

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

STAFF REPORT FOR REGULAR MEETING OF MAY 10-11, 2007

Prepared on April 19, 2007

ITEM NUMBER: 17

SUBJECT: Status Report and Recommendations Regarding the Avila Beach Water Quality Trust :

- 1) Leucadia Ranch Property Acquisition**
- Acquire Andre property in place of Leucadia Ranch property
- 2) Oil Spill Response Project in Port San Luis/Avila Beach Area - Expanded area to include Morro Bay**
- New project proponent
- 3) Status of Other Projects**

SUMMARY

In 1998 the Water Board reached a settlement agreement with Unocal Corporation and several other agencies regarding Unocal's discharge of petroleum in Avila Beach. Among other things, the settlement agreement established the Avila Beach Water Quality Trust. In 2000 the Water Board approved a list of projects to be funded with the Avila Beach Water Quality Trust. This staff report provides an update on the approved projects, and recommends revisions to two projects.

One of the Board approved projects (Project No. 1) allocated \$250,000 to The Nature Conservancy for the Leucadia Ranch property acquisition. Another Board-approved project (Project No. 6) allocated \$25,000 to Metson Marine for oil spill response training, equipment, and deployment in the Port San Luis and Avila Bay area. Neither of these projects has been implemented. There is now opportunity to implement projects similar to those originally approved.

For the Leucadia Ranch property acquisition, staff recommends redirection of the funds to support The Nature Conservancy's purchase of a conservation easement on the 1,920 acre Andre Ranch project located in the Irish Hills. Conservation of the Andre Ranch will protect

existing water quality and beneficial uses by preserving natural landscapes, limiting public access to designated areas, and preventing development.

For the oil spill response project, staff recommends redirection of the funds to support a new agreement with BlueWater and Associates, Inc. for the purchase of oil spill response equipment. This project also proposes an expansion of the area covered to include Morro Bay, in addition to Port San Luis. This project will protect and enhance water quality related to oil spills by improving incident response times and availability of appropriate oil containment equipment.

The discussion below also provides a status report on other projects supported by the Avila Beach Water Quality Trust.

DISCUSSION

In June 1998, Unocal and several State agencies, San Luis Obispo County, and several private parties entered into a settlement agreement and stipulated judgment to settle legal claims arising from the discharge of petroleum from Unocal's pipelines beneath Front Street in Avila Beach. The settlement allocated \$1 million of the total to an Avila Beach Water Quality Trust. The settlement specified that \$100,000 be directed

to the Central Coast Water Board's Central Coast Ambient Monitoring Program, and the remaining amount (\$900,000) be directed to water quality projects chosen by the Water Board (Attachment 1 - Water Quality Project Criteria).

On November 29, 2000, the Water Board approved the projects (Attachment 2), which included \$250,000 for the Leucadia Ranch property acquisition and \$25,000 for oil spill response training, equipment, and deployment in the Port San Luis and Avila Bay area.

Neither of these projects has been implemented for the reasons noted below. Accordingly, staff recommends the following revisions to these projects.

1) Acquire Andre property in place of Leucadia Ranch property

Originally, The Nature Conservancy (TNC) proposed the purchase of consecutive 99-year lease options for the Leucadia Ranch located on the western boundary of the town of Avila Beach. The project sought to preserve 2,600 acres of habitat in the San Luis Obispo Creek and Wild Cherry Canyon watersheds. The property was to be converted to a state park. This was the highest ranked of all the originally approved Water Board projects.

Due to various circumstances (lease purchase price, conditions of the proposed lease, etc.), TNC did not purchase the lease option for the Leucadia Ranch property. Active negotiations regarding preservation of the Leucadia Ranch property between TNC and Leucadia Ranch property representatives terminated in 2003.

The Nature Conservancy has pursued similar acquisition projects in the coastal Irish Hills area. One such project is the Andre Ranch (Attachment 3, Figure 1). The Andre Ranch serves as excellent alternative to the Leucadia Ranch acquisition because the habitat is similar and the location is near Avila. Also, in 2005, the California Department of Fish and Game, Office of Spill Prevention and Response (DFG-OSPR),

reallocated \$1,000,000 in matching funds to the Andre Property acquisition. These funds were previously dedicated to the Leucadia Ranch acquisition. The Andre property, like the Leucadia Ranch property, was selected for funding by DFG-OSPR to protect natural resources in coastal creeks and estuaries.

The approximately 1,920 acre Andre Ranch is located near the center of the Irish Hills. The property combines habitat types including rangeland, live oak woodlands, oak savanna, savanna, chaparral, stream corridors, serpentine rock outcroppings, and closed cone pine forest, similar to the Leucadia Ranch property. The headwaters for several important streams originate on the property including Davis Canyon, Diablo Canyon, Coon Canyon, and See Canyon. Davis Canyon and See Canyon streams are tributary to San Luis Obispo Creek which flows to Avila Bay (Attachment 3, Figure 2). The protection of the Andre Ranch would preserve undisturbed core habitat of the Irish Hills and create an important link between Montaña de Oro State Park and other conservation properties.

The Nature Conservancy and the Andre family have worked together to design a conservation project that will protect the ranch through a combination of fee title and conservation easement acquisitions. The southern portion of the property (approximately 800 acres), characterized by steep mountains and dense oak woodlands and chaparral, will be acquired by TNC in fee and later transferred to Montana de Oro State Park. The northern portion of the property (approximately 1,120 acres) will be protected through the acquisition of a conservation easement to be held and monitored by TNC. The northern portion of the property is characterized by rolling grasslands mixed with oak forests.

The structure of this project provides significant conservation benefits. The Andre Ranch is the headwaters for four important watersheds. The east side of the ranch contains the headwaters for See Canyon and Davis Canyon Creeks, both of which are significant tributaries to San Luis Obispo Creek. The west side provides the

headwaters for Coon and Diablo Canyon Creeks which drain directly to the ocean at Montaña de Oro.

The most sensitive and easily impacted natural resources, such as Coon Creek and coastal prairie grasslands, are located on the northern portion of the Andre property. Keeping this land in private ownership, managed in conformance with the terms of the conservation easement, will reduce the amount of human impact on these resources.

The southern portion of the Andre property is a critical connection for the conceptualized coastal trail from Montaña de Oro State Park to Avila. Acquiring this land in fee will bring State Parks closer to their goal of creating a trail system across the Irish Hills.

The Andre Ranch holds 21 legal certificates for future home sites. The property also has good access, abundant water, amazing views and close proximity to the city of San Luis Obispo. Given these attributes and the growing demand for "ranchettes" in this area, this property's significant natural resources should be considered highly threatened by potential future development.

Also, protecting portions of the property with a conservation easement reduces total project costs by over 60%, as compared to fee acquisition. Furthermore, keeping this land in private ownership allows for the preservation of threatened natural resources, without State Parks incurring the costly obligation of directly managing the land.

The Nature Conservancy and the Andre family are now concluding final easement negotiations. The final appraisal report was completed in February 2006. The Nature Conservancy is also preparing an option agreement for both the acquisition of the fee title on the southern property and the conservation easement on the northern property. The Nature Conservancy and the Andre family signed the Option Agreement in March. The term of the option agreement is one year, to allow for fundraising efforts to be completed. It is a goal of both the Andre family and TNC to complete the transaction well before the end of the option period.

The estimated cost for the fee and conservation easement acquisition associated with the Andre Ranch Conservation Project is \$6 million. In order to complete this project, The Nature Conservancy hopes to secure financial contributions from the Avila Beach Water Quality Trust (\$250,000), the California Department of Fish and Game (\$1,000,000), Coastal Resource Grant (San Luis Obispo County, \$200,000), California State Parks and Coastal Conservancy (balance of project costs). The Water Board's Avila Beach Water Quality Trust contribution is approximately four percent of total project cost.

2) Oil Spill Response Project in Port San Luis/Avila Beach Area

This project is important because there are no Oil Spill Response Organizations (OSRO) in San Luis Obispo County and we rely on the Harbor Departments, in both Port San Luis and Morro Bay, to assist with initial oil spill response and containment until an out of the area OSRO arrives to complete cleanup.

California Department of Fish and Game (DFG) and the Water Board are working together on this project. DFG is the lead agency for this project and developed a \$25,000 contract for project management, administration, planning, and training. Water Board staff developed a separate \$25,000 draft contract for the purchase of oil spill response equipment.

The original contractor identified in Resolution No. 00-004 was Metson Marine. Metson Marine was not able to enter into a contract with DFG to conduct the required work. DFG initiated discussions with a new contractor, BlueWater and Associates Inc., to develop a project similar to the previously approved project. BlueWater and Associates specialize in: 1) emergency response readiness, 2) oil spill response, 3) incident management, and 4) OSHA safety training. BlueWater and Associates proposed an oil spill response project for DFG that included project management, administration, planning, equipment purchase, and training. The proposed project expands the area covered to include Morro Bay in addition to the Port San Luis and Avila Bay areas. DFG entered

into an agreement with BlueWater and Associates in August 2006. The DFG contract term is August 1 2006 through July 31, 2007. Water Board staff propose to fund an agreement with BlueWater and Associates for equipment purchases, pending Board approval.

3) Projects Update

The remainder of this staff report updates other projects that were approved by Resolution No. 00-004 for funding by the Avila Beach Water Quality Trust. Following is a brief update on each project.

A) Oil and Grease Filters in Stormwater Drains

Grantee: TENERA Environmental

Description: The Oil and Grease Filters contain petroleum-trapping filter fabric fitted into fifteen stormwater drain inlets in the town of Avila. This project had an outreach and education component; Tenera worked with schools located in the San Luis Obispo Creek watershed to paint curbs ("Drains to Creek") at locations where filter fabric is installed.

Status: Maintenance Phase Ongoing – The project is in the maintenance phase. All filter units are serviced three times a year at which time they are inspected for damage, cleared of debris, and new filter media is added as needed. The contract has provided funding to continue this level of service until July 2007.

Water Board staff asked the County of San Luis Obispo to include the maintenance of these filters in their storm water management program. Avila Beach is not included in the urban areas required to be covered by the County storm water management program and therefore the County did not include maintenance of these filters in their storm water management program.

Approved Funding: \$15,460

Amount Disbursed: \$13,758

B) Ayers Property Acquisition – Irish Hills

Grantee: City of San Luis Obispo

Description: The acquisition preserves and restores habitat in the lower San Luis Obispo Creek watershed. The Ayers property (also called the Johnson Ranch) occupies 242 acres west of Highway 101 several miles south of the City of San Luis Obispo.

Status: Complete – The Ayers Property was acquired in December 2001.

Approved Funding: \$50,000

Amount Disbursed: \$50,000

C) Port San Luis Harbor Boatyard Upgrade

Grantee: Port San Luis Harbor District

Description: The project provided for an upgrade of the Port San Luis Harbor boatyard to minimize water quality impacts associated with boat maintenance (paint sanding and chippings, oil and grease, fuel, and detergents) at the facility. This project provides a reduction in the contribution of petroleum, metals, and surfactants to the Avila/San Luis Bay area.

Status: Complete – The boatyard upgrade was completed in February of 2002. Water Board members visited this project site in June 2002 as part of their annual off-site Board meeting held at the Harbor District office.

Approved Funding: \$132,500

Amount Disbursed: \$132,500

D) South San Luis Obispo Creek Habitat Restoration

Grantee: San Luis Obispo County Land Conservancy

Description: The project restored riparian corridor habitat, enlarged flood plain habitat, and established seasonal wetlands on the east fork of San Luis Obispo Creek (Filipponi

Ecological Area, approximately 10 acres within a total project area of 80 acres). This project involved measures to decrease stream temperatures, nitrate loading, and sedimentation within East Fork and San Luis Obispo Creeks.

Status: Complete – The San Luis Obispo Land Conservancy completed the habitat restoration project between May and October 2002. Water Board staff approved the final report in June 2004. The Avila Beach Water Quality Trust contributed \$50,000 to the project, which cost a total of \$600,000. Water Board members visited this project in June 2005 as part of a field trip to several watersheds surrounding San Luis Obispo. Department of Fish and Game funds are contributing to ongoing monitoring and maintenance for this project.

Approved Funding: \$50,000

Amount Disbursed: \$50,000

E) Continuous Real-time Water Quality Monitoring

Grantee: Cal Poly, Biological Sciences Department and TENERA Environmental

Description: This project provides a continuous, real-time monitoring station to measure marine water quality off the Unocal Pier adjacent to Avila Beach. Cal Poly continuously monitors specific water quality parameters in Avila Bay to help evaluate the causes of toxic phytoplankton and bacterial blooms associated with San Luis Obispo Creek.

Status: Complete – The monitoring equipment was installed at the end of the Cal Poly Marine Science Research and Education Facility (Unocal Pier) in San Luis Obispo Bay in June of 2003. The monitoring equipment collects conductivity, temperature, turbidity, chlorophyll a, and dissolved oxygen data. The data may be viewed in real time at: www.marine.calpoly.edu/getwet. Water Board members visited this facility in June 2004 and heard a presentation by from Mark

Moline of Cal Poly, as part of the annual off site Board meeting.

Approved Funding: \$107,500

Amount Disbursed: \$107,500

F) Replacement of the Marre Dam/ Improved Fish Passage

Grantee: San Luis Obispo County Land Conservancy

Description: The Marre Weir is a sheet-pile dam located in lower San Luis Obispo Creek where it meets the estuary. The Weir crosses the entirety of San Luis Obispo Creek, and acts as a barrier to migrating steelhead trout. Over the years, several attempts have been made to facilitate fish passage, including two fish ladders. The attempts have proven only marginally effective due to debris accumulation during high flow events. Removal of the dam is infeasible as this would threaten upstream drinking water wells with salt water intrusion. The project focuses on modifications of the dam to allow for fish passage.

The project cut a low flow notch in Marre Weir to improve fish passage. The low flow notch lowers fish jump height, is less susceptible to clogging, and is more in line with fish migration patterns. The Construction of this project was complete in November 2006.

Status: Maintenance Phase Ongoing - The Land Conservancy will monitor the project through December 2007 to determine success of fish passage and changes in salinity on the upstream side of the dam.

Approved Funding: \$50,000

Amount Disbursed: \$46,000

G) Rehabilitation of Primary Clarifier at Wastewater Treatment Plant

Grantee: Avila Beach Community Services District (CSD)

Description: This project replaced the drive unit for the sweep arm on top of clarifier. This preventative maintenance improved system performance and reliability.

Status: Complete - January 2006.

Approved Funding: \$30,000

Amount Disbursed: \$30,000

H) Replacement of Influent Pumps and Restoration of Influent Wet Well at Wastewater Treatment Plant

Grantee: Avila Beach Community Services District (CSD)

Description: This project provided for replacement of the influent pumps and restoration of influent wet well at the wastewater treatment plant. The 1960's suction pumps were replaced with redundant submersibles. The wet well was recoated to address corrosion issues.

Status: Complete - January 2006.

Approved Funding: \$205,000

Amount Disbursed: \$205,000

I) Replacement and Extension of Wastewater Treatment Plant Outfall Diffuser

Grantee: Avila Beach Community Services District (CSD)

Description: Replacement and Extension of Outfall Diffuser. Avila Beach CSD discharges its treated wastewater to San Luis Bay via outfall and diffuser. In the mid-1990's, divers discovered that corrosion and large storms had caused the diffuser section to break off the end of outfall, greatly reducing outfall effectiveness. Rather than just replacing the diffuser, the CSD chose to extend the outfall further offshore, to better distance the discharge from swimmers and the beach.

Status: Complete - June 2006.

Approved Funding: \$233,000

Amount Disbursed: \$233,000

RECOMMENDATION

Staff recommends the Board approve:

1. Reassignment of \$250,000 from the 2,600-acre Leucadia Ranch project to support The Nature Conservancy purchase of a conservation easement on the 1,920 acre Andre Ranch project.
2. Funding a new agreement with BlueWater and Associates, Inc. to purchase equipment and expand the area covered to include Morro Bay, Port San Luis, and the Avila Bay area.

ATTACHMENTS:

1. Water Quality Project Criteria
2. Avila Beach Mitigation Projects
3. Andre Conservation Project Maps (Figures 1 and 2)

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