which the Board approved the proposed Ahearn Ranch acquisition, including natural resource protection (steelhead habitat), public access and open space preservation along

San Luis Obispo Creek. (See Ahearn Ranch Staff Recommendation, attached as Exhibit 3).

The proposed acquisition and restoration of a portion of the Argano Ranch is consistent with the San Luis Obispo Creek Watershed Enhancement Plan, approved by the Conservancy in 2002. This Plan identifies acquisition and restoration projects as priorities for enhancing the overall health of the creek, particularly its function as steelhead habitat. The subject 17.5-acre property extends for approximately 800 feet along lower San Luis Obispo Creek, features high quality riparian and in-stream habitat for steelhead, and 16 acres of farmland currently used for irrigated row crop, dry farming, and grazing purposes (Exhibit 5).

Acquisition of portions of the ranch would maximize protection of the property's riparian habitat, and protect the ranch's farmland in perpetuity. In addition, a portion of the site along San Luis Obispo Creek will be made available for development of a segment of the "City to the Sea Trail", a recreational trail planned by the County of San Luis Obispo to extend from downtown San Luis Obispo to the creek's terminus at Avila Beach. The acquisition is also a priority due to its proximity to two other conservation properties owned by the grantee, and its potential to expand the network of protected stream and floodplain properties in the lower creek corridor (Exhibit 2). When combined with the nearby protected parcels, the overall conservation area would encompass over 100 acres of floodplain and nearly 1.75 miles of lower San Luis Obispo Creek.

To complete the transaction, the grantee has obtained preliminary approval from San Luis Obispo County planners to adjust the ranch's property lines to separate a 4.5-acre portion of the ranch to be retained by the current owner from the remaining 17.5 acres to be acquired by the grantee. This 17.5 acres of agricultural floodplain and creek frontage would then be merged with another nearby parcel owned by the grantee via an easement to be donated to the grantee by a third party on land located between the two properties (Exhibit 6). The grantee intends to lease back 16 acres of farmland located outside of the riparian corridor for continued agricultural uses and, as a condition of the Coastal Conservancy grant, would be required to direct all future lease revenues to the long term management of the site. In the near term, Conservancy grant funds of up to \$20,000 would be made available for initial restoration of the property, including revegetation of riparian areas, and the construction of a split-rail wood fence to separate the agricultural activities from the creek's riparian corridor and future City to the Sea Trail segment.

The grantee has applied to the state Department of Fish and Game (DFG) for \$150,000 in matching grant funds for the acquisition. While the proposal is supported by local DFG staff, any grant funds awarded for the project would not be made available until well after the grantee's spring 2006 close of escrow date. If DFG funds are awarded for the project, the grantee would be required to reimburse the Coastal Conservancy the amount of the grant.

Over the past 5 years, the Land Conservancy, a 501(c)(3) nonprofit corporation, has managed over \$3 million in public and private grant funds to acquire several key properties and construct over 30 restoration projects in the watershed. Given its long-range commitment to restoration of the watershed, and its historic role in coordinating the efforts of landowners, agencies and nonprofits, the Land Conservancy is widely viewed

as the ideal local organization to spearhead priority enhancement projects in the watershed. The Land Conservancy owns and manages several property interests in the lower reaches of the watershed, and is ideally suited to own and manage the subject property.

Site Description: The San Luis Obispo Creek watershed covers 84 square miles and extends from the crest of the Cuesta Grade to the ocean at Avila Beach. The watershed is steep, and contains a mix of chaparral covered hillsides, oak woodlands, and grasslands bisected by the main stem of San Luis Obispo Creek, one of the southernmost viable southern steelhead fisheries on the California coast.

The 22-acre Argano Ranch extends roughly 800 feet along the floodplain of San Luis Obispo Creek's lower reach below downtown San Luis Obispo. The site is located within the viewshed of Highway 101, and in close proximity to neighboring floodplain properties owned and managed for conservation purposes by the grantee (Exhibits 2 & 6). The entire property is zoned Agriculture. The 4.5-acre portion to be retained by the current landowner is developed with a residence. The remaining 17.5 acres to be acquired by the grantee is undeveloped, and is comprised of approximately 16 acres of agricultural floodplain currently used for irrigated row crop production, dry farming and grazing. A well is located on the portion of the property to be purchased by the grantee, with sufficient flows to continue providing adequate water supplies to serve the ranch's existing residential and agricultural uses.

Project History: In June 2002 the Conservancy approved the San Luis Obispo Creek Watershed Enhancement Plan, and granted funds to the Land Conservancy to acquire a ranch located in the lower watershed along the creek one-half mile below the Argano Ranch. In May 2004 the Conservancy authorized disbursement of funds to the City of San Luis Obispo to acquire portions of a ranch located in upper San Luis Obispo Creek watershed (Ahearn Ranch). Unfortunately, this past summer the Ahearn Ranch landowner changed his mind and decided not to sell any portions of his property as originally proposed, and the City requested that these funds be redirected to the Land Conservancy for the Argano Ranch acquisition (Exhibit 7).

This fall Conservancy staff considered the request by the City of San Luis Obispo and the Land Conservancy to redirect these previously authorized funds to the acquisition of portions of the Argano Ranch. As with the original Ahearn Ranch project, the proposed acquisition would serve to protect and restore riparian and in-stream habitat along San Luis Obispo Creek, including habitat for steelhead, consolidate and preserve the ranch's agricultural land, and provide public access via a future link in the City to the Sea Trail.

Conservancy staff toured the site in October 2005, discussed the proposed acquisition with DFG staff and confirmed the site's value as steelhead habitat. Conservancy staff agreed to recommend to the Conservancy board that it authorize redirecting the previously authorized funds to the proposed new acquisition.

PROJECT FINANCING:

Acquisition

Coastal Conservancy: \$380,000*

ARGANO RANCH ACQUISITION

Land Conservancy of San Luis Obispo County:	<u>25,000</u>
Acquisition Subtotal	\$405,000
<u>Restoration</u>	
Coastal Conservancy:	\$20,000
Avila Beach Trustee Council (Unocal Settlement Funds)	<u>20,000</u>
Restoration Subtotal	\$40,000
Total:	\$445,000

The anticipated source of Conservancy funds for this project is an appropriation in fiscal year 2001-02 to the Conservancy from the “Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond Act of 2000” (Proposition 12), for the Conservancy Salmon Habitat Restoration Program. Under Proposition 12 (Public Resources Code Section 5096.352(e)), these funds may be used, as here, for a grant to a nonprofit organization for the purposes of acquiring and enhancing salmon habitat. These funds were previously authorized by the Conservancy in 2004 for the Ahearn Ranch acquisition project in the upper San Luis Obispo watershed, but that project was never completed due to a change in the landowner’s desire to sell portions of his ranch as originally proposed.

*The grantee has applied to DFG for \$150,000 in matching grant funds towards the acquisition. If DFG funds are awarded, the grantee will reimburse the Coastal Conservancy in the amount of the DFG grant.

CONSISTENCY WITH CONSERVANCY’S ENABLING LEGISLATION:

As with the Ahearn Ranch acquisition, this project would be undertaken pursuant to Chapter 6 (Sections 31251-31270) of the Conservancy’s enabling legislation, Division 21 of the Public Resources Code, regarding enhancement of coastal resources. Under §31251, the Conservancy may award grants to local public agencies and nonprofit organizations to enhance coastal resources that, because of natural or human-induced events, or incompatible land uses, have suffered loss of natural and scenic values. The proposed project would lead to improvements in and preservation of habitat in lower San Luis Obispo Creek for the benefit of threatened southern California steelhead, an important coastal resource that has been degraded by human activity.

Under §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 coastal resources within the coastal zone. The proposed project would serve to protect natural resources in a stretch of San Luis Obispo Creek that is located outside of the coastal zone, but would serve to benefit anadromous steelhead, which utilizes entire stream systems, both within and outside the coastal zone, to complete its life cycle. As also required by §31251.2(a), the proposed project has been developed in consultation with and approved by the Department of Fish and Game (Exhibit 7).

§31252 requires that all areas proposed for resource enhancement by a local entity be identified in the local certified local coastal plan or program. The proposed project area is identified in the San Luis Obispo County certified LCP as requiring public action to resolve existing or potential resource protection problems. See further discussion below under the “Consistency with Local Coastal Program” Section.

Pursuant to §31253, the Conservancy may provide up to the total cost of any coastal resource enhancement project. In determining the amount of Conservancy funding for this project, the factors identified in §31253 have been considered and applied, as described in detail below, under the heading “Consistency With Conservancy's Project Selection Criteria & Guidelines.”

Finally, consistent with §31260, as part of an approved coastal resource enhancement project, the Conservancy may fund the total cost of land acquisition.

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

Consistent with **Goal 1, Objective E** of the Conservancy’s Strategic Plan, the project would be a link in a proposed regional trail along San Luis Obispo Creek, connecting inland populations to the coast and expanding coastal recreation.

Consistent with **Goal 2, Objectives A & B**, of the Conservancy’s Strategic Plan, the project would serve to protect open space and views, and open an area that is currently inaccessible or closed to public use while respecting the rights of nearby landowners and the need to minimize impacts on sensitive natural resources.

Consistent with **Goal 5, Objectives A & B**, of the Conservancy’s Strategic Plan, the project would serve to enhance over 800 feet of stream corridor along San Luis Obispo Creek, and preserve and restore habitat corridors between coastal habitats and inland habitat areas.

Consistent with **Goal 6, Objective A & B**, of the Conservancy’s Strategic Plan, the proposed project would lead to the development of future projects to restore the habitat value of lower San Luis Obispo Creek for anadromous steelhead, and improve water quality to benefit coastal resources.

Consistent with **Goal 7, Objectives A & B**, of the Conservancy’s Strategic Plan, the project would result in the acquisition of up to 16 acres of agricultural land, and reduce the impacts of farming operations on wildlife habitat and water quality.

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 Maldonado, Assemblyman Sam Blakeslee, Department of Fish and Game (DFG), and the City and County of San Luis Obispo (Exhibit 7).
4. **Location:** The proposed authorization would address steelhead habitat protection in the lower San Luis Obispo Creek watershed. Although the project site is located outside of the coastal zone, the project would aid in the recovery of the anadromous southern steelhead that utilizes entire stream systems, both within and outside the coastal zone.
5. **Need:** The grantee has negotiated the acquisition of the ranch at the appraised fair market value, and has provided match funding. Conservancy funds are needed to complete the funding package to acquire the property before the grantee's option agreement expires in May of 2006.
6. **Greater-than-local interest:** Protecting spawning and rearing habitat in lower San Luis Obispo Creek for the federally listed southern steelhead is of state and national interest, and would aid in the recovery of the population.

Additional Criteria

7. **Urgency:** Conservancy funds are urgently needed in order for the grantee to complete the acquisition before their option agreement expires in May of 2006.
9. **Realization of prior Conservancy goals:** In response to documented evidence of ongoing disturbance to habitat for southern steelhead populations in the San Luis Obispo Creek watershed, in January 2001 the Conservancy authorized funds for the preparation of an enhancement plan for the watershed. In June 2002, the Conservancy approved this plan and authorized funds to implement two of the plan's priority projects in the lower watershed. This proposal would implement the plan's recommendation to acquire properties in the lower floodplain and further the plan's overall enhancement goals. The Conservancy's *Inventory of Barriers to Fish Passage in California's Coastal Watersheds* also identifies improvement of fish passage in central coast watersheds as an agency goal, and this proposal would serve to further realize this goal.
10. **Cooperation:** In developing this project, staff of the Coastal Conservancy and Land Conservancy have coordinated with staff from the City and County of San Luis Obispo, State Department of Fish and Game, and private landowners.
11. **Leverage:** See the "Project Financing" section above.

CONSISTENCY WITH LOCAL COASTAL PROGRAM POLICIES:

The proposed project is consistent with the San Luis Obispo County Local Coastal Program requiring public action to preserve coastal streams and riparian corridors. LUP Policy 18 on Environmentally Sensitive Habitats states that, “Coastal streams and adjoining riparian vegetation are environmentally sensitive habitat areas and the natural hydrological system and ecological function of coastal streams shall be protected and preserved.” In addition, LUP Policies 1-14 on Coastal Watersheds all address actions to protect watershed resources, Agricultural Policy 25 encourages the protection of stream corridors, and Open Space Policies 18 and 19 call for protection of streams and riparian areas.

COMPLIANCE WITH CEQA:

The proposed acquisition of the Argano property 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 and existing natural conditions, including habitat, and to allow continued agricultural use. The proposed restoration activities involving revegetation of habitat areas are exempt from review under Section 15304 (Minor Alterations to Land). Consistent with Section 15304, the proposed restoration projects will consist of minor alterations in the condition of the land, water, and vegetation that do not involve removal of healthy, mature, scenic trees. Further, consistent with 15304(a), any grading will be on land with a slope of less than 10 percent and will not occur in any waterway, wetland, officially recognized scenic area, or severe geologic hazard area. The proposed fencing to protect sensitive habitat areas is also exempt from review under Section 15303 (New Construction or Conversion of Small Structures) which exempts “...construction and location of limited numbers of new, small facilities, or structures...”. Subsection (e) of this section specifically recognizes an exemption for accessory structures such as fences.

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