

August 9, 2016

**Subject:** Sustainable Agricultural Land Conservation (SALC) Program:  
Recommended Awards for Fiscal Year 2015-16

**Reporting Period:** April 2016 - August 2016

**Staff Lead:** Julie Alvis, Deputy Assistant Secretary, Natural Resources Agency

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### **Recommended Action:**

Approve staff recommendation to award \$37,417,000 in Greenhouse Gas Reduction Fund to 21 agricultural land protection projects (20 agricultural conservation easements (ACE), 1 Strategy & Outcome grant, as well as 2 alternate ACE projects), which will result in greenhouse gas emission reductions and related co-benefits.

### **Summary:**

The staff report provides an overview of the Round 2, FY 2015-16 Sustainable Agricultural Lands Conservation (SALC) Program and information regarding the projects recommended for award. The SALC Program provides grants for agricultural conservation easements and local strategies and outcomes that protect agricultural land from conversion to more GHG-intensive land uses. In FY 2015-16, approximately \$37.78 million is available to fund such projects, which includes approximately \$36.58 million in FY 15-16 proceeds and \$1.2 million in unallocated FY 14-15 proceeds. Funding available for FY 15-16 SALC project awards is contingent on the total amount of auction proceeds available to the AHSC Program, which may vary. Pursuant to SB 1018, funding appropriated for the SALC Program from the Greenhouse Gas Reduction Fund (GGRF) is reflected on the FY 15-16 SALC Expenditure Record. Expenditure Records for all GGRF funded programs are posted to the Air Resources Board website.

### **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...." 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 is referred to as SALC.

In its first year (FY 2014-15), the SALC Program was allocated \$5 million, resulting in 12 awarded projects. For FY 2015-16, the SALC Program was allocated \$40 million, with up to \$2.5 million allocated for Strategy and Outcome grants, and up to \$37.5 million allocated for agricultural conservation easements. Funds not awarded under any one investment type may be used to increase the availability of funding of the other type. In July 2016, the SALC Program allocation was reduced to \$36.58 million to proportionally align with the actual amount of GGRF auction proceeds available to the overall AHSC Program.

## 2015-16 SALC Program Overview and Recommended Projects

In December 2015, the Council approved the *2015-16 SALC Program Final Guidelines*, which provide the eligibility criteria and framework for administering the competitive program. Concurrently, the Air Resources Board finalized the *GHG Quantification Methodology for the Strategic Growth Council Sustainable Agricultural Lands Conservation Program, Fiscal Year 2015-16*.

Two project types are eligible under the SALC Program for this year: (1) strategy and outcome grants, and (2) grants for agricultural conservation easements to willing landowners for properties at risk of conversion. The solicitation for projects was released shortly following approval of the Guidelines. Pre-proposal summaries were due February 25, 2016, providing an optional step in the process aimed at giving applicants early feedback and technical assistance on their proposals. The Department of Conservation staff also held three webinars for interested applicants and offered on-going direct technical assistance until the full application due date.

Full applications were due May 2, 2016. The program received 25 ACE proposals and 2 Strategy and Outcome applications, requesting a total of \$50,173,471. All proposals were reviewed for completeness and eligibility. DOC staff digitized properties into GIS, evaluated projects for conversion risk, density, and GHG benefits per the ARB Quantification Methodology, and reviewed public database information regarding oil and gas wells, hazardous waste sites, mines, etc., as well as noted nearby protected lands. ARB staff confirmed conversion risk, density and GHG quantification metrics. Following staff review, an interagency review team comprised of staff from Natural Resources Agency, California Department of Food and Agriculture, California Environmental Protection Agency, and Strategic Growth Council reviewed proposed project information and determined the recommended list of projects for approval by the Council, including two alternate ACE projects.

**The projects recommended for award are as follows.** Please refer to **Attachment 1** for additional information about each of the individual projects recommended for Council approval.

Applicant	Project #	Property Located Near	County	Acreage	\$ Requested
Ag Land Trust	15_PP2	Salinas	Monterey	413	\$ 473,150
Ag Land Trust	15_PP4	Soledad	Monterey	571	\$ 1,603,000
Ag Land Trust	15_PP5	Salinas	Monterey	129	\$ 999,000
Ag Land Trust	15_PP6	Salinas	Monterey	67	\$ 755,625
Ag Land Trust	15_PP7	King City	Monterey	177	\$ 511,925
*Brentwood Agricultural Land Trust	15_PP8	Discovery Bay	Contra Costa	551	\$ 7,820,260
Sonoma Land Trust	15_PP11	Cloverdale	Sonoma	1489	\$ 1,027,000
Sequoia Riverlands Trust	15_PP12	Ivanhoe	Tulare	99	\$ 521,162
Sequoia Riverlands Trust	15_PP14	Porterville	Tulare	260	\$ 1,600,000

Placer County Community Development Resource Agency	15_PP15	City of Lincoln	Placer	406	\$ 990,000
California Rangeland Trust	15_PP17	Copperopolis	Calaveras	3256	\$ 5,842,000
*Northern California Regional Land Trust	15_APP1	Oroville	Butte	396	\$ 2,301,202
Eastern Sierra Land Trust	15_PP20	Bridgeport	Mono	1722	\$ 1,739,117
Sierra Foothill Conservancy	15_PP22	Raymond/Oakhurst	Mariposa	284	\$ 189,875
Land Trust of Santa Cruz County	15_PP24	Watsonville	Santa Cruz	46.5	\$ 138,250
Land Trust of Napa County	15_PP25	Lake Berryessa	Napa	5193	\$ 3,166,800
California Rangeland Trust	15_PP26	Winters	Yolo	2371	\$ 4,623,670
Pacific Forest Trust	15_PP28	Sierraville	Sierra	592	\$ 345,598
Central Valley Farmland Trust	15_PP29	Farmington	San Joaquin	264	\$ 1,837,000
Sonoma County Ag Preservation & Open Space District	15_APP2	Cotati	Sonoma	701	\$ 750,000
<i>easement grant totals</i>				<b>18,988</b>	<b>\$ 37,234,634</b>

**Alternates (Projects that could be substituted in the event of an awarded project withdraws.)**

<b>Applicant</b>	<b>Project #</b>	<b>Property Located Near</b>	<b>County</b>	<b>Acreage</b>	<b>\$ Requested</b>
Land Conservancy of San Luis Obispo County	15_PP10	Templeton	San Luis Obispo	1786	\$ 2,036,720
Eastern Sierra Land Trust	15_PP18	Bridgeport	Mono	1424	\$ 339,117
<i>totals</i>				3210	\$ 2,375,837

**Strategy and Outcome**

County of Monterey	SOG-01	Ag Land Mitigation Program	Monterey		\$ 182,366
<b>TOTAL \$ RECOMMENDED FOR AWARD</b>					<b>\$ 37,417,000</b>

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Overall, the SALC Program received a strong representation of quality proposals that will advance statewide goals to protect important croplands and rangelands from urban and rural ranchette development, avoid increases in vehicle miles traveled, and provide various co-benefits, such as open space values and economic benefits. In addition to demonstrating GHG emission reductions, the factors used to evaluate the easement application pool included consideration of agricultural operation viability (size, infrastructure, and market), clear title, documented risk of conversion, matching fund commitments, and project location relative to protected lands and potential greenbelts. The *2015-16 SALC Program Final Guidelines* provide the full detail regarding SALC program requirements, competitive criteria, and solicitation and administrative processes. The Guidelines are available on the SGC website, and on the Department of Conservation website at <http://www.conservation.ca.gov/dlrp/SALCP/>.

Of the proposals received, approximately 9% represented irrigated cropland, 65% rangeland, and 25% mixed uses. The projects recommended for award are located across 14 counties.

#### *Benefits to Disadvantaged Communities*

Two project applicants (marked with an \* in the table above) claimed disadvantaged community benefits that complied with the Sustainable Agricultural Lands Conservation program guidelines, and both are being recommended for funding. One project from Contra Costa County provides onsite educational opportunities (beginning farmer training) for disadvantaged community members and veterans, as well as recovery of food waste for donation to multiple nonprofit food closets. The other project, from Butte County, met the disadvantaged community benefit criteria by devoting 25 percent of project work hours to residents of disadvantaged community census tracts. Although the application meets the SALC funding guidelines (Table 2.A-6, step 2C), the dollar amount benefiting the disadvantaged community is very small relative to the overall project cost. The transaction cost of a conservation easement is generally a small component of overall project costs since the purchase of development rights dominates project budgets. In this application, all land trust labor is \$46,202 out of a \$2.3 million budget. The disadvantaged community benefits total approximately \$4,500 of the labor funds, which will be paid to one individual employee from a disadvantaged community. In addition to meeting the project hours criterion, the applicant identified two additional community need benefits “to increase access to ... community assets,” and “to increase job readiness and career opportunities (e.g., workforce development programs...)” and supported their claims with letters from the community. Because the applicant met the requirements of the SALC guidelines, staff recommends the project for funding, with the applicant being eligible for the 10 percent match amount for projects with disadvantaged community benefits. While this benefit meets the SALC funding guidelines, given the relatively small benefit amount in relation to the total project budget, SGC staff recommends that this project not be reported for the purposes of meeting the SB 535 requirements for funding projects that benefit disadvantaged communities.

Staff will revisit this issue of meaningful benefits to disadvantaged communities in future versions of the guidelines to ensure that the criteria are appropriate for the types of projects the SALC program funds.

### *Strategy and Outcome Grants*

Staff acknowledges the lack of Strategy and Outcome applications received. This project type provides funding to cities and counties for assessing and developing strategies to identify and protect critical agricultural lands in their regions. Leading up to the approval of the 2015-16 Guidelines, there was considerable interest expressed by stakeholders in keeping Strategy grants a part of the program because of their ability to protect agricultural lands in ways that are more cost efficient, regionally-focused and support locally-led land-use planning decisions. Funding the Strategy grants in fiscal year 2015-16 required guideline changes from the first year in order to better address the uncertainty that planning efforts undertaken by a city or county would result in implementation, and to help ensure that the implementation would result in quantifiable GHG reductions.

To accomplish this, the 2015-16 Guidelines limited eligibility to five specific types of strategies that tie to specific outcomes that result in a measurable GHG reduction. The Guidelines also allowed strategy grant applicants to submit a joint application with an ACE application. This provided an alternative option to an administrative requirement that applicants cover all strategy grant work costs, without routine reimbursement from the State, until the strategy resulted in a measurable GHG reduction benefit. Although the Program attempted to introduce enough flexibility into the requirements, it appears from the lack of applications that meeting the guideline requirements for an agricultural land strategy grant remains difficult for the applicant to work through. That said, the Program did receive two proposals, one of which met the eligibility requirements and took advantage of the joint application approach – and with Council approval, the County of Monterey will pursue the implementation of an Agricultural Land Mitigation Program.

In the coming months, Staff will meet individually with stakeholders and hold a public “lessons learned” workshop to identify specific ways the structure of the SALC Program’s Strategy and Outcomes element can be strengthened to better address potential applicants’ needs. With this additional input and by building on stakeholder feedback received prior to the approval of the 2015-16 SALC Guidelines (some of which was incorporated into the Guidelines at that time), the Program hopes to continue offering local strategy grants in next year’s solicitation in a way that works for eligible applicants and meets the State’s statutory and administrative requirements.

### *Next steps*

Following approval by the Council on the proposed recommendations for award, the Department of Conservation staff will work with applicants to develop grant agreements. The SALC Program team will also begin to prepare for the next year of the program, by discussing what revisions to the existing program guidelines may be needed. Direction for the next round will be influenced by Council priorities, the amount of funding available for the next round, and ideas provided by interested stakeholders. The SALC team plans to hold discussions with stakeholders in late Summer/early Fall to help inform direction of the program going forward.

### **Attachments**

Attachment 1: SALC Project Summaries

Attachment 2: Statewide Map with Project Locations

Attachment 3: Full list of projects received, including projects not funded