

October 15, 2015

Subject: Staff Report: 2015-2016 Sustainable Agricultural Lands Conservation Program Public Review Draft Guidelines

Quarter: 3rd Quarter 2015

Reporting Period: July 2015-October 2015

Staff Lead: Sustainable Agricultural Lands Conservation Program Staff

Recommended Action:

For discussion only – no action required.

Summary:

This report summarizes the status of the Sustainable Agricultural Lands Conservation (SALC) Program, specifically regarding the proposed draft 2015-16 SALC programmatic guidelines [Attachment 1], opportunities for public comment, and next steps in program roll-out. Also included in this report is a brief update regarding other SALC and Affordable Housing and Sustainable Communities (AHSC)-related efforts: (1) the development of a third component to the SALC Program, which would invest in on-farm management practices that further reduce GHG emissions and sequester carbon, and (2) information regarding SALC and alignment with the Affordable Housing and Sustainable Communities (AHSC) Program, including initial discussions about farmworker housing.

Background:

SB 862, Statutes of 2014 established the Affordable Housing and Sustainable Communities (AHSC) program, to be administered by the Strategic Growth Council (SGC, or Council), "to reduce greenhouse gas emissions through projects that implement land use, housing, transportation, and agricultural land preservation practices to support infill and compact development...."

The Staff Report for Agenda Item #7, 2015-2016 Affordable Housing and Sustainable Communities Program Public Review Draft Guidelines, provides further background on the primary goals and statutory requirements of the SGC AHSC Program as a whole and its funding source from the Greenhouse Gas Reduction Fund. In the Program's initial year (fiscal year 2014-15), the Budget Act of 2014 appropriated \$130 million from the GGRF to develop and implement the AHSC program for its first funding cycle. Going forward, SB 862 apportioned 20 percent of GGRF annual proceeds to the AHSC program beginning in 2015-2016.

In July 2014, the Council approved the Department of Housing and Community Development to implement the housing, transportation, and infrastructure components of the AHSC Program, and the Department of Conservation, and the California Natural Resources Agency, to implement the agricultural lands protection component, which was named the Sustainable Agricultural Lands Conservation Program, or SALC.

In its first year, the SALC Program was allocated \$5 million, which resulted in the funding of twelve projects that protect high quality croplands and rangelands from conversion to more GHG-intensive urban and rural residential development.

What is the Purpose of the SALC Program?

The SALC program facilitates the reduction of greenhouse gas (GHG) emissions by protecting critical croplands and rangelands at-risk of conversion to sprawl development, thereby avoiding increases in GHG emissions that would occur from urban and rural residential development. The program primarily accomplishes this by investing in agricultural land conservation easements, which extinguish associated development rights and protect lands for agricultural use in perpetuity. The SALC program also invests in locally-led efforts by cities and counties to assess and strategically identify critical agricultural lands within their regions in order to implement broader, more encompassing policies and programs that result in the long-term protection of agricultural lands, tie in with other local land-use planning efforts, and reduce GHGs.

What's New in the 2015-2016 SALC Public Review Draft Guidelines?

The SALC Program staff have prepared and released draft 2015-16 SALC guidelines for public review, which incorporated suggestions received from various stakeholders, including comments made in early-August at a public “lessons learned” workshop. Additionally, the revised draft guidelines were prepared with input and consultation from multiple agencies, including California Natural Resources Agency, California Department of Food and Agriculture, California Air Resources Board, Cal-EPA, and the SGC staff.

Key changes proposed for the 2015-16 SALC Program Guidelines:

The funding amount proposed for the SALC Program in 2015-16 is \$40 million to support investments in two program areas: (1) grants to cities and counties to develop local and regional land use policies and strategies that protect critical agricultural land [Sustainable Agricultural Strategy & Outcome Grants]; and (2) agricultural conservation easements to protect lands in perpetuity for agricultural use. Demand for the program in the first year far exceed current funding levels, with over \$45 million in total easement value requested in agricultural conservation easement pre-proposals. Increased funding for the program would allow for investment in more costly easements, which tend to be those lands in closer proximity to urban areas, which are a priority for program investments. Available funding for agricultural land conservation has been minimal for many years, and the SALC staff anticipates that entities will rapidly build capacity to bring critical projects forward that further the goals of this program.

Substantial revisions have been made to the Sustainable Agricultural Land Conservation Strategy Grants, now renamed Agricultural Land Conservation Strategy and Outcomes. The most substantial revisions to the draft 2015-16 SALC guidelines affect the strategy grants. There was considerable interest by stakeholders in keeping strategy grants a part of the program in 2015-16 because of their ability to protect agricultural lands in ways that are more regionally-focused and support other

locally-led land-use planning decisions. However, funding the strategy grants in fiscal year 2014-15 presented a challenge because of the uncertainty that planning efforts undertaken by a city or county would result in implementation, and that the implementation would result in an output of GHG reduction benefit that could be measured. Because the program must calculate and report GHG reductions associated with each project, the following revisions are proposed to more concretely tie strategies to outcomes that can be measured. As such, here are highlights of the key revisions proposed for Agricultural Land Conservation Strategy and Outcome grants for the draft 2015-16 SALC guidelines:

- Renamed to Agricultural Land Strategy and Outcome to underscore direct connection a planning effort must have to its implementation.
- Maximum award for Strategy and Outcome grants is raised from \$100,000 to \$250,000 in order to allow for more extensive and impactful regional efforts. The 2014-15 award amounts was deemed too low for most local governments to adequately conduct a public process to develop their farmland conservation strategies.
- Eligible Strategies and Outcomes will focus on achievable, action-oriented approaches to agricultural land conservation that result in long-term GHG reductions. Potential project types are still under discussion, and require further work to determine emission reductions and appropriate measurement methods. The proposed draft guidelines describe some specific strategy outcomes that are currently under evaluation and include:
 - Establishing an Agricultural Lands Mitigation Program (via General Plan Update or Amendment, including an implementation mechanism)
 - Establishing an Agricultural Easement Purchasing Program
 - Adoption of Greenbelt or Implementation Agreement
 - Adoption of Urban Limit Lines or Urban Growth Boundary
 - Increased Zoning Minimums for Designated Strategic Agricultural Areas
- Scoring criteria has been revised to align the narrowed list of proposed strategy and outcome grants with program goals and priorities. Criteria for projects is: documentation of quantifiable GHG emission reductions (which will be calculated by SALC Program staff); threat of conversion to nonagricultural uses; likelihood of successful long-term conservation outcomes; how well the project complements other land-use planning efforts; amount and quality of the land protection; disadvantaged community benefits, and organizational capacity.

- For Strategy and Outcome grants, an administrative requirement has been added in order to ensure an outcome is achieved before expenditures are made from the Greenhouse Gas Reduction Fund. This requirement means that applicants must be able to cover the costs to complete development of the agricultural lands conservation strategy, without reimbursement by the State, until the final deliverable has been implemented. We are hopeful that this requirement will not discourage good projects from coming forward, but note that due to the nature of the funding source it is necessary to demonstrate implementation of a measurable outcome prior to reimbursement.

Minor technical revisions were made to the Agricultural Land Conservation Easement (ACE) grant component, though the match contribution requirement is reduced. For 2015-16, the proposed SALC Program contribution may be up to 90 percent of the fair market value of an ACE located within a disadvantaged community, and may be up to 75 percent of the fair market value of an ACE not located within a disadvantaged community. This addresses comments received that the 50 percent match requirement in the first year was too high of a bar for land trusts and other governmental or nonprofit agencies, especially in urban fringe areas where land is expensive.

Significant comments were received about the need to improve the GHG quantification methodology used for the SALC Program. No revisions to the methodology have been made to date, though the Program is committed to improving existing quantification methodology so that it better aligns to the SALC program.

The GHG methodology used in 2014-15 calculates the avoided increases in vehicle miles traveled that would be associated from the development potential of the property. Using the CalEEMod model to calculate the avoided emissions, the methodology assumed one development right is equivalent to a single family dwelling unit when estimating the avoided VMT and GHG emissions from a proposed agricultural easement project. Public comments noted that the methodology does not take into account GHG emissions associated with urban building energy, patterns of rezoning (i.e. increases in density development when land is converted to urban uses from agricultural land uses), and the carbon sequestration benefits from existing farmland.

Working in collaboration with ARB, the program staff will continue to investigate improvements that can be made to the methodology, in addition to determining the appropriate quantification methodology for projects using approaches other than easements, such as use of urban limit lines, for long-term agricultural land protection.

What are the next steps to finalizing 2015-16 SALC Program Guidelines?

Public comments will be received and public workshops will be held during the public comment period to inform final changes to the draft 2015-16 SALC Guidelines prior to adoption by the Strategic Growth Council. The following schedule, subject to revision, is proposed:

Revised Draft Guidelines Posted to SGC Website	October 6, 2015
30-day Review Period for Posted Draft Guidelines	October 6, 2015 – November 4, 2015
Public Workshops Held on Draft Guidelines	November 5—18, 2015
Final Guidelines Proposed for Council Approval Posted to SGC Council	Late November/Early December 2015
Recommended 2014-15 SALC Guidelines for Approval to SGC Council	December 2015 Council Meeting

Public Workshops on Draft Guidelines: Staff is finalizing workshop locations, likely to be scheduled in Visalia, Ventura, and Santa Rosa during November 4-18, 2015. A notice will be posted announcing details about the workshop when final logistical arrangements have been confirmed.

GGRF Expenditure Record: Prior to the public release of proposed Final 2015-16 SALC Program Guidelines for approval by the Strategic Growth Council, a GGRF Expenditure Record for 2015-16 SALC must be prepared and concurred with by the ARB. Staff is currently preparing the draft record for ARB review based on the project types proposed in the draft 2015-16 SALC Guidelines. In order to get to concurrence, some revisions may be necessary to the proposed draft guidelines prior to release of the proposed final guidelines in late December. At that time, staff will highlight changes made from the draft guidelines to the final proposed guidelines for Council consideration.

Future SALC Component: Management Practices on Agricultural Lands

The SALC Program was originally envisioned as a program with three distinct components. 1) Agricultural Land Protection Strategy Development, 2) Financial assistance for the Acquisition of Agricultural Conservation Easements and 3) Financial assistance for implementation of Management Practices on agricultural lands. Each component will provide a GHG benefit in and of itself. Over time, the combination of program components will increase the overall GHG benefits of program expenditures. Given the limited funding and tight schedule available for year 1 program implementation, the Council adopted a recommendation to limit the initial scope of program implementation to two program components- strategy development and agricultural easements.

The implementing agencies for the SALC Program -- the Department of Conservation and the Natural Resources Agency, working cooperatively with the Department of Food and Agriculture-- have begun to develop the third component of the program. A plan

and schedule has been prepared calling for the implementing agencies to develop and have adopted a set of guidelines specific to the management practices component of the program by June of 2016. This program component will then be included as a full part of SALC program implementation beginning in year 3 (FY 16-17).

SALC/AHSC Alignment

The SALC Program complements other aspects of the SGC's Affordable Housing and Sustainable Communities (AHSC) Program, which focuses on investments in infill development and improved mobility. By protecting agricultural lands concurrent with keeping growth within discrete boundaries, the programs work together to reduce GHGs in the aggregate and over time. Staffs between the two programs continue to look for ways to more fully align in order to accomplish the shared overall goal toward sustainable land use planning. To that end, the AHSC program will ask applicants as part of their application submittal, if there are agricultural lands located in the applicant's jurisdiction, to identify what specific actions have been taken to assess and protect strategic agricultural lands from conversion to development. This information is a first step to better understanding regional efforts and to potentially inform SALC Program focus in later years.

In addition, during discussions with stakeholders, the issue of farmworker housing was raised, noting the lack of quality housing for the agricultural labor force and their families. Staff from the Natural Resources Agency, Department of Conservation, Housing and Community Development (HCD), and the Strategic Growth Council met to discuss how a farmworker housing component could be incorporated into the AHSC program, seeing that it's a relevant issue to both affordable housing and agriculture protection efforts. HCD staff is reviewing data from previously-funded farmworker housing projects in order to inform development of a concept. It was noted that farmworker housing development is eligible under the existing AHSC program guidelines, though there may be factors that affect their competitiveness, which is something that will be further explored. The multi-agency team will continue to develop a concept for Council consideration at a later meeting.

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