

**STATE OF CALIFORNIA
REGIONAL WATER QUALITY CONTROL BOARD
CENTRAL COAST REGION**

STAFF REPORT FOR REGULAR MEETING OF MAY 8, 2009

Prepared on April 10, 2009

ITEM NUMBER: 16

SUBJECT: Funding for Special Projects:

- 1. Central Coast Low Impact Development Center (LID Center) Status Report and Proposal to Revise the LID Center Fund Allocation**
- 2. American Land Conservancy Request for \$950,000 to help fund the Wild Cherry Canyon Conservation Project**

SUMMARY

This report provides an update on the Central Coast LID Center, staff's proposal to revise the Water Board's funding allocation for the LID Center, and a recommendation regarding the American Land Conservancy's request to help fund the Cherry Canyon Conservation Project near Avila Beach.

The Water Board has allocated \$2.3 million to support the LID Center. The funding consists of \$2 million as an endowment, where only the interest earned or market gain is used, and \$351,000 in flexible funding. The \$351,000 will be expended by approximately the end of July 2009 (an average expenditure of \$23,300/month for 15 months). In Water Board staff's view, the LID Center is performing well. Dr. Inglis, the LID Center Director, has significantly advanced staff's practical knowledge of LID and hydromodification controls, the economics of LID, and the challenges faced by municipalities in implementing LID. Dr. Inglis is also playing a key role in helping municipalities develop their own hydromodification criteria, including coordination of grant funding efforts.

Staff is recommending that the Water Board revise its LID Center funding allocation to allow spending down the \$2 million endowment, if necessary, to support the LID Center. Attachment 1 is revised Resolution No. R3-2007-0064, showing the proposed revisions. This revision will allow Water Board staff to spend the \$2 million as needed to support the center if other funding is not available. The LID Center and Water Board staff are pursuing several other funding proposals, so it may not be necessary to spend down the \$2 million endowment. If the Water Board's \$2 million allocation is the only source of funding available, which is possible in these economic times, the funding would support Dr. Inglis's position at the LID Center for three to four years beyond July 2009.

The American Land Conservancy is again requesting \$950,000 from the Water Board's Guadalupe Settlement Fund for their Wild Cherry Canyon Conservation Project. Additional information, maps, and photos are available here: http://www.alcnet.org/support/Wild_Cherry_Canyon. This project would purchase the 190-year lease on about 2400 acres of coastal watersheds, and transfer management of the acreage to State Parks. The total project cost is \$24 million, and the American

Land Conservancy has commitments for most of the necessary funding from state agencies and private donors. Funding from the Water Board may play a significant role in finalizing the deal. The Water Board previously declined to provide funding for this project pending additional financial support for the total project (from other sources) and a guarantee that PG&E, the property owner, would provide fee title to the American Land Conservancy or State Parks. The Water Board's Guadalupe settlement fund has approximately \$2 million available for allocation to projects. If the Water Board approved the Wild Cherry Canyon proposal, there would be about \$1 million remaining in the Guadalupe settlement account.

Although Water Board staff has recommended funding for the Wild Cherry Canyon project in the past, and we still consider this to be an outstanding conservation project, we recommend against funding at this time due to the great uncertainty over our economy and the State budget. Considering the state of the economy and the scarcity of other grant funding, we recommend reserving the remaining Guadalupe settlement funds for our top priority project, the Central Coast LID Center, and possibly other projects related to the LID Center's work and our long-term, large-scale efforts to protect healthy watersheds on a regional scale.

DISCUSSION

Central Coast Low Impact Development Center

Much of the information presented here regarding the Central Coast LID Center is from the February 2009 Executive Officer's Report, and the budget numbers have been updated.

In February 2008, the Water Board allocated \$2.25 million to establish and support a Central Coast Low Impact Development Center (LID Center). These funds consist of a \$2 million endowment where only the interest earned or market gain is used, and \$250,000 in flexible funds to be used as needed to support the LID Center. In July 2008, the Water Board redirected an additional \$101,775 from previously approved LID project funds to support the LID Center, making the total flexible allocation \$351,775. Staff established the LID Center funding accounts with the Bay Foundation of Morro Bay.

Following the February 2008 Board meeting where the Water Board allocated initial funding, staff worked with Neil Weinstein, Director of the LID Center of Maryland, to establish a branch office in San Luis Obispo and recruit a Director for the office. Mr. Weinstein hired Dr. Darla Inglis, formerly with the City of Seattle, as the office Director. Dr. Inglis has been working full time for the LID Center since September 2008 (and worked part time prior to September during transition).

The budgeted tasks for the first 15 months (May 2008 through July 2009) include initial LID services by LID Center of Maryland staff prior to hiring Dr. Inglis (such as review of the Salinas Design Standards Plan.). One of Dr. Inglis' initial tasks was to draft a work plan describing the types of LID services she would provide to Water Board staff, consultants, and municipalities, and these services are the vast majority of charges to date.

The balance of the endowment fund is \$1,781,097, as of March 31, 2009 (less than the original \$2 million due to market loss). Fortunately, the \$2 million endowment was not

fully invested just prior to the large market declines in the second half of 2008. However, the endowment has lost 10.9% since inception. Therefore, there is no interest earned or market gain that could be used to support the LID Center.

The remaining flexible funds (from the total allocation of \$351,101) will support Dr. Inglis' work through July 2009, as currently budgeted (a total of 15 months of operation, averaging about \$24,000 per month). Staff and Dr. Inglis will stretch this funding beyond July 2009 if possible, depending on other potential funding sources and reductions in Dr. Inglis' billable hours due to time spent on other projects outside our Region for the LID Center of Maryland.

Other potential funding sources are Proposition 84 Stormwater grants, and the State Board's Cleanup and Abatement Account. Realistically, the dire financial situation in California and the ever increasing demand for any available funds makes these other fund sources extremely competitive. Nevertheless, Water Board staff and Dr. Inglis are pursuing these possibilities:

- December 2008 proposal to the State Water Board for \$120,000 to fund development of a methodology for municipalities to create long-term, locally-specific hydromodification control criteria. The idea for this proposal came from the State Board, and was to support the State Board's new Stormwater Permit for MS4 municipalities. This work would directly benefit Region 3 municipalities. The State Board is scheduled to consider this proposal in April 2009.
- January 2009 proposal to the State Water Board for \$275,000 to help fund the Central Coast LID Center and Dr. Inglis' ongoing work in our Region. This proposal is scheduled to be considered by the State Board on June 2009.
- Water Board staff and Dr. Inglis have been working with municipalities to help them develop grant proposals for Proposition 84 grants. Several municipalities are interested in applying for grants to do specific LID projects. If these proposals are successful, they could mean significant funded work for the LID Center.
- Dr. Inglis is planning to submit a \$1.5 million Proposition 84 grant proposal to fund the development of hydromodification criteria for municipalities in Region 3,

In addition, the State Board received economic stimulus funds that will be applied to municipal projects, and the State will receive additional stimulus funding for infrastructure projects. The LID Center is tracking this opportunity and is poised to offer technical LID services that would benefit infrastructure projects in our Region.

Attachments 2, 2a, and 2b are brief write-ups from Dr. Inglis summarizing the LID Center's ongoing work. As Dr. Inglis states in Attachment 2, one of our ongoing efforts is to establish performance measures for the LID Center. We are very pleased to see that Dr. Inglis is focused on performance measures and is regularly conferring with Water Board staff on whether we are satisfied with the LID Center's work. Water Board staff's view is that the Center is greatly improving our understanding of the practical aspects of implementing LID, hydromodification controls, and watershed protection efforts. Indications of this are the changes staff made to the Salinas' development standards and the Water Board's adoption of staff's recommendation in December 2008. Dr. Inglis spent considerable time with staff to help us understand the principles and application of hydromodification controls, which resulted in staff proposing significant changes in our requirements.

Also, several municipalities stated they were determined to petition the type of

hydromodification requirements the Water Board adopted for the City of Lompoc. The City of Santa Maria was particularly vocal in their opposition to the Water Board's requirements. However, Dr. Inglis helped Water Board staff and Santa Maria staff come to an agreement on language that is "equivalent to" the Board's hydromodification requirements while allowing Santa Maria the flexibility to develop its own hydromodification criteria. Water Board staff's challenge is to allow flexibility, while still ensuring the long-term protection of water quality and watersheds. Dr. Inglis helped us bridge this gap, and Santa Maria has agreed to the final language and will not petition the Board's requirements or request a Water Board hearing. We hope Santa Maria's efforts will lead the way for other municipalities to accept the same hydromodification requirements. Since then, we have enrolled the County of Santa Cruz, the City of Scotts Valley,

To promote wider acceptance, Dr. Inglis is working to align various efforts to create hydromodification criteria with the upcoming Proposition 84 Stormwater grants. The Water Board's requirements, combined with the Proposition 84 grant opportunities and Dr. Inglis' effort to coordinate grant proposals for municipalities, are a major opportunity to advance watershed protection in our Region. Several municipalities have expressed interest in Dr. Inglis' grant coordination effort.

In addition, municipalities and consultants are increasingly contacting Dr. Inglis for help with specific projects, and the challenges of implementing LID and hydromodification controls. All of the above was the outcome we hoped for when we proposed that the Water Board establish and fund the LID Center. Ultimately, our goal is that the LID Center plays a key role in helping municipalities create the long-term capacity to implement LID and hydromodification controls to protect healthy watersheds. From staff's view, these initial results are very promising, and we consider ongoing support for the LID Center to be a top priority.

Given the importance of the LID Center's work, the dire straights of our economy and the lack of other available grant funds, staff recommends that the Water Board approve revised Resolution No. R3-2007-0064 (Attachment 1). The Resolution allows spending down the \$2 million endowment to support the LID Center (specifically, Dr. Inglis' position and general office support), if other sources of funding are not available after July 2009. If the Water Board's \$2 million allocation is the only source of funding available, which is possible in these economic times, the funding would support Dr. Inglis' position at the LID Center for three to four years beyond July 2009.

Wild Cherry Canyon Preservation Project

The American Land Conservancy is requesting \$950,000 to help fund the acquisition and preservation of the 2,400 acre Wild Cherry Canyon property, located in the Irish Hills near Avila Beach, as shown in the illustration, below. This project proposes to purchase the existing 199 year lease that controls all use of the property, including all development, for \$24 million. In a separate but related action, the American Land Conservancy is also working to obtain the underlying fee interest, which is owned by PG&E. This is an outstanding large-scale, coastal watershed conservation opportunity of regional significance. As stated in the proposal, the Irish Hills are recognized as one of California's outstanding conservation areas by The Nature Conservancy, The David and Lucile Packard Foundation, the San Luis Obispo County Land Conservancy, and the American Land Conservancy.

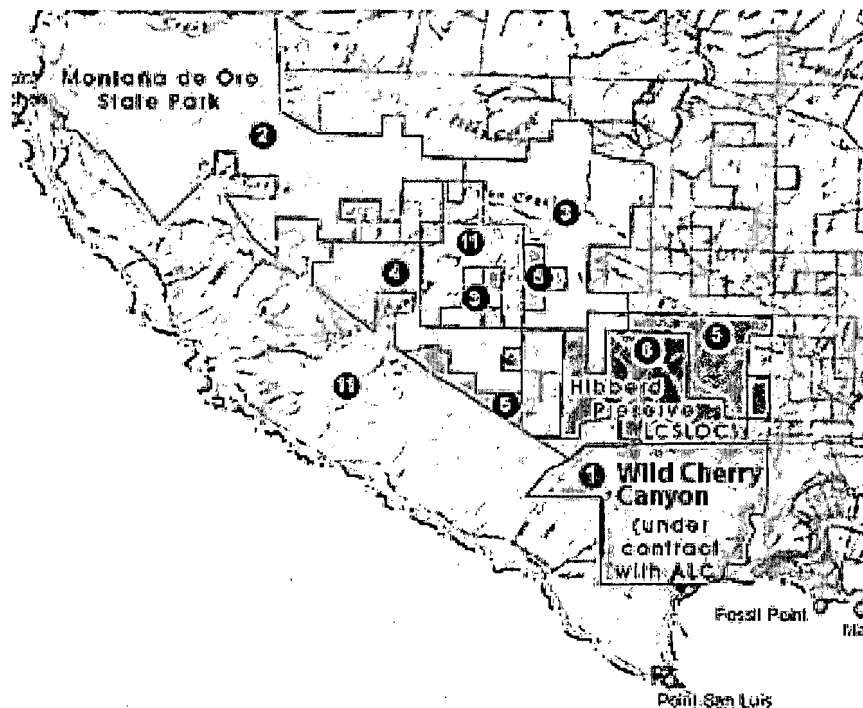
In 2003, the Water Board recognized the value of this conservation project by allocating

\$1.25 million (from the Avila Settlement Fund) to the purchase of the lease; however, the pending deal fell through and the owner proceeded with development plans. Access to this property is readily available just north of Avila Beach, and development is likely if the property is not protected. This is a second chance to protect the Avila Ranch, and the American Land Conservancy is working to obtain funds from the following sources to purchase the lease:

California State Parks:	\$8 million
Coastal Conservancy:	\$7 million
Wildlife Conservation Board:	\$6 million
State Environmental Enhancement and Mitigation Program:	\$1.5 million
State Transportation Improvement Program:	\$0.35 million
Private Funding:	\$0.20 million
Central Coast Water Board:	\$0.95 million

Total \$24 million

This project is also part of a larger conservation effort. The American Land Conservancy is working with the San Luis Obispo County Land Conservancy and State Parks to combine Avila Ranch with the adjacent, pristine Hibberd Preserve to form a new state park of approximately 4,000 acres, with resource protection and recreational opportunities.



This project meets the requirements if the Guadalupe Water Quality fund because it is a very large scale water quality project that will protect multiple coastal watersheds and miles of riparian habitat. Also, the watersheds drain to Avila Bay, which is a 303(d) listed water body requiring protection.

Unfortunately, because of the dire economic conditions and the lack of other grant funding available for the Water Board's other high priority projects, such as the Central Coast LID Center, we are recommending against funding the Wild Cherry Canyon project at this time. We recommend reserving the remaining Guadalupe settlement funds for our top priority project, the Central Coast LID Center, and possibly other projects related to the LID Center's work and our long-term, large-scale efforts to protect healthy watersheds on a regional scale.

CONCLUSION

From Water Board staff's view, the LID Center is performing well. Dr. Inglis has significantly advanced staff's practical knowledge of LID and hydromodification control, and is playing a key role in helping municipalities develop approaches to create their own hydromodification criteria. The LID Center budget is on track to support Dr. Inglis' work through July 2009. Water Board staff and Dr. Inglis will extend the budget as much as possible, depending on other potential fund sources. Due to the lack of other funding sources, staff recommends the Water Board adopt revised Resolution R3-2009-0041 (Attachment 1), which allows Water Board staff to spend down the \$2 million endowment if necessary to support the LID Center after July 2009.

Eventually, the measure of success for Water Board staff and the LID Center will be based on municipalities adopting and implementing effective LID and hydromodification requirements, ordinances, etc., and the design and building projects and infrastructure that meet the new requirements.

We also recommend against funding the Cherry Canyon Conservation project at this time, and recommend reserving the remaining Guadalupe settlement funds for our top priority project, the Central Coast LID Center, and possibly other projects related to the LID Center's work and our long-term, large-scale efforts to protect healthy watersheds on a regional scale.

ATTACHMENTS

1. Revised Resolution No. Resolution No. R3-2007-0064.
2. Summary of LID Center work to date and future tasks (with Attachments 2a and 2b).