

December 20, 2018

**Subject:** Staff Report: 2018-19 Sustainable Agricultural Lands Conservation Program Draft Final Guidelines

**Reporting Period:** November 2018 – December 2018

**Staff Lead:** Virginia Jameson, Program Manager, Department of Conservation

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**Recommended Action:**

Approve the 2018-19 Sustainable Agricultural Lands Conservation (SALC) Program draft 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 2018-19.

**Summary:**

This report summarizes the status of the SALC Program and the steps taken to prepare the 2018-19 SALC Program draft 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 work with SGC to administer the housing, transportation, and infrastructure components of the AHSC Program, and the Department of Conservation and the California Natural Resources Agency to work with SGC to administer the Sustainable Agricultural Lands Conservation Program to protect agricultural lands from conversion.

The SALC Program facilitates the avoidance 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 planning projects (known as Strategy and Outcome grants in prior rounds). The program will avoid 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 Awarded Grants

The Council has awarded four prior rounds of SALC grants. A summary of these awards and current status is outlined in the Table below:

	<b>Amount Awarded</b>	<b>Easement Awards</b>	<b>Planning Awards</b>	<b>Status</b>	<b>Acres Conserved/In Process</b>
<b>Round 1 (FY 2014-15)</b>	\$4.6 Million	7	5	5 easement projects complete	13,534/0
				2 easement projects withdrawn	
				5 planning projects complete	
<b>Round 2 (FY 2015-16)</b>	\$37.4 Million	20 (2 alternates identified and eventually awarded)	1	9 easement projects complete	10,933/9,750
				8 easement projects in process	
				4 easement projects withdrawn	
				1 easement project moved to ALMP Program	
1 planning project in process					
<b>Round 3 (FY 2016-17)</b>	\$33.9 Million	25	2	1 easement project complete	314/45,539
				20 easement projects in process	
				4 easement projects withdrawn	
				2 Planning projects in process	
<b>Round 4 (FY 2017-18)</b>	\$48 Million	17 (3 alternates identified)	0	Awards November 27, 2018. Award letter sent.	0/10,720
<b>Total</b>	\$123.9 Million	69 Awarded 5 alternatives/ 2 eventually awarded	8	15 easement projects complete	24,841/66,009
				45 easements in process	
				1 easement moved to ALMP Program	
				8 easements withdrawn	
				3 planning projects in process	

## Development of the 2018-19 SALC Program Final Guidelines

Following feedback on Round 4 of the program, staff prepared updates to the program guidelines. Staff released the draft 2018-19 SALC Program Guidelines for public review in October 2018. Staff held two public workshops, one in Sacramento and one via web. Comments could also be submitted by email, mail, or telephone. In total, 31 organizations submitted comments, which are included in SALC Public Comment Compilation. Staff updated the draft and prepared the draft Final Guidelines after discussing these comments and consulting the SALC Interagency Workgroup, which includes DOC staff and representatives from the California Natural Resources Agency, California Department of Food and Agriculture, California Air Resources Board, California Environmental Protection Agency, and the Strategic Growth Council.

### Key issues addressed in the SALC Final Guidelines

The revisions to the draft Final 2018-19 SALC Program Guidelines focus in four areas:

1. Revising the planning component of the program,
2. Reorganizing the risk options,
3. Clarifying the project selection criteria for easement projects, and
4. Revisions to administrative requirements.

The following information summarizes decisions around these key topics within the guidelines:

#### 1. Planning Component Updates

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

- a. Grants for agricultural conservation easements to protect lands in perpetuity for agricultural use.
- b. Planning grants to develop and implement plans for the protection of agricultural lands at risk of conversion to non-agricultural uses; and

Uptake of the planning component has been lower than desired, and no planning applications were received in Round 4. Because of this, staff have made several material changes to the second component.

- **Expanded Eligible Planning Activities:** In rounds 2, 3 and 4, applicants were required to select from five eligible project types, each of which involved specified tasks. In the draft Final Guidelines, applicants may propose innovative projects that establish a comprehensive set of goals, policies, and objectives to support the long-term viability and protection of agricultural land, identify and designate priority land for conservation and/or identify and designate a set of feasible implementation measures designed to promote those goals, policies, and objectives. The tasks necessary to complete the plan will be proposed by the applicant.
- **Eligibility:** In earlier rounds, eligibility for Strategy and Outcomes grants was limited to cities and counties. In round 5, applicant eligibility has been expanded to include local

area formation commissions and special districts. The Department strongly encourages applicants to submit proposals that demonstrate a commitment to meaningful, actionable collaboration with stakeholders from multiple organizations (e.g., neighboring counties, cities, local area formation committees, agricultural organizations, land trusts, open space districts, community-based organizations, and others).

- **Quantification:** In earlier rounds, Strategy and Outcome grants had to result in a quantifiable outcome (e.g., a SALC Program agricultural conservation easement and/or zoning ordinances that effectively extinguished development rights), and applicants had to provide sufficient data to quantify the GHGs avoided using the applicable quantification methodology at the time of application. Recent changes in the California Air Resources Board's 2018 California Climate Investments Funding Guidelines measure GHG emissions reduced or avoided at a programmatic rather than project level. As a result, the requirement that a grant result in an outcome with measurable GHG emissions avoided associated with the project, such as an easement or adopted land use rule or regulation, has been removed. Stakeholder feedback indicates that cities and counties were reluctant to participate due to the requirement that applicants concurrently apply for and be granted a SALC program agricultural conservation easement project as well as complete a planning project subject to a political process before they could be reimbursed. It is hoped that local and regional governments will be more likely to participate because of the removal of this requirement.
- **Renaming:** In response to stakeholder comments and the changes outlined above, this component of the program will be called "Sustainable Agricultural Lands Conservation Planning Grants." This reflects an expanded breadth of available project types.

## 2. Risk Options

- **Easements:** In consultation with the California Air Resources Board staff, the risk options have been reorganized to better reflect the conversion threat represented by each option and used to determine the number of development rights to be extinguished by a project.
- **Planning Grants:** In previous rounds of the program, each planning project had to result in a quantifiable outcome, either by meeting a risk option (e.g., agricultural land identified for development in a submitted development proposal, undergoing environmental review) in the same way easement projects do or by providing evidence of a risk of conversion. Applicants had to provide sufficient data to quantify the GHGs avoided to qualify for funding. This has been a potential barrier to participation in the program. Now, projects no longer have to meet a risk option, although they must still describe the risk of conversion.

## 3. Clarifying Project Selection Criteria

The use of quantitative metrics to evaluate easement projects aided in staff review of projects in the FY2017-18 funding cycle. Stakeholders have recommended a series of refinements to clarify these requirements. The following changes are reflected in the draft Final Guidelines:

- a. Criteria grouped based on topic;

- b. Co-benefits revised to include public health co-benefits and benefits associated with reducing the potential for catastrophic wildfire;
- c. Criteria added to encourage submission of projects located within and benefiting priority populations;
- d. Criterion added to provide points to projects linked to plans funded through the SALC planning component.

#### 4. Administrative Requirements

The FY2018-19 Guidelines integrate jobs reporting requirements consistent with The California Air Resources Board's 2018 California Climate Investments Funding Guidelines.

The requirements for applications located within priority population areas to receive 100% funding for easement projects have been refined. The FY2017-18 Guidelines required that an application meet the California Air Resources Board's definition of providing direct, meaningful, and assured benefits to a priority population to qualify for 100% funding. In the FY2018-19 Guidelines, applications where fifty percent or more of the project area a) is located within a priority population and b) is comprised of Prime Farmland or Farmland of Statewide Importance now qualify for 100% funding. In addition, Easement projects will now receive 5 points on their application for being located within a priority population and will receive an additional 5 point if they qualify for priority population status.

To reduce the financial burden on applicants, the following revisions have been made:

- a. The requirement that applicants itemize their associated costs request at the time of application has been removed. Instead, at the time of award, all projects awarded funding will be allocated up to \$50,000 for associated costs in addition to their easement request. Applicants may request a different amount in their applications, and they may only invoice for costs incurred to execute the project. Any unspent funds would revert to the program and be available for expenditure in the next funding cycle.
- b. If a project is approved, and an appraisal contains an easement value that is higher than the estimate provided in the application, the project award may be increased by up to 5% at the discretion of program staff, or up to 15% with formal action of approval by the Council. The SALC contribution to the easement purchase price shall not exceed 75% of the appraised easement value, except if the project met the requirements for reduced match at the time of award.

### **Next Steps for the 2018-19 SALC Program**

#### Technical Assistance

For the first time, targeted technical assistance will be offered to eligible applicants for planning grants projects. A request for proposals seeking a technical assistance contractor is currently open. Proposals are required to be submitted by December 20, and a notice of award is expected January 7, 2019. The technical assistance contractor will help address planning grant applicants' skill in agricultural conservation planning, develop viable projects, and prepare grant applications. The technical assistance contractor will conduct outreach to eligible applicants to

understand interest, assess local needs, develop and implement training curricula, assist with development of eligible grant projects and applications, and, if the project is awarded a grant, assist with implementation of the grant project. Identification of technical assistance recipients will occur after the contractor has started in February.

### Update to the Quantification Methodology

In spring 2019, the Department of Conservation and the California Air Resources Board will hold a stakeholder workshop on the program's quantification methodology to further refine the quantification methodology and its application to the program. Some anticipated topics include refining the manner in which zoning densities are applied to determine development rights extinguished. While some modifications may be made to incorporate stakeholder feedback, the underlying methodologies that calculate the GHG benefits of SALC projects based on estimated reductions in vehicle miles traveled through protecting critical agricultural lands at risk of conversion to urban and rural residential development will remain unchanged. The Department of Conservation will apply the quantification methodology to projects in coordination with the California Air Resources Board to calculate estimates of avoided greenhouse gas emissions.

### Request for Grant Applications

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

Release Solicitation for Projects: December 2018  
Technical Workshops: March 2019  
Pre-Proposal Concepts Due: April 17, 2019  
Full Proposal Deadline: September 13, 2019  
Recommendations for Award: December 2019

### **Staff Report Attachments**

Attachment 1: 2018-19 SALC Program Draft Final Guidelines (clean and redlined)  
Attachment 2: SALC Public Comment Compilation