Agenda Item #7

April 20, 2018

Subject: Staff Report: 2017-18 Sustainable Agricultural Lands Conservation Program Final Draft Guidelines

Reporting Period: January 2018 – April 2018

Staff Lead: Sustainable Agricultural Lands Conservation Program Staff

Recommended Action:

Approve the 2017-18 Sustainable Agricultural Lands Conservation (SALC) Program Final Guidelines (Attachment 1).

With Council approval, staff will proceed with the solicitation of projects eligible under these Guidelines via a competitive process. The SALC Program will award an amount equal to 10 percent of the auction proceeds available from the 20 percent continuously appropriated to the Strategic Growth Council from the Greenhouse Gas Reduction Fund. The actual funding level will not be determined until after the fourth auction for fiscal year 2017-18.

Summary:

This report summarizes the status of the SALC Program and the steps taken to prepare the 2017-18 SALC Program Final Guidelines and presents an outline of next steps related to the roll out of this round of the program.

Background:

SB 862, Statutes of 2014, established the Affordable Housing and Sustainable Communities Program (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 was named the Sustainable Agricultural Lands Conservation Program, or SALC.

The SALC Program facilitates the reduction of greenhouse gas (GHG) emissions by protecting croplands and rangelands at risk of conversion to urban and rural residential development. The program accomplishes this by investing in two project types: agricultural conservation easements and the development of local government agricultural land conservation strategies and outcomes. Projects will result in the extinguishment of development rights, thereby avoiding increases in GHG emissions by limiting opportunities for expansive, vehicle-dependent forms of development. The quantification methodology estimates the avoided GHG emissions based on the avoided vehicle miles traveled.
Status of Grant Awards from Round one (fiscal year 2014-15), Round two (fiscal year 2015-16), and Round three (FY 2016-17)

In Round one of the program, five strategy grants and five agricultural conservation easement grants were awarded, representing seven easements (approved June 30, 2015 as Item #6). Four of the strategy grants are now complete. All seven easements are now complete, providing permanent protection to over 13,600 acres of agricultural land.

In Round two, twenty easement grants and one strategy and outcome grant were awarded (approved August 9, 2016 as Item #6). Two alternate easement grants were also awarded, pending available funding. Six easement projects are now complete, providing permanent protection to over 6,300 acres of agricultural land. Seven other easement projects are under grant agreement and actively underway towards potential closure by the end of the fiscal year. The remaining projects are in various stages of grant development.

In Round three, twenty-five agricultural conservation easement grants and two strategy and outcome grants were awarded (approved December 5, 2017 as Item #8). These projects are in various stages of grant development and project implementation.

Development of the 2017-18 SALC Program Final Guidelines

Following Round 3 award approvals in December 2017, the staff prepared and released draft 2017-18 SALC Program Guidelines for public review. These Guidelines incorporated suggestions received from various stakeholders, including comments from public workshops with webcasts on March 15 in Sacramento and March 26 in Riverside. The revised draft Guidelines were prepared with consideration of comments received and with input and consultation from multiple agencies, including the California Natural Resources Agency, California Department of Food and Agriculture, California Air Resources Board, California Environmental Protection Agency, the Strategic Growth Council, and Department of Conservation staff.

Key issues addressed in the SALC Final Guidelines

Overall, the revisions to the 2017-18 SALC Program Guidelines are largely focused on providing clarity to the overall structure of the Guidelines, the project selection criteria, and administrative requirements. The following information summarizes decisions around the key topics within the guidelines:

1. The program continues to support investments for two project types that protect agricultural land under threat of conversion. The two project types are:

   (1) Grants to cities and counties to develop local and regional land use policies and strategies that protect critical agricultural land [Strategy and Outcome Grants]; and
   (2) Grants for agricultural conservation easements to protect lands in perpetuity for agricultural use.

No changes have been made to the eligible project types from the previous round, nor to the GHG quantification methodology applied in order to calculate avoided increases in vehicle miles travelled that would be associated with the development potential of the property. The quantification methodology for 2016-17 & 2017-18 includes a process for
determining the number of development rights to be extinguished and instructions for
determining when and how to account for higher density residential zoning.

For both project types, we will now require a mandatory pre-proposal, due May 22\textsuperscript{nd}. We
have found that a pre-proposal is highly correlated with project readiness and likelihood of success.

For conservation easement projects, we have changed the public notice requirement
from a resolution of support from the local board of supervisors or city council to a letter
addressed to the local planning director at the time of application. We have also required
that easement project applicants identify the source of match funding for their project
within nine months of Strategic Growth Council approval of the project.

In response to comments staff received related to the difficulty of finding match funding
for SALC projects, we have eliminated the match requirement for easements that benefit
from priority population benefit status.

2. Beginning with this round of the SALC Program, staff will evaluate easement project
selection criteria using quantitative metrics. To that end, the project selection criteria
were revised to ensure that each metric is quantifiable and that SALC’s goals remain
adequately reflected in a points-based review. New criteria were added to more fully
capture the co-benefits projects may provide, as well as to prioritize projects that
incorporate on-farm carbon sequestration and water management practices.

3. For Strategy and Outcome grants, the most significant change is the removal of the
administrative reimbursement requirement. Rather than require the documentation of
GHG emissions avoided for each Strategy and Outcome before reimbursing applicants
for their project expenses, grantees may now submit quarterly invoices throughout their
project duration. Given the importance of incentivizing local governments to assess and
protect their agricultural land resources, and the difficulty of attracting applicants under
the current reimbursement scenario, this change was deemed necessary to support a
successful Strategy and Outcome component of the SALC Program. The GHG
emissions avoided through the Strategy and Outcomes projects will be quantified as the
projects are implemented.

4. The criteria for projects claiming benefits to disadvantaged communities, now priority
populations, have been revised to:

(1) Update requirements for priority population investments as outlined in AB 1550,
    including new definitions for priority populations; and,
(2) Ensure that benefits provided by projects are meaningful in relation to the eligible
    project types.

Options available to applicants claiming benefits to priority populations have been
expanded to include increasing food access to priority populations and providing
educational opportunities and site access to residents of priority populations. These
options better reflect potential benefits associated with eligible SALC project types
compared to previous rounds. Strategy and Outcome grants that are found to provide
benefits to a priority population will continue to receive five additional points on their
application. SALC Easement applications that are found to provide benefits to a priority
population will now be eligible for zero percent (0%) match, assuming all other eligibility criteria are met.

**Update to the Quantification Methodology**

The California Air Resources Board (CARB) has updated the Quantification Methodology to expand the scope to apply to the SALC Program Guidelines for both FY 2016-17 and FY 2017-18. While some modifications were made to reflect the latest Funding Guidelines for Agencies that Administer California Climate Investments (Draft Funding Guidelines), the underlying methodologies that calculate the GHG benefits of SALC projects based on estimated reductions in vehicle miles traveled (VMT) through protecting critical agricultural lands at risk of conversion to urban and rural residential development remain unchanged. The Department of Conservation will apply the Quantification Methodology to projects in coordination with CARB to calculate estimates of avoided greenhouse gas emissions.

**Next Steps for the 2016-17 SALC Program**

Upon Council approval of the Final Guidelines, staff will release a request for grant applications. The following provides the anticipated application deadlines and administrative timelines for this fourth round of funding (subject to change):

- **Release Solicitation for Projects:** April 2018
- **Pre-Proposal Concepts Due:** May 22, 2018
- **Technical Workshops:** May-July, TBD
- **Full Proposal Deadline:** August 1, 2018
- **Recommendations for Award:** December 2018

**Staff Report Attachments**

Attachment 1: 2017-18 SALC Program Final Guidelines
Attachment 2: SALC Public Comment Compilation