ACTION

Agenda Item #6

February 25, 2020

Subject: FY 2019-20 Sustainable Agricultural Lands Conservation Program Draft Final Round 6 Guidelines

Reporting Period: February 2020

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

Recommended Action

Adopt the draft final Round 6 Guidelines for the Sustainable Agricultural Lands Conservation Program. With Council adoption, program staff will proceed with project solicitation. Staff will recommend project awards in a separate California Strategic Growth Council action later in the year.

Summary

The Sustainable Agricultural Lands Conservation Program (SALC) provides grants to fund agricultural conservation acquisitions and local government plans to protect agricultural lands from conversion to more greenhouse-gas-intensive uses. This will be the sixth round of the program, which has made awards on an annual basis.

Staff continues to refine the program on an annual basis considering program priorities and in response to stakeholder input. This year, for conservation acquisition grants, Staff recommend the following program changes for acquisition grants:

- Piloting fee title acquisition as an eligible project type under the conservation acquisitions;
- Funding for management plans;
- Refining the program's Risk Options;
- Removing the minimum deed terms requirement; and
- Changing the points possible for the program's selection criteria.
- For planning grants, Staff recommends adding Councils of Government, Municipal Planning Agencies, and Groundwater Management Agencies as eligible applicants.

Throughout the guidelines, staff recommends other non-substantive changes to the text for clarity. This year's program guidelines also include the pre-proposal, application and grant agreement materials.

Staff released the Draft Round 6 SALC Guidelines on December 20, 2019. In 2020, staff held public workshops on proposed changes on January 22 in Sacramento and January 23 in San Bernardino. The Sacramento session included a webinar for remote attendees. A total of 35 people participated in the workshops. Sixteen individuals and organizations submitted comments at the workshops and via electronic mail. The public comment period closed at noon on January 27. Staff received over 100 distinct comments, which Staff reviewed and incorporated into the draft Final Guidelines. A summary of public comments is available as Attachment 2.

Background

The Affordable Housing and Sustainable Communities program (AHSC), established by the California Legislature in 2014, is administered by SGC, "to reduce greenhouse gas emissions through projects that implement land use, housing, transportation, and agricultural land preservation practices to support infill and compact development…." (Pub. Resource Code § 75210).

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

SALC facilitates the reduction of GHG emissions by protecting croplands and rangelands at risk of conversion to urban and rural residential development. The program has thus far accomplished this by investing in two project types: agricultural conservation easements and local government planning grants. Easement projects extinguish development rights, thereby avoiding increases in GHG emissions by reducing opportunities for expansive, vehicle-dependent forms of development; planning grants support the implementation of Sustainable Communities Strategies or other local plans that reduce greenhouse gas emissions. The quantification methodology estimates avoided GHG emissions per project based on vehicle miles traveled avoided when properties are protected from development, as well as emissions avoided from forgone construction and building energy from heating.

In prior rounds, the Council has awarded $183 million through SALC, supporting:

- 72 easement projects covering 113,000 acres of agricultural land;

- 14 planning grants;
- Technical assistance for three local governments in 2019/2020; and
- 11 million metric tons of carbon dioxide equivalent to be avoided.

Recommended Revisions to the Round 6 Program Guidelines
The principal goals of SALC are to:

1) Protect agricultural lands to support infill and compact development in accordance with Public Resources Code section 75210.
2) Further the purposes of AB 32 by avoiding increases in the greenhouse gas emissions associated with the conversion of agricultural land to nonagricultural uses.

Staff proposes several changes to the Guidelines to better align them with these goals, to clarify how projects should meet these goals, and to more specifically state the roles and responsibilities between SGC and DOC.

1.) Eligible Project Types

In its first five rounds SALC had two eligible project types: agricultural conservation easements and planning grants. Based on stakeholder feedback, the Round 6 draft Final Guidelines add two eligible project types: fee acquisition and management plans.

A. **Fee Acquisition:** Staff recommends adding fee acquisition projects as a pilot project type. This option would allow awardees to purchase agricultural properties outright, offering an alternative to acquiring a conservation easement. This project type would address three key concerns:
   a. Some landowners do not want to continue farming and prefer to sell the entire property, rather than selling just an easement;
   b. Market conditions sometimes make selling an easement infeasible; and
   c. Some land trusts have business models that focus on land ownership, not conservation easements.

   Adding a fee acquisition element to SALC presents two key challenges:

a. *The cost to acquire fee title is more than the cost to acquire easements, which could reduce the overall acreage that protected through SALC*. To address this Staff recommends that:
   i. SALC make fee acquisition awards in the same amount it would make to an easement project. For conservation easements, SALC typically contributes 75% of the appraised value of the easement; therefore in order to establish equivalent system for fee acquisition, Staff recommends that SALC require applicants seeking fee acquisition awards attain valuation of a hypothetical easement for the property and request an award equal to 75% of that amount. Some stakeholders expressed concern that this process could be cumbersome; however, there is not another identified methodology to accurately determine an equitable proportion of the value that SALC should contribute to a fee acquisition project, given the vast disparity in land values across the state.
   ii. The Council fund up to three fee acquisitions and not more than twenty five percent (25%) of available funding is available for fee acquisition pilot projects in funding Round 6 of SALC.

b. *In the absence of an agricultural conservation easement, ensuring that the property stays in productive agriculture.* To address this, Staff recommends that:
   i. All fee acquisitions must include affirmative covenants in the transaction documents that the property be maintained in agricultural use. This is different from easement transactions, which only require the property remain available for agricultural use.
   ii. All applications for fee acquisitions must include a plan for how the applicant will ensure that productive agriculture will occur on the property and enforce certain requirements related to all future revenue, as described more below.
   iii. If the grantee plans to lease out the property, then the lease must occur in a commercially reasonable time, and all lease revenues be invested into improvements on the property or in other conservation measures in the grantee's region. The State will require the grantee to account for lease revenue and expenditures on an annual basis. If the grantee plans to do a "buy-protect-sell" transaction where the fee title held property is sold back into private ownership with the grantee retaining an agricultural conservation

easement, then the transaction must be completed within three years of the SALC acquisition. Grantee must return profits from the sale of the SALC-acquired fee title property to SALC in proportion to SALC's contribution to the transaction.

B. **Management Plans:** Since the inception of the program, stakeholders have requested that SALC fund the adoption of land management practices to increase carbon sequestration enhance other natural resource co-benefits on protected properties. Staff recommend providing up to $10,000 in grants for the development of management plans to accompany easement and fee-title acquisition grants if requested by the applicant. These $10,000 grants would enable landowners and their partners to contract with experts from the Natural Resource Conservation Service, Resource Conservation Districts, UC Cooperative Extension, and others to create plans that will help determine the management actions needed to enhance air, water, and soil co-benefits.

2.) Minimum Deed Terms

As part of the acquisition transaction, DOC staff works with grantees, landowners, and match funders to prepare conservation easement deeds and grants final approval on the document. This process ensures the inclusion of SALC-required provisions to protect the property consistent with AHSC statute, GGRF funds, and SALC program goals and requirements. The SALC program has historically provided a long-form (approximately 30-40 pages) easement template that includes mandatory provisions. To better identify SALC's key provisions and facilitate quicker transactions, Staff developed a short-form "minimum deed terms" template. This minimum deed terms template was intended to speed up the transaction process by providing certainty for the applicant, landowner, and appraiser on the terms that are required under the SALC program and reduce the amount of staff time needed to review easement drafts. The terms and concepts in the minimum deed terms were designed to be compatible those used by the Natural Resources Conservation Service, which frequently provides match funding for SALC easements.

In general, stakeholders commented that they prefer the prior easement template, as they found that the minimum deed terms were too inflexible to adequately capture unique property attributes and wouldn't allow for greater restrictions than those imposed by SALC. Staff

recommend making both the prior template and the minimum deed terms document available for grantees to use. SALC staff will continue to review all easement deeds to ensure they are compatible with the SALC program goals and requirements.

3.) Risk Options

The goals of the AHSC program, which SALC is a part of, include "protecting agricultural lands to support infill development" by acquiring "easements and other approaches or tools that protect agricultural lands that are under pressure of being converted to nonagricultural uses, particularly those adjacent to areas most at risk of urban and suburban sprawl…" (Public Resources Code section 75210(h) and 75212(h).).

Staff developed the risk options developed during SALC Round 2 in 2015-16. The risk option provides evidence that a property is at risk of conversion to nonagricultural uses. Property that does not meet a risk option is not eligible for funding through SALC; neither is property that is at risk of conversion to uses not quantified by the risk options. The risk option is important to calculating the greenhouse gases avoided by preventing conversion to nonagricultural uses.[1]

To demonstrate that a property is at risk of conversion, SALC initially developed 10 risk options in three categories. The Residential category addresses conversion of agricultural land to housing in areas up to two miles from urban or suburban areas with the densest hypothetical housing associated with conversion. The Rural Residential category covers properties two to five miles out from urban and suburban areas with lower hypothetical housing density than the Residential category.

The Current Zoning category contains three risk options looking at a projects' relative distance from highway interchanges, recreational centers, or whether the property possessed "certificates of compliance," county-issued certificates recognizing a legal parcel with an

[1] The California Air Resources Board's approved Quantification Methodology for Agricultural Lands Conservation quantifies greenhouse gas emissions avoided based on the estimated avoided vehicle miles traveled, soil disturbance caused by construction, and building energy use resulting from protecting agricultural land at risk of conversion and limiting opportunities for expansive, vehicle-dependent forms of development. The risk options categorize the types and land use densities anticipated, should the proposed site be converted to more intense uses based on local conditions. The density type and project size are used to quantify the number of development rights that would be extinguished by completing the project, which are then used to calculate the anticipated GHG emissions that would be avoided by completing the project.

associated housing right. These projects tend to be farthest from urban and suburban centers, cannot qualify for risk options in the residential or rural residential categories, and have the lowest vehicle miles traveled and fewest greenhouse gasses avoided. Staff analysis found that projects eligible through this category would not directly support AHSC's goal of supporting infill development.

Staff recommends eliminating the Current Zoning category in its entirety to focus funding on projects that more directly support AHSC's goal of protecting agricultural lands to support infill development and reduce greenhouse gasses through avoided conversion of agricultural land to nonagricultural uses. Removing this category is not anticipated to significantly reduce the applicant pool, since historically few projects applied using these risk options as a basis for eligibility. Given the low GHG reduced from these projects, eliminating this category is not anticipated to negatively impacts SALC's continued ability to achieve greenhouse gasses avoided.

4.) Selection Criteria

Reviewing applications is a multi-step process that considers a project's eligibility, readiness, and selection criteria. Only projects that are eligible and funding-ready are scored against the selection criteria. The selection criteria are quantitative metrics to evaluate easement projects and consider a variety of factors to assess a project's agricultural use and other benefits.

Selection criteria prioritize funding projects that best meet AHSC's mandate to protect agricultural lands that are most at risk of urban or suburban conversion or of special environmental significance (Public Resources Code section 75212(h)) and advance the GGRF goals of selecting projects for multiple benefits (Funding Guidelines for Agencies that Administer California Climate Investments p.12 (2018).) The selection criteria are informed by California Farmland Conservancy Program, GGRF funding guidelines, and other conservation programs.

In the most recent SALC funding round, 135 selection criteria points were distributed across 19 criteria including greenhouse gasses avoided; agricultural use; and environmental, economic, public health benefits; benefits to priority populations; and applicant support and capacity.

Staff recommends awarding up to 155 points across 20 criteria in the proposed Round 6 Guidelines. The points are designed to competitively balance program priorities such as greenhouse gasses avoided and agricultural use against environmental, economic, fiscal, public

health, and other benefits that arise from conserving agricultural lands. Two additional criteria - "other co-benefits" - award projects points for collaborating with Native American tribes and supporting farm incubator and farmer training. The table below the Draft Round 6 Selection Criteria with Round 5 Selection Criteria.

Round 5 Selection Criteria	***Max. Points***	***Draft 6 Selection Criteria***	***Max. Points***
Subcategory: Risk of Conversion/Greenhouse Gases Avoided		**Subcategory: Risk of Conversion/Greenhouse Gases Avoided**	
The project avoids a greater number of GHG emissions per acre relative to projects that propose to conserve comparable land uses within the pool of applicants evaluated this round.	**15**	The project avoids a greater number of GHG emissions per acre relative to the other projects within the pool of applications evaluated this round.	**5**
The property is located within 2 miles of a city sphere of influence for a city with a population greater than 5,000, or within 2 miles of a census designated place (CDP) with a population greater than 5,000.	**10**	The property is located within 2 miles of a city sphere of influence for a city with a population greater than 5,000, or within 2 miles of a census designated place (CDP) with a population greater than 5,000.	**25**
The conserved property would act as or add to a community separator between two communities or a greenbelt along the edge of a single community.	**10**	The conserved property would act as or add to a community separator between two communities or a green belt along the edge of a single community.	**10**
The property is identified for conservation in an adopted conservation plan, regional conservation program, mitigation plan, or sustainable communities strategy.	**10**	The property is identified for conservation in an adopted agricultural conservation plan, regional agricultural conservation program, agricultural mitigation plan, SALC-funded plan, or sustainable communities strategy.	**10**
The property is subject to conversion risks in addition to the identified Risk Options.	**5**		
Subcategory: Agricultural Use		**Subcategory: Agricultural Use**	
The property is in active agricultural production, including cultivated and non-cultivated agriculture (e.g., rangeland and pasture).	**5**	The property is likely to support long-term, robust, economically viable, commercial agricultural production. The property provides local or regional food systems benefits.	**15**

Round 5 Selection Criteria	*Max. Points*	*Draft 6 Selection Criteria*	*Max. Points*
The property is surrounded by other parcels with sizes and land uses likely to support long-term commercial agricultural production.	**5**	The property has adequate water availability and water quality for agricultural purposes.	**10**
The property has no known agricultural constraints due to soil or water contamination.	**5**	The property incorporates or is in the process of incorporating on-farm conservation management practices that build soil health for soil carbon sequestration or decrease GHG emissions.	**10**
The property has adequate water availability and water quality for agricultural purposes.	**5**	The property incorporates or is in the process of incorporating on-farm land management practices that improve water use efficiency, conservation, and reduction; increase use of recycled water; support groundwater recharge; or reduce reliance on groundwater.	**10**
The property incorporates or is in the process of incorporating on-farm conservation management practices that build soil health for soil carbon sequestration or decrease GHG emissions.	**5**	The project includes development and implementation of a SALC funded management plan.	**5**
The property incorporates or is in the process of incorporating on-farm land management practices that improve water use efficiency, conservation, and reduction; increase use of recycled water; support groundwater recharge; or reduce reliance on groundwater.	**5**		
Subcategory: Environmental Co-Benefits		**Subcategory: Environmental Co-Benefits**	
The property provides environmental conservation values or co-benefits in addition to those specified below (e.g., protection of open space, viewshed, wildlife habitat, biodiversity, riparian corridor, habitat along an elevational gradient; reduction in the potential of catastrophic wildfire).	**10**	The property provides environmental conservation values or co-benefits in addition to those specified below.	**5**

Round 5 Selection Criteria	*Max. Points*	*Draft 6 Selection Criteria*	*Max. Points*
The property is in strategic proximity to other permanently protected lands (e.g., other agricultural conservation easements, habitat conservation easements, or other fee-title protection).	**5**	The property is in strategic proximity to other permanently protected lands (e.g., other agricultural conservation easements, habitat conservation easements, or other fee-title protection).	**5**
		The property is identified for conservation in an adopted habitat or wildlife conservation plan, regional habitat or wildlife conservation program, or habitat or wildlife mitigation plan.	**5**
Subcategory: Economic Co-Benefits		**Subcategory: Economic and Fiscal Co-Benefits**	
The property provides economic co-benefits (e.g., retention of local jobs and agricultural revenue; food production for local, national, and/or international markets; retention of entrepreneurial opportunities).	**10**	The property provides economic co-benefits.	**5**
Subcategory: Public Health Co-Benefits		**Subcategory: Public Health Co-Benefits**	
The property provides public health co-benefits (e.g., reduction or elimination of pesticide use; access to affordable, nutritious foods; reductions in food waste; reduction in the risk of wildfire-related health impacts).	**10**	The property provides public health co-benefits.	**5**
		Subcategory: Other Co-Benefits	
		The acquisition will provide access to cultural resources and will be completed in collaboration with one or more Native American tribes.	**5**
		The property will support a farm incubator or other new farmer training program.	**5**
		The property provides other co-benefits.	**5**
Subcategory: Priority Populations		**Subcategory: Priority Populations**	

Round 5 Selection Criteria	*Max. Points*	*Draft 6 Selection Criteria*	*Max. Points*
The property is located within a priority population area as identified using CalEnviroScreen 3.0.	**5**	At least 50% of the property is located within a priority population area.	**5**
The property provides documented direct, meaningful, and assured benefits to a priority population and qualifies for priority population status.	**5**	The property provides priority population benefits.	**5**
Subcategory: Applicant Support		**Subcategory: Applicant Capacity**	
The applicant has the technical and fiscal capacity to secure and steward the easement, as evidenced by accreditation by the Land Trust Accreditation Commission.	**5**	The applicant has the technical and fiscal capacity to secure and steward the acquired interest, as evidenced by accreditation by the Land Trust Accreditation Commission.	**5**
The project is related to a SALC Planning grant (this round) or Strategies and Outcome Grant (prior rounds).	**5**		
Total points possible	**135**	**Total points possible**	**155**

5.) Eligible Applicants for Planning Grants

The Round 5 Guidelines included significant changes to the SALC planning grants program in order to diversify the eligible applicant pool and the types of projects that could qualify for SALC funding. These changes resulted in the most competitive funding round for SALC planning grants, with six projects awarded totaling $1.2 million dollars. Additionally, in 2018, SALC awarded a two-year contract for technical assistance to engage eligible grantees, hold workshops, and support three counties in the development of planning grant project proposals.

To maintain the positive momentum around planning grants, Staff recommends no substantial changes to this element of the program. Staff recommends two small changes to better reflect the potential applicant pool. Staff recommends adding Councils of Government, Municipal Planning Organizations, and Groundwater Management Agencies as eligible planning grant applicants. Councils of Government are agencies composed of local governments and have regional transportation planning authority. SALC projects, both acquisitions and planning grants, must implement a Sustainable Communities Strategy that is part of a regional transportation

plan. By making Councils of Government eligible grantees for planning grants, SALC could encourage these entities to integrate agricultural land conservation into transportation planning and implementation projects.

Groundwater management agencies are working to address how groundwater will be managed now and in the future. Implementation of groundwater management plans has the potential to affect agricultural land use. Staff recommends adding these entities to the eligible applicant pool to address agricultural land conversion caused by groundwater availability.

Council Recommendation

Adopt the draft final Round 6 Guidelines for the Sustainable Agricultural Lands Conservation Program. With Council adoption, staff will proceed with project solicitation. Staff will recommend project awards in a separate Strategic Growth Council action later in the year.

Attachments

Attachment 1: Draft Final Guidelines

Attachment 2: Public Comments Compilation