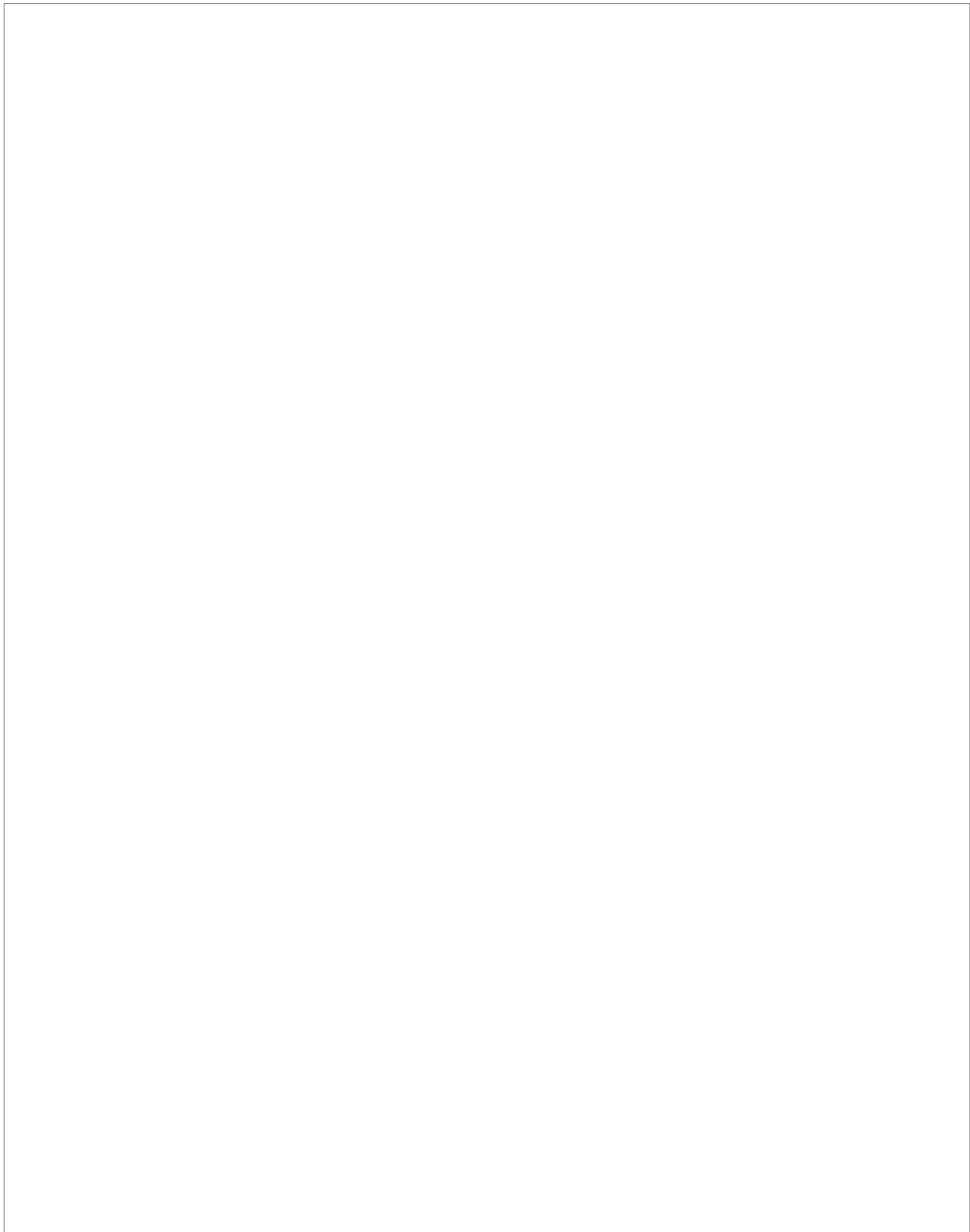




→ *coyote valley* SUSTAINING AGRICULTURE & CONSERVATION

FEASIBILITY STUDY AND RECOMMENDATIONS  
NOVEMBER 2012



# → *coyote valley* SUSTAINING AGRICULTURE & CONSERVATION

FEASIBILITY STUDY AND RECOMMENDATIONS

## FUNDED BY:

San Francisco Bay Area Program of the State Coastal Conservancy Coastal



## A PROJECT OF:

Sustainable Agriculture Education (SAGE)



## IN COLLABORATION WITH:

BAE Urban Economics

bae urban economics

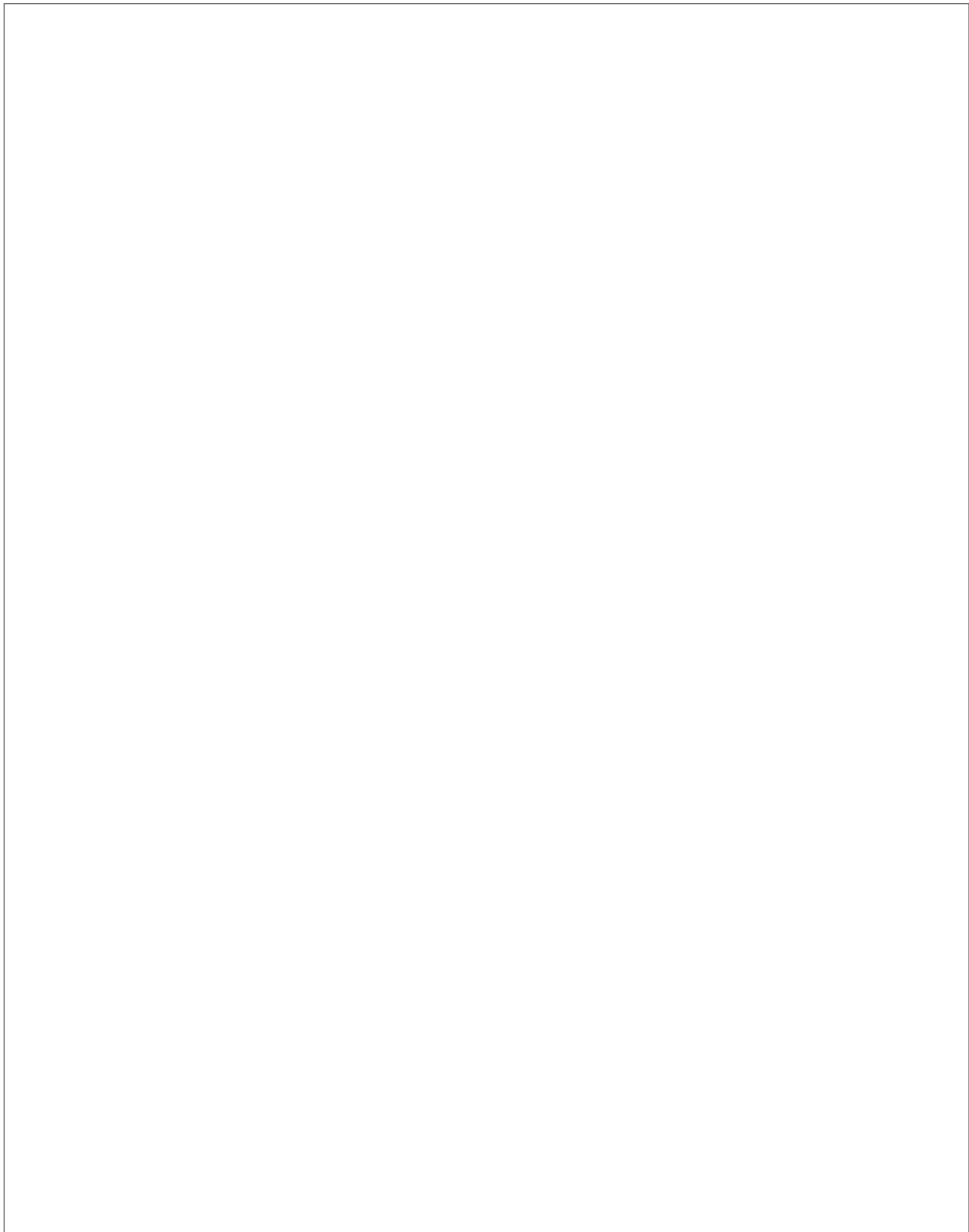
Cultivate



Wallace Roberts & Todd



Applied Development Economics (Phase I)



# → *coyote valley* SUSTAINING AGRICULTURE & CONSERVATION

## FEASIBILITY STUDY AND RECOMMENDATIONS

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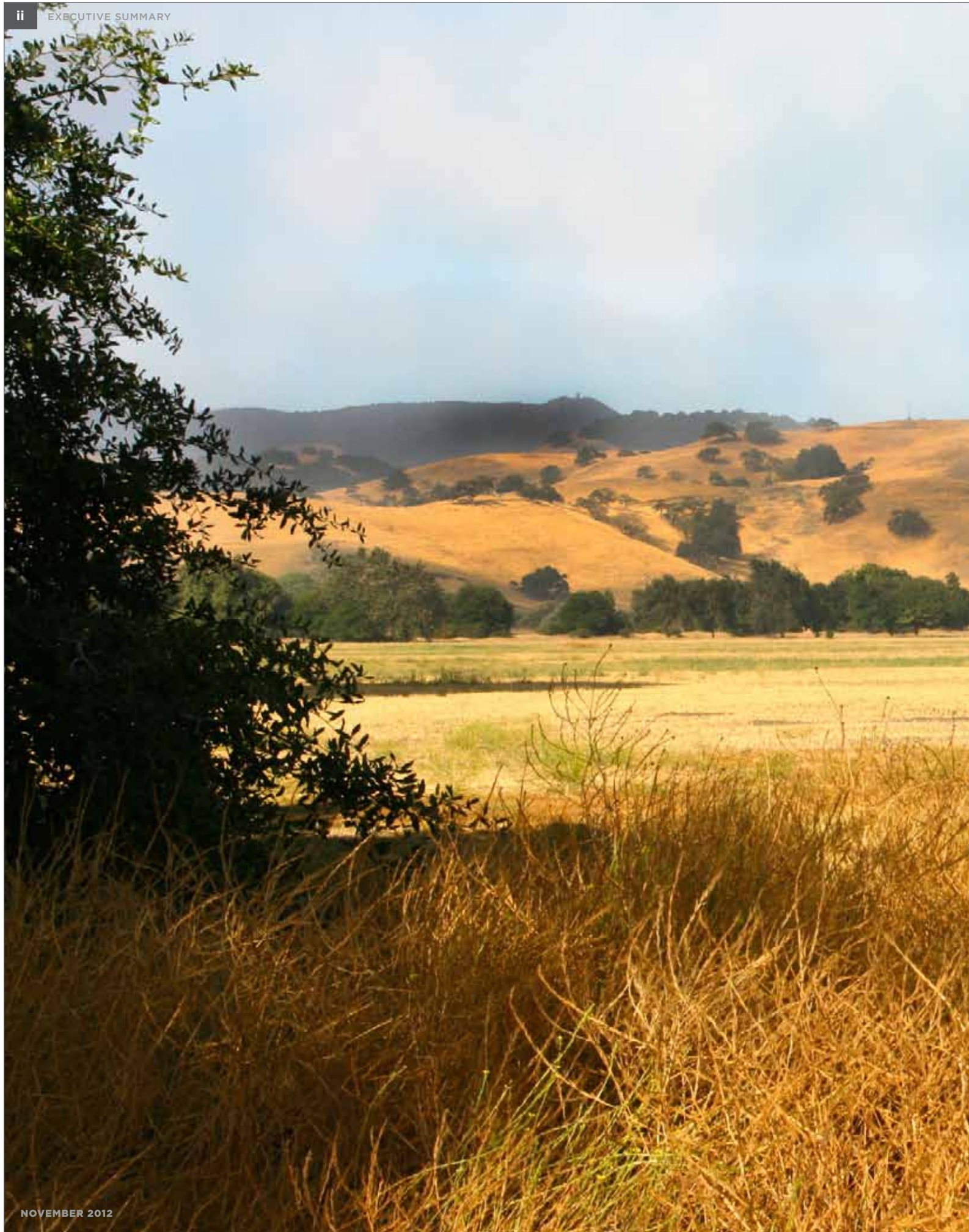
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## *executive summary*

The purpose of the Conserving Coyote Valley Agriculture Feasibility Study (Study) is to assess the potential for creating an economically viable and ecologically and culturally valuable, agricultural resource area within the 7,400 acre Coyote Valley (Valley), located just south of San Jose. The genesis of the Study was the opportunity, following the cessation of the Coyote Valley Specific Plan, to reconsider a future for the Valley in which agriculture would be revitalized as a significant regional resource. The Study was organized in two phases. The purpose of Phase I, completed in December 2011, was to investigate existing conditions and to make a determination of baseline feasibility.

The purpose of Phase II was to: (1) refine the overall vision and formulate objectives; (2) investigate certain existing conditions in more depth than the Phase I work allowed; (3) evaluate specific conservation mechanisms and financing models that could be employed to support economically viable agricultural operations and an ecologically valuable resource area; and (4) identify potential implementation strategies and options for governance and ongoing management.

The project was funded by a grant from the San Francisco Bay Program of the State Coastal Conservancy and was advised by a Partner Group from the Coastal Conservancy, the Santa Clara County Open Space Authority and The Health Trust. Phase II was guided by an Advisory Committee that included landowners and farmers; representatives from the City of San Jose, City of Morgan Hill, Santa Clara County and other key agencies; and organizational partners and funders. The Phase I and Phase II reports are available for download from the website of the project funder: <http://scc.ca.gov/overview-the-san-francisco-bay-area/coyote-valley/>.



The vision and goals reflect input from key stakeholders.

## ➔ *vision*

*“The Coyote Valley is home to a regionally significant agricultural resource area that contains both important farmland and key habitat; supports livelihoods for its farmers, ranchers and agricultural employees; provides healthy food and a recreational amenity for Bay Area communities; and protects important ecological and cultural resources of the region.”*

## GOALS ➔

1. Protect and enhance important agricultural resources
2. Maximize the economic viability of agriculture
3. Conserve and enhance ecological function and habitat value consistent with local general plans and other regional conservation efforts
4. Conserve and enhance key cultural and recreational resources
5. Engage landowners, farmers, community leaders, and other key stakeholders in developing and managing the agricultural resource area
6. Integrate the agricultural resource area into local and regional sustainable communities strategies
7. Position any future development as synergistic with agriculture and conservation goals

The full report states objectives for these goals as well as implementation challenges and opportunities.



## STUDY METHODOLOGY and FINDINGS: WHAT WE LOOKED AT and WHAT WE FOUND

The Study's Phase I Report investigated existing regulatory and physical conditions and current land uses. Phase II expanded the analysis of existing conditions in order to look more closely at specific conditions that are critical for sustaining agriculture and conservation: (1) the considerable differences in land uses, land values, and landowner expectations between the South, Mid and North parts of Coyote Valley; (2) availability of water for irrigation; (3) current cropping patterns and trends; (4) and land value trends.

Phase II also looked at a wide range of tools and mechanisms, as well as at exemplary models and case studies that successfully employ many of these tools. Finally, more in-depth analysis of local, regional, state and federal policy context was undertaken in order to identify the range of policies supportive of sustaining agriculture in the Coyote Valley, in Santa Clara County, and in the region.

### Coyote Valley as a Sum of its Parts

Physically, the Coyote Valley is a single and singular place. However, in terms of current land use and regulatory context, the Coyote Valley is three places: South Valley, Mid-Valley, and North Valley. The Study primarily considered the Valley as a whole in creating the vision and goals for protection and enhancement of agriculture and conservation areas. In Phase II it became clear that development of objectives, articulation of challenges and opportunities, and formulation of strategies, required consideration both of the whole valley and of the South, Mid and North as separate and distinctive areas of the valley.

The objectives for the South, Mid and North spring from the overall vision of creating a valley-wide framework for a vital agricultural resource area, such that:

- *The **South Valley** anchors this framework by maximizing the viability of agriculture as a major, permanent land use within a mosaic of land uses and habitat enhancements.*
- *The **Mid-Valley** amplifies this framework by supporting the viability of agriculture and habitat enhancements as major, defining and integral elements of the Valley.*
- *The **North Valley** extends this framework by realizing the synergy between development goals and agricultural and habitat conservation goals within the Valley and in the region.*

### Existing Conditions Update: Availability of Water for Irrigation

The hydrology of the Coyote Valley is complex in terms of its physical components and its regulatory context. This was evident in the Phase I findings about water management, ground water drainage patterns, ground water use, surface water, and flooding conditions. In addition, Coyote Valley water resources are part of Santa Clara Valley water resources which in turn are linked with regional and statewide resources. Given this complexity, it has been a challenge for this Study to answer to the question – ***Is there sufficient, reliable, and affordable supply of water for continued and expanded irrigated farmland agriculture in the Coyote Valley?*** The answer is a conditional yes. Agriculture is a protected designated beneficial use but is also one of several competing uses. Ongoing advocacy by stakeholders and water conservation by farmers will both be necessary to assure sustainable groundwater production for agriculture and other uses into the future.



### **Existing Conditions Update: Current Cropping Patterns and Agricultural Production Trends**

Following Phase I, further research and ongoing discussions with farmers in the Coyote Valley indicated there are opportunities to increase the viability of agriculture. Interest and enthusiasm to pursue those opportunities, while not widespread, are certainly present. Encouraging experimentation will require a sharing of risk among landowners, growers, and other stakeholders. Key insights include:

- *There seems to be more demand than supply for irrigated farmland.*
- *Ag Production Value. Based on an analysis of current cropping patterns relative to other farmland in the South Bay, there is potential to increase ag value from the current average of around \$2,000 to \$6,000 per acre (over 3,400 acres, excluding mushrooms and nursery products), through the following approaches: expanded cultivation of higher value crops; introduction of new higher value crops; obtaining better prices for under-valued crops; decreasing hay production; transition to organic production; and an increasing agri-tourism. The ability to achieve this increase will depend on farmers' interest in transitioning to higher value crops, and their ability to access land, water, technical assistance, capital and markets.*

### **Existing Conditions Update: Land Value Trends**

Phase I information on land sales in the Coyote Valley since 2004, included transactions that ranged in value from \$10,000 per acre to \$372,000 per acre for property without infrastructure. Subsequent to most of the land sales identified in the Phase I report, the City of San Jose updated its General Plan and re-designated the mid-Valley area as Urban Reserve, not anticipated to be used for urban development for at least 30 years. Although based on a limited number of transactions, recent land sales have trended to per-acre price ranges that are towards the lower end of all of the sales identified in the Phase I study. This may indicate that the market is starting to recognize the changed outlook for development in the Coyote Valley and that the speculative value of the land is declining.



### ***Potential Tools and Programs***

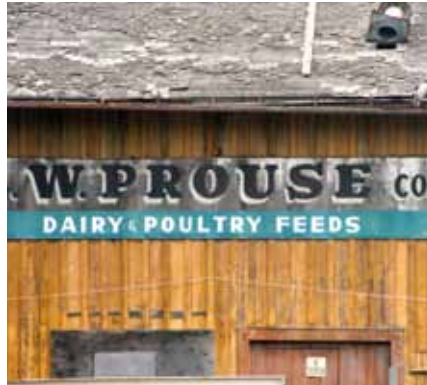
As part of the Phase II Study, potential farmland protection tools and programs that have been used in different parts of the country were analyzed. The tools and programs work in a variety of ways to strengthen agriculture economically, environmentally and culturally. Some of these tools and programs are aimed at stopping or mitigating the loss of farmland to urban development. Others facilitate farming operations and farmland management for public access and education, habitat conservation, and long-term stewardship of the land. From the list of available tools and programs, the most relevant and feasible ones were selected for further study. These included: Agricultural Resource Area; Conservation Easement and Land Acquisition; Place-based Branding Programs; Regional Food Hub; Transfer of Development Rights (TDR); Conservation Easement and Land Acquisition; and Density Bonus.

The tools and program ideas were translated into potential actions for the Valley as a whole and for each of the three sub-areas. These potential actions became the basis for the recommendations described in the following section.

### ***Making the Case: Local, Regional, State and Federal Policy Context***

As of the summer of 2012, many compelling local, regional, state and federal policy efforts are underway or pending that support the creation of a thriving agricultural and environmental resource area in the Coyote Valley. These policies range from City and County General Plan updates, to regional sustainability planning initiatives that link goals for built and 'green' infrastructure, to California's pending eco-systems services markets, to federal programs for beginning farmers. Collectively, these efforts provide a robust framework for strengthening the economic viability of regional agriculture and local food systems. They also support the conservation and enhancement of working landscapes and natural lands as resources essential to metro-region sustainability.

Considering existing conditions and the local and regional policy context, it is feasible to sustain agriculture and conservation in the Coyote Valley provided that stakeholders take concerted, significant and strategic action.



## ➔ *program recommendations*

### **Program Recommendations: What Would it Take?**

The recommended vehicle to achieve the vision for the Valley is the **Coyote Valley Agricultural Enterprise and Conservation program (COVAEC)**. This program would develop multi-faceted systems to coordinate investments that optimize economic, environmental, and social returns while sustaining and enhancing agricultural and conservation activities in the Coyote Valley. The program would be developed incrementally over a 25-year time period, would cost an estimated \$50 million, and would cover five key areas:

## WHAT WOULD IT TAKE?



### COYOTE VALLEY AGRICULTURAL ENTERPRISE AND CONSERVATION PROGRAM (COVAEC)

1. Overall project management, coordination and advocacy. Components: committed key partners, core funding, advisory board, and dedicated personnel.
2. Programs to address physical and infrastructure needs for farming, conservation and recreation. Components: preservation of priority areas; secured water supply; an "agricultural and habitat infill" program; development of agricultural infrastructure; and tools to aggregate and permanently protect agriculture lands.
3. Programs to address human capital needs. Components: technical assistance for farmers; support for experienced farmers seeking additional acreage; new farmers; and more farmer and farm-worker housing opportunities
4. Programs to address financial needs and to attract investment in the area. Components: private capital; and grants, loans, and investments from public and philanthropic sources.
5. Programs to market the place, its products and its importance to the region. Components: public education; branding and identity initiatives; visitor attractions; and product marketing activities

Within the framework of support created by the overall project advocacy activities and programmatic components, individual farmers and property owners would continue to make their own decisions about how to use their land. Those wishing to take advantage of the support and resources put in place by the COVAEC program would have access to an expanded range of tools and resources that would promote long-term economic viability of agricultural operations and enhanced habitat values within the area. The overall approach is intended to catalyze agricultural land uses that can be synergistic with development if and when it happens as well as an alternative to development.

### **Program Recommendations: When Would it Happen?**

Following is an overview of the phases of the project (Start-Up, Stabilization, and Full Build Out) that demonstrate the phasing of activities needed to achieve the vision and goals.

#### ***Start-Up Phase: Establish Momentum, Organizational Capacity & Initial Program Support (2013-2015)***

The Start-Up Phase of the program establishes the capacity to implement initial program components and to build advocacy at the local, regional, state, and national levels for necessary supporting policies and resources. Critical first steps include: establishing agreements with partner organizations to undertake specific recommendations and provide high level programmatic and fiscal oversight; establishing an Advisory Board to provide input and champion the project; establishing start-up funding commitments; and orienting personnel (most likely housed at partner organizations) and contractors to begin initial implementation activities. The three year start-up phase entails activities for a critical initial year followed by activities for a two-year period.

#### ***Stabilization Phase: Protect Priority Areas, Develop Infrastructure & Increase Ag Value (2016-2022)***

The Stabilization Phase would include specific activities in the South, Mid and North parts of the Valley and in the five key COVAEC areas: management and advocacy; physical and infrastructure needs for farming, conservation and recreation; human capital needs; financial needs; and marketing needs.

A key goal of the seven-year Stabilization Phase is to create a critical mass of higher value agricultural land. Approximately 2,000 acres is needed which is around 50% of the Coyote Valley acreage currently in production. Other related goals are to facilitate and make investments that enhance the viability and profitability of farming and to increase the agricultural production value within Coyote Valley from the current average of approximately \$2,000 per acre per year (excluding mushroom and nursery production) to around \$6,000 per acre per year (\$7,500 is the average gross for fruit and vegetable production within the County).

During this phase the COVAEC program would work with interested property owners, farmers, the City of Morgan Hill, the City of San Jose, Santa Clara County, and interested conservation organizations to establish interim and permanent protection for agricultural and habitat lands within the Mid and South Valley areas. The program would also secure funding for additional agricultural infrastructure, trail easements, and a small agri-tourism and public education facility. During this phase, the funding for the project's ongoing organizational, advocacy, and marketing functions would begin to transition from primarily philanthropic grants to funds that are either self-generated, or generated from mechanisms that are intended to support projects such as this.

### **Final, Full Build Out Phase: Ensuring Long-Term Stability (2023-2038)**

The goal is to achieve long-term stability for Coyote Valley agriculture and conservation by 2037. By this time, agriculture would be the main driver of economic investment within the Valley, generating close to \$50 million in annual production and agri-tourism revenues, employing over 1,000 workers and meeting a notable portion of the food needs of the South Bay region. At least half of the valley would be dedicated to agriculture and conservation, and other land uses in the Valley would be developed so that they not only complement and support the agricultural activity, but they benefit from their proximity to this thriving agricultural district. Some funding for maintenance of ongoing program components would be self-sustaining.

#### ***In addition, the fifteen year build-out phase would yield the following results:***

- 1. Management and Advocacy.** *COVAEC would become an independent organization (or arm of an existing entity) with full capacity for advocacy, program administration, project development, marketing and education.*
- 2. Physical and infrastructure needs for farming, conservation, and recreation.** *All major improvements needed for the creation of a vital agricultural and habitat resource area, inter-mixed with some degree of development, would be implemented.*
- 3. Human capital needs.** *The agricultural and conservation resource area would be meeting the needs of farmers for good livelihoods, of their employees for good working conditions, of individual and institutional consumers for fresh local food, of the community for an accessible recreational amenity, of conservation stakeholders for enhanced eco-systems services and eco-systems connectivity, and for the region as a whole for enduring and engaging working landscapes.*
- 4. Financial needs.** *COVAEC would deploy a range of financial mechanisms to achieve all its goals.*
- 5. Marketing programs.** *Coyote Valley agriculture would have a committed local constituency and a regional reputation that would help ensure its ongoing success. A partnership of existing organizations and the COVAEC would develop, endow, and manage, a permanent education center. A 25-year longitudinal diversified farming systems study of the Coyote Valley would conclude and yield important information for other projects with similar goals.*

#### **Ongoing Operation (Beyond 2037)**

Once long-term stability is achieved for the Coyote Valley, it would be advisable for the COVAEC to continue to provide overall coordination and marketing, and ensure that as property ownership turns over, established farmers retire, new farmers take their place, and market conditions evolve, the Coyote Valley remains a key agricultural district that responds to the needs of the Bay Area region.

### Program Recommendations: What Would it Cost?

The initial estimate of the funding requirement to implement the recommendations is around \$50 million. Estimated costs are divided into three categories: Programmatic Actions and Operations (total cost of ~\$10 million), Land Conservancy (total cost of ~\$27 million), and Agricultural and Resource Area Development (total cost of ~\$13 million). Funding would be provided by a combination of public, philanthropic, and private sources and by donation of in-kind services by stakeholder organizations.

SUMMARY OF TOTAL COVAEC COSTS FOR 25 YEARS			
	Phase 1	Phase 2	Phase 3
	Start-Up	Stabilization	Full Build-out
	2013-2012	2016-2022	2023-2038
	3 years	7 years	15 years
<i>Operations</i>	\$669,000	\$2,625,000	\$6,750,000
<i>Development</i>	\$625,000	\$1,940,000	\$10,020,000
<i>Land Conservancy Net Costs</i>	\$1,750,000	\$9,125,000	\$15,750,000
TOTAL COVAEC COSTS BY PHASE	\$3,044,000	\$13,690,000	\$32,520,000
<b>TOTAL COVAEC COSTS</b>			<b>\$49,254,000</b>

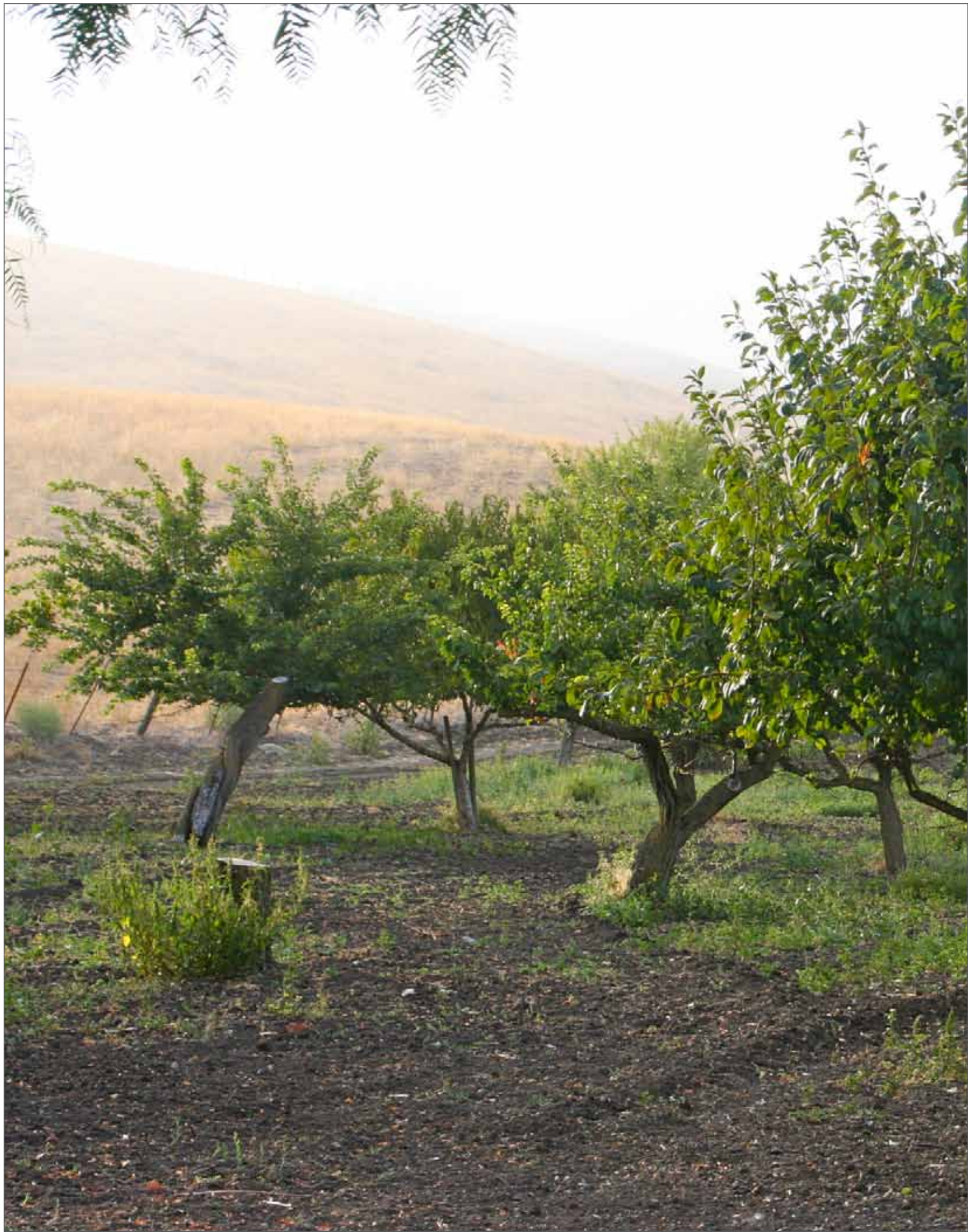
### Program Recommendations: What Would the Investment Return?

The return on investment would be measured in more than traditional financial terms. Most of the investments of the COVAEC funds themselves would be for activities which do not return a specific stream of income to the investor, but rather leverage these investments to create public goods that would benefit the Coyote Valley as a whole and the surrounding region. These include: increased agricultural viability; increased local food production; preservation of agricultural history and culture; increased provision of eco-systems services; preservation of open space; and a permanent and multi-functional land use between the northern edge of Morgan Hill and the southern edge of San Jose.

### Program Recommendations: Who Would Make it Happen?

Realization of the vision for a permanent agricultural resource area through implementation of the COVAEC program would require the steadfast engagement of key stakeholders over decades and through all the challenges, as well as opportunities, that these next decades will doubtless bring.

These key stakeholders include: farmers and landowners; City and County; land conservancy organizations; other governmental agencies; funders; advocacy organizations; and not least, consumers and the local community. At the end of the day, one of the most vital forces in sustaining Coyote Valley agriculture may be this last remaining area of the Valley of the Heart's Delight being held once again in the hearts of many people as a treasured community resource.







# one

## BACKGROUND & INTRODUCTION

### 1.1 Background and Project Purpose

The Coyote Valley is an area of 7,408 acres, most of it farmland, located between San Jose and Morgan Hill in the Santa Clara Valley. For centuries an agricultural resource for the Bay Area, in recent decades the Coyote Valley has looked to development for its future. The valley encompasses three areas: North Coyote Valley (1,731 acres) which was designated Campus Industrial by San Jose in 1983; Mid-Coyote Valley (2,019 acres) which is designated Urban Reserve within the San Jose Sphere of Influence but is not yet annexed to the City; and the Coyote Valley Greenbelt (3,658 acres) which is designated as a non-urban buffer in an agreement with Santa Clara County, San Jose and Morgan Hill. The most recent effort to develop the North and Mid sections of the Coyote Valley, was a Specific Plan which was halted in 2008, primarily due to the economic downturn, before the EIR was completed.



The recent recession combined with increasing focus on climate change issues, local food systems, eco-systems services, and in-fill development, offers a rare moment to reconsider Coyote Valley's role in sustainable land use. San Jose and the Bay Area, like most California cities and metro-regions, are in the process of charting their future in accordance with sustainability principles and regional planning efforts. Due to its urban-edge location, its rich agricultural history, and its excellent agronomic conditions, the Coyote Valley may offer an extraordinary opportunity to re-invest in local sustainable agriculture as an integral element of sustainable community planning and implementation efforts.

The purpose of the *Conserving Coyote Valley Agriculture Feasibility Study (Study)* is to assess the potential for creating an economically viable and ecologically and culturally valuable, agricultural

resource area within the 7,400 acre Coyote Valley located just south of San Jose.

The Study was organized in two phases. The purpose of Phase I, completed in December 2011, was to investigate existing conditions and to make a determination of baseline feasibility. The Phase I report is a compilation of data about current land uses, regulatory context, agriculture, open space, natural resources and land values. It also contains information about resources available for agricultural land preservation and summarizes the challenges as well as opportunities for permanently preserving Coyote Valley agriculture. Based on the findings from the existing conditions research, the opportunities and constraints analysis, and input from key technical advisors, it was determined that there was sufficient baseline feasibility to undertake Phase II.

## 1.2 Introduction to the Phase II Report

### **The purpose of Phase II was to:**

- refine the overall vision and formulate objectives;
- investigate certain existing conditions in more depth than the Phase I work allowed;
- evaluate specific conservation mechanisms and financing models that could be employed to support economically viable agricultural operations and an ecologically valuable resource area; and
- identify potential implementation strategies and options for governance and ongoing management.

This document, *Sustaining Agriculture and Conservation in the Coyote Valley: Feasibility Study Findings and Recommendations*, builds on the Phase I report. It contains three chapters:

**Chapter One** provides background for the project and states the refined vision and goals.

**Chapter Two** elaborates on the key existing conditions: the different challenges to and opportunities for implementation of the vision in the South, Mid and North parts of the Valley; availability of water for irrigation; and current agricultural production. This chapter also evaluates tools for sustaining agriculture and conservation and looks at the regional policy context.

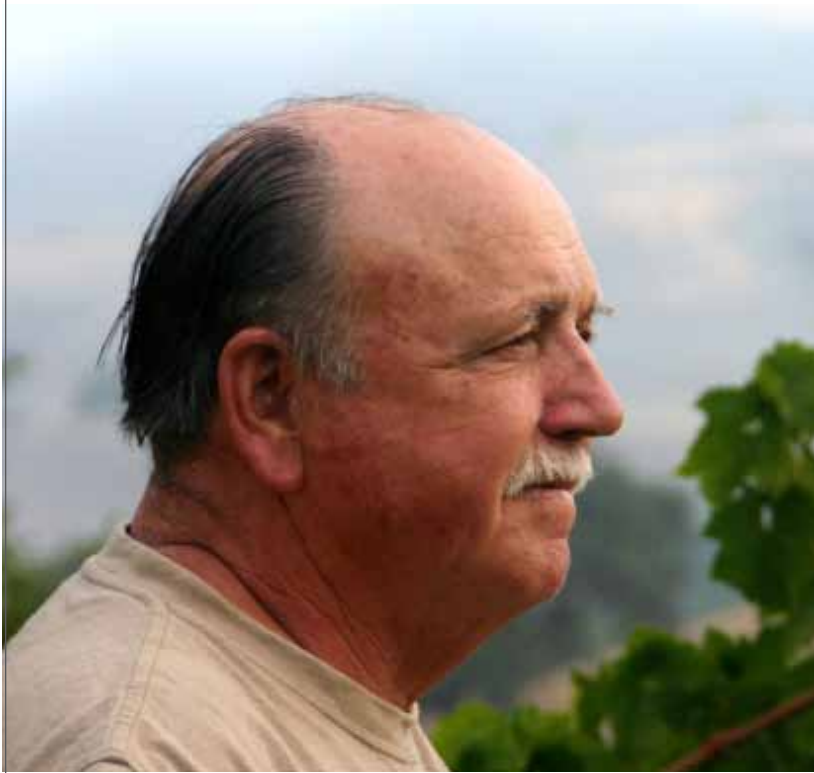
**Chapter Three** is in effect the “findings” of the Conserving Coyote Valley Agriculture Feasibility Study. This chapter outlines the recommendations for specific actions and resources needed to enhance and permanently protect important agricultural and natural resources and to make agriculture feasible in the Coyote Valley.

## 1.3 Project Process

The project was funded by a generous grant from the San Francisco Bay Program of the State Coastal Conservancy. The following partners provided project direction and advice: Amy Hutzell, Program Manager, San Francisco Bay Area Program of the State Coastal Conservancy Coastal Conservancy; Andrea Mackenzie, General Manager, Santa Clara County Open Space Authority; and Rachel Poplack, Director, Healthy Living and Community Partnerships, The Health Trust.

The Phase II portion of the *Conserving Coyote Valley Agriculture Feasibility Study* was guided by an Advisory Committee that includes landowners, farmers, City County and other key agencies, organizational partners, and funders.

Members of the Advisory Committee were: Shiloh Ballard, Vice President, Silicon Valley Leadership Group; Janet Burback, Owner, Tilton Ranch; Jim Cochran, Co-owner, Swanton Berry Farm; Erin Gil, Co-owner, The Grass Farm; Amy Hutzell, Program Manager, Bay Program of the CA Coastal Conservancy; Andrea Mackenzie, General Manager, Santa Clara Valley Open Space Authority; Kevin O'Day, Agricultural Commissioner, Santa Clara County; Laurel Prevetti, Deputy Director of Planning Services, City of San Jose; Troy Rahmig, Conservation Biologist, ICF International; Paul Ringgold, Vice President, Stewardship, Peninsula Open Space Trust; Athena Pratt, District Conservationist, USDA/NRCS; Ken Schreiber, Manager, Santa Clara Valley HCP/NCCP; Bill Shoe, Principal Planner, Santa Clara County, Planning; John Spina, Owner Spina Farms; Rebecca Tolentino, Senior Planner, City of Morgan Hill; Terry Watt, Planner/Consultant; Jennifer Williams, Executive Director, Santa Clara County Farm Bureau; and Sarah Young, Senior Project Manager, Santa Clara Valley Water District.



The Advisory Committee met three times between March and September 2012 to discuss a progressive set of topics: (1) vision, goals and objectives; and synthesized resource map; (2) case studies and models; and challenges, opportunities, tools and strategies; and (3) preliminary recommendations and applicable tools. The Advisory Committee also reviewed the final recommendations.

In addition to the Advisory Committee meetings, one-on-one in-person and phone meetings were held with various stakeholders including: individual Coyote Valley farmers and landowners; Farm Bureau members; Asian greenhouse growers; County Agriculture Commissioner; Cooperative Extension staff; City of San Jose, Morgan Hill and Santa Clara County planning staff; LAFCO staff, natural resources conservation experts; and staff of conservation organizations.

Project team members for Phase II were: Sibella Kraus, President, SAGE; Amie MacPhee, Principal, Cultivate; Matt Kowta, Principal, BAE Urban Economics; and Stephen Hammond, Principal, Wallace Roberts & Todd. Project contributors included Carrie Kao, Cultivate; and Jim Stickley, Jacob Tobias and Julie Donofrio, Wallace Roberts & Todd. The Phase 1 research report was produced by Sibella Kraus and Kathie Studwell, Applied Development Economics. The Guadalupe-Coyote Resource Conservation District contributed resources for the irrigation water research. GreenInfo Network provided some of the maps.



#### 1.4 Vision and Goals

The vision and goals statements below were refined in Phase II from the preliminary vision and goals statements articulated in Phase I.

***“The Coyote Valley is home to a regionally significant agricultural resource area that contains both important farmland and key habitat; supports livelihoods for its farmers, ranchers and agricultural employees; provides healthy food and a recreational amenity for Bay Area communities; and protects important ecological and cultural resources of the region.”***

## GOALS

1. *Protect and enhance important agricultural resources*
2. *Maximize the economic viability of agriculture*
3. *Conserve and enhance ecological function and habitat value consistent with local general plans and other regional conservation efforts*
4. *Conserve and enhance key cultural and recreational resources*
5. *Engage landowners, farmers, community leaders, and other key stakeholders in developing and managing the agricultural resource area*
6. *Integrate the agricultural resource area into the context of local and regional sustainable communities strategies*
7. *Position any future development as synergistic with agriculture and conservation goals*



# two

## METHODOLOGY & FINDINGS: WHAT WE LOOKED AT & WHAT WE FOUND

### 2.1 Chapter Introduction

The Study's Phase I Report investigated existing regulatory and physical conditions and current land uses. Phase II expanded the analysis of existing conditions in order to look more closely at specific conditions that are critical for sustaining agriculture and conservation. A main focus of investigation was the considerable differences in land uses, land values, and landowner expectations between the South, Mid and North parts of Coyote Valley. Other key conditions investigated in more depth in Phase Two were: (1) availability of water for irrigation; (2) current cropping patterns and trends; (3) and land value trends.

Phase II also looked at a wide range of tools and mechanisms, as well as at innovative models and case studies that successfully employed use of many of these tools. Finally, more in-depth analysis of local, regional, state and federal policy context was undertaken in order to demonstrate the range of policies supportive of sustaining agriculture and conservation in the Coyote Valley and South Bay.



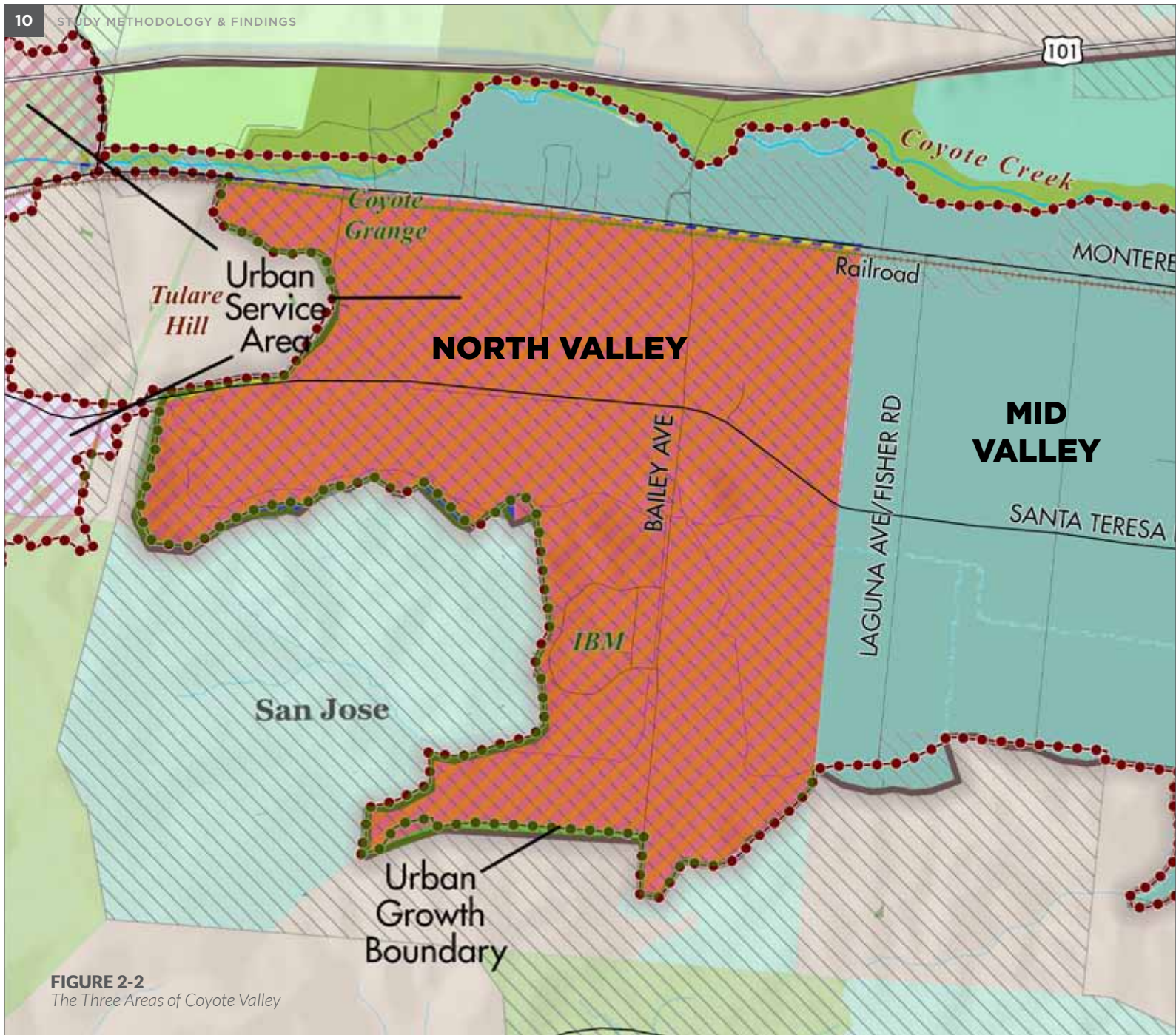
**FIGURE 2-1**  
Coyote Valley Aerial





## 2.2 Coyote Valley as a Sum of its Parts

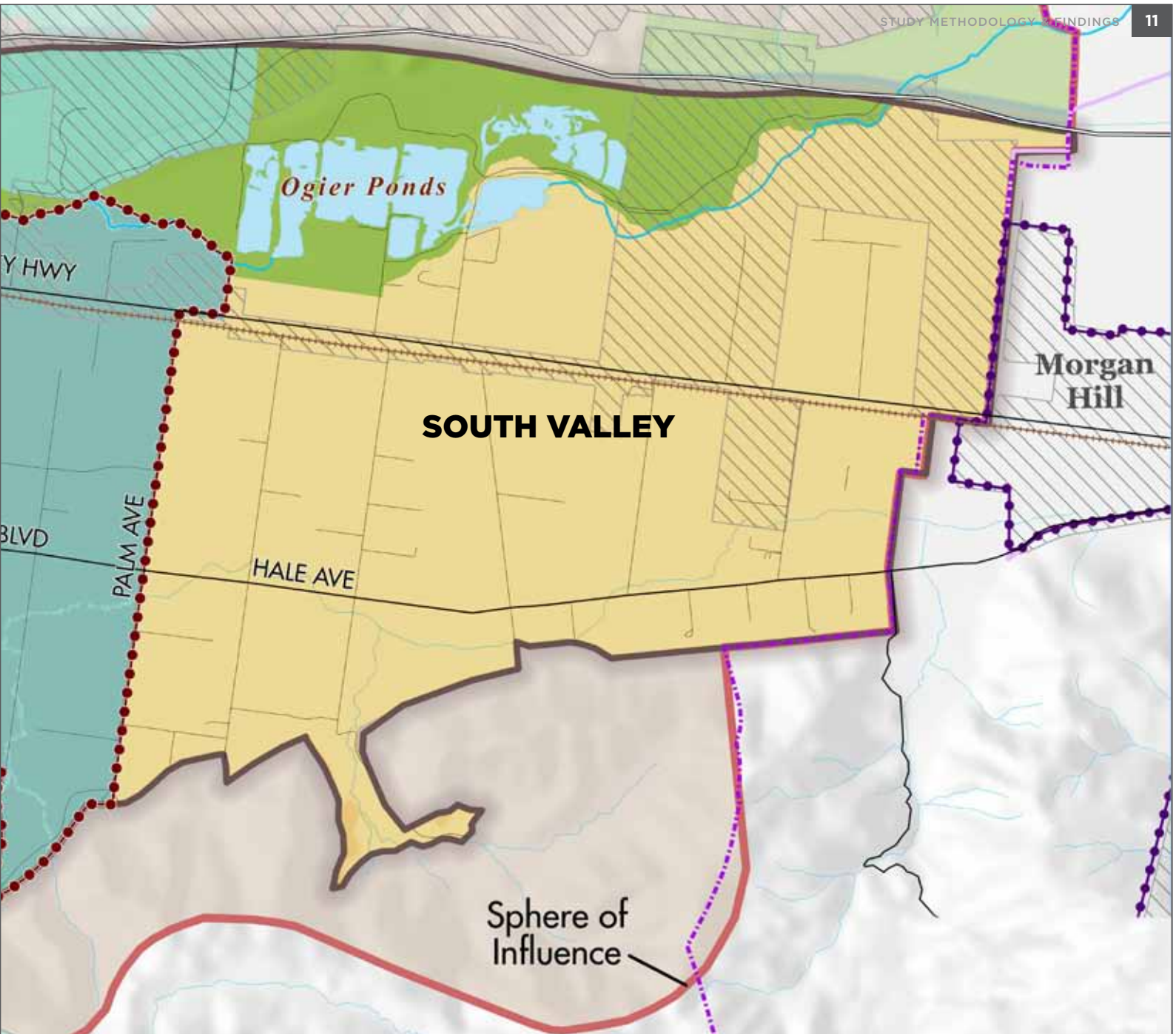
Physically, the Coyote Valley is a single and singular place. It is a long, wide alluvial valley bounded by the foothills of the Santa Cruz Mountains to the west and north and by Coyote Creek and, beyond the creek, by the foothills of the Diablo Range to the east. This location between major uplands ecosystems and as part of the flatland for a large watershed for San Francisco Bay, gives the valley its unique and regionally-important natural resource values. Its urban geography is well located between the City of San Jose (1 million people) and the Bay Area metro region (7 million people) to the north and the smaller City of Morgan Hill to the south. This urban-edge context, combined with its agronomic values, has made the valley a significant agricultural resource area for the region for centuries.



**FIGURE 2-2**  
The Three Areas of Coyote Valley

In terms of current land use and regulatory context, the Coyote Valley is three places, South Valley, Mid-Valley, and North Valley:

- **The South Valley** is an unincorporated area designated by the County and neighboring cities as a “non-urban buffer” and is characterized by a mosaic of residential, recreational, business, and agricultural land uses.
- **The Mid-Valley** is an unincorporated area designated as “urban reserve” by the City of San Jose and is characterized by large scale agricultural land uses with a small pocket of residential land uses.
- **The North Valley**, part of San Jose and designated as “campus-industrial,” is characterized by large-scale agricultural land uses and includes one tech campus.



This Study first considered the Valley as a whole in creating the vision and goals for conservation and enhancement of Coyote Valley agriculture and habitat. However, in Phase II it became clear that development of objectives, articulation of challenges and opportunities, and formulation of strategies, required consideration both of the whole valley and of the South, Mid and North as separate and distinctive areas of the valley.

The next sections outline the objectives, challenges and opportunities for the valley as a whole and then for the South, Mid and North parts of the Valley. Chapter Three describes the strategies needed to realize the vision, goals, and objectives for the whole valley as well as the strategies needed to realize the objectives for the three subareas.

## ➔ *the valley as a whole*

### 2.2.1 OBJECTIVES, CHALLENGES AND OPPORTUNITIES

The goals with objectives statements were synthesized from input from key stakeholders over the course of several meetings.



## → goal one

### PROTECT AND ENHANCE IMPORTANT AGRICULTURAL RESOURCES

- A range of mechanisms are used to secure permanent protection of at least 50% of the existing 4,200 acres of existing farmland.
- Provision is made for a sufficient, reliable, and affordable supply of irrigation water for agriculture.
- Soil quality and biodiversity, essential elements of sustainable agriculture, are significantly enhanced.
- Organic and sustainable production are the predominant agriculture systems.

## → goal two

### MAXIMIZE THE ECONOMIC VIABILITY OF AGRICULTURE

- An Agricultural Enterprise Program (AEP) is established as the foundational element that supports all aspects of agricultural viability, including regulatory streamlining, education and training, public and private investment, and public engagement and awareness.
- A marketing and branding effort as a component of the AEP contributes to the success of individual farmers, increases the value of and awareness about products and producers, coordinates valley-wide events and programs, and fosters the recognition of the Valley as a significant agricultural resource of the region.
- Farmers, both current and new, have access to the technical, financial, HR, and marketing assistance they need to increase their profitability.
- Key infrastructure systems, ranging from processing facilities to traffic calming mechanisms are established.
- Partnerships facilitate transitions between retiring and aspiring farmers, help coordinate demand and supply of fair labor, and help support training and internships programs.

## → goal three

### CONSERVE AND ENHANCE ECOLOGICAL FUNCTION AND HABITAT VALUE CONSISTENT WITH LOCAL GENERAL PLANS AND OTHER REGIONAL CONSERVATION EFFORTS

- Key habitats, particularly for endangered species, species of special concern, and species indigenous to the Valley, are conserved and restored.
- The Valley's function as an area that supports connectivity between ecosystems, is preserved and enhanced.
- The Valley's hydrologic function including surface flows in creeks, ground-water recharge, and storm water conveyance, is protected and enhanced.
- Co-management that optimizes and balances habitat values, agricultural production, and food safety, is widely practiced.

- There are multiple programs and facilities for natural resources and agricultural education for all age and interest groups, as well as opportunities for research collaborations with institutions and agencies.
- Given the primary focus on agricultural viability any conflicts between agriculture and ecological/habitat goals are addressed with best practice technologies and methods.

## → goal four

### CONSERVE AND ENHANCE KEY CULTURAL AND RECREATIONAL RESOURCES

- Cultural and recreational resources are integrated with agricultural and natural resources to create a mosaic of compatible activities and attractions that draw visitors to the Valley and support agro- and eco-tourism.
- Cultural resources, such as the Coyote Hamlet, that contribute historic context and interest, are protected and enhanced.
- Improved and new trail connections through the valley link with existing regional trail systems and visitor destinations within the valley (e.g., farm stands, harvest festivals, pick-your-own farms, etc.).

## → goal five

### ENGAGE LANDOWNERS, FARMERS, COMMUNITY LEADERS, AND OTHER KEY STAKEHOLDERS IN DEVELOPING AND MANAGING THE AGRICULTURAL RESOURCE AREA

- Landowners and farmers are invested in the development and management of the resource area.
- Nearby communities regard and interact with the Valley as a valued amenity.
- Ongoing opportunities are fostered to align public benefit with private economic benefit.

## → goal six

### INTEGRATE THE AGRICULTURAL RESOURCE AREA INTO LOCAL AND REGIONAL SUSTAINABLE COMMUNITIES STRATEGIES

- The resource area reflects and furthers City, County, and regional sustainable communities goals, objectives, and strategies.

## → goal seven

### POSITION ANY FUTURE DEVELOPMENT AS SYNERGISTIC WITH AGRICULTURE AND CONSERVATION GOALS

- Any future development incorporates and benefits from the incorporation of core agricultural and conservation resource values.

## ➔ *the valley as a whole*

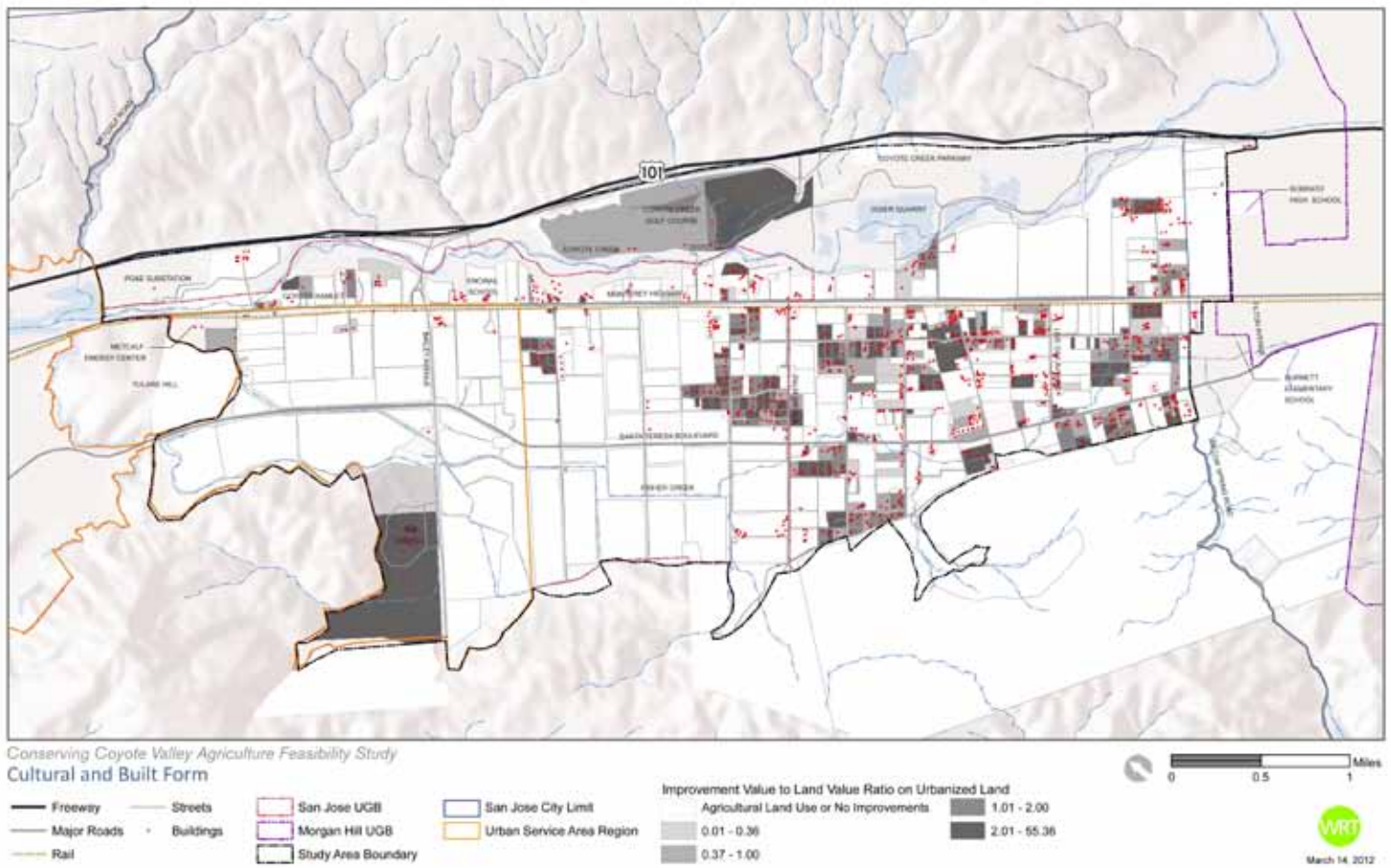
The articulation of these goals and objectives for the valley as a whole led to the need to understand the challenges of and opportunities for implementation at the overall valley scale.

### **?** CHALLENGES

1. *Lack of long-term planning for, and investment in, Coyote Valley agriculture as a land use, economic enterprise, and element for fulfilling sustainability goals, on part of City and County*
2. *Lack of long-term planning for and investment in agriculture by most landowners and farmers*
3. *Lack of investment in habitat values by conservation efforts*
4. *Unresolved issues and incomplete information about the continued water supply needed to sustain agriculture*
5. *Area is “off-the-radar” for potential new farmers, both experienced and beginning, due to the expectation of development*
6. *Speed of traffic and peak hour volume of traffic on Santa Teresa, the only mid-valley north-south thoroughfare, creates an urban-rural conflict for farmers moving machinery across or down the roadway*
7. *Regulatory burdens on farmers that are complicated, lengthy, sometimes contradictory and sometimes expensive*

### **!** OPPORTUNITIES

1. *Coyote Valley is a unique regional resource due its agronomic values (soils, water supply, climate, and large parcels), habitat values, scale, location, agricultural history, role as non-urban buffer, beauty of the landscape, and cultural and recreation resources*
2. *Engaged stakeholders: key agency stakeholders share common objectives, including promotion of smart growth, discouragement of urban sprawl, and preservation of agricultural land, open space, and natural resources*
3. *Potential for numerous conservation, restoration, and habitat preservation strategies to be integrated into a holistic plan (e.g. percolation ponds and creek restoration could include habitat and recreation functions; on-farm conservation could meet mitigation requirements)*
4. *Potential for habitat mitigation lands*
5. *Potential for establishing best co-management practices for agriculture and habitat*
6. *Coyote Valley comprises around 12% of remaining irrigated crop land in Santa Clara County*
7. *Proximity to large metro area with interest in sustainability and local food production/consumption*
8. *Large amount of wealth/capital in Santa Clara County along with high regard for conservation and sustainability values*
9. *Robust public transportation network and commitment to future transit improvements make the area accessible for visitors and workers*



**FIGURE 2-3**  
Cultural and Built Form

The aim of conserving agriculture and habitat in the Coyote Valley requires an understanding of the whole valley. It also requires in-depth understanding of the different conditions in the South, Mid and North areas of the valley. The sections that follow describe the objectives, challenges and opportunities for these three subareas.

As a starting point, the objectives for the South, Mid and North spring from the overall vision of creating a valley-wide framework for a vital agricultural resource area, such that:

- The **South Valley** anchors this framework by maximizing the viability of agriculture as a major, permanent land use within a mosaic of land uses and habitat enhancements.
- The **Mid-Valley** amplifies this framework by supporting the viability of agriculture and habitat enhancements as major, defining and integral elements of the Valley.
- The **North Valley** extends this framework by realizing the synergy between development goals and agricultural and habitat conservation goals within the Valley and in the region.

## ➔ *the south valley*

### 2.2.2 OBJECTIVES, CHALLENGES AND OPPORTUNITIES

**South Valley (Greenbelt) objective:** To anchor a valley-wide framework for a vital agricultural resource area by maximizing the viability of agriculture as a major, permanent land use within a mosaic of land uses and habitat enhancements.

Total area of the South Valley is 3,658 acres with around 41% in agriculture.

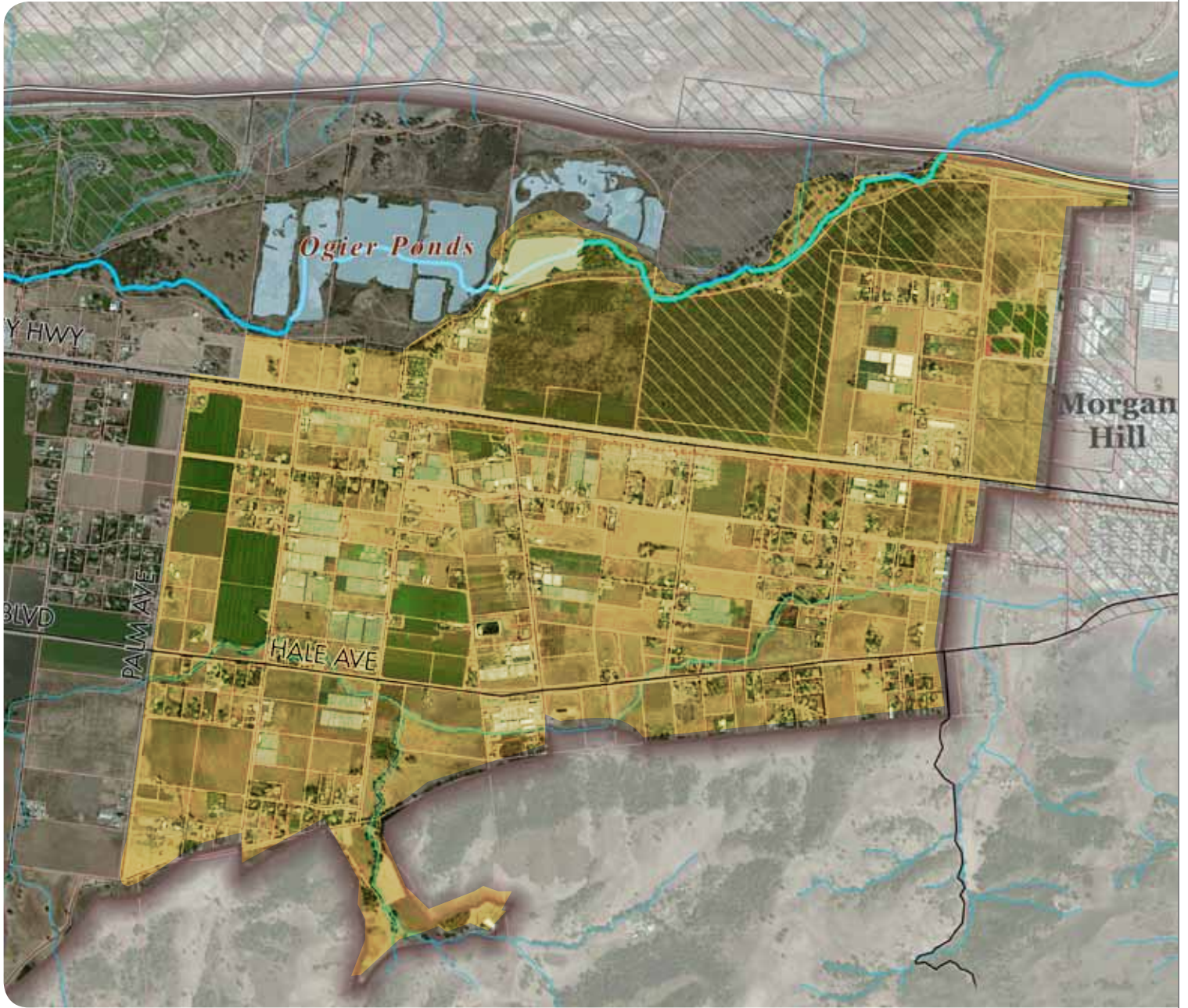
#### **?** CHALLENGES

1. *The pattern of urban and agricultural uses interspersed in close proximity creates conflicts*
2. *Existence of many small parcels makes it difficult to farm efficiently*
3. *Soil remediation may be required in small areas where pesticides were stored*
4. *Areas that are flood prone and/or have high water table areas (i.e. around Fisher Creek) compromise agricultural use and have resulted in failed septic tests; many wells require expensive retrofitting; in some areas high nitrate levels are problematic for water quality*
5. *Multiple jurisdictions (i.e. Santa Clara County and the Cities of Morgan Hill and San Jose) complicate Greenbelt planning and implementation*
6. *Many current property owners have little or no interest in agriculture*

#### **💡** OPPORTUNITIES

1. *The South Valley already has elements of 'unique rural character' at its edges and within its viewshed (large acreages of public open space, private recreation, range land, and permanently protected open space)*
2. *Agronomic conditions range from sufficient to excellent. Testing is needed to resolve site-specific issues about quality of soils and water*
3. *Existing investments in greenhouses can help to support higher value agriculture; even through the greenhouses need ongoing maintenance and reinvestment*
4. *Potential for an aesthetic agricultural and natural landscape to raise home site values*
5. *Establish a flood plain area around Fisher Creek*





**FIGURE 2-4**  
The South Valley

## ➔ *the mid valley*

### 2.2.3 OBJECTIVES, CHALLENGES AND OPPORTUNITIES

**Mid-Valley Objective:** To amplify a valley-wide framework for a vital agricultural resource area by supporting the viability of agriculture and habitat enhancements as major, defining and integral elements of the Valley.

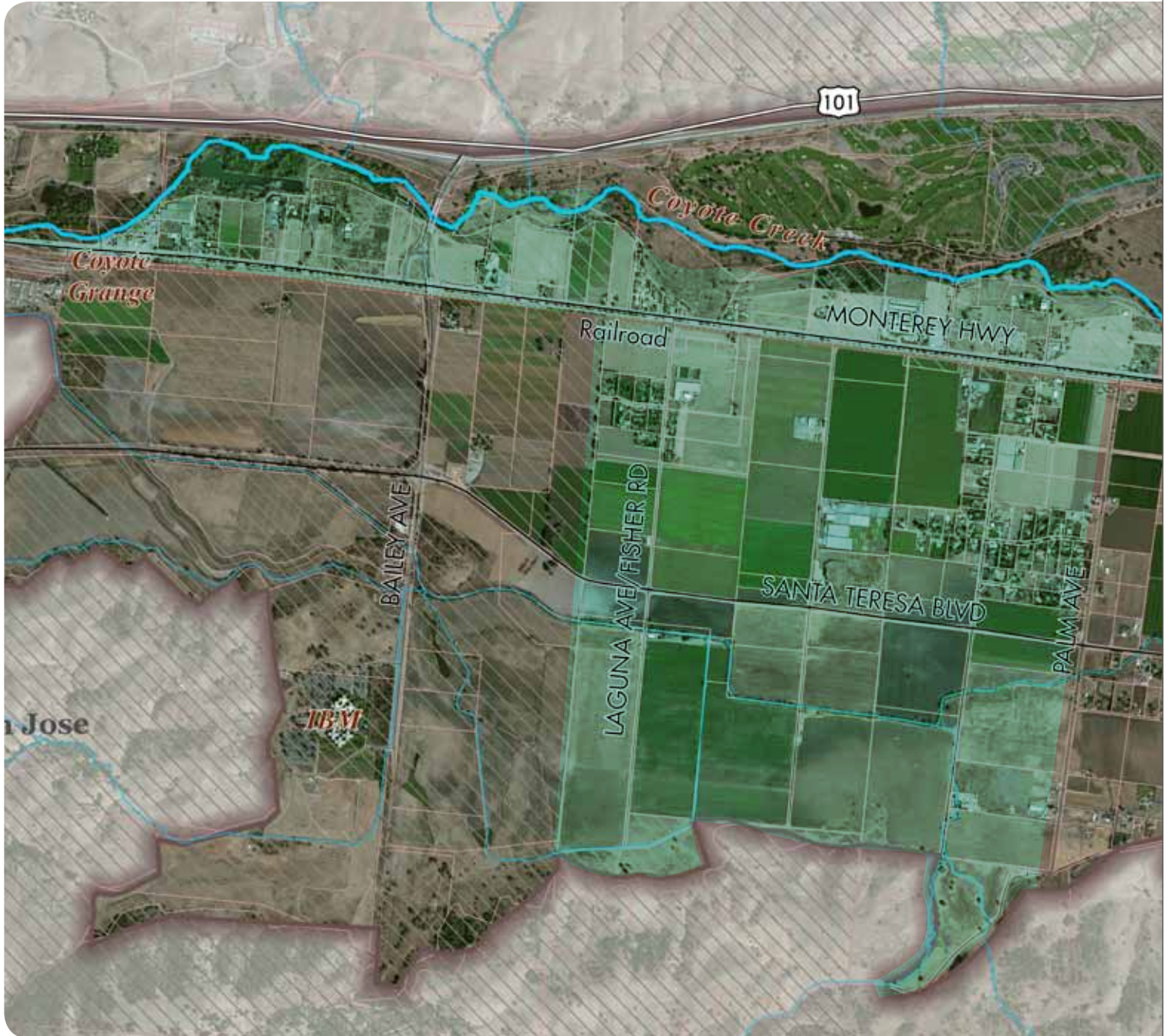
Total area of the Mid Valley is 2,019 acres with approximately 62% in agriculture.

#### CHALLENGES

1. ~ 80 % of the undeveloped land is owned by developers
2. Lack of incentives for landowners to change from low value agriculture as an interim land use
3. Year to year (and even month to month) lease terms are prohibitive for investments in higher value agriculture, by farmers or advocacy/support organizations
4. Approximately 12% of the area is already developed with homes

#### OPPORTUNITIES

1. Existing development is concentrated in one area
2. Large parcels have good agronomic values
3. City of San Jose's 2040 General Plan update states that the City does not intend to annex or develop this urban reserve for the life of the General Plan (e.g. 30 years)
4. No trigger for housing construction tied to development of jobs
5. The long-term development timeline may create an incentive for landowners to consider offering longer lease terms, term easements, and/or land sales
6. Around 20% of the current agriculture is already in high value crops (e.g. corn, peppers, Chinese vegetables, walnuts, nursery crops) farmed by around eight different farmers
7. The remaining 80% is in hay and field crops, and is almost exclusively farmed by G&G Farms
8. Option of getting irrigation water from Great Oaks Water Company (John Spina currently does this)
9. Portions of the area have relatively high habitat and wildlife connectivity values
10. Most of the area has panoramic scenic views



**FIGURE 2-5**  
The Mid Valley

## ➔ *the north valley*

### 2.2.4 OBJECTIVES, CHALLENGES AND OPPORTUNITIES

**North Valley Objective:** To extend a valley-wide framework for a vital agricultural resource area by realizing the synergy between development goals and agricultural and habitat conservation goals within the Valley and in the region.

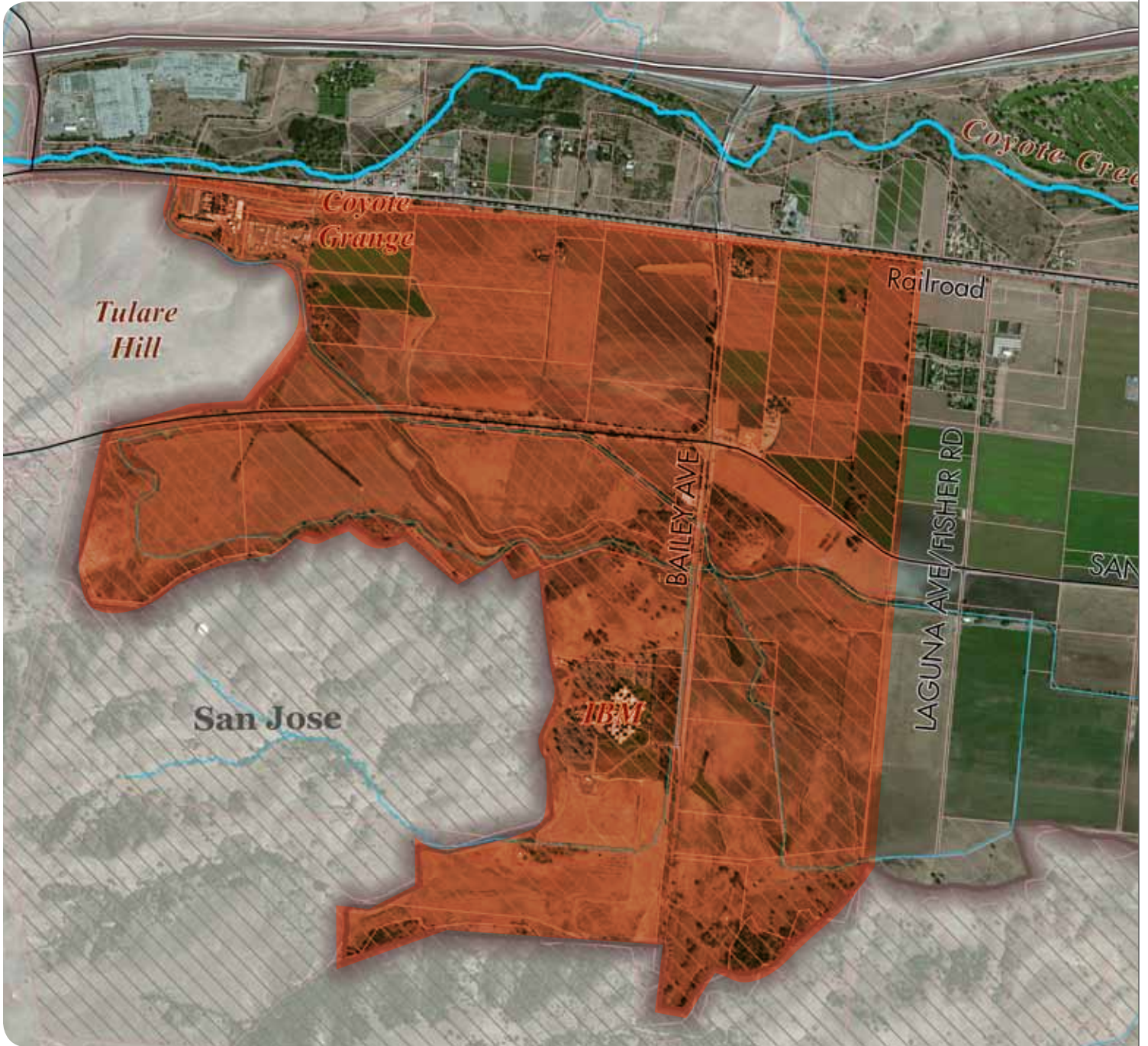
**Total area of the North Valley is 1,731 acres with around 80% of the land in agriculture.**

#### ❓ CHALLENGES

1. *Re-affirmed designation of Campus-Industrial zoning in San Jose's 2040 General Plan update*
2. *San Jose's desire for a jobs center in Coyote Valley to help improve current jobs-housing imbalance*
3. *All undeveloped land owned by developers*
4. *Lack of incentives for landowners to change from low value agriculture as an interim land use*
5. *As in the Mid-Valley, year to year (and even month to month) lease terms are prohibitive for investments in higher value agriculture, by farmers or advocacy/support organizations*
6. *Land prices make purchase in fee untenable for agriculture*
7. *Main connections for sewer and water are already in place to a central location to serve urban development*

#### 💡 OPPORTUNITIES

1. *Area has high wildlife connectivity values and some sub-areas with specific habitat values, including seasonal wetlands and riparian areas*
2. *Present lack of demand from corporate clients for development of suburban campuses*
3. *Carrying cost of land over time (including cost of paying for infrastructure to date), postponed timeline for development, and better opportunities elsewhere, might prompt landowners to consider selling land or at least commit to longer term ag uses that could generate higher lease values*
4. *Large parcels have good agronomic values, despite some seasonal high water*
5. *Area includes scenic views to the north, east, south, and west*
6. *Area has scenic entry point on Santa Teresa next to Tulare Hill*
7. *Area has scenic natural features along the creek and Spreckles Hill near Bailey and Santa Teresa*
8. *Construction of a cross-valley trail is in the Santa Clara County Parks Department Trails Master Plan*
9. *John Spina, the area's largest and longest-standing, diversified vegetable farmer, farms more than 200 acres in this area, operates a successful farm stand, and experienced the best success when there were other farm stands operating in the area*



**FIGURE 2-6**  
The North Valley

## 2.3 Coyote Valley Existing Conditions Update

The Phase I report included descriptions of a range of existing conditions: land uses, regulatory context, farm land and agricultural production, open space protection, and natural resources and resource management. This work informed and helped shape the Phase II work.

This section elaborates on key existing conditions where additional information was needed: (1) availability of water for irrigation; (2) current cropping patterns and trends; (3) and land value trends.

### 2.3.1 AVAILABILITY OF WATER FOR IRRIGATION

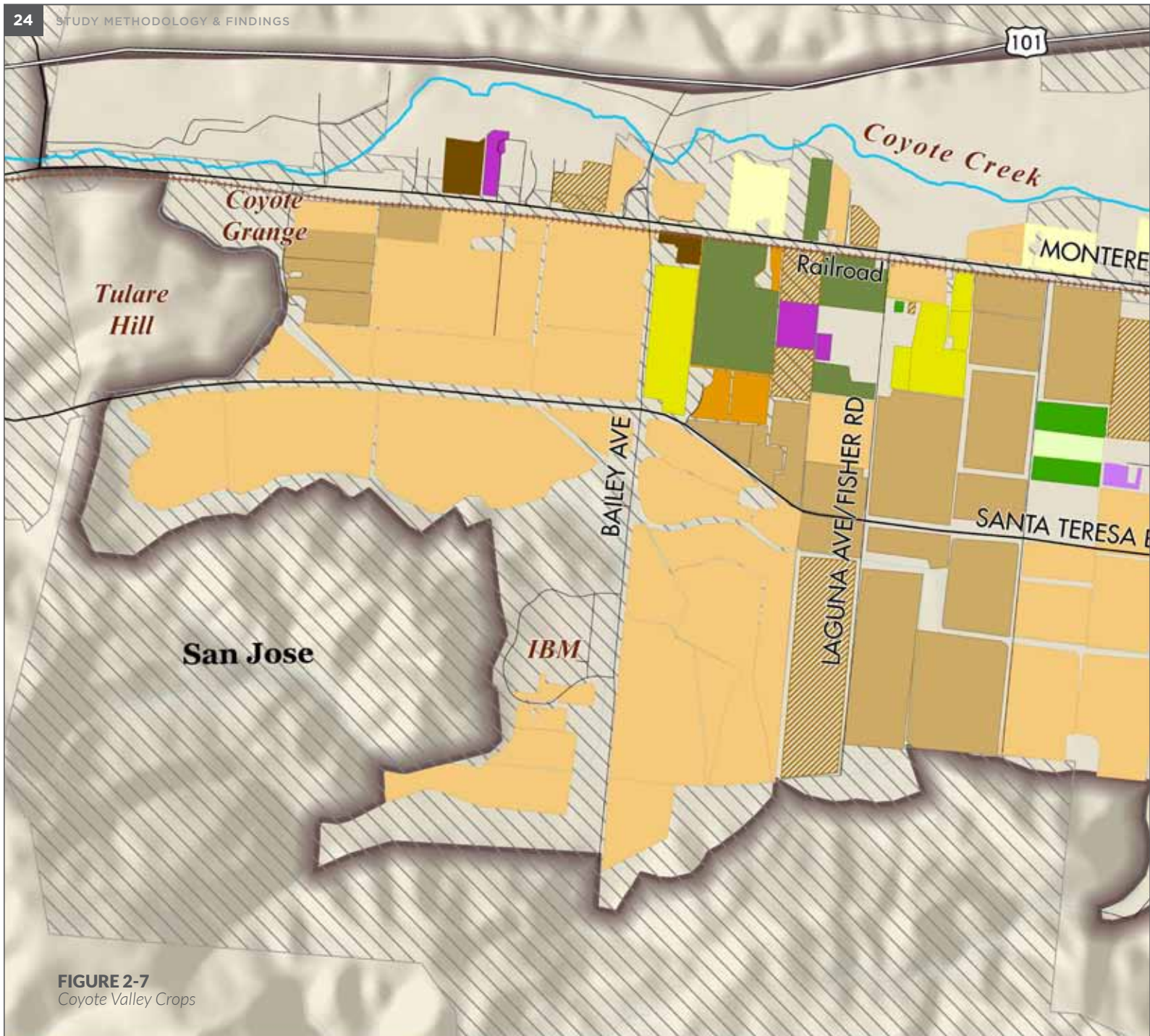
The hydrology of the Coyote Valley is complex in terms of its physical components. It follows that the management of this water resource by the Santa Clara Valley Water District (SCVWD) is also multi-faceted. The Coyote Valley groundwater basin is recharged both by natural percolation and by percolation from Coyote Creek, which in turn is recharged with surface water from the upstream Anderson and Coyote reservoirs. Drainage throughout the basin has been changed over time from well-drained alluvial fans to constructed channels. Permeability throughout Coyote Valley is not uniform; some locations have more natural groundwater recharge capacity and others are susceptible to flooding. The depth to ground water also varies widely from 20 feet to over 100 feet. The last decade has seen a doubling of ground water extraction primarily to meet water needs in urban areas to a current annual volume of around 13,500 acre feet, with extraction for Coyote Valley agriculture and residential uses remaining constant at an average of 7,000 acre feet annually.

The SCVWD manages Coyote Valley water resources as part of its management of the multifaceted Santa Clara Valley water resources, which in turn are linked to regional and statewide water resources, management processes and issues. Approximately half of the water used in the Santa Clara Valley is conveyed from the Delta or through the San Francisco Public Utilities (SFPUC) water system. Given this complexity, it has become apparent that what seemed like a basic question - *Is there a sufficient, reliable, and affordable supply of water for continued and expanded irrigated farmland agriculture in the Coyote Valley?* - has several elements. These issues are addressed in detail in Appendix B, Memorandum Regarding Coyote Valley Ground Water for Agriculture, and key points are summarized below.

Regarding the issue of sufficient supply, the SCVWD has a fundamental purpose of managing its water resources in a manner that protects all present and future beneficial uses. While agriculture is a designated beneficial use, it is one of several competing uses that must be balanced. Currently agriculture accounts for around 9% (~29,000 acre feet) of water demand in the SCVWD service area. In its 2012 Water Supply and Infrastructure Master Plan, the SCVWD projects that it will be able to continue to meet total annual demand of around 400,000 acre feet to the year 2035,

conditional upon actions including 100% increase in the use of recycled water, 100% increase in conservation savings, and construction of new ground water recharge ponds. On these three fronts, a forward-looking agriculture in the Coyote Valley could do its part by incorporating the use of recycled water as feasible, by increasing the efficiency of water use, and possibly by incorporating new recharge ponds, that could also have habitat value. These actions will be especially important because full implementation of the Coyote Valley agricultural resource area would likely entail an increase of irrigated farmland from around 2,500 acres to around 3,000 acres or more, which could in turn increase water demand by around 20% to 7,500 - 9,000 acre feet. In terms of the affordability issue, the SCVWD has a long-standing policy of maintaining a favorable water rate structure for agriculture. As pressures on water supplies increase over the coming years, it will be important for agricultural stakeholders to work collaboratively with the SCVWD and other agencies that directly or indirectly affect water resource management in the region to assure that water for agriculture is a high priority and to protect agriculture in the Coyote Valley as a beneficial use.





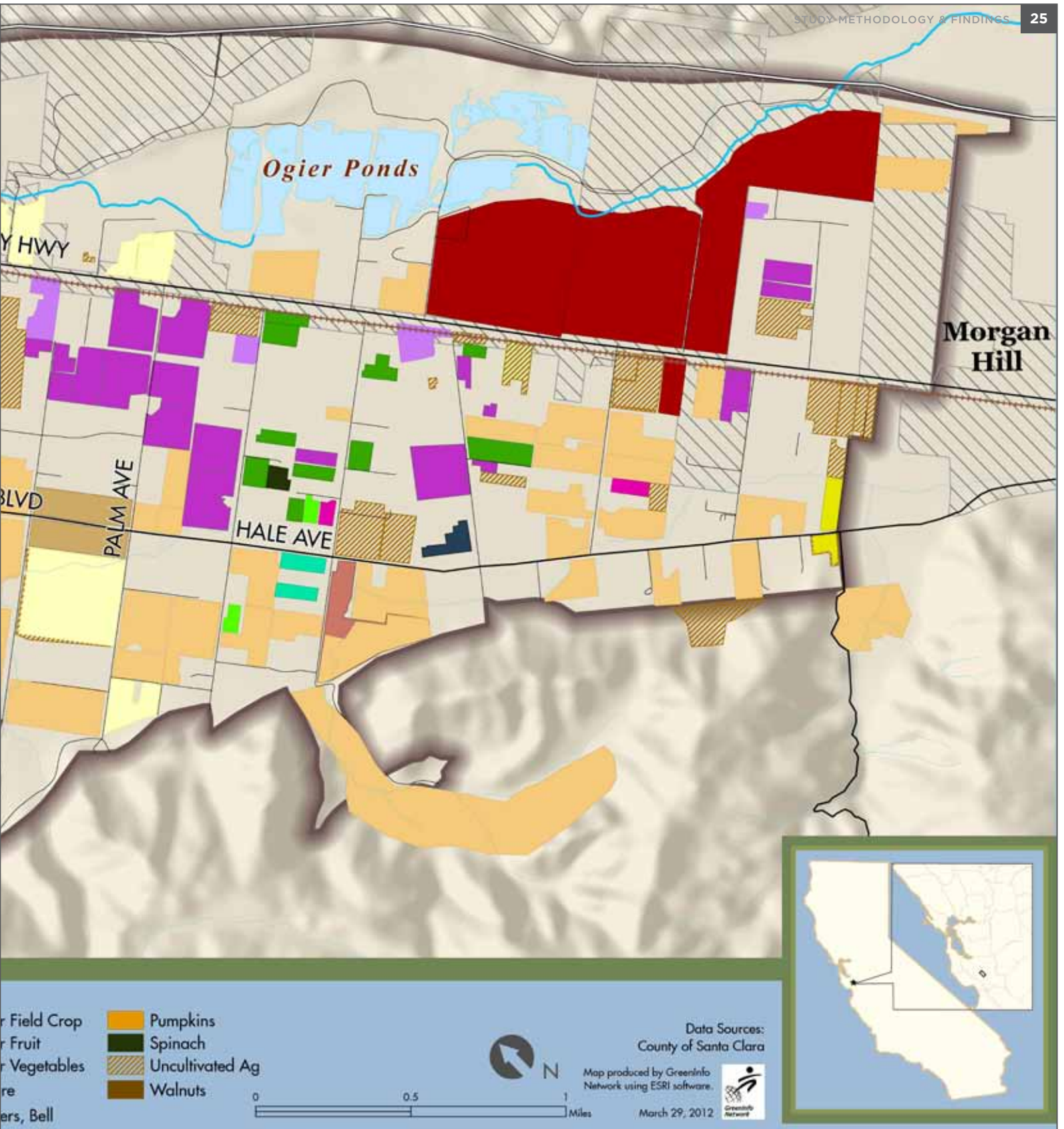
**FIGURE 2-7**  
Coyote Valley Crops



### 2.3.2 CURRENT CROPPING PATTERNS AND AGRICULTURAL PRODUCTION TRENDS

Further research and ongoing discussions with current farmers in the Coyote Valley, indicate there are concrete opportunities to increase viability of agriculture. Interest and enthusiasm to pursue





those opportunities, while not widespread, are certainly present. Encouraging experimentation will require a sharing of risk among landowners, growers, and the program. Key insights uncovered during Phase II are described below.



## ➔ *the valley agriculture*

### ***More demand than supply for irrigated farmland***

Anecdotal reports indicate that existing irrigated farmland growers are interested in accessing additional irrigated farmland, primarily for expanding acreage of row crop production. The increased demand for irrigated farmland is attributable in part to the fact that production of row crops is profitable in the Coyote Valley. The demand might also be explained by the fact that as long as development is not imminent, continued investment in higher value crops makes economic sense.

### ***Agriculture Value***

Based on an analysis of current cropping patterns relative to surrounding areas, there is potential to increase per acre ag value from \$2,000 to \$6,000, and perhaps even more.

Ability to achieve this increase will depend on farmers' interest in growing higher value crops and their success in accessing land, water, capital and markets. It will also require strategic vision, a reliable water supply, improved agricultural infrastructure, technical assistance and other concerted and coordinated actions.

### **This projection of potential per acreage value increase is based on:**

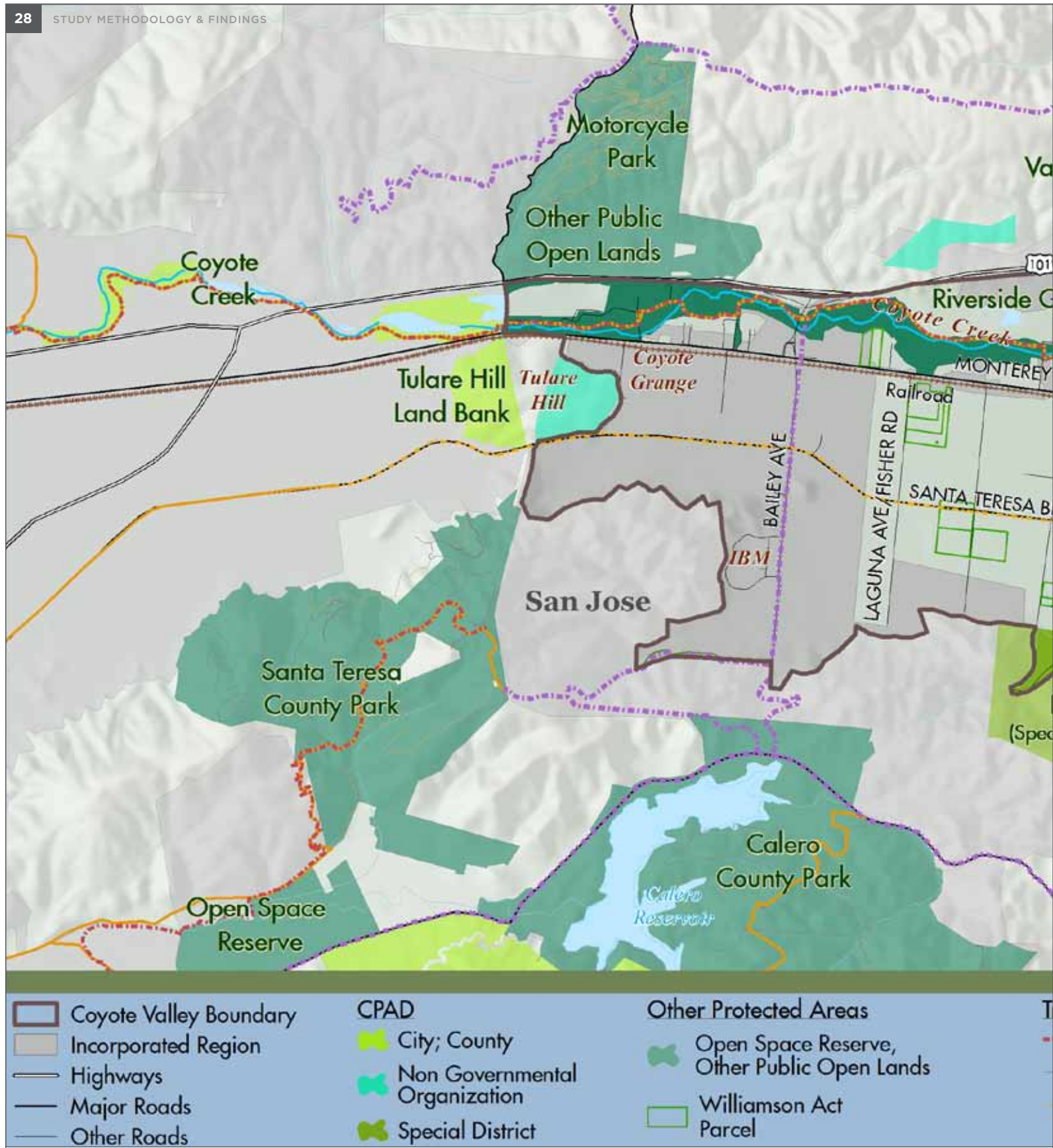
1. *Expanded cultivation of higher value crops, which are all currently grown in, yet in the Coyote Valley, yet their production potential is not fully realized. These crops include: bell peppers, Chinese vegetables, beans (fresh), cabbage, celery, lettuce, dry onions, spinach, tomatoes, and other specialty vegetables.*
2. *Introduction of higher value crops, which are all grown either nearby or were historically grown in the Coyote Valley. These crops include: leeks, strawberries, stone fruits, garlic, pastured livestock, particularly smaller - chickens, goats, sheep, etc.*

*Next steps for expanding acreage of existing crops and introducing new crops include having more detailed conversations with current growers of these crops, as well as potential growers, to discuss interest and feasibility. Expanded acreage of these crops will only be achieved to the extent that they are trialed. These trials could start on land that is currently fallow (~9% of Coyote Valley agricultural land) and/or on some of the land currently used for hay production. The program can support this effort by incentivizing experimentation and reducing risk, through provision of information, financing mechanisms and technical assistance.*

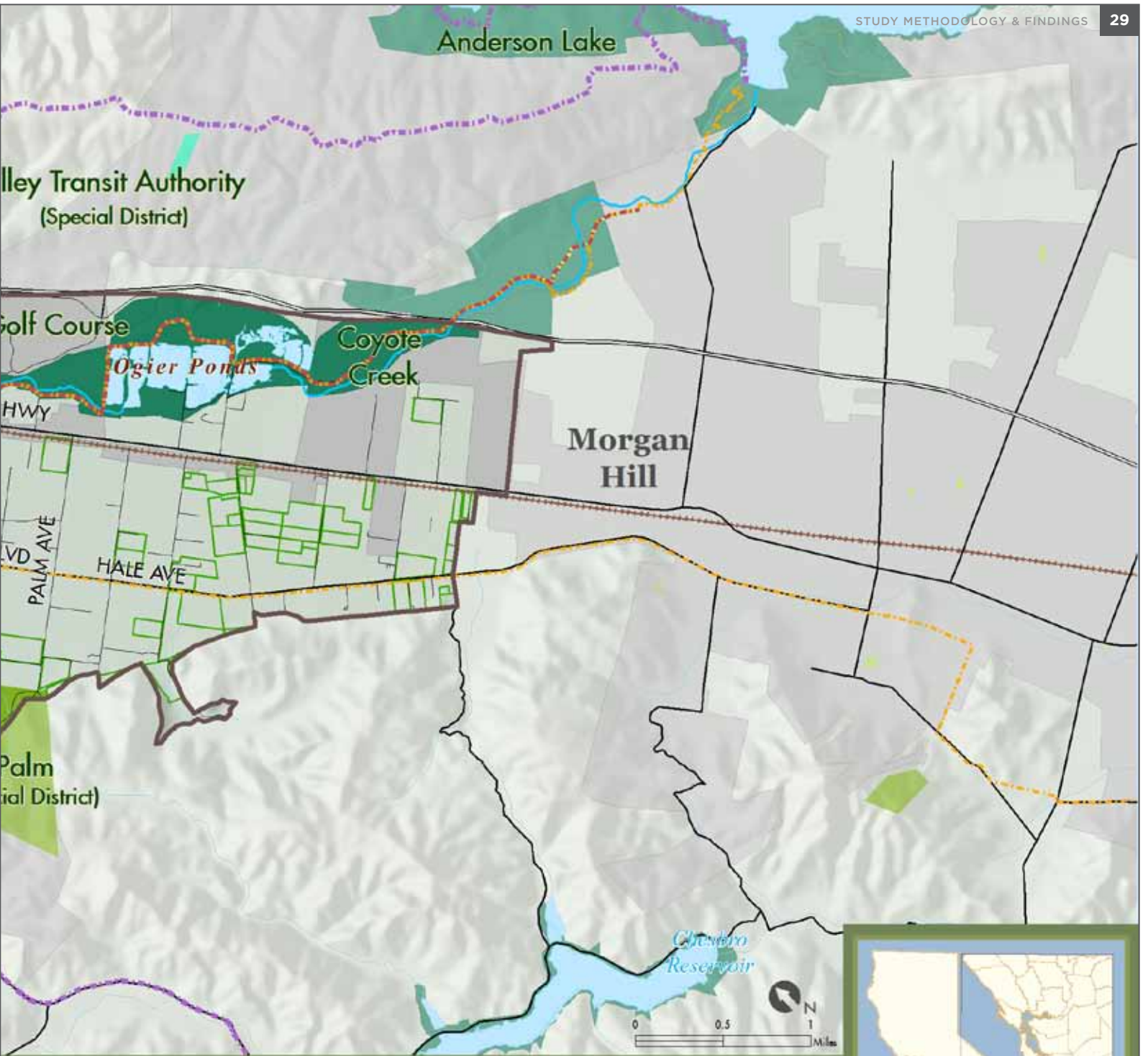
3. *Procurement of better prices for under-valued crops, including celery and lettuce. These crops garner better average prices/acre in nearby counties. This warrants exploration of alternative varieties, new markets, and multiple crops annually to determine if Coyote Valley growers can obtain better prices.*
4. *Transition to organic production. While there is not available data on the extent of organic production in Coyote Valley, research indicates it is negligible. Organic production can serve to increase prices and profit margins for certain crops, as well as reduce costs and risks. There is the possibility of a reduction in \$/acre during transition period. One way to ameliorate this would be to prioritize fallow land that can be certified organic more quickly than the standard three years.*
5. *Opportunities for additional ag-related revenue streams including agri-tourism and value-added processing. A limited amount of agri-tourism (farm stands) and value-added processing are happening in or near the Coyote Valley. An increased level of both activities has the potential to expand the agriculture-related revenue of the Valley, and support the development of a more robust identity for the place.*

### **Dry-farmed land plays an important role**

As noted in Phase 1 report, 57% of agricultural acres in the Coyote Valley, excluding rangeland, is dedicated to hay, pasture and other field crops. All of this acreage is dry-farmed with the exception of a few hundred acres of alfalfa. Based on further research, it is clear that dry-farmed land is used primarily by one producer for production of hay that is sold, as well as at least one rancher who grows their own animal feed. Currently hay and pasture only represent 2% of ag production values in the Coyote Valley. Increased values for grain and forage crops will not likely be based on expansion of acreage, but rather on more strategic selection of varieties, crops, and perhaps incorporation of organic production.



**FIGURE 2-8**  
Coyote Valley Context



<p><b>Trails</b></p> <ul style="list-style-type: none"> <li> Bay Area Ridge Trail</li> <li> Service or Unpaved Road</li> <li> Unpaved Trail</li> </ul>	<p><b>SC Master Plan Trails</b></p> <ul style="list-style-type: none"> <li> Completed</li> <li> Partially Completed</li> <li> Undeveloped</li> </ul>	<p>Data Sources: County of Santa Clara, CPAD, NCED, Bay Area Ridge Trail</p> <p>Map produced by GreenInfo Network using ESRI software.</p> <p>September 20, 2012</p> 
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### 2.3.3 LAND VALUE TRENDS

Phase I information on land sales in the Coyote Valley since 2004, included transactions that ranged in value from \$10,000 per acre to \$372,000 per acre for property without structures. Subsequent to most of the land sales identified in the Phase I report, the City of San Jose updated its General Plan and re-designated the mid-Valley area as Urban Reserve, that is not anticipated to be used for urban development for approximately 30 years. Although based on a limited number of transactions, recent land sales have trended to per-acre price ranges that are towards the lower end of all of the sales identified in the Phase I study. This may indicate that the market is starting to recognize the changed outlook for development in the Coyote Valley and that the speculative value of the land is declining.

Generally speaking, the more recent land sales should be most representative of current market values. Based on a review of available land transaction data, along with input from representatives of local land conservation organizations, the Study has determined that one of the better “comparable” land sales in Coyote Valley, for the purposes of estimating future agricultural land preservation costs, is the 350-acre purchase of land by the Santa Clara County Open Space Authority, for approximately \$10,000 per acre, in 2010. A 2011 sale involved 100 acres in the north Valley, for a reported \$37,000 per acre. It should be noted that this property is located within the City of San Jose, and is zoned for urban development. Based on this information, it appears that the market may be starting to recognize the changed outlook for urban development in the Coyote Valley. These more recent land sales have fallen to per-acre price ranges that are towards the lower end of all of the sales identified in the Phase I study, and well below the peak prices of \$100,000 to \$200,000 or more per acre. This may also signal that the speculative value of land in Coyote Valley has declined in recent years.



## 2.4 Potential Tools, Programs and Actions

### 2.4.1 POTENTIAL TOOLS AND PROGRAMS

As part of the Phase II Study, potential farmland protection tools and programs that have been used in different parts of the country were analyzed. The tools and programs work in a variety of ways to strengthen agriculture economically, environmentally and culturally. Some of these tools and programs are aimed at stopping or mitigating the loss of farmland to urban development. Others facilitate farming operations and farmland management for public access and education, habitat conservation, and long-term stewardship of the land. From the list of available tools and programs listed below, the most relevant and feasible options were selected for further study. **Section 2.4.2** provides a brief summary of these tools and programs and the potential actions that could be put into place.

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## *farmland protection* POTENTIAL TOOLS AND PROGRAMS

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#### MANAGING FARMLAND CONVERSION

Acquisition of land in fee  
Area-based agricultural zoning  
Agricultural resource area  
Cluster zoning  
Community land trust  
Conservation easement  
General plan elements and designations  
Density bonus  
Impact fees  
Mitigation fees  
Mitigation dedications  
Pass-thru agreement (city-county)  
Preferential taxation programs  
Term conservation easement  
Transfer of development rights

#### PLANNING FOR & INVESTING IN AGRICULTURE

Agricultural tourism programs  
Agricultural infrastructure (processing, irrigation, recycled water)  
Cost-sharing for conservation practices  
Environmental conservation programs  
FarmLink and farm succession programs  
Farmworker housing  
Incubator farms/farmer training programs  
Leasing public land for agriculture  
Place-based branding/marketing  
Public education and outreach  
Payment for eco-systems services  
Regulatory streamlining/facilitation  
Regional food hub  
Right-to-farm laws  
Water and recycled water supplies  
Zoning for value-added enterprises

#### PUBLIC ACCESS - PASSIVE REC & EDUCATION

Trail easements purchase/management  
Land acquisition and management  
Recreational/educational facility construction & management

#### HABITAT CONSERVATION & ENHANCEMENT

Acquisition of land in fee  
Buffer zones  
Conservation/Ag easements  
Management of specific natural resources  
Mitigation fees

#### STEWARDSHIP OF CULTURAL RESOURCES

Restoration  
Curation





## 2.4.2 SELECTED TOOLS AND PROGRAMS

The tools and programs that were most relevant to Coyote Valley became the focus of further consideration, as described in this section. In addition, to understand how these tools/programs have been used in practice, a number of case studies were completed. These case studies demonstrate how tools/programs are often used in combination in order to both conserve the agricultural land base and strengthen the farming operations. For more information regarding these case studies, refer to **Appendix B**. Below is a brief summary of the tools/programs most relevant to Coyote Valley.

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# ➔ *farmland protection*

## SELECTED TOOLS AND PROGRAMS

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### AGRICULTURAL RESOURCE AREA

**What It Is:** An area that is recognized as an agricultural resource to the larger region. Within its boundaries, an array of conservation and promotional measures may be used in combination to strengthen agriculture.

**Relevance to Coyote Valley:** The Valley could be designated an Agricultural Resource Area and an existing or new non-profit entity would spearhead agricultural initiatives in this area. The goals of the entity would be to protect/acquire farmland where feasible, to create programs that facilitate farming operations, to connect farmers with existing technical assistance resources (such as the SCVWD's Water Use Efficiency in Agriculture program and many USDA programs), and to raise awareness of the resource area.

### CONSERVATION EASEMENT AND LAND ACQUISITION

**What It Is:** A conservation easement is a voluntary legal agreement between a landowner and a land trust or government agency that permanently restricts the development or use of a property to protect its conservation value as open space and/or agricultural land.

**Relevance to Coyote Valley:** Acquiring conservation easements or land to protect agricultural land within Coyote Valley will be a top priority. While development

pressure has eased due to the great recession, immediate efforts could be made to take advantage of this period and permanently conserve the agricultural land base for perpetuity. An existing conservation non-profit (or non-profit entity established specifically for Coyote Valley) would spearhead efforts to identify easement purchase priorities and opportunities. This same entity would be the easement holder and long-term steward.

### PLACE-BASED BRANDING PROGRAM

**What It Is:** Place-based labeling that helps consumers differentiate locally grown/made products from global commodities. Promotional efforts help consumers connect with and support a particular region and its producers.

**Relevance to Coyote Valley:** Creating a shared brand/logo for Coyote Valley's agricultural products and places, and linking this with existing efforts such as the Buy Fresh Buy Local Buy campaign, would help to raise public awareness of this agricultural resource and create a direct connection to the economic opportunities in San Jose, the South Bay, and the Bay Area.

### REGIONAL FOOD HUB

**What It Is:** A business or organization that helps to develop a stronger supply chain for local food by linking buyers with local small and midsize producers. Often



these producers have trouble breaking into local markets or meeting the production quotas required by the buyers. A food hub takes advantage of aggregation and may also provide production, distribution and marketing services.

**Relevance to Coyote Valley:** Coyote Valley's small and mid-size producers would benefit from access to a packing, processing, distribution, and supply depot. This could be established as a business or cooperative, where producers would share in the cost of facilities, take advantage of the ability to aggregate their products for buyers, and establish a regional brand.

### TRANSFER OF DEVELOPMENT RIGHTS (TDR)

**What It Is:** A program that allows landowners in development-restricted areas (sending areas) to transfer development rights to landowners in areas appropriate for development (receiving areas). Landowners in receiving areas could be allowed to develop more units than their existing zoning allows if they purchase development rights from sending areas. In exchange for being able to sell development rights, landowners of sending areas agree to conservation easements on their property. The advantages of TDR are the ability to protect agricultural or

environmentally sensitive land by designating them 'sending areas' and the ability to cluster development in 'receiving areas.'

**Relevance to Coyote Valley:** Currently, there is no support for a TDR program in Coyote Valley but should that change in the future, a TDR program would benefit the Mid Valley and the South Valley by channeling dollars from future development into conservation efforts and clustering development for more efficient delivery of services as well as preservation of open space.

### DENSITY BONUS

**What It Is:** Permits developers to increase the maximum allowable development on a property in exchange for helping the community achieve public policy goals.

**Relevance to Coyote Valley:** In Coyote Valley, density bonuses would be granted only in conjunction with a TDR program. In a TDR program, density bonuses are offered as incentives to landowners of 'sending areas' to give them more development rights than they are entitled to under existing zoning. If they sign on to the program, their property gains additional development rights, which can be sold to 'receiving area.' In exchange, a conservation easement is placed on their land.

### 2.4.3 POTENTIAL IMPLEMENTATION ACTIONS

The tools and program ideas were translated into potential actions for the Valley as a whole and for each of the three sub-areas: the South Valley, Mid Valley, and North Valley as described below. These potential actions became the basis for the recommendations presented in **Chapter III – Program Recommendations**.

## ➔ *potential implementation actions*

### THE VALLEY AS A WHOLE

#### FARMLAND COSTS

- Seek funding from charitable sources to bridge the gap between urban land values and agricultural land values
- Consider public ownership and public-private partnerships for key agricultural lands
- Consider farming supported as “amenity” by nearby property owners (e.g., HOA/POA)
- Create a farmland mitigation bank that is funded by from development projects elsewhere (not viable within existing regulatory framework)
- Create linkages between development that may occur in the North and Mid Valley with support for agriculture throughout the valley.
- In the Mid and North Valley, purchase land in fee if policies change in the future to favor agricultural land use and conservation of key habitat.
- In the North Valley, initiate discussion with IBM/Toshiba about interest in participating in a program to support higher value agriculture on surrounding properties.

#### OPERATING COSTS

- Use differential tax assessment to lower property taxes for farms (already applied to some properties under the Williamson Act)
- Establish cooperative, labor recruitment and training program, technical assistance program, and internship program

- Coordinate delivery of technical assistance programs, such as conservation practice cost-sharing, payments for eco-systems services, USDA risk management programs, organic transition and certification support, farm succession planning, business planning, market development, etc.

#### COMMON CAPITAL INVESTMENTS

- Establish packing, processing, distribution, and supply depot infrastructure as a stand-alone business or cooperative, in order to share cost of facilities, take advantage of economies of scale, and maybe form a regional brand
- Develop common irrigation water supply infrastructure

#### REVENUE & RETURNS

- Promote existing high-value agricultural operations as the foundation for the new agricultural core
- Attract new, experienced and entrepreneurial operators; get their input on what types of incentives and lease terms might lead them to establish farms in the area; and work with landowners to facilitate these lease terms/incentives
- Establish a marketing and branding program; establish an ag-tourism, public education, and special events program
- Establish an agricultural and environmental education and ag-tourism facility with programs and events for a range of audiences with a focus on school groups and families



- Facilitate community-supported agriculture (traditional CSA; other forms of support such as corporate support, support from homeowner's association/property owner's association, etc.)
- Establish a local-serving compost facility using local feedstocks: mushroom compost, woodchips, local green waste, etc. (Coyote Valley may be located within the San Jose Recycling Market Development Zone)
- In the North Valley, encourage landowners to enter into longer term leases with farmers if it becomes evident that development horizon will be longer than 5 years.

#### **RESOURCE AREA & REGULATORY STREAMLING**

- Establish an Agricultural Resource Area, starting with the South Valley and the Mid Valley, to focus efforts on conserving farmland and strengthening agriculture
- Facilitate regulatory streamlining and when feasible, reduce current barriers and policies that serve as disincentives to the continuation of agriculture in Coyote Valley

#### **URBAN-RURAL CONFLICTS**

- Develop an overall site plan for existing operations and for new improvements that mitigates current and potential new urban-rural conflicts and that contributes to urban-rural synergies as stated in City, County, and regional sustainable communities goals
- In addition to existing Right-to-Farm law, resolve the conflict between commuter traffic and farm equipment. Implement strategies to mitigate road-sharing conflicts, especially along Santa Teresa, such as: a lower speed limit, stop lights, and maybe farm-to-market transportation incentives for making improvements on Santa Teresa
- Conduct a public education/awareness campaign

#### **AGRICULTURAL WATER SUPPLY**

- Establish a secure, long-term supply of water for agricultural irrigation and processing needs
- Negotiate a consistent, favorable water rate for delivered irrigation water
- Make investments in a water distribution system to serve expanded agricultural operations
- Facilitate financial assistance to farmers implementing water conservation practices

## ➔ *potential implementation actions cont'd*

### THE VALLEY AS A WHOLE

#### URBAN/OPEN SPACE HABITAT CONFLICTS

- Purchase of trail easements by a regional parks department; some of these trail easements could allow for movement of agricultural equipment at specified times; farmers could also be incentivized to plant hedgerows along these trails for habitat and to separate trails from farms
- Improve communication between farmers and agencies with oversight of the open space preserves. Set up a land stewardship program that engages both sides in habitat and wildlife co-management
- Establish elements that both enhance habitat and the public appreciation of habitat, such as planting trees along the roads for habitat and sense of place (as has already been done along Bailey Avenue); establishing small bird-viewing locations; and constructing interpretive signage in key locations
- Establish Spreckels Hill, the elevated 'knob' of land at Bailey and Santa Teresa, as a conservation area with public access

#### HABITAT ENHANCEMENT

- Conserve and restore key habitat (e.g., wetlands, riparian areas, etc.), particularly for endangered species, species of special concern, and species indigenous to the Valley
- Preserve the Valley's function as a corridor that accommodates regional movement of wildlife
- Protect and enhance the Valley's hydrologic function including surface flows in creeks, groundwater recharge, and storm water conveyance
- Enhance opportunities to co-manage specific locations to optimize habitat value and agricultural production
- Develop programs for natural resources education and research

#### CONSERVATION OF KEY CULTURAL & RECREATION RESOURCES

- Integrate cultural and recreational resources with agricultural and natural resources to create a mosaic of compatible activities and attractions that draw visitors to the Valley and support agri- and ecotourism
- Protect and enhance cultural resources, such as the Coyote Hamlet, that contribute historic context and interest, as well as contemporary amenities that can support and complement agriculture
- Support improved trail connections through the Valley that link County parks and open spaces to each other and to future agricultural resources (e.g., farm stands, harvest festivals, U-pick farms, etc.)

#### HOUSING FOR FARM LABORERS & EMPLOYEES

- Maintain a listing of affordable units or areas in San Jose and Morgan Hill
- Build affordable housing for farm labor
- Incentivize construction of allowed accessory dwelling units

## 2.5 Local, Regional, State and Federal Policy Context

As of the summer of 2012, many compelling regional, state and federal planning efforts are underway that support both the positioning and creation of a thriving agricultural and environmental resource area in Coyote Valley. Many of these efforts provide a robust framework which the Coyote Valley could build upon. These efforts could help to achieve the main goal of providing economic sustainability while preserving agricultural lands and important ecosystem resources within the Coyote Valley.

Following is a brief summary of the most relevant planning and policy efforts in place at this time. This information builds on the information already presented in the “*Regulatory Context*” section in the Phase I report.

### 2.5.1 CITY AND COUNTY POLICY CONTEXT

#### LAFCO

Several LAFCo policies are supportive of the long-term viability of agriculture in Coyote Valley. In general, LAFCo must approve any expansion of the City of San Jose’s Urban Services Area to include mid-Coyote Valley. In addition, LAFCo policy calls for 1:1 mitigation for conversion of agricultural lands. The specific applicability of these policies on a parcel by parcel basis would need to be assessed, but the overall framework calls for application of the LAFCo criteria for agricultural land that requires mitigation. LAFCo also places priority on preservation of those agricultural lands that are most threatened by development, which would presumably include agricultural lands in Coyote Valley that lie at the edge of a city. This set of policies creates both short-term and long-term opportunities for agricultural preservation in Coyote Valley. In the short to mid-term, LAFCo’s priority to preserve the most threatened agricultural lands could position Coyote Valley to be a “receiver” area for required mitigation for development that could occur elsewhere in Santa Clara County (i.e., areas other than Coyote Valley, whether that be elsewhere in San Jose’s Sphere of Influence, or in more distant locations, such as in the Gilroy area). In the longer term, should the City of San Jose move forward to add the mid-Valley to its Urban Service Area then the 1:1 ag mitigation policy could create an opportunity for mitigation by preserving agricultural lands within the mid-Valley area itself.

#### City of San Jose – San Jose Envision 2040

San Jose Envision 2040 recognizes the importance of providing and protecting agricultural lands. It recognizes that the benefits for doing so are multi-faceted, including:

- *Local food production*
- *Access to healthy foods*
- *A distinctive community image*
- *Environmental, fiscal and economic benefits*

The main goal that states this understanding can be found under the chapter on Land Use and Transportation. It states:

**Goal LU-20 Rural Agriculture:** *Provide and protect sufficient agricultural land to facilitate local food production, to provide broad community access to healthful foods, to add to a distinct community image, and to promote environmental, fiscal, and economic benefits of rural agricultural lands.*

Related policies that support Goal LU-20 address the specifics and actionable items for the preservation of existing farmland, include Action LU-20.9 that calls for the exploration of agricultural easements, transfer/purchase of development rights, or other options to keep Mid-Coyote Valley as permanent agriculture. Additional actions address the issues of agricultural viability, encouragement of sustainable practices, and public education about agriculture.

**Policy LU-20.1**

Protect and preserve the remaining farmlands within San Jose's sphere of influence that are not planned for urbanization in the timeframe of the Envision General Plan, such as mid and south Coyote Valley, through the following means:

1. *Strongly discourage conversion of agricultural lands outside the Urban Growth Boundary to non-agricultural uses.*
2. *Limit residential uses in agricultural areas to those which are incidental to agriculture.*
3. *Prohibit subdivision of agricultural lands, unless it can be established that the subdivision would not reduce the overall agricultural productivity of the land and that viable agricultural operations would be sustained.*
4. *Encourage contractual protection for agricultural lands, such as Williamson Act contracts, agricultural conservation easements, transfers of development rights, or other property tax relief measures as incentives for preservation of these lands.*
5. *Restrict land uses within and adjacent to agricultural lands that would compromise the agricultural viability of these lands. Require new adjacent land uses to mitigate any impacts on the use of agricultural lands.*
6. *Require ancillary non-agricultural land uses on agricultural lands to be ancillary to and compatible with agricultural land uses, agricultural production, and the rural character of the area, and to enhance the economic viability of agricultural operations.*

**Policy LU-20.2**

Preserve agricultural lands and prime soils in non-urban areas in order to provide local and regional fresh food supplies, reduce dependence on foreign products, conserve energy, and retain the aquifer recharge capacity of these lands.

**Policy LU-20.4**

Leverage agricultural lands to create and maintain a unique community character, provide open space, link to the region's history as the Valley of Heart's Delight, support the area's tourism industry, contribute to the local economy, and add to the quality of life of the community.

**Policy LU-20.5**

Enhance viability and profitability of ongoing use of agricultural lands by supporting ancillary commercial uses such as fruit stands, small-scale environmental and agricultural tourism, and the processing of agricultural products.



**Policy LU-20.6**

Encourage agricultural uses which follow ecologically sound agricultural practices and minimize the use of chemicals and pesticides in order to promote healthy soils and ground water, provide healthful local foods, reduce energy use, and reduce the farming industry's demand for resources.

**Action LU-20.7**

Promote legislation to establish Countywide or Statewide agricultural preservation programs, including identifying sources of funding necessary for implementation of such programs.

**Action LU-20.8**

Work with agricultural entities (i.e., farming industry, non-profits, landowners), the County, other Santa Clara County cities, and the Local Area Formation Commission and other stakeholders to promote public education to improve the community's understanding of the importance of agriculture in creating sustainable communities within Santa Clara County.

**Action LU-20.9**

Explore use of agricultural easements, transfer/purchase of development rights, or other options to keep Mid-Coyote Valley as permanent agriculture.

**Santa Clara County General Plan (1995-2010)**

The Santa Clara County General Plan recognizes that agriculture plays several key roles in the county. These roles are that agriculture:

- *Remains a fundamental part of the region's economy;*
- *Provides a locally-grown supply of food;*
- *Provides a scenic relief from continuous urban development.*

The General Plan also recognizes that the agriculture industry faces a number of challenges, including an ongoing potential for conversion to urban uses, high land costs, foreign and statewide competition, and the lack of affordable agricultural worker housing. To confront these challenges and to preserve the remaining supply of farmland, it sets out a number of strategies, policies and implementation measures including but not limited to:

- *Evaluating the various means available for permanent protection of agricultural lands (including transfer of development rights programs, cumulative impact programs, establishment of land trusts et al) (C-RC(i)19)*
- *Marketing and educational programs to promote agricultural products and industries (C-RC(i)23)*
- *Establishing an agricultural competitiveness task force to recommend specific actions for enhancing agriculture's long term viability (R-RC(i)30)*

## **Agriculture & Agricultural Resources Strategies**

**Strategy #2:** Maintain Stable Long Range Land Use Patterns

**Strategy #3:** Enhance the Long Term Economic Viability of Agriculture

### **Policies and Implementation**

#### **C-RC 37**

Agriculture should be encouraged and agricultural lands retained for their vital contributions to the overall economy, quality of life, and for their functional importance to Santa Clara County, in particular:

- a. *local food production capability;*
- b. *productive use land not intended for urban development; and*
- c. *protection of public health and safety.*

#### **C-RC 38**

General public awareness and understanding of the importance of agriculture and the goals of agricultural preservation should be encouraged countywide.

#### **C-RC 40**

Long term land use stability and dependability to preserve agriculture shall be maintained and enhanced by the following general means:

- a. *limiting the loss of valuable farmland from unnecessary and/or premature urban expansion and development;*
- b. *regulating non-agricultural uses in agricultural areas, and their intensity and impacts on adjacent lands;*
- c. *maintaining agriculturally-viable parcel sizes; and*
- d. *minimizing conflicts between adjacent agri-cultural and non-agricultural land uses through such means as right-to-farm legislation and mediation of nuisance claims.*

#### **C-RC 41**

In addition to general land use and development controls, agricultural areas of greatest potential long term viability should be identified and formally designated for permanent preservation.

#### **C-RC 43**

*Long term economic viability of agricultural activities shall be maintained and enhanced by providing*

- a. *improved markets for locally-grown products;*
- b. *property tax relief;*
- c. *appropriate application of “renewable,” organic agriculture and other innovative, cost-efficient growing techniques; and*
- d. *adequate agricultural worker housing supply.*

**R-RC 59**

*Sizeable remaining areas of agricultural lands shall be preserved in large parcels in order to:*

- a. stabilize long term land use patterns;*
- b. allow for long term agricultural investment;*
- c. facilitate entry of individuals into agricultural livelihoods; and*
- d. avoid introduction of incompatible residential or other development in agriculture areas.*

**R-RC 60**

Recombining of parcels in agricultural areas should be encouraged.

**R-RC 61**

Allowable land uses in exclusive agricultural areas shall be limited to

- a. agriculture and ancillary uses,*
- b. uses necessary to directly support local agriculture, and*
- c. other uses compatible with agriculture which clearly enhance the long term viability of local agriculture and agricultural lands.*

**R-RC 64**

As the means and resources become available, agricultural areas of greatest long-term viability should be designated for long term or possibly permanent preservation from urban development. Areas such as the lands south and east of Gilroy should be considered for designation and preservation.

**C-RC(i)19**

Evaluate the various means available for permanent protection of agricultural lands designated through inter-local agreements as official preserves, including:

- a. transfer, purchase or dedication of development rights;*
- b. cumulative impact mitigation fees (Sonoma, Alameda Counties' programs provide examples);*
- c. acquisition priority-setting by the County's Open Space Authority;*
- d. establishment of land trusts or land banking to hold ownership of permanently protected lands; and*
- e. use of binding inter-local agreements between affected jurisdictions regarding the policies and implementation measures involved.*

**C-RC(i)22**

Marketing and educational programs to promote local agricultural products and industries.

**C-RC(i)23**

Production of safe, decent, and affordable agricultural worker housing.

**R-RC(i) 26**

Explore the use of marketing and other means of enhancing economic viability found successful in other similarly-situated jurisdictions.

**R-RC(i) 28**

Evaluate economic impacts of federal, state and local regulation of agriculture.

**R-RC(i) 29**

Explore public/private sector efforts to maintain or provide new affordable housing for agricultural workers (see Housing Chapter for Rural Unincorporated Area Issues & Policies).

**R-RC(i) 30**

Establish an agricultural competitiveness task force to:

- a. *identify changing conditions, challenges, and opportunities for local agriculture;*
- b. *identify conditions necessary to maintain the long term viability of agriculture;*
- c. ***recommend specific actions for enhancing the agriculture's long term viability.***

**Health Element Leads off the Santa Clara County General Plan Update**

The Santa Clara County Health Element is the first element to be updated for the updated Santa Clara General Plan. The Health Element will set a vision and framework to address public health and social equity, and will include the topics of healthy food access and food security. The implementation of a thriving Coyote Valley Agricultural Resource Area will be a critical component in helping the County achieve its goals of access to healthy food and food security.

**City of Morgan Hill – Agricultural Policies and Implementation Program – Public Review Draft (December 2011)**

The City of Morgan Hill, to the south of Coyote Valley is in the process of developing policies and actions to support continued agricultural activities in and around Morgan Hill. It is critical that the Coyote Valley Agricultural Resource area, to the extent possible, build on the on-going policy and preservation framework that is being crafted just to the south of the resource area. The main approach outlined in the draft is the establishment of an "Agricultural Priority Area" to focus its preservation efforts and an Agricultural Mitigation Program.

**Draft Santa Clara Valley-Habitat Conservation Plan issued September 2012**

The Coyote Valley is included in the draft Habitat Conservation Plan (HCP) currently being finalized by Santa Clara County and its five partners (Santa Clara Valley Transportation Authority (VTA), Santa Clara Valley Water District (SCVWD), Morgan Hill, San Jose and Gilroy). Once the HCP is adopted, owners and developers of lands located within the Coyote Valley would need to comply, for sites of two acres and larger, with any relevant requirements of the Plan including impact fees for new buildings and conditions of approval. Although the areas in Coyote Valley are not designated as "priority conservation areas", there may be situations, perhaps especially habitat movement corridors, where Coyote Valley land could become part of the Plan's Reserve System. Any Reserve System decision would need careful biological review and approval by the Plan's Implementing Entity.

### ***Water Resources Plans***

Santa Clara Valley Water District (SCVWD) planning documents that impact the Coyote Valley and its ability to sustain agriculture include the 2012 Water Supply and Infrastructure Master Plan and the Safe Clean Water and Natural Flood Protection Program (voters will decide in November 2012 on a measure to extend this program).

## **2.5.2 REGIONAL POLICY CONTEXT**

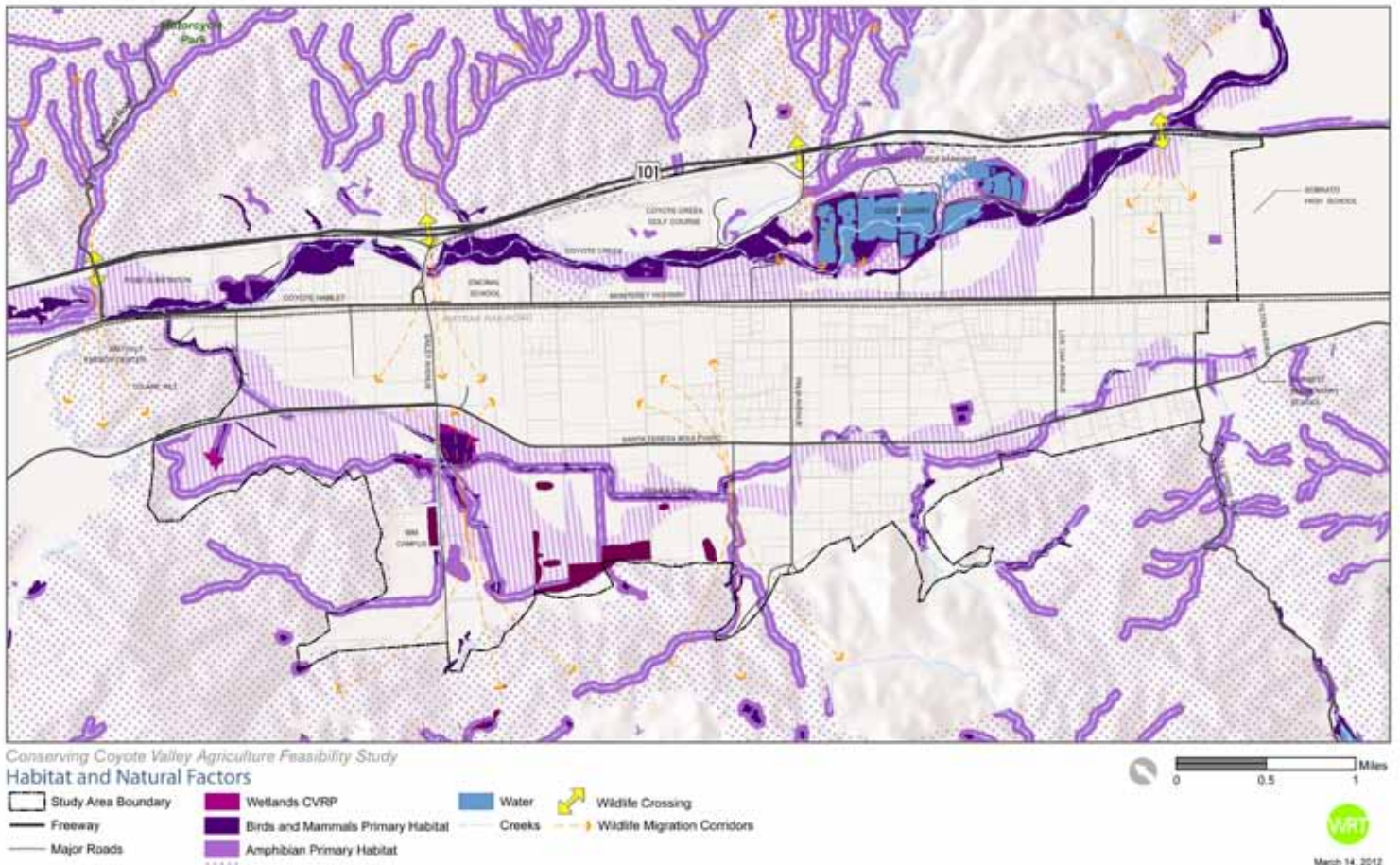
### ***Plan Bay Area Sustainable Communities Strategy***

The Coyote Valley Agricultural Resource area is well positioned to help fulfill the goals and targets of the Plan BayArea, the name of the Bay Area's Sustainable Communities Strategy, a planning process mandated for all California metro regions by SB 375. Open space and agricultural preservation is one of the seven primary goals identified for the Plan BayArea. The identified Performance Target associated with measuring attainment of this goal is to direct all non-agricultural development (100%) within the urban footprint (existing urban development and urban growth boundaries).

The intent of this target is to support infill development while protecting the Bay Area's agriculture and open space lands. By focusing on areas with existing urban development, as well as areas specifically selected for future growth by local governments, the target seeks to avoid both excess sprawl and elimination of key resource lands.

The OneBayArea Grant Program (OBAG), is a funding approach that better integrates the region's federal transportation program with California's climate law (Senate Bill 375, Steinberg, 2008) and the Sustainable Communities Strategy which establishes program commitments and policies for investing roughly \$800 million over the four-year Cycle 2 period (FYs 2012-13 through 2015-16). The OneBayArea Grant Program will support the Sustainable Communities Strategy for the Bay Area by promoting transportation investments in Priority Development Areas (PDAs) and by initiating a pilot program that will support open space preservation in Priority Conservation Areas (PCA).

During the four-year Cycle 2 period, OBAG has earmarked \$10 million for funding Priority Conservation Areas. These are areas of regional significance that provide important agricultural, natural resource, historical, scenic, cultural, recreational, and/or ecological values and ecosystem functions, and that have broad community support and an urgent need for protection. Eligible projects would include planning, land/easement acquisition, open space access projects, and farm-to-market capital projects. Priority will be given to projects that can partner with state agencies, regional districts and private foundations to leverage outside funds, particularly for land acquisition and open space access. The first \$5 million in Cycle 2 will be dedicated to the North Bay counties, with the remaining \$5 million made available for sponsors outside the North Bay that can provide a 3:1 match.



**FIGURE 2-9**  
*Habitat and Nature Factors*

### **Plan Bay Area - Greenprint**

The 'greenprint' is being developed by a working group with representatives from the Bay Area Open Space Council, Greenbelt Alliance, The Nature Conservancy, Sustainable Agriculture Education, American Farmland Trust, and the Trust for Public Land. The 'greenprint' was initially conceived as a complementary document to Plan Bay Area and as an outline of policies and actions needed to sustain the region's conservation lands and working lands. The purpose of the 'greenprint' has remained the same, but the format has shifted. The working group, in close collaboration with the Association of Bay Area Governments and Metropolitan Transportation Commission (leaders of the Plan Bay Area process), is now developing the 'greenprint' as an integral part of the Plan Bay Area. The Draft and Final Plan Bay Area document, scheduled for adoption in 2013, will include a chapter devoted to land conservation and working lands (the 'greenprint'). This chapter will include sections on: the values and contributions of natural and working lands to the Bay Area; past and current successes in land conservation; detailed maps of lands that provide key values (e.g. farms and ranches, parks and trails, water resource lands and habitat); evocative measures that numerically list the benefits of different values (e.g. number of agricultural jobs created by acres of farmland, number of gallons of water filtered by wetlands); and recommendations for supportive policies to maintain these lands.

### 2.5.3 STATE PROGRAMS AND POLICY CONTEXT

#### ***California Farmland Conservancy Program***

The California Farmland Conservancy Program (CFCP) seeks to encourage the long-term, private stewardship of agricultural lands through the voluntary use of agricultural conservation easements.

#### ***Williamson Act Contracts on Agricultural Land***

The purpose of the Williamson Act is to help keep farmland in agricultural production by giving private property owners property tax credits for keeping their land in production (and not developed).

#### ***California State Coastal Conservancy***

The California State Coastal Conservancy awards grants to public agencies and nonprofit for projects including trails and other public access to and along the coast, natural resource protection and restoration in the coastal zone or affecting coastal areas, restoration of coastal urban waterfronts, protection of coastal agricultural land, and resolution of land use conflicts.

#### ***Department of Fish and Game, Wildlife Conservation Board***

The primary responsibilities of Wildlife Conservation Board (WCB) are to select, authorize and allocate funds for the purchase of land and waters suitable for recreation purposes and the preservation, protection and restoration of wildlife habitat.

#### ***Emerging Issues: AB 32 Allowance Revenues, Ecosystem Services Payments***

Under Assembly Bill 32, the state's climate change law, California adopted a cap-and-trade program that caps greenhouse gas emissions from large industrial emitters, utilities and others.

### 2.5.4 FEDERAL PROGRAMS AND POLICY CONTEXT

Congress is currently debating the 2012 Farm Bill, which is renewed every five to six years and provides the framework for the country's farm and food policy. Recent farm bills have expanded the funding and programming to support access to land and capital for beginning and socially disadvantaged farmers and ranchers, development of local and regional food systems, value-added agriculture and rural development programs. How the next farm bill will address funding for these programs is still being debated in Congress and may be delayed until after the November election. But for now, several federal programs can be used to further local and regional efforts to support diversified agricultural communities.

#### ***United States Department of Agriculture (USDA) Programs***

This preliminary analysis investigates the availability of programs through the USDA for which the Coyote Valley project is likely eligible. Following are outlines of the program parameters for several USDA programs. Some of these federal programs are administered through California's Natural Resource Conservation Service (NRCS).

***Beginning and Socially Disadvantaged Farmer Contract Land Sales***

**Objectives:** Provide federal loan guarantees to retiring farmers who self-finance the sale of their land to beginning of socially disadvantaged farmers and ranchers.

***Beginning Farmer and Rancher Development Program (BFRDP)***

**Objectives:** Fund education, extension, outreach and technical assistance initiatives directed at helping beginning farmers and ranchers.

***Certified Development Company Program (504 CDC under SBA)***

**Objectives:** Stimulate job creation through expansion or renovation of existing small business infrastructure.

***Community Food Projects***

**Objectives:** Support local food production and its distribution throughout the community especially to low-income people.

***Conservation Innovation Grant Program (CIG)***

**Objective:** Support innovative agriculture conservation projects.

***Conservation Stewardship Program (CSP)***

**Objective:** Actively maintain existing conservation systems and implement conservation activities on land in agricultural production.

***Environmental Quality Incentives Program (EQIP)***

**Objective:** Provide technical, financial, and educational assistance to farmers and ranchers to promote natural resource conservation.

***Farm and Ranch Lands Protection Program (FRPP)***

**Objective:** Protect farm and ranch lands from conversion to nonagricultural uses.

***Know Your Farmer, Know Your Food***

**Objective:** Support community-based agricultural initiatives, such as farmers' markets, farm to school programs, food policy councils and more, and provide a hub for financing and the Know Your Farmer Know Your Food initiative provides a hub for financing and technical assistance for community-based agricultural efforts.

Provide a hub for financing and technical assistance for community-based agricultural efforts

***Local Food Enterprise Loans***

**Objective:** Renew local food system infrastructure and community development.

***Organic Certification Cost Share (NOCCSP)***

**Objective:** Support organic certification for producers and handlers of organic products.

***Resource Conservation and Development (RC&D)***

**Objective:** Accelerate the conservation, development, and use of natural resources while improving the general level of economic activity and standard of living in communities.



***Risk Management Education Program (RME)***

**Objective:** Provide farmers with knowledge, skills and tools needed to make informed risk management decisions for their operations with the goals of enhancing farm profitability.

***Risk Management Partnership Agreements (RMA)***

**Objective:** Research and development, education, and community outreach for non-insurance agricultural risk management tools.

***Rural Business Enterprise Grants (RBEG)***

**Objective:** Finance and facilitate development of small and emerging private businesses in rural areas.

***Rural Business Opportunity Grants (RBOG)***

**Objective:** Promote sustainable economic development in rural communities with exceptional need.

***Rural Cooperative Development Grant Program (RCDG)***

**Objective:** Improve economic condition of rural areas by developing new cooperatives and improving existing cooperatives,

***Sustainable Agriculture Research and Education Program***

**Objective:** Support innovative research, education and projects that advance sustainable agriculture.

***Value-Added Producer Grants (VAPG)***

**Objective:** Develop value-added producer-owned businesses.

***Wetland Reserve Program (WRP)***

**Objective:** Restore, protect and enhance wetlands

***United States Department of Housing and Urban Development (HUD) Programs******Partnership for Sustainable Communities (a partnership with the Department of Transportation and Environmental Protection Agency)***

**Objective:** to help places around the country develop in more environmentally and economically sustainable ways

***Rural Housing and Economic Development (RHED) Program***

**Objective:** to provide for capacity building at the state and local level for rural housing and economic development and to support innovative housing and economic development activities in rural areas



# three

## PROGRAM RECOMMENDATIONS

Considering existing conditions and the local and regional policy context, this Study believes it is feasible to sustain agriculture and conservation in the Coyote Valley provided that stakeholders take concerted, significant and strategic action.

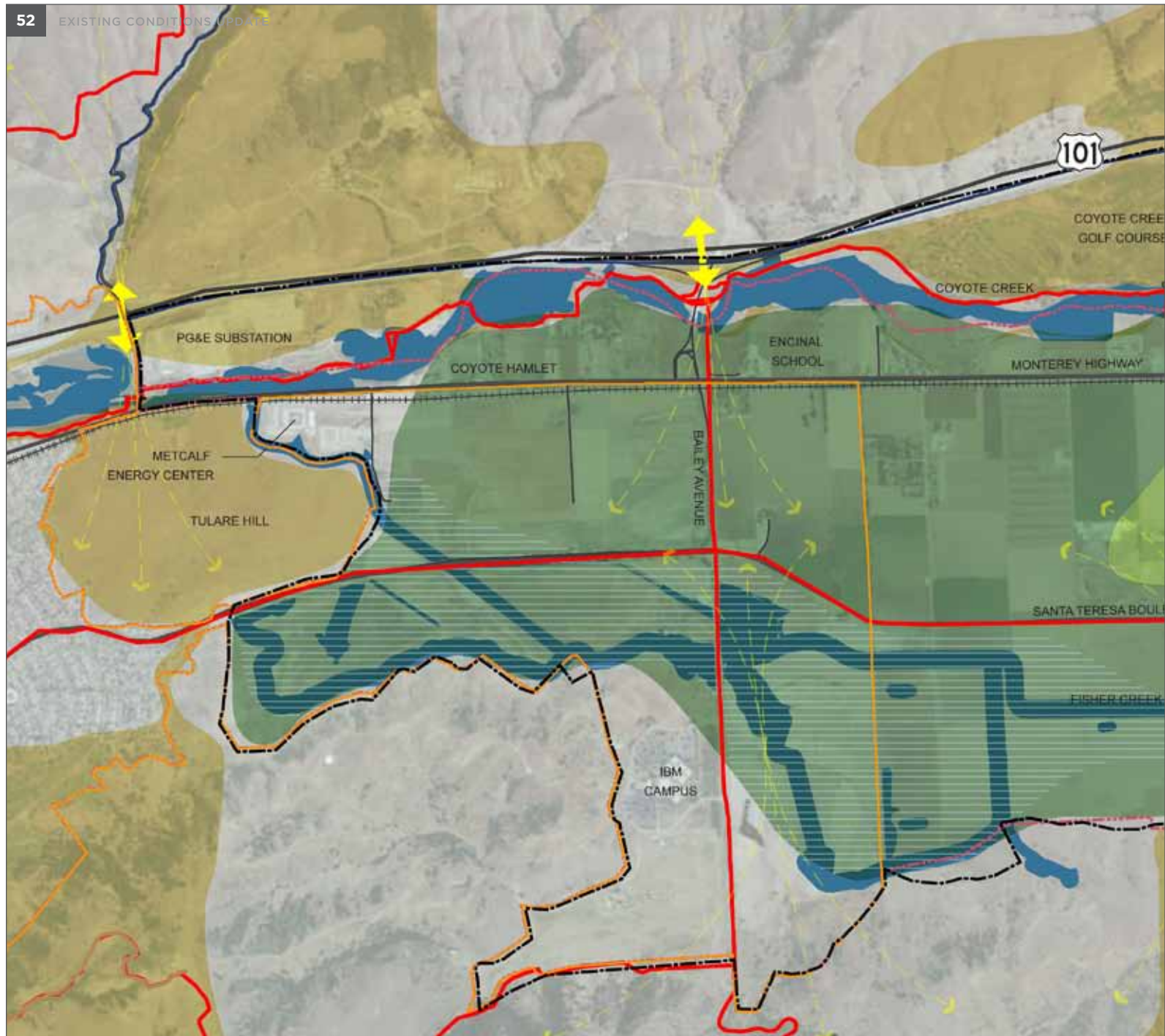
The recommendations are discussed in some detail in the following pages. A synopsis of the recommendations is below.

**What would it take?** Formation of the Coyote Valley Agricultural Enterprise and Conservation Program (COVAEC) to coordinate strategic actions and concerted advocacy for realizing the vision of sustaining agriculture and conservation in perpetuity.

**When would it happen?** Implementation of COVAEC over three phases - Start-Up (2013-15), Stabilization (2016-22) and Full Build Out (2023-38) over a 25 year period.

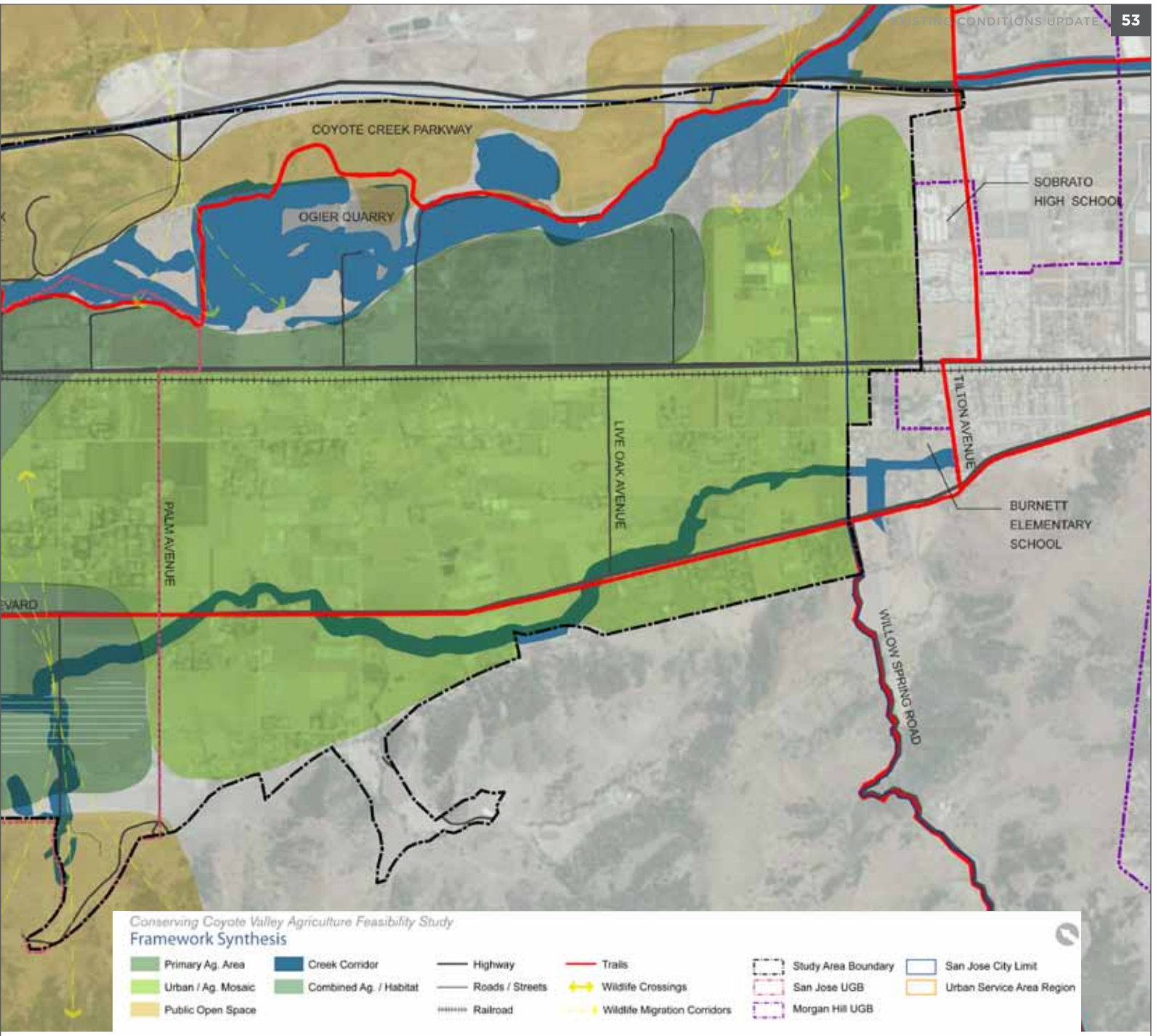
**What would it cost?** Estimated funding from public, private, and philanthropic sources and in-kind donations totaling around \$50 million, divided into three categories: Programmatic Actions and Operations (~\$10 million), Land Conservancy (~\$27 million), and Agricultural and Resource Area Development (~13 million).

**Who would make it happen?** Multiple stakeholders – landowners, farmers, City and County, resource agencies, advocacy organizations, funders and investors, consumers and the local community – working together to advance their common interests and negotiate their differences.



**FIGURE 2-10**  
Framework Synthesis

This approach represents a shift from an expectation earlier in the Study that recommendations would include a delineated proposed Agricultural and Conservation Resource Area or at least proposed priority resource areas. It became evident that such an approach could become a road-block to making agriculture and conservation more feasible. The Framework Synthesis map (above) conveys a general sense of higher and lower priority agriculture lands based primarily on



the scale and congruence of parcels with current agricultural land use. This framework synthesis and the background information and maps that depict the various resource values of the Valley should be helpful in informing specific land use decisions in the future. However, for the purposes of implementing actions needed to sustain agriculture and conversation, the recommendations that follow are primarily programmatic rather than geographic in nature.

## ➔ *program recommendations*



### 3.1 Program Recommendations: What Would it Take?

The recommended vehicle to achieve the vision for the Valley is the ***Coyote Valley Agricultural Enterprise and Conservation program*** (COVAEC). This program would develop multi-faceted systems to coordinate public, private, and philanthropic investments to optimize economic, environmental, and social returns while sustaining and enhancing agricultural and conservation activities in the Coyote Valley. The COVAEC program would recognize that conditions vary in each part of the Valley (e.g., North, Mid, and South), and would call for different activities in different parts of the Valley as applicable. The Program would be developed incrementally over time.

Within the framework of support created by the overall project management and advocacy

activities and programmatic components, individual farmers and property owners would continue to make their own decisions about how to use their land. Those wishing to take advantage of the support and resources put in place by the COVAEC program would have access to an expanded range of tools and resources that would promote long-term economic viability of agricultural operations and enhanced habitat values within the area. The overall approach is intended to catalyze agricultural land uses that can be synergistic with development if and when it happens as well as an alternative to development.

Brief descriptions of the recommended components of COVAEC and their constituent activities are as follows:



## KEY COMPONENTS OF COVAEC INCLUDE:



1. Overall project management, coordination and advocacy
2. Programs to address physical and infrastructure needs for farming, conservation and recreation
3. Programs to address human capital needs
4. Programs to address financial needs and to attract investment in the area
5. Programs to market the place, its products and its importance to the region



# WHAT WOULD IT TAKE?



## OVERALL PROJECT MANAGEMENT, COORDINATION AND ADVOCACY

The COVAEC program would be implemented over a period of 25 years and requires partnership development, leadership, coordination, and ongoing advocacy. Initially the program requires, committed key partners, core funding and dedicated personnel to initiate implementation and to begin building program capacity. To minimize the start-up requirements, it is recommended that an existing stakeholder organization incorporate the project manager position as an extension of its current scope of operations. Other partner organizations are expected to assist in funding or providing in-kind support for key professional services and program start-up oversight. Assuming successful implementation of “Start-Up” Phase activities, after five to ten years, the COVAEC program may become an independent organization or alternatively a dedicated program of another organization. In addition to overall project management and coordination, recommended management components include:

- a. *Formation of a governing Board (initially key Partners advised by an Advisory Committee) to direct activities and initiatives, to support fundraising efforts, and to guide program growth*
- b. *Formation of sub-committees that include representation from a wide variety of Valley stakeholders to spearhead key programmatic elements*
- c. *Advocacy activities that seek to integrate the COVAEC program into ongoing and future initiatives, plans and policies at the local, regional, State, Federal, private sector and philanthropic realms.*



## PROGRAMS TO ADDRESS PHYSICAL NEEDS OF FARMING, CONSERVATION, & RECREATION

Long-term success of the COVAEC program requires programs that ensure that the Valley farmers have land and water to grow their crops. Current threats to the availability of land and water include escalating costs of land and uncertainty about the supply of water to service long-term needs within the valley. The farming community also needs infrastructure improvements, such as wells and processing and distribution facilities. The success of COVAEC requires the enhancement and protection of habitat as a land use function complementary to and supportive of agriculture. It also requires integration with existing and new recreation facilities, especially trail systems, as an important component for agri-tourism opportunities and the establishment of a strong community presence. Program components include:

- a. *Preservation of priority areas not currently planned for development*
- b. *Securing water supplies for agricultural and habitat resources*
- c. *Creating an “agricultural and habitat infill” program and developing “infrastructure” that supports agricultural operations*
- d. *Continuing to explore options for tools to aggregate and permanently protect agriculture lands*
- e. *Implementing the most feasible tools over time*





### PROGRAMS TO ADDRESS HUMAN CAPITAL NEEDS

Supportive landowners, farmers and farm-workers represent a third fundamental requirement for farming in Coyote Valley. It is necessary to support existing farmers and to “cultivate” a new generation of farmers to establish new operations and to step in to fill the vacuum as existing farmers enter retirement. In addition, an anticipated transition to more diversified and intensive farming activities require increases in farm labor. Program components include:

- a. *Technical assistance for farmers*
- b. *Connecting landowners, interested in increasing the agricultural production value of their land, with experienced farmers seeking additional land to lease*
- c. *Recruitment, training, and mentoring of new and beginning farmers*
- d. *Preserving and expanding farmer and farm-worker housing opportunities*



### PROGRAMS TO ADDRESS FINANCIAL NEEDS AND ATTRACT INVESTMENT IN THE AREA

The COVAEC program requires a range of investment mechanisms in order to fully realize the vision. In addition to traditional sources of private capital, the program utilizes grants, loans, and investments from public and philanthropic sources. Program components include:

- a. *Utilizing various financial tools to offset costs of COVAEC projects*

- b. *Seeking funding and/or mitigation investments from existing programs that have compatible or mutually beneficial objectives*
- c. *Establishing a pool of funds for COVAEC programs and projects*
- d. *Establishing a 10% matching fund for landowners and farmers making agricultural improvements*
- e. *Establishing a cooperative, assessment district, and/or other organizational structure among Coyote Valley farmers to assist with funding/financing needs*



### PROGRAMS TO MARKET THE PLACE, ITS PRODUCTS AND ITS IMPORTANCE TO THE REGION

Marketing programs under COVAEC serve two different but related purposes. The first is to build awareness of the Coyote Valley, attract visitors to the area for ongoing activities and special events, and build a constituency for the COVAEC program itself. The second is to build market awareness of Coyote Valley farm products as a way to increase overall demand (thus supporting expanded production in Coyote Valley) and to enhance the value of its products (thus enhancing economic viability). Program components include:

- a. *Education, potentially including the development of a dedicated education center, and outreach, including developing a Friends of Coyote Valley group*
- b. *Branding and identity initiatives*
- c. *Visitor attractions to Coyote Valley*
- d. *Product marketing activities*




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## ➔ *program recommendations*

### WHEN WOULD IT HAPPEN

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#### **When Would it Happen?**

In all likelihood, the tools proposed as part of COVAEC will be implemented over a 25-year time period in order to achieve the vision for the long-term conservation of Coyote Valley agriculture and key habitat. In addition, when all project goals are met, continuation of certain coordination and marketing functions would be needed. Following is an overview of the phases of the project (Start-Up, Stabilization, and Full Build Out) that demonstrate the phasing of activities needed to achieve the vision and goals.

#### **3.2.1 START-UP PHASE:**

##### ***Establish Momentum, Organizational Capacity and Initial Programmatic Support (2013-2015)***

The Start-Up phase of the program establishes the capacity to implement initial program components and to build advocacy at the local, regional, State, and national levels for necessary supporting policies and resources. Critical first steps include: establishing agreements with partner organizations to undertake specific recommendations and provide high level programmatic and fiscal oversight; establishing an Advisory Board to provide input and champion the project; establishing start-up funding commitments; and orienting personnel (most likely housed at partner organizations) and contractors to begin initial implementation activities. The three year start-up phase entails activities for a critical initial year and then activities for a two-year period.

##### ***Recommended Activities Start-up Phase:***

These would be the foundational first steps for launching COVAEC.

# WHEN WOULD IT HAPPEN? START UP PHASE



## MANAGEMENT AND ADVOCACY

- a. Establish, and then refine, agreements with key Partners, who would commit resources to lead critical, initial actions.
- b. Retain an Interim Contract COVAEC Program Manager (~ 50% FTE) to coordinate initial implementation activities. Hire a full-time, dedicated Program Manager within a year.
- c. Form a COVAEC Advisory Committee of the Partners and other key local and regional stakeholders. Committee would oversee program implementation, provide support for activities, and help identify funding opportunities.
- d. Retain and manage professional services, including: communications services to develop public outreach materials and media relations strategies; legal services to advise on all COVAEC agreements; financial advisor for financial mechanisms; contract grant-writer to develop proposals; and agricultural experts and food systems consultants.
- e. Initiate advocacy activities, including: presentation of COVAEC vision to key stakeholders for input and buy-in; promotion of the inclusion of COVAEC vision in the development of new local and regional programs and policies; promotion of the COVAEC objectives as means to realize already established local and regional initiatives; and advocacy for feasible regulatory changes requested by producers.
- f. Ensure financial management. One Partner would commit to providing fiscal oversight of COVAEC finances.



## PHYSICAL AND INFRASTRUCTURE NEEDS FOR FARMING, CONSERVATION, AND RECREATION

- a. Work closely with the Santa Clara Valley Water District (SCVWD) and with other local agencies that affect water resource management, in order to assure that water for agriculture in the Coyote Valley is a high priority. Engage with landowners and farmers about any pending changes to water management and supply, seek their input about desirability of any common water supply infrastructure, and encourage water conservation practices.
- b. Initiate and grow an ag/habitat infill pilot program in the South valley. Activities would include: facilitating lease agreements between landowners and new farmers (at least 3 parcels, 40 acres total); encouraging investment in needed infrastructure through a 10% matching fund; and helping landowners/farmers realize opportunities for habitat mitigation and for conservation cost-share practices.
- c. Create a 20-acre demonstration farm in the Mid-Valley. This would entail; identifying and purchasing the optimum parcel; developing a master plan; signing a tenant with organic farming experience and commitment to public education; implementing capital improvements including demonstration elements (e.g. well with solar pump, fencing with a hedgerow, new crop trials, etc.); managing the property; and co-hosting events and workshops. This would likely be an activity of the Open Space Authority.

## WHEN WOULD IT HAPPEN? START UP PHASE

- d. Plan and initiate development of prioritized common infrastructure needs and amenities. These could include: irrigation water infrastructure; farm-edge hedgerows for habitat enhancement; hedgerows and tree plantings along public roadways (especially at bus-stops) for habitat enhancement, landscape value, and amenity value; new and improved dedicated trail systems (e.g. along Fisher Creek, along Palm Ave, etc.)
- e. Support existing farmer's needs for improvements by connecting them with financial resources.
- f. Facilitate preservation of prioritized conservation areas in the South and Mid Valley that are not planned for development.
- g. Participate in a feasibility study for a San Jose Wholesale Market
- h. Explore options for TDR/cluster development in the South and Mid Valley
- i. Produce a feasibility study for creating an incubator farm site on donated land.
- b. Connect landowners of larger parcels (< 20 ac), interested in increasing the agricultural production value of their land, with experienced farmers seeking additional land to lease.
- c. Host workshops for landowners, prospective new farmers and agricultural experts to assess options for new crops and to facilitate new leasing arrangements.
- d. Compile land and legal compliance data to facilitate farmer recruitment.
- e. Facilitate linkages between farmers needing labor and qualified workers seeking jobs.

### FINANCIAL NEEDS

- a. Raise funds to cover all operations, development, and land conservancy costs of Start-up Phase (see Table xxx). The major emphasis would be on facilitating investments from Partners as a means of fulfilling their own strategic objectives. Development costs include funding for 10% matching fund to incentivize investments by landowners.
- b. With the County's support, encourage property owners, especially in the Mid Valley, to enroll in Williamson Act contracts to lock in at least 10-year commitments to agricultural production with the incentive that their assessed value for property tax assessment purposes will be potentially in the range of \$10,000-\$12,000 per acre or substantially less, depending on the property's agricultural income-producing potential, versus assessed values in the area that currently average over \$61,000 per acre (valley wide).



### HUMAN CAPITAL NEEDS

- a. Provide technical assistance to existing farmers. One focus could be on support for compliance with regulations such as those concerning food safety, water conservation, nutrient management, heat illness provisions for farm labor, and farm machinery emissions. Another focus could be business planning and market development training for Asian greenhouse growers to help them increase economic viability through improved infrastructure and the development of new markets and crops.

- c. *Facilitate farmers' access to loan funds from existing programs that can assist with capital needs (e.g., USDA Farm Services Agency, U.S. Small Business Administration, and loan funds administered by various organizations within the region that target agricultural and related producers).*
- d. *Consider establishing dedicated loan fund for landowners, farmers and COVAEC projects. If a gap in addressing CV farmers' financing needs is identified and formation of a fund is deemed feasible, identify a loan fund administrator, develop a loan fund program (criteria, terms, incentives, etc.), and secure funding for loan fund management costs.*
- e. *Position Coyote Valley as a desired location for investment in agricultural and habitat mitigation.*
- f. *Implement innovative tools to offset COVAEC costs and provide income to producers and landowners.*
- g. *Start to raise seed funding for Stabilization Phase.*



## MARKETING PROGRAMS

- a. *Education and outreach: provide content for Partners websites and newsletters; participate in relevant education and outreach activities.*
- b. *Branding and identity building: develop logo, core messages, and website or hosted webpage; develop and promote "Coyote Valley Grown" or similar brand strategy.*
- c. *Visitor attraction: engage Partners in co-hosting one or two annual special events; promote producers' agri-tourism activities and local recreation opportunities.*
- d. *Product marketing: promote producers and their products, including strategic outreach to local markets.*
- e. *Build support base: compile contact information for a wide range of interested individuals, businesses, and organizations and conduct regular outreach.*
- f. *Research: initiate longitudinal eco-agricultural systems study in the Coyote Valley as multifunctional urban-edge land use model (focus is on agricultural production economics, environmental values, and socio-economic impacts of agriculture and habitat conservation and enhancement).*



**MINI CASE STUDY: SOUTH VALLEY NON-FARMING LANDOWNER INTERESTED IN INCREASING AG PRODUCTION**

<b>Land</b>	20-acre parcel with 19+ cultivable acres; home occupied by landowner on ~.5 acres
<b>Location</b>	Palm Avenue west of Hale
<b>History</b>	Landowner has owned property for 16 years; likes the peacefulness of the location; land has been in dry-farmed hay for several years but fallow this past year
<b>Economics</b>	Landowner receives no rent from farmer
<b>Infrastructure</b>	Ag well on the property is out of commission, estimate of \$15 K to repair it
<b>Opportunity</b>	Landowner is interested in receiving rent, having vegetables grown on the land (possibly including ethnic vegetables which he cannot buy locally grown and for which there is likely a local market), has some preference for organic production since the family has young children Also an opportunity for a COVAEC pilot ag infill project
<b>Proposal</b>	COVAEC matches landowner with an experienced diversified row crop grower Ag well on the property is out of commission, estimate of \$15 K to repair it
<b>Next Steps</b>	Develop a proposal for consideration by the landowner Solidify well upgrade cost estimate Define terms of lease, tenant selection criteria (including interest in a farm-stand and ag education) Identify prospective tenants Contract with a local field crop farmer to plant a dry-farmed cover crop (optional) Document process for future infill projects



### 3.2.2 STABILIZATION PHASE:

#### ***Protect Priority Areas, Develop Infrastructure & Transition to Higher Value Ag (2016-2022)***

A key goal of the seven year stabilization phase is to create and protect a critical mass of higher value agricultural land. Critical mass means that there is sufficient agricultural land (ideally contiguous or adjoin protected open space) and sufficient agricultural value that landowners, farmers, and other stakeholders consider that agriculture is once again a permanent land use in the Valley that can either expand or hold its own in co-existence with other, presumably urban, land uses. To establish this condition, approximately 2,000 acres is needed which is around 50% of the Coyote Valley acreage currently in production. Other related goals are to facilitate and make investments that enhance the viability and profitability of farming and to increase the agricultural production value within Coyote Valley from the current average of approximately \$2,000 per acre per year (excluding mushroom and nursery production) to around \$6,000 per acre per year. (\$7,500 is the average gross for fruit and vegetable production within the County).

Within the next 7 years, the COVAEC program will work with interested property owners, farmers, the City of Morgan Hill, the City of San Jose, Santa Clara County, and interested conservation organizations to establish interim and permanent protection for agricultural and habitat lands within the Mid and South Valley areas.

The program will also secure funding for additional agricultural infrastructure, trail easements, and a small agri-tourism and public education facility. During this phase, the funding for the project's ongoing organizational, advocacy, and marketing functions would begin to transition from primarily philanthropic grants to funds that are either self-generated, or generated from mechanisms that are intended to support projects such as this.

Examples of new program and/or project activity that would be added during the Stabilization Phase include:

#### ***In the South Valley:***

- *Continued facilitation of a program to match interested residential landowners who have at least 10 acres of arable land, with new farmers who can work on smaller scales. This could include a demonstration vineyard.*
- *Continued exploration of TDR options, perhaps linked with clustered development, as a means to aggregate and protect larger areas of agricultural land.*
- *Facilitating permanent protection of, and ongoing productive management of, priority agricultural lands.*

#### ***In the Mid Valley:***

- *Facilitating permanent protection and ongoing productive management of priority agricultural lands.*
- *Facilitating permanent protection and enhancement of habitat, especially on farms and also on lands adjoining farms and along trails and roads, to enhance connectivity values*

#### ***In the North Valley:***

- *Engaging developer landowners to explore concepts for inclusion of habitat and agricultural functions in and around development projects to provide for an amenity and to "connect" this area culturally and aesthetically to the balance of the Valley.*

# WHEN WOULD IT HAPPEN? STABILIZATION PHASE



## MANAGEMENT AND ADVOCACY

- a. Continue growing COVAEC capacity, including: strengthening commitments of key Partners; building staff capacity; refining agreements with professional services providers; and producing a strategic plan that investigates the long-term future of COVAEC, perhaps becoming an independent nonprofit or a permanent part of an existing organization
- b. Continue advocacy activities at local, regional and state levels; promote the successes of COVAEC as a model, as well as the lessons learned
- c. Fundraising and financial management: initiate a capital campaign to support capital projects and provide six month cash flow for COVAEC



## PHYSICAL AND INFRASTRUCTURE NEEDS FOR FARMING, CONSERVATION, AND RECREATION

- a. Continue development of prioritized common infrastructure needs and amenities (e.g. irrigation system upgrades, trails, hedgerows, etc.) with implementation partners. New infrastructure projects might include the construction of a cold storage, processing and distribution facility (perhaps as an asset of a producers association or coop).
- b. Grow ag/habitat infill program in the South Valley. Activities would include facilitating lease agreements between landowners and new farmers (at least 8 parcels, 150 acres total); and helping landowners realize opportunities for habitat mitigation and/or for conservation cost-share practices.

- c. If deemed feasible, create an incubator farm site (~40 acres) on donated land; and enhance the utility of the existing demonstration farm.



## HUMAN CAPITAL NEEDS

- a. Continue to facilitate technical assistance, connections between landowners and new farmers, and farmer education programs.
- b. Expand the facilitation of linkages between farmers needing labor and qualified workers seeking jobs, to include helping identify and place interns and apprentices.



## FINANCIAL NEEDS

- a. Create a plan to facilitate and make investments that enhance the viability and profitability of farming and increase agricultural production value in the Valley from \$2,000/acre to \$6,000/acre. Plan will build on initial research conducted as part of Phase II.
- b. Refine and continue activities, including loan fund management; COVAEC 10% matching fund; advocacy for recognition the Coyote Valley as a desired location for agricultural and habitat mitigation; and implementation of other innovative tools to offset COVAEC costs and provide income to producers and landowners.
- c. In addition, if deemed feasible, establish a mechanism for farmers to cooperate on meeting funding/financing needs.





## MARKETING PROGRAMS

- a. *Education and outreach: continue to manage website, develop regular e-newsletters and regular education programs with Partners.*
- b. *Branding: promote COVAEC through partnerships, in local and regional media, and at major regional events.*
- c. *Visitor attraction: host regular special events and promote agri-tourism and recreational opportunities.*
- d. *Product marketing activities: continue targeted promotion efforts.*
- e. *Based on the extensive list of supporters, initiate Friends of Coyote Valley group (e.g. Coyote Valley Hearts Delight club).*
- f. *Conduct feasibility study for a permanent education center; if feasible develop an implementation plan.*
- g. *Research: continue longitudinal diversified farming systems study in the Valley as multifunctional urban-edge agriculture model.*

### MINI CASE STUDY: COOLING, STORAGE AND DISTRIBUTION FACILITY

<b>Purpose</b>	Provide cooling, temporary storage and consolidated produce pick-up services for Coyote Valley growers of fresh produce; could be expanded to include basic processing (e.g. washing and packing), marketing services, depot for packing supplies, a pick-up place for CSA boxes, and a retail stand.
<b>Location</b>	Central location, relatively near freeway with easy access for semi-trailers, possibly on land donated to COVAEC.
<b>Management</b>	Could be operated as a cooperative, stand alone business or by a farmer.
<b>Development</b>	Depending on operator, development could be supported by public or philanthropic grants, by loans, and/or by private investment.
<b>Infrastructure</b>	Cooling machines (forced air and ice), several controlled temperature and humidity storage areas, pallet loading and wrapping area, receiving and loading dock with room for three to four trucks. Total area of initial structure would be 2,000 – 3,000 SF plus adjoining truck access area; cost would be ~\$100/SF.
<b>Activities</b>	Facility staff would manage products for farmers who would do their own sales and marketing. In time, farmers might decide to grow, pack, process, and sell some products under a common brand and/or CSA label.

## WHEN WOULD IT HAPPEN? FINAL, FULL BUILD OUT PHASE



**MANAGEMENT AND ADVOCACY.** COVAEC would become an independent organization (or arm of an existing entity) with full capacity for advocacy, program administration, project development, marketing and education.



**PHYSICAL AND INFRASTRUCTURE NEEDS FOR FARMING, CONSERVATION, AND RECREATION.** All major improvements needed for the creation of a vital agricultural and habitat resource area, inter-mixed with some degree of compatible development, would be implemented.



**HUMAN CAPITAL NEEDS.** The agricultural and habitat resource area would be meeting the needs of farmers for good livelihoods, of their employees for good working conditions, of individual and institutional consumers for fresh local food, of the community for an accessible recreational amenity, of conservation stakeholders for enhanced eco-systems services and eco-systems connectivity, and for the region as a whole for enduring and engaging working landscapes.



**FINANCIAL NEEDS.** COVAEC would deploy a range of financial mechanisms to achieve all its goals.



**MARKETING PROGRAMS.** The Coyote Valley would have a committed local constituency and a regional reputation that would help ensure its ongoing success. The 25 year longitudinal diversified farming systems study of the Coyote Valley would conclude and yield important information for other projects with similar goals.

### 3.2.3 FINAL, FULL BUILD OUT PHASE: ENSURING LONG-TERM STABILITY (2023-2038)

The scheduled goal for the project is to achieve long-term stability for Coyote Valley agriculture and conservation by 2037. By this time, agriculture would be the main driver of economic investment within the Valley, generating close to \$50 million in annual production and agritourism revenues, employing 1,200 workers (around 1 worker per 5 acres, an additional 300 Monterey Mushroom employees, and additional agritourism and education workers), and meeting a significant portion of the food needs of the Bay Area metro region. Approximately 2,200 acres of land would be protected for agricultural use (over 50% of all lands currently in agricultural production), and other land uses in the Valley would be developed so that they not only complement and support the agricultural activity, but they benefit from their proximity to this thriving agricultural district. Funding for maintenance of ongoing program components would be self-sustaining (e.g., participating growers could support cooperative marketing programs, etc.). Examples of ongoing program activities include:

- Expansion of the cold storage facility into a centralized food hub that provides value-added processing, distribution, and marketing functions.
- A partnership of existing organizations and the COVAEC would develop, endow, and manage, a permanent education center. Offerings would include programs and experiential activities for a wide range of audiences, on subjects such as agricultural and natural resources, the history and geography of the valley, and myriad agricultural and naturalist topics. This center would also help coordinate agritourism activities and facilitate the engagement of volunteers for example in habitat enhancement projects. Such a center would cost around \$10 million to develop and would have an annual operating budget of around \$1 million.

<b>MINI CASE STUDY: COYOTE VALLEY AGRICULTURE AND CONSERVATION EDUCATION CENTER</b>	
<b>Purpose</b>	Provide a center for public education about Coyote Valley agriculture and natural resource conservation and management for a range of audiences; could start as a simple information center for agri-tourism activities on the farms and recreation activities on public open space lands; and could evolve to include on-site classes, programs and events.
<b>Partners</b>	A lead entity in partnership with natural resource management agencies, park and recreation departments, and public education organizations with a wide range of interests.
<b>Location</b>	Central location, accessible by transit, trails, and cars.
<b>Activities</b>	Audiences and activities could include: location or hub for school group field trips; programs for adults in various horticulture topics and subjects such as native flora and fauna, natural and cultural history, and painting and photography; trainings about regulations or marketing for new farmers; and events for families.
<b>Development</b>	An initial information center could be developed with modest funding and staffed with limited personnel and volunteers. A more ambitious facility could cost millions of dollars to develop and would require an operating budget of over \$1 million per year.

### 3.2.4 ONGOING OPERATION (BEYOND 2037)

Once long-term stability is achieved for the Coyote Valley, it is advisable for the COVAEC to continue to function, to provide overall coordination and marketing, and ensure that as property ownership turns over, established farmers retire, new farmers take their place, and market conditions evolve, the Coyote Valley remains a relevant and a key agricultural district that responds to the needs of the Bay Area region.

### 3.3 Program Recommendations: What Would it Cost?

This section presents initial estimates of the funding requirements to implement the recommendations contained herein. Discussion is also provided regarding potential funding sources. Costs and funding sources are divided into three categories: Programmatic Actions, Land Conservancy, and Agricultural and Resource Area Development. For each category, operating costs as well as capital costs are identified (as applicable) by project phase. At the end of this section, a summary budget aggregates costs by phase. Funding for all aspects of the Start-up Phase is critical to establishing momentum. Specific potential sources, available in early 2013, are Conservation Innovation Grants, Strategic Growth Council Greening Grants, One Bay Area Plan Conservation Grants, HUD Sustainable Communities Grants and conceivably Carbon Cap & Trade Auction Revenue Grants. In addition to this description, the 'organic' nature of the Start-Up Phase, will likely include in-kind support, collaborations with allied organizations, small pilot projects, and other small, achievable steps that get the ball rolling.

#### **Programmatic Actions**

The recommendations for the Coyote Valley project include a number of programmatic actions that support the overall objectives. This includes overall project management and advocacy, education and outreach functions, marketing functions, and various farmer support activities.

#### **Program Costs**

Table 1 summarizes the various recommended programs and their costs, by phase. As shown in the table, programs are assumed to occur during different project phases, and net costs for a given program may vary depending on the phase. Overall operating costs are estimated at

approximately \$131,000 and \$269,000 per year during the first and second two years of the three year start-up phase, \$425,000 per year during the seven year stabilization phase, and \$450,000 per year during the fifteen year build out operations phase.

**Table 1: Summary of COVAEC Annual Program Operations Costs**

	Phase 1		Phase 2	Phase 3
	Start-Up, 2013	Start-Up, 2014-15	Stabili- 2016-2022	Full Build- 2023-2037
<b>Ongoing Net Annual Costs (a)</b>	(a)			
<b>Overall Project Management and Advocacy</b>	(b)			
Personnel (contractors to start)	(c)			
Program Manager	\$ 52,000	\$100,000	\$100,000	\$100,000
Other personnel			\$ 60,000	\$100,000
Professional Services (legal, accounting, agronomists, etc.)	\$ 35,000	\$ 45,000	\$ 60,000	\$ 50,000
Operating expenses: office, insurance, meetings, travel, etc.	\$ 15,000	\$ 15,000	\$ 50,000	\$100,000
<b>Physical Needs</b>	(d)			
Common Ag Infrastructure maintenance (pass-thru to farmers)				
<b>Human Capital Needs</b>				
Technical assistance trainings, workshops, etc.	\$ 4,000	\$ 4,000	\$ 15,000	
Land & legal compliance data to facilitate farmer recruitment		\$ 15,000	\$ 15,000	
<b>Financial Needs</b>				
Professional management of matching & loan funds		\$ 50,000	\$ 50,000	
<b>Marketing and Public Education Needs</b>	\$ 25,000	\$ 40,000	\$ 75,000	\$100,000
Education & outreach				
Branding & identity building				
Visitor attraction & events (minus sponsorship revenue)				
Product & agtourism marketing				
<b>TOTAL AVERAGE ANNUAL PROGRAM COSTS</b>	<b>\$131,000</b>	<b>\$269,000</b>	<b>\$425,000</b>	<b>\$450,000</b>

Notes:

(a) Includes ongoing annual program operation costs, net of any program revenues (e.g., marketing program costs could be offset to some degree by contributions from participating farmers).

(b) costs averaged over years of the Phase

(c) assumes personnel manages all program areas

(d) assumes all development & capital costs are in development budget

### Sources of Funds for Programs

In the initial stage of the Coyote Valley project, program funds would come from public and private philanthropic sources that view the Coyote Valley project as a key component in fulfilling their missions. It is assumed that in addition to the budgeted costs, Partner organizations would make significant in-kind contributions of staff time and services (e.g. technical assistance from Resource Conservation Districts and communications assistance from the Santa Clara County Open Space Authority). Over time, as programs get established and the base of farming activity in Coyote

Valley expands and increases its production value, some program costs can become self-funded. For example, formation of an assessment district modeled on a Business Improvement District (BID) or Property-Based Business Improvement District (PBID) could provide a mechanism to collect funds from property owners or farmers, respectively, which could be used to pay for activities such as joint marketing programs that would benefit the property owners and farmers as a whole.

### **Land Conservancy**

Long-term sustainability of agriculture in Coyote Valley will require considerable investment to preserve land that might otherwise be put to uses other than agriculture. Current Coyote Valley land values and the economics of farming are such that farmers cannot be expected to buy Coyote Valley land at market rates and viably amortize the land purchase price using the income that can be generated from farming. Thus, a Coyote Valley land conservancy intermediary function is needed to help bridge the gap between market land prices and land costs that would be viable for farmers. The land conservancy function would bring in outside sources of funding and then use that funding to “buy down” the cost of land to levels that would be affordable for farmers, while ensuring that the land would be permanently preserved for agricultural uses.

Because the City of San Jose intends to develop the North Valley for urban uses, the land conservancy efforts for Coyote Valley would focus on the South and Mid Valley sub-areas. This assessment assumes that land would either be acquired in fee title by a conservation organization and leased to a farmer, or that a landowner would place land under a conservation easement and then the land would be either farmed by the landowner or leased to a farmer.

### **Land Costs**

Whether land is acquired in fee or placed under an easement, the net cost for conservancy is assumed to be similar. In the case of the former, the property would be purchased at market value but then leased or sold to a farmer at a value reflecting its agricultural use. The net cost for conservancy in this case would be approximately equal to the cost to purchase the land at market value and the value that the property would command if sold or leased strictly for agricultural use. In the case of the latter, only an easement that restricts the land to agricultural use would be purchased. The cost of the easement would approximate the difference between the market value and the agricultural value of the property. Thus, the net cost from purchasing land in fee and collecting the income from leasing or selling it to a farmer versus purchasing a conservation easement only and letting the property owner collect the income from the use of the property should be similar.

The footnotes section of Table 2 shows the per acre land cost assumptions. As shown, it is assumed that per acre land costs will be greater in the Mid Valley than in the South Valley, given the fact that the Mid Valley is designated as Urban Reserve by the City of San Jose and because it is proximate to the City’s edge. It should be noted that these assumptions represent average costs per acre, and preservation costs for individual properties may be significantly more or less, depending on the characteristics of each property and the market conditions at the time.

Overall land conservancy costs are determined by multiplying the number of acres conserved, by the applicable net cost. These calculations are shown in the upper part of Table 2 (land

conservancy), and indicate estimated costs of approximately \$1.75 million during the start-up phase, \$9.125 million during the stabilization phase, and \$15.750 million during long-term operations, in order to permanently preserve approximately 2,200 acres of agricultural land in Coyote Valley.

<b>Table 2: Summary of COVAEC Land Conservancy Costs</b>			
	<b>Phase 1</b>	<b>Phase 2</b>	<b>Phase 3</b>
	<b>Start-Up</b>	<b>Stabilization</b>	<b>Full Build-out</b>
	<b>2013-2015</b>	<b>2016-2022</b>	<b>2023-2038</b>
<b>Costs for Agricultural/Conservation Easements</b>			
South Valley			
Acres	50	100	200
Cost	\$500,000	\$1,000,000	\$2,000,000
Mid Valley (& maybe North in 10 yrs)			
Acres	100	650	1,100
Cost	\$1,250,000	\$8,125,000	\$13,750,000
<b>TOTAL CONSERVANCY COSTS BY PHASE</b>	<b>\$1,750,000</b>	<b>\$9,125,000</b>	<b>\$15,750,000</b>
<i>CUMULATIVE CONSERVANCY COST</i>	<i>\$1,750,000</i>	<i>\$10,875,000</i>	<i>\$26,625,000</i>
<b>Total acres under easement</b>	<b>150</b>	<b>900</b>	<b>2,200</b>
Notes:			
<b>South Valley</b>			
Assumed Net Easement Cost (2012\$/acre)	\$10,000	\$10,000	\$10,000
<b>Mid Valley (&amp; maybe North in 10 yrs)</b>			
Assumed Net Easement Cost (2012\$/acre)	\$12,500	\$12,500	\$12,500

### **Sources of Funds for Land Conservancy**

This assessment assumes that land conservancy costs (the difference between market values and ag values) must be covered by public or philanthropic sources. Funding from public sources may include money set aside from special local, state, or federal programs for agricultural preservation, such as bond programs to preserve open space on the urban edge, or mitigation payments for conversion of agricultural land to urban uses. Public support for conservancy efforts may also come in the form of in-kind contributions, such as if the Coyote Valley is identified as a preferred location for provision of agricultural mitigation lands in exchange for conversion of other agricultural land for urban development. Philanthropic funds may come in the form of contributions from non-governmental organizations whose missions include agricultural preservation. They may also come in the form of donations of easements by private Coyote Valley landowners who want to leave an agricultural legacy rather than develop their land (and who may also receive tax benefits from the donations).

## Agricultural and Conservation Resource Area Development

### Agricultural and Resource Area Development Costs

This category of costs includes a broad array of costs that primarily represent capital investments other than land conservancy that are necessary to support the transition and expansion of agriculture in Coyote Valley to higher value production. This includes securing an irrigation water supply and improving and developing wells and water distribution infrastructure. It also includes construction of shared facilities that will help Coyote Valley farmers to be more efficient in their farming operations, including packing, storage, and distribution.

**Table 3: Summary of COVAEC Agricultural and Resource Area Development Costs**

	<b>Phase 1</b>	<b>Phase 2</b>	<b>Phase 3</b>
	<b>Start-Up</b>	<b>Stabilization</b>	<b>Full Build-out</b>
	<b>2013-2015</b>	<b>2016-2022</b>	<b>2023-2037</b>
<b>One Time Costs</b>			
<b>Overall Project Management and Advocacy</b>			
Entity formation costs		\$ 40,000	\$ 20,000
<b>Physical Needs</b>			
Agricultural Infrastructure			
Common irrigation infrastructure	(a)		
Hedgerow plantings along farm edges & roadways	\$250,000	\$500,000	
Cold storage & processing	(b)	\$500,000	
Demonstration farm (development only, donated land)	\$115,000		
Incubator farm (development only, donated land)	\$60,000	\$150,000	
<b>Human Capital Needs</b>			
<b>Financial Needs</b>			
Seed funding for a COVAEC matching fund	\$200,000	\$600,000	
<b>Marketing and Public Education Needs</b>			
Marketing, outreach, education & events costs			
Permanent education and visitor center		\$150,000	\$10,000,000
<b>TOTAL PROGRAM DEVELOPMENT COSTS PER PHASE</b>	<b>\$625,000</b>	<b>\$1,940,000</b>	<b>\$10,020,000</b>
(a) costs depend on type of infrastructure and funding partners			
(b) could be in form of a loan to an existing farmer or cooperative			

In addition, this category includes establishments of hedgerows and tree plantings that contribute to habitat and landscape values. This category of expenditures excludes costs that are assumed to be borne by individual farmers in their normal course of operations and supported by their own farming revenues. However, it does include establishment of a loan fund which landowners could use to support agricultural infrastructure development needed by their farmer tenants, with loan repayment secured by the farmer tenant lease payments. Table 3 (agricultural and resource area development) summarizes these costs, by phase.

### ***Sources of Funds for Agricultural and Resource Area Development***

Significant funding for costs in this category will likely need to come from either public or philanthropic sources. Some funding for shared farming infrastructure such as wells and/or water distribution facilities may be funded by farmers themselves, through some sort of financing mechanism, such as an assessment district, and/or through an agreement with the Water District.

As mentioned previously, much of the funding for farm development will occur independent of the COVAEC programs and is not included in this program budget. This will involve individual landowners making investments in their properties and farmers making investments in their own farming operations, using traditional forms of private capital (e.g., farmer equity, conventional bank loans). Some Coyote Valley operators may also utilize funding and financing from government sources, such as the U.S.D.A.

Aggregated Costs for COVAEC Programs, Agricultural and Conservation Resource Area Development, and Land Conservancy

Table 4 (below) shows the aggregated and cumulative costs for COVAEC programs, agricultural and conservation resource area development, and land conservancy over a twenty five year period that includes a 3-year start-up phase, a 7-year stabilization phase, and a 15-year build out phase.



**Table 4: Summary of Total COVAEC Costs for 25 Years : Operations, Development & Land Conservancy**

	Phase 1			Phase 2			Phase 3		
	Start-Up			Stabilization			Full Build-out		
	2013-2015			2016-2022			2023-2038		
no. of years	3			7			15		
<b>Operations</b>									
Overall Project Management and Advocacy	\$	422,000	\$	1,890,000	\$	5,250,000			
Physical Needs									
Human Capital Needs	\$	42,000	\$	210,000					
Financial Needs	\$	100,000	\$	-					
Marketing and Public Education Needs	\$	105,000	\$	525,000	\$	1,500,000			
<b>Development</b>									
Overall Project Management and Advocacy			\$	40,000	\$	20,000			
Physical Needs	\$	425,000	\$	1,150,000					
Human Capital Needs									
Financial Needs	\$	200,000	\$	600,000					
Marketing and Public Education Needs			\$	150,000	\$	10,000,000			
<b>Land Conservancy Costs</b>									
Net Costs for Agricultural/Conservation Easements	\$	1,750,000	\$	9,125,000	\$	15,750,000			
<b>TOTAL COVAEC COSTS BY PHASE</b>	<b>\$</b>	<b>3,044,000</b>	<b>\$</b>	<b>13,690,000</b>	<b>\$</b>	<b>32,520,000</b>			
<b>TOTAL COVAEC COSTS</b>					<b>\$</b>	<b>49,254,000</b>			

### 3.4 Program Recommendations: What Would the Investment Return?

The return on investment from the expenditure of funds detailed above would not be measured in traditional financial terms, because most of the investments of the COVAEC funds themselves are for activities and actions which do not return a specific stream of income to the investor, but rather create a number of public goods that will benefit not only the Coyote Valley as a whole but also the surrounding region. These include:

- *Leveraging additional private investment – the COVAEC activities will spur additional private investments by property owners and farmers. The COVAEC program aims to reverse the current pattern of disinvestments in farming activity in Coyote Valley and encourage property owners and farmers to make new investments in infrastructure, farming equipment, and farming operations in order to more intensively utilize Coyote Valley agricultural land. One specific aspect of the COVAEC, the matching fund, targets a 10:1 ratio of private investment to matching dollars. At \$800,000 in matching funds, this would generate an additional \$8 million in private investments in Coyote Valley.*

- *Generating increased agricultural industry output and employment – the COVAEC activities will help to increase overall net industry output and employment in Santa Clara County, by increasing Coyote Valley farm production value significantly over current levels and by adding a new agri-tourism sector. More intensive farming will also generate additional industry employment in the farm sector. Indirect and induced economic impacts can also be expected as a result of the new agricultural output.*

These and other metrics can be assessed over time and also linked to indicators being assessed in the context of regional sustainability planning and implementation efforts. Conceivably, this kind of assessment could be part of the proposed longitudinal diversified farming systems study of the Coyote Valley as multifunctional urban-edge agriculture model. Table 5 (below) shows some of these key metrics.

<b>Table 5: Illustrative Key Indicators for Assessing COVAEC Values</b>				
	<b>Baseline</b>	<b>Startup</b>	<b>Stabilization</b>	<b>Build out</b>
<b>Metrics</b>				
# acres in active ag in South, Mid, and North parts of the Valley				
# acres in ag with a value over \$10,000 in South, Mid, and North parts of the Valley				
# acres dedicated to habitat conservation				
# acres with permanent ag easements in South, Mid, and North parts of the Valley				
# acres in public ownership in South, Mid, and North parts of the Valley				
# acres with Williamson Act contracts in South, Mid, and North parts of the Valley				
# acres in ag with organic certification and/or conservation practices				
# visitors for ag purposes				
# new farmers				
# jobs				
# recreation visitors				
# miles of trails				
# pounds of food sold within county				
% of county food needs met by food grown in the Coyote Valley				
% of ag products produced and sold within county (includes hay and nursery products)				
Total private investment in individual farm enterprises				
Total public investment in common infrastructure, programs and individual enterprises				
Total private investment in common infrastructure, programs and individual enterprises				
Total philanthropic investment in common infrastructure and programs				
Monetary value of eco-systems services				
# food miles saved				

In addition to the tangible and measurable returns on investment, it is expected that there would be significant intangible returns from the proposed COVAEC investments. These would include:

- *increased local food production will provide greater access to healthy foods and climate change resilience provided by a measure of local food reliance*
- *sustainable farming practices will create environmental benefits*
- *preservation of open space will enhance values of nearby urban development and will create aesthetic, educational, and recreational amenities that will benefit residents of the region*
- *increased provision of eco-systems services such as flood mitigation, biodiversity preservation, and carbon sequestration*
- *a permanent and multi-functional land use at the southern edge to San Jose and northern edge of Morgan Hill*

### **3.5 Program Recommendations: Who Would Make it Happen?**

Realization of the vision for a permanent agricultural resource area through implementation of the COVAEC program would require the steadfast engagement of key stakeholders over decades and through all the challenges, as well as opportunities, that these next decades will doubtless bring.

The categories of these key stakeholders and their prospective roles are summarized below.

**Farmers.** Both current farmers and prospective new farmers are on the front line of bearing the risks – and taking the opportunities – of increasing the agricultural viability of the Valley. Their ability and capacity to achieve this increase would depend foremost on their interest in transitioning to higher value crops and incorporating eco-systems services protocols. Increased profitability would also depend on farmers’ access to land, water, technical assistance, streamlined regulatory processes, capital and markets.

**Landowners.** Landowners expect reasonable returns on their investments. Some landowners who are holding land with the expectation of returns from urban development could possibly be willing to sell their land at agricultural-based land values coupled with the sales of development rights, if market forces push the prospect of development into an indeterminate future.

**City and County.** Santa Clara County and the Cities of San Jose and Morgan Hill are all paying increasing attention to the intertwined roles of agriculture, local food systems, the environment and public health in their economic, environmental, and social planning and policies. The engagement of these jurisdictions and their departments in the implementation of the various phases of the COVAEC program, would require broad community advocacy, tough decisions about trade-offs, and a supportive regional policy framework.

**Other governmental agencies.** The Santa Clara Valley Water District, Guadalupe-Coyote Resource Conservation District (GC-RCD), Loma Prieta Resource Conservation District (LP-RCD), Natural Resources Conservation Service (NRCS), and California Fish & Game, are among the many governmental agencies that play important roles in the management of the Valley's natural resources. Other agencies such as the Valley Transit Authority and High Speed Rail Authority are key decision making bodies on transit through the Valley. The ongoing collaboration of these and other agencies would be critical to the creation of a permanent agricultural resource area.

**Funders and investors.** Land conservancy organizations, especially the California Coastal Conservancy, the Santa Clara Open Space Authority, the Silicon Valley Land Conservancy, and the Peninsula Open Space Trust, would play a key role in helping fund the permanent protection of – and/or helping manage - a critical mass (~2,000 acres ) of agricultural and conservation lands. Other major funders would also be needed for the ambitious land conservancy effort. In addition, implementation of the COVAEC program would require investments from a range of governmental, philanthropic, and private sources.

**Advocacy organizations.** Numerous advocacy organizations are already actively promoting in Santa Clara County, the values that underlie the vision for a permanent agricultural resource area as well as specific related projects. A few of the more prominent of these organizations are The Health Trust (convener of the Santa Clara Food Systems Alliance among many other projects), the Santa Clara County Farm Bureau, Greenbelt Alliance, and the Committee for Green Foothills.

**Consumers and the local community.** Ultimately, no group would be more important for the realization of a permanent agricultural resource area and implementation of the COVAEC program, than consumers and the local community. Sustaining Coyote Valley agriculture and conservation over the long term would require that this last remaining area of the Valley of the Heart's Delight be held once again in the hearts of many people as a treasured community resource.

## APPENDIX A

### Memorandum Regarding Coyote Valley Ground Water for Agriculture

#### **WATER AND POWER LAW GROUP PC**

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#### **Memorandum**

To: Carson Cox, GCRC

From: Richard Roos-Collins  
Julie Gantenbein  
Nicholas Niiro

Date: October 26, 2012

**Re: Water Supply for Agriculture in the Coyote Valley**

The purpose of this memorandum is to describe groundwater management in the Coyote Valley and strategies to compel and/or promote management of groundwater as a sustainable and economic source of agricultural water supply into the future.

The Guadalupe Coyote Resource Conservation District's (GCRC) mission includes promotion of sustainable agriculture. Pursuant to the provisions of Division 9 of the California Public Resources Code, the GCRC is authorized and directed to conduct research in and to advise and assist public agencies and private individuals in land use planning, pollution control, recreation, water quality, and the conservation of soil, water, woodlands, wildlife, and other natural resources.

In 1996, the GCRC brought a complaint against the Santa Clara Valley Water District (SCVWD) alleging that the SCVWD's water supply operations were degrading beneficial uses of the Guadalupe River and Coyote and Stevens Creeks in violation of state and federal law. In 2003 the SCVWD, GCRC, and resource agencies initialed the Fish and Aquatic Habitat Collaborative Effort (FAHCE) Settlement Agreement. The Settlement Agreement specifies actions by the SCVWD to balance fisheries habitat and stream flow needs of the district, such as groundwater recharge. The Settlement Agreement is still undergoing environmental review and permitting but, once implemented, will affect how the SCVWD conjunctively manages surface and groundwater to meet its water supply demands.

The GCRC is collaborating with Sustainable Agriculture Education (SAGE), a nonprofit organization that is preparing the *Conserving Coyote Valley Agriculture Feasibility Study*, which will assess the potential for creating a permanent, economically viable, and ecologically valuable agricultural resource area in the Coyote Valley. It has identified the following goals with respect to assuring adequate water supply to protect and promote agriculture in the area:

- Establish a secure, long-term supply of water for irrigation and any processing needs;

- Negotiate a consistent, favorable water rate for any delivered irrigation water;
- Make investments in water distribution system to serve expanded agricultural operations; and
- Facilitate financial assistance to farmers implementing water conservation practices.

Conserving Coyote Valley Agriculture Feasibility Study, Implementing the Vision: Challenges, Opportunities, Tools and Strategies (May 4, 2012), p. 4.

This memo is organized as follows. Section I describes the hydrogeology of the Coyote Valley. Section II describes the SCVWD's authority to regulate water supply and its current management strategies. Section III describes opportunities for the GCRC and other agricultural stakeholders to protect water supply for agriculture in the future.

### **I. Coyote Valley Hydrogeology**

The Coyote Subbasin, located roughly in the middle of Santa Clara County, is approximately 7 miles long and 2 miles wide and has a surface area of approximately 15 square miles. The groundwater occurs under unconfined conditions at shallow depths (5 to 40 feet below ground surface). It generally flows northwest and drains into the Santa Clara Plain subbasin. *See* SCVWD, 2012 Groundwater Management Plan (GMP), p. 2-15. Coyote Valley's aquifer is separate from both the Santa Clara Valley and Pajaro aquifers.

Groundwater is the primary source of water in the area; 94% of water for the County's supply and use (2006-2010) comes from groundwater. *Id.*, pp. 2-15, 2-4. Groundwater levels are sensitive to pumping. "Local groundwater moves toward areas of intense pumping, especially at the southeastern and northern parts of the subbasin where retailer groundwater production wells are located." *Id.*, p. 2-15.

Groundwater conditions throughout the County are generally good with some exceptions. Based on reporting in the SCVWD's Groundwater Management Plan (2012) and Urban Water Management Plan (2010) and the City of San José's Urban Water Management Plan (2010), the SCVWD's efforts to prevent groundwater basin overdraft, curb land subsidence, and protect water quality have been effective to date.<sup>1</sup> Groundwater elevations are generally recovered from overdraft conditions throughout the basin, inelastic land subsidence has been curtailed, and groundwater quality supports beneficial uses.<sup>2</sup>

The Coyote Valley is an exception to the general trend. It has been a problem area for the SCVWD in recent years. As a result of droughts over the last few years, the small size of the basin, and the amount of water being pumped exceeding recharge, the groundwater level in the Coyote Valley is currently in decline.<sup>3</sup>

<sup>1</sup> *See also* California Department of Water Resources, Bulletin No. 118 (as updated 2003), p. 131.

<sup>2</sup> "The most significant non-point source contaminant in Santa Clara County is nitrate. Since the 1990s, the district has implemented nitrate management activities in the Coyote Valley and Llagas Subbasins to ensure the long-term viability of groundwater as a healthful water supply." SCVWD GMP, p. 4-14.

<sup>3</sup> Pers. Comm. Behzad Ahmadi, SCVWD Groundwater Management Unit (Sept. 6, 2012).

Municipal and domestic water supply, industrial process water supply, industrial service water supply, agricultural water supply, and freshwater replenishment to surface water are the designated beneficial uses for the Santa Clara groundwater subbasin (which includes Coyote). San Francisco Bay Water Control Plan (as amended 2011), p. 71, Table 2-2.

## **II. SCVWD Management of Groundwater**

Under Article X, Section 2 of the California Constitution, all uses of water must be both reasonable and beneficial.

In 1914, California created a system of appropriating surface water rights through a permitting process, but it has never directly regulated groundwater. *See* California Department of Water Resources, Bulletin No. 118 (as updated 2003), p. 131. Instead groundwater has been regulated by local agencies under special authority granted in the California Water Code, local ordinances, or through basin adjudications. The SCVWD is one of approximately 20 water districts that have authority under the Water Code to regulate groundwater through reporting requirements and groundwater fees.

While groundwater regulation remains a primarily local responsibility, the State has become more involved in groundwater management. The State now recognizes that groundwater and surface water are closely interconnected in the hydrologic cycle. In the face of ever-increasing demand, the State cannot assure adequate water supply for consumptive and non-consumptive uses through regulation of surface water alone. So, it has enacted groundwater management programs that authorize the California Department of Water Resources (DWR) to monitor and report on groundwater resources within the State and that link state funding for local agencies with the adoption of groundwater planning and monitoring measures. *See, e.g.*, California Water Code § 10750 *et seq.* (authorizing more local agencies to develop and implement groundwater management plans), § 10920 *et seq.* (establishing groundwater monitoring program). As discussed below, in addition to fulfilling the Santa Clara Valley Water District Act (District Act), the SCVWD also participates in the state groundwater management programs.

### **District Act and Board Policies**

The SCVWD is “an independent special district formed by the California legislature under the Santa Clara Valley Water District Act for the primary purpose of providing comprehensive management *for all beneficial uses* and protection from flooding within Santa Clara County.” 2012 Groundwater Management Plan, p. 3-1; District Act, § 4(a) (emphasis added).

The SCVWD is empowered to take the following actions to manage its water supply for beneficial uses:

- Provide for the conservation and management of floodwater, stormwater, or recycled water, or other water from any sources within or outside the watershed in which the district is located for beneficial and useful purposes, including

spreading, storing, retaining, and causing the water to percolate into the soil within the district.

- Protect, save, store, recycle, distribute, transfer, exchange, manage, and conserve in any manner any of the waters.
- Increase and prevent the waste or diminution of the water supply in the district.
- Obtain, retain, protect, and recycle drainage, stormwater, floodwater, or treated wastewater, or other water from any sources, within or outside the watershed in which the district is located for any beneficial uses within the district.

District Act, § 4(c)(3)-(6).<sup>4</sup> The District Act gives the district specific authority to manage groundwater.

The district is further authorized

to do any and every lawful act necessary to be done that sufficient water may be available for any present or future beneficial use or uses of the lands or inhabitants within the district, including, but not limited to, the acquisition, storage, and distribution of water for irrigation, domestic, fire protection, municipal, commercial, industrial, environmental, and all other beneficial uses within the district.

*Id.*, § 5(5). Pursuant to this directive the SCVWD conjunctively manages surface and groundwater supplies and has obtained contracts to import water from outside its boundaries to supplement groundwater sources which are inadequate to meet existing demand. *See* SCVWD, Urban Water Management Plan (2010) (UWMP), Ch. 3, p. 3. The SCVWD imports water conveyed through the Delta and delivered to the district by the State Water Project (SWP) and the federal Central Valley Project (CVP). *See id.*<sup>5</sup>

The SCVWD Board of Directors has established the following policies which guide the district's strategies for groundwater management:

- Board Water Supply Goal 2.1: Current and future water supply for municipalities, industries, agriculture, and the environment is reliable.
- Board Water Supply Objective 2.1.1: Aggressively protect groundwater from the threat of contamination and maintain and develop groundwater to optimize reliability and to minimize land subsidence and salt water intrusion.

2012 Groundwater Management Plan, p. 3-1.

<sup>4</sup> The District Act is codified in the California Water Code at App. 60 (1951).

<sup>5</sup> The district also benefits from water supplied by the San Francisco Public Utility Commission to the City of San José and other wholesale customers in Santa Clara County, which offsets those customers' reliance on district supplies. SCVWD UWMP, Ch. 3, p. 19.



## **Water Management Plans**

The SCVWD has also adopted a Groundwater Management Plan (GMP) pursuant to California Water Code section 10753. Adoption of the Plan makes the SCVWD eligible for state funds administered by the DWR for groundwater projects. The 2012 GMP includes the following basin management objectives (BMOs):

BMO 1: Groundwater supplies are managed to optimize water supply reliability and minimize land subsidence.

BMO 2: Groundwater is protected from existing and potential contamination, including salt water intrusion.

2012 GMP, p. 3-3.

The SCVWD has developed the following best management strategies to meet the BMOs:

1. Manage groundwater in conjunction with surface water through direct and in-lieu recharge programs to sustain groundwater supplies and to minimize salt water intrusion and land subsidence.
2. Implement programs to protect or promote groundwater quality to support beneficial uses.
3. Maintain and develop adequate groundwater models and monitoring systems.
4. Work with regulatory and land use agencies to protect recharge areas, promote natural recharge, and prevent groundwater contamination.

*Id.*, p. 3-5.

The SCVWD's task of addressing the land subsidence that occurred in the 1920s as a result of groundwater pumping has put it ahead of the state curve in terms of groundwater recharge programs, monitoring, and modeling. *See* DWR, Bulletin No. 118, *supra*, p. 132.

The SCVWD collects depth to water data from up to 364 wells at varying frequencies.<sup>6</sup> SCVWD GMP, p. 5.1. It has expanded and refined its monitoring program over time:

Monitoring well locations and measurement frequencies have evolved over many years in response to data requirements to support groundwater flow modeling, gauging and forecasting groundwater supply, and efforts to monitor recharge operations, areas of concentrated pumping, and land subsidence. Monitoring frequency is based on data requirements, with wells measured biweekly, monthly, quarterly, annually, or even hourly ....

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<sup>6</sup> <http://valleywater.org/Services/DepthToWaterIndexWellHydrographs.aspx>

The District's groundwater level monitoring network consists of depth-discrete monitoring wells (including multi-level or "nested" monitoring wells) and water supply wells with single or multiple perforated zones of varying lengths. The variety of monitoring well types employed by the District to measure groundwater levels ensures that the data obtained is flexible enough to serve different purposes, including assessment of regional conditions or analysis of particular aquifer zones.

*Id.* The SCVWD serves as the designated monitoring entity for the subbasins in Santa Clara County and regularly reports water level data for 107 district-owned monitoring wells for purposes of the California Statewide Groundwater Elevation Monitoring administered by DWR. *Id.*

In addition to an extensive annual monitoring program, the SCVWD "has developed calibrated flow models for the Santa Clara Plain, Coyote Valley, and Llagas Subbasins, which are used to evaluate groundwater storage and levels under various operational and hydrologic conditions." SCVWD GMP, p. 3-5. The SCVWD uses the models to inform ongoing water supply operational decisions as well as long-term planning efforts. *See id.*

The 2012 GMP is in addition to the SCVWD's Urban Water Management Plan and its Water Supply and Infrastructure Master Plan, which evaluate water supply reliability and subsidence risk under future scenarios. Under California Water Code section 10620, every urban water supplier of a certain size is required to prepare and adopt an urban water management plan every five years in order to be eligible to receive state funding. The UWMP assesses the reliability of the supplier's water sources over a 20-year planning horizon considering normal, dry, and multiple dry years. The SCVWD is required to develop the UWMP in coordination "with other appropriate agencies in the area, including other water suppliers that share a common source, water management agencies, and relevant public agencies, to the extent practicable." Ca. Water Code § 10620(d)(2). It is also required to provide public notice and hearing prior to adoption. *See id.*, § 10642.

In addition to district-specific planning efforts, the SCVWD participates in planning efforts related to the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (Bay-Delta) because resource decisions regarding the Bay-Delta directly and indirectly affect the SCVWD's water supplies. As an importer of Delta water, the SCVWD also is subject to legislation seeking to sustainably manage the Bay-Delta for water supply and environmental purposes.

### **Specific Management Activities**

The subbasins in Santa Clara County are not adjudicated and the SCVWD currently does not control the operation of groundwater wells or the amount of groundwater that wells can produce. Much of the SCVWD's job is to assure adequate supply to meet demand so as to avoid adverse effects to the groundwater basins. In effort to match supply with demand, the SCVWD conducts an active managed recharge program, which includes operation and maintenance of 18 major recharge systems. UMWP, Ch. 3, p. 10. Runoff is captured in the district's reservoir and

released into recharge ponds for percolation in the groundwater basin. *Id.* The SCVWD also delivers imported water via the raw water conveyance system to streams and ponds. *Id.*

In limited circumstances the SCVWD can restrict groundwater pumping. The Groundwater Management Act (Assembly Bill 3030 passed in 1992) authorizes local agencies that have adopted Groundwater Management Plans, such as the SCVWD, to “limit or suspend extractions” if the agency determines that “groundwater replenishment programs or other alternative sources of water supply have proved insufficient or infeasible to lessen the demand for groundwater.” Cal. Water Code § 10753.9(c). Based on our research, it does not appear that the SCVWD has ever used this authority to physically limit individual wells but, instead, has focused on managing overall groundwater supplies through the following actions:

**Groundwater production measurement.** The SCVWD requires owners to register all wells within the district’s groundwater management zones and to file production statements with the SCVWD on a periodic basis.<sup>7</sup> 2012 GMP, p. 4-5. The SCVWD has installed meters at approximately half the wells within the county which extract the “vast majority” of groundwater used. *Id.* “Where meters are not used, crop factors are used to determine agricultural water use and average values are used to estimate domestic use.” *Id.* The SCVWD encourages conservation by charging users volumetric rates. *See id.*<sup>8</sup>

**Retailer Cooperation on Source Shifts and Drought Response.** The SCVWD cooperates with its retailers to implement programs “that offset groundwater pumping such as water use efficiency and treated water deliveries.” *Id.* It can also require mandatory water use reductions from its retailers during times of drought. *Id.*

**Groundwater zones and charges.** The SCVWD establishes zones within which it can levy charges for all groundwater pumpers within the zones. *Id.*, p. 4-6. The fees are used to fund district activities that protect and augment the water supplies for users within the zones. *See id.*

**Pricing policies.** The SCVWD can use pricing to encourage pumpers to use other sources of water:

Under the District’s pooling approach ... [t]he costs of the treated water facilities are pooled with all other costs within the zone of benefit, and recouped primarily through the basic user charge assessed to all water pumped from the groundwater subbasins or provided by District treated water deliveries. The treated water surcharge, paid by treated water users in addition to the basic user charge, is set by the District so as to influence its retailers in the choice between treated water purchases and groundwater extraction. For example, the District may offer treated water above contract delivery amounts at a

<sup>7</sup> Statements are filed on either an annual, semi-annual, or monthly basis depending on the amount of water produced. 2012 GMP, p. 4-5.

<sup>8</sup> Wells established before the SCVWD began permitting and wells outside the groundwater management zone are not regulated. SCVWD staff estimates that minimal pumping occurs at these wells, in part because the areas outside of the groundwater management zone are mountainous and on bedrock, making drilling and pumping inefficient. Pers. Comm. Mike Duffy, SCVWD Well & Permits Location Information (Sept. 6, 2012).

discount to encourage retailers to offset groundwater pumping if water supply and groundwater storage conditions warrant it.

2012 GMP, p. 4-6.

**Agency coordination.** The SCVWD reviews some local land use and development plans to identify threats to groundwater and watercourses under district jurisdiction and to other district facilities. The SCVWD provides review and comment on proposed land development documents, environmental documents, and City and County General Plans. The SCVWD has also worked with land use agencies to develop guidelines or model ordinances for specific issues such as the permitting of graywater systems. The SCVWD works with the project and regulatory stakeholders to try to ensure that these projects are implemented such that groundwater resources are protected.

For example, the SCVWD coordinated with the City of San Jose in the Coyote Creek Streamflow Augmentation Pilot Project. The pilot project investigated whether releasing recycled water into Coyote Creek during summer low-flow conditions could create and maintain stream conditions that enhance the aquatic environment and can support coldwater fish.

**Public Outreach.** The SCVWD conducts public outreach to increase awareness of groundwater resources. It hosts a Groundwater Awareness Week. It prepares and distributes pamphlets, fact sheets, and reports to educate well owners, its retailers, and the public at large. *Id.*, p. 4-13 – 4-14. It has developed educational programs, including field trips to recharge facilities, for local schools. *Id.* It participates in the Groundwater Guardian Program, which is sponsored by the Groundwater Foundation. It submits annual work plans to the program for groundwater protection activities and reports documenting groundwater protection efforts. It has been designated a Groundwater Guardian Affiliate since 2000. *See id.*

### **Programs for Agriculture**

The SCVWD has developed tools to help increase the efficiency of agricultural water use within the district boundaries. These tools are described on the SCVWD's website, <http://www.valleywater.org/programs/agriculture.aspx>, and include Online Scheduling Calculators, access to California Irrigation Management Information Systems, the Mobile Lab, System Efficiency Test Program, and a Handbook for Agriculture Water Uses Efficiency. We have not done research into these programs' effectiveness or popularity with farmers.

### **III. Opportunities for the GCRC and Other Agricultural Stakeholders to Protect Water Supply for Agriculture in the Future.**

According to the SCVWD, agricultural use in Santa Clara County has declined as irrigated agricultural land has been converted to other uses. Water use in the county is greater than 90% municipal and industrial and less than 10% agricultural. *See UWMP*, Ch. 4, p. 3. The projected increase in the County's population, from 1,682,585 in 2000 to 2,431,400 by 2035, will put further pressure on land and water available for agriculture. *See id.*, Ch. 2, p. 1.

Agriculture is one of several, competing designated beneficial uses for the Coyote Valley groundwater basin. Based on our review of the materials cited above, there are no findings that agricultural use is not currently being attained or that the conversion of agricultural land to other uses is due to water supply issues. There is information that the Coyote Valley groundwater basin levels have declined after sequential dry years, but we are not sure whether there is evidence to support a finding that the basin warrants a finding of overdraft or projected overdraft.<sup>9</sup> As discussed in more detail below, a groundwater basin that is not in overdraft and not projected to be in overdraft cannot be adjudicated. Similarly, there can be no action before the State Water Board against the SCVWD, City, or County for anticipated non-compliance with water quality standards.<sup>10</sup>

The SCVWD, similar to any water supplier in California, does not “guarantee” its ability to provide water supply to meet demand in all water-year types far into the future. Instead, it provides assurances in the form of the UWMP, which describes how it intends to secure water adequate to meet supply for the next 20 years. According to the SCVWD’s current UMWP it will have water to meet demand for the next 20 years. It is taking action to increase its reliable supplies through continuation of existing management of surface supplies, groundwater recharge, imported water, and development of new programs for conservation, recycled water, etc.

The GCRC and other agricultural stakeholders could meet and coordinate with the SCVWD and local land use agencies to determine what they are doing to address the current decline in the Coyote Valley groundwater subbasin. Depending on their response, the agricultural stakeholders would get a better idea as to whether legal action is needed. In addition the agricultural stakeholders could coordinate with the SCVWD and local land use agencies going forward to make sure water supply planning efforts and individual decisions that affect water supply adequately consider and protect the designated use of agriculture.

### **Working with the SCVWD**

The SCVWD was created in the 1920s to address adverse effects of unsustainable groundwater pumping that resulted in permanent land subsidence and severe depletion of the groundwater levels. This background appears to have motivated the SCVWD to develop and implement a robust groundwater management program that has achieved sustainable groundwater production through conjunctive use, import of additional water supply, and conservation.

The District Act and the SCVWD’s policies and guidance provide the district with the authority to proactively manage groundwater supplies in a manner that preserve the sustainability of the groundwater basins. In addition, the District Act specifies that the SCVWD should

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<sup>9</sup> Overdraft is the condition of a groundwater basin in which the amount of water withdrawn by pumping over the long term exceeds the amount of water that recharges the basin. Overdraft is characterized by groundwater levels that decline over a period of years and never fully recover, even in wet years. DWR, Bulletin 118 (updated 2003), p. 29. According to SCVWD’s reports and staff comments, we understand that groundwater levels in Coyote Valley subbasin have declined in recent years, but the subbasin has not been determined to be in overdraft.

<sup>10</sup> Designated beneficial uses are one component of water quality standards that must be protected under the Porter Cologne Act.

manage its supplies to protect *all* beneficial uses. Agriculture is a beneficial use of the Coyote Valley groundwater basin.

### **Petition the SCVWD under Water Code § 10753.9**

Water Code § 10753.9 authorizes a local agency with a GMP “to limit or suspend extractions” if “the local agency has determined through study and investigation that groundwater replenishment programs or other alternative sources of water supply have proved insufficient or infeasible to lessen the demand for groundwater.” Based on our research the SCVWD has never used this authority, and we were unable to find any case law interpreting its application.

As stated above, we believe a good first step is to meet with the SCVWD to determine what it is doing and/or what it can do to address the decline in Coyote Valley.<sup>11</sup> If the agricultural stakeholders believes that the Coyote Valley subbasin is in overdraft and that the district’s planned programs and other alternative sources are not going to be adequate to lessen the demand for groundwater to a sustainable level, then they may petition the SCVWD to use its authority under § 10753.9 to limit or suspend extractions.

While we were unable to locate any examples of this law being applied, we suspect it would be extremely contentious if the SCVWD tried to unilaterally impose pumping restrictions. There would need to be very strong evidence of overdraft and ineffectiveness of the SCVWD’s programs to remedy overdraft to persuade the SCVWD to use this authority in light of almost certain opposition from other pumpers. However, the SCVWD may be able to use this authority to persuade pumpers to agree to certain limitations on pumping during periods of overdraft in the interest of the long-term sustainability of the groundwater basin.

### **Ongoing Coordination**

The SCVWD’s groundwater management program offers many opportunities for the GCRC and other agricultural stakeholders to get involved to promote protection of the beneficial use of agriculture within the Coyote Valley.

The agricultural stakeholders could cultivate a relationship with SCVWD Board members to get to know them and inform them of their interests in protecting and promoting the beneficial use of agriculture in the Coyote Valley. The stakeholders could also coordinate directly with Staff who actually prepare the management plans and offer comments on proposed land development documents, environmental documents, and City and County General Plans.

The SCVWD reviews some local land use and development plans to identify threats to groundwater and watercourses under district jurisdiction and to other district facilities. The SCVWD provides review and comment on proposed land development documents, environmental documents, and City and County General Plans. The SCVWD has also worked with land-use agencies to develop guidelines or model ordinances for specific issues such as the

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<sup>11</sup> Section 7.3 of the GMP describes actions the SCVWD is taking or plans to take to assure adequacy of water supplies.

permitting of graywater systems. The SCVWD works with the project and regulatory stakeholders to try to ensure that these projects are implemented such that groundwater resources are protected.

The agricultural stakeholders could participate in the proceedings to develop/update the Groundwater Management Plan and Urban Water Management Plan. In addition to commenting on draft plans, this may include developing projects with the SCVWD that increase efficient water use by farmers in the Coyote Valley that can be funded by the SCVWD through funds it receives from the California Department of Water Resources.

The agricultural stakeholders could collaborate with the district in public outreach efforts. For example, they could develop information regarding the importance and benefits of preserving agriculture in the Coyote Valley that could be distributed at events promoting groundwater awareness. They could also work to educate farmers about the importance of conservation and efficient irrigation techniques and help connect them with resources available through the district. Because the agricultural stakeholders works more closely with farmers than the SCVWD, they may be able to help improve the SCVWD's existing tools for increasing agricultural water use efficiency or develop new tools based on feedback from farmers.

The agricultural stakeholders could also participate directly or indirectly in the setting of rates/charges for groundwater in the Coyote Valley. The SCVWD sets rates for groundwater production charges on an annual basis through a public process.<sup>12</sup> The process also includes formal protest procedures through which well owners, operators, and owners of land on which a well exists can object to the proposed rate changes.<sup>13</sup> The rate-setting process for FY 2012/2013 closed on April 24, 2012. The SCVWD website highlights the district's commitment to ensuring reliable and stable water supply for agriculture through discounted rates,<sup>14</sup> so by maintaining contacts at the district and participating in the rate-setting process, the agricultural stakeholders could encourage the district to honor this commitment.

### **Working with the City and County**

The biggest threat to water supply for agriculture in the Coyote Valley appears to be further development. The SCVWD specifically notes that "significant development" is being considered in the Coyote Valley. The SCVWD manages water supply within its boundaries but it does not have jurisdiction over land use decisions, which obviously have a huge effect on water supply and quality. The City of San José and Santa Clara County are the local land use authorities, so the stakeholders could also work with these agencies to protect agriculture in the Coyote Valley.

### **Ongoing Coordination**

The GCRCD and other agricultural stakeholders could meet with City and County Staffs to discuss any upcoming development projects that may affect agriculture in the Coyote Valley

<sup>12</sup> <http://www.valleywater.org/Services/2012-13GroundwaterChargeProcess.aspx>

<sup>13</sup> <http://www.valleywater.org/Services/2012-13ProtestProcedure.aspx>

<sup>14</sup> <http://www.valleywater.org/Services/2012-13AgWater.aspx>.

so that they are aware of timelines and permitting processes which offer opportunity for public review and hearing.

The Santa Clara County General Plan notes that its “vision will also require supportive actions by local special districts and agencies (such as the Santa Clara Valley Water District...)...” Santa Clara County General Plan, p. A-5. It establishes four strategies for meeting future water needs:

- Strategy #1: Conserve and Reclaim Water
- Strategy #2: Obtain Additional Imported Water Sources
- Strategy #3: Make system and Local Storage Capacity Improvements
- Strategy #4: Maintain Drought Contingency and Groundwater Basin Management Plans

*Id.*, p. H-9. As with the SCVWD, Santa Clara County will make future policy decision related to water management and conservation through a collaborative process. By establishing contacts at the County who deal with water policy, the agricultural stakeholders could actively influence such decisions.

Similarly, the San José General Plan establishes the following goal for water supply:

Partner with the Santa Clara Valley Water District and other agencies to engage the public in an outreach program about the importance of water management to San José’s quality of life. Develop strategies with the public on how the City can help meet future water supply challenges and minimize the need for imported water by conserving our local water supplies and using recycled water whenever appropriate.

San José General Plan (2011), p. 3-19.

Further, it discusses efforts in collaboration with the SCVWD and the City’s plans to develop “a large scale water reclamation program which would reuse treated wastewater to augment and help conserve freshwater supplies.” *Id.*, p. 1-67.

About agricultural use, the San José General Plan states the following:

Today, the boundaries of the City have spread and residential land uses dominate San José’s landscape. Little agricultural production remains in San José; however, the community and the City have a renewed recognition of the importance of local agriculture for food security, access to healthful foods, groundwater recharge, and environmental benefits of local food production and consumption.

*Id.*, p. 6-33. The City also adopts its own Urban Water Management Plan, which must be updated every five years. The last plan was adopted in 2010. Like the SCVWD, the City is required to coordinate with other agencies and stakeholders and provide opportunity for public review and hearing prior to adopting the plan.



As with the SCVWD and the County, establishing relationships with contacts at the City and participating in all of the public processes related to groundwater management will help ensure that agricultural needs are considered and adequately protected. By collaborating with the multiple agencies whose decisions will affect future water supplies, the agricultural stakeholders could effectively and proactively find solutions agreeable to all parties involved.

### **City and County Police Power**

The California Supreme Court has held that regulation of groundwater is within municipal police power.<sup>15</sup> A city or county may enact laws to manage groundwater in an effort to promote health, safety, and welfare of its citizens, as long as such regulations do not contradict existing state law. Several counties have used this power to regulate the extraction and use of groundwater. In *Baldwin v. Tehama*, a court upheld regulations in Tehama County that prohibited exporting groundwater without a permit. Tehama County would only grant permits if no overdraft or other adverse effects would result from the extraction.<sup>16</sup>

The GCRC and other agricultural stakeholders could research whether the City of San José and County of Santa Clara County currently exercise police power to regulate groundwater, and if not, whether they have considered it. This could be discussed at meetings with representatives from each. The police power could be used in the future to limit overdraft.

### **Adjudicated Groundwater Basin**

Adjudication of groundwater basins has been described as an option of last resort.

An adjudication is a civil action in which all the people who claim a right to the groundwater basin are joined as parties. The purpose of the action is to have a court, following investigation and recommendations by the State Water Board, determine and quantify rights to the basin. The litigants pay for court-directed studies, using the available data, to arrive at an equitable annual distribution of groundwater.<sup>17</sup> In defining a groundwater user's water rights, the court will consider the reasonableness of each use. The determination of what is a reasonable use of water will vary with the facts and circumstances of each particular case.<sup>18</sup>

Although such disputes can sometimes be resolved through court-approved negotiated settlements, cases like these are extremely costly and lengthy – often taking decades to complete.<sup>19</sup> The expenses for such cases vary by number of parties and complexity of issues, but as an example, the Santa Maria adjudication cost in excess of \$10 million by its 13<sup>th</sup> year.<sup>20</sup> There is also the added expense of ongoing administration of the judgment once it is entered.

<sup>15</sup> *In re Mass*, 219 Cal. 422, 424-25 (1933).

<sup>16</sup> 31 Cal. App. 4th 166, 171 (1994).

<sup>17</sup> “Adjudicated Groundwater Basins,” California Department of Water Resources (June 2011).

<sup>18</sup> *Tulare Irrigation Dist. V. Lindsay-Strathmore Irrigation Dist.*, 3 Cal. 2d 489, 567 (1935).

<sup>19</sup> The average length of an adjudication proceeding in California is seven years, with the longest – The San Fernando Valley Basin Adjudication – taking 24 years. “Groundwater Adjudication in California,” Downey Brand LLP (Apr. 4, 2010).

<sup>20</sup> *Id.*

Benefits to this process, however, include quantified rights to a percentage of usable water in any given year. Additionally, court oversight and enforcement helps protect the rights obtained into the future. There are approximately 20 adjudicated basins in California.<sup>21</sup> In 15 of the adjudications, the court judgment limits the amount of groundwater that can be extracted by all parties based on a court-determined safe yield of the basin.<sup>22</sup> Adjudication offers certainty, but at a high cost.

DWR has not identified the Santa Clara Subbasin, which includes Coyote Valley, as a basin in overdraft or projected that the basin will become in overdraft. So, at this time we do not believe that this extreme measure is warranted. It is also not certain that adjudication would achieve the agricultural stakeholders' goals in assuring water supply for agriculture (especially on lands that may not currently be owned or irrigated) into the future.

### **CONCLUSION**

The Santa Clara Valley Water District manages surface and groundwater water resources within its boundaries, which includes Coyote Valley, to protect all designated beneficial uses. Although agriculture is a designated beneficial use for the Coyote groundwater subbasin, it is only one of several competing uses that must be balanced. The SCVWD has shown a commitment to providing reliable and stable water supply for agriculture through discounted rate policies and other programs, but competition for scarce water resources will continue to put pressure on existing supplies. There are a number of opportunities for agricultural stakeholders to work collaboratively with the SCVWD and other local agencies to affect water resource management in the region and promote continued protection of the beneficial use of agriculture within the Coyote Valley. Agricultural stakeholders should also continue to support and encourage farmers in their efforts to increase the efficiency of their water use. Both of these approaches will be necessary to assure sustainable water supplies for agriculture and other uses into the future.

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<sup>21</sup> *Id.*

<sup>22</sup> Department of Water Resources, Bulletin 188 (Dec. 21, 2010).

APPENDIX B  
Coyote Valley Agricultural Feasibility Study - Phase II  
CASE STUDIES  
Update

June 20, 2012

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## 1. Food Commons

### **Relevance to Coyote Valley:**

- Food Commons takes a holistic approach to developing regional food systems. Beyond the conservation of an agricultural land base, it aims to improve public health, ensure fresh food for all, and create economic development projects. A Food Commons prototype is underway in Fresno. Agricultural viability in the Coyote Valley would benefit from linking to a regional food system to take advantage of scale in infrastructure, financing, marketing, and other benefits.

### **Overview:**

The Food Commons envisions a re-creation of the local and regional food systems that preceded the current global industrial food systems, updated to reflect 21st-century advances in information systems, communications, community-based organizational and economic models, the science and practice of sustainable agriculture and the changes in culture and demand.

The Food Commons will leverage, support and enhance existing and emerging regional food system initiatives to offer the American public a wide range of benefits that are not widely distributed in our current food system. The Food Commons will:

- Make healthy and sustainably produced food accessible and affordable to all.
- Enable food enterprises within and across food sheds to efficiently produce and exchange goods and services that meet high common standards.
- Capture benefits of scale in infrastructure, asset management, financing, information systems, marketing, and learning, while preserving local identity, ownership, control, diversification and accountability.
- Transparently and equitably distribute common benefits along the value chain from farmers, ranchers, and fishers to distributors, processors, retailers, workers, consumers, and communities.
- Harness underutilized foodshed assets and protect and steward those assets for current and future generations.
- Foster and celebrate regional foodshed identities that generate widespread consumer awareness, participation and buy-in.
- Create a wealth of new small businesses and jobs and build a skilled and respected 21st-century food system workforce.

The Food Commons seeks to connect local and regional food system enterprises in a cooperative national federation that enhances their profitability and sustainability while creating and supporting a robust system of local community financing, ownership, management and accountability.

***The Food Commons has three integral components:***

- **The Food Commons Trust**, a non-profit, quasi-public entity to acquire and steward critical foodshed assets
- **The Food Commons Bank**, a community-owned financial institution that provides capital and financial services to foodshed enterprises
- **The Food Commons Hub**, a locally-owned, cooperatively integrated business enterprise that builds and manages foodshed-based physical infrastructure and facilitates the complex logistics of aggregation and distribution at different scales among all the moving parts of the system, and provides scale economies, business services, technical assistance and training to new small food businesses.

In order to move the Food Commons from vision to reality the Food Commons working group is pursuing the following near-term objectives to advance development of the Food Commons concept:

- **Define** the Food Commons value proposition and business case for existing and emerging regional food system initiatives.
- **Develop** Food Commons Bank and Food Commons Trust models.
- **Identify** partners and resources for a Food Commons prototype project. ☐ Develop strategic plan for implementing the Food Commons federation.

Refer to [www.thefoodcommons.org](http://www.thefoodcommons.org)

## **2. Wisconsin Agricultural Enterprise Area (AEA) Program**

Relevance to Coyote Valley:

- The Wisconsin AEA program is a tool for protecting the agricultural land base and for promoting investment in agriculture, agricultural infrastructure and agricultural-related businesses within a targeted area. It is conceptually similar to the Montgomery County Agricultural Reserve (see case study below). Both programs are examples of designating an area with agricultural value to help focus conservation efforts.
- The designation of an AEA does not, by itself, control or limit land use within the designated area. Farmers in a designated area can enter into voluntary farmland preservation agreements in exchange for income tax credits. It is emphasized that these agreements are entirely voluntary. In Coyote Valley, an agricultural priority area or similar is recommended. Any limit to the currently allowed land use will be on a voluntary basis.

Funding sources:	State funding \$27 million available annually
Land ownership:	Individuals
Tools for agriculture and open space preservation:	Income tax credit in exchange for farmland preservation agreement
Farmer tenure:	Ownership
Agricultural land conserved:	17 AEAs encompass a total of 340,000 acres
Number of farmers supported:	NA
Open space/habitat conserved:	NA
Parcelization:	NA
Crops/Products:	NA

### **Overview:**

An AEA is an area of contiguous land in primarily agricultural use that has been designated by the Department of Agriculture, Trade and Consumer Protection (DATCP).

To have an area designated as an agricultural enterprise area, farm owners and local governments must work together to submit a petition to the DATCP. By working together and by drawing in other local stakeholders including ag-related businesses, economic development experts and other interested individuals, the community can better ensure adequate support for an AEA selected for designation.

A petition must be signed by at least 5 eligible farm owners and all political subdivisions located within the proposed AEA. Additionally, the political subdivisions located in a proposed AEA must pass a resolution in support of the designation of the AEA. Others may sign the petition as cooperators or submit a letter in support of the designation.

In developing the petition, petitioners are asked to state the goals of the proposed area for the preservation of agricultural land use and agricultural development. Petitioners must identify activities that will aid in achieving the goals including adopting appropriate land use controls, development of a strategy to encourage farmland preservation agreements, and identifying activities to promote agricultural economic development.

The proposed AEA boundary must:

- Contain land owned by all interested farm owner petitioners.
- Be located within a certified farmland preservation area.
- Consist of contiguous land area (land owned by petitioning farm owners need not be contiguous).
- Be primarily in agricultural use.
- Consider other relevant factors such as agricultural infrastructure and soil and water resources

**Benefits of AEA Designation:**

Eligible farmers in a designated area can enter into voluntary farmland preservation agreements with DATCP. Farmers with an agreement receive income tax credits in return for keeping their land in agricultural use for a minimum of 15 years. Tax credits available to farmers in an AEA are:

- \$5 per acre for land that is covered by a farmland preservation agreement, or
- \$10 per acre for land that is covered by a farmland preservation agreement and located in a certified farmland preservation zoning district.

An AEA is only designated if it is identified by the local community as an area that is valuable for current and future agricultural use. This local input into the process is important to achieve identified goals.

Overall, the designation is a tool that can be used to protect the agricultural land base for continued production. In addition, the designation can help to promote investment in agriculture, agricultural infrastructure and agricultural-related businesses.

What AEA Designation Does Not Do:

The designation of an AEA does not, by itself, control or limit land use within the designated area. Designation of an AEA also does not specifically protect areas from encroaching development or land use conflicts. Local designation of an AEA, however, can be used as part of a local land use and development strategy designed to preserve, protect and promote agricultural enterprises. This local strategy may include a variety of local initiatives including farmland preservation planning and zoning, voluntary farmland preservation agreements, agricultural and conservation easements, private land use covenants and donations, economic development grants, cooperative agreements, financial incentives and more.

It is up to local initiative to design a strategy that adequately addresses local conditions and the community's vision for the area. All components should work together to contribute to the success of any designated AEA.

### **3. Middle Green Valley Specific Plan/ Green Valley Agricultural Conservancy Solano County, CA**

**Relevance to Coyote Valley:**

- The Middle Green Valley Specific Plan is an example of how multiple planning and market-based tools (i.e. transfer of development rights, density bonus, cluster development) may be combined to address the physical and financial challenges to farming near a metropolitan center. It may be possible to address similar challenges to farming in Coyote Valley with these tools.

- One financial challenge facing both valleys is the relatively low value of farmland compared to its potential development value. The resulting speculative pressures threaten to convert agricultural lands to urban use. The Middle Green Valley Specific Plan provides landowners of agricultural or environmentally-valuable land an alternative. Under the transfer-of-development rights program, landowners in sensitive areas (sending areas) may transfer development rights to landowners in areas appropriate for higher density development (receiving area). Density bonuses were agreed upon between landowners of sending areas and Solano County, giving these landowners an incentive to participate in the program. By purchasing additional development rights from the 'sending areas', landowners in the 'receiving areas' are able to build at greater densities and realize the market value of the land.
- One of the physical challenges to farming in Green Valley is the potential division of land into parcels too small for farming. The Plan for clustering development around villages, leaving 1,500+ acres in agriculture or open space, addresses this issue.

Funding sources:	GVAC operations to be funded by transfer tax
Land ownership:	Individuals
Tools for agriculture and open space preservation:	Transfer of development rights (TDR) Density bonuses
Farmer tenure:	Ownership
Agricultural land conserved:	NA
Number of farmers supported:	NA
Open space/habitat conserved:	NA
Parcelization:	NA
Crops/Products:	NA

**Overview:**

Approved by Solano County in 2010, the Middle Green Valley Specific Plan created a long-term vision for Green Valley. The Plan envisions a collection of small neighborhoods clustered at the base of the foothills with the remaining 1,500+ acres preserved as open space or agricultural land, protected from future development by conservation easements. The Specific Plan proposes a mix of land uses, including up to 400 new primary residential units, agricultural tourism, local neighborhood retail, community facility uses, and agriculture and open space.



**Conservation Scheme:**

To achieve this vision, the Specific Plan utilizes a transfer of development rights (TDR) program to provide a fair and equitable incentive for landowners to relocate their development rights from areas to be preserved (sending area) to areas identified as suitable for development (receiving area). Density bonuses were also provided as incentives to landowners to participate in the voluntary TDR program. Landowners within the sending area negotiated for a significant increase to the number of units allowed per current zoning. These additional development rights can be sold to landowners of the receiving area and upon the sale of these rights, a conservation easement would be placed on the preserved sites.

**Economic Development:**

Founded in May of 2010, the Green Valley Agricultural Conservancy (GVAC) is an independent, non-profit organization set up to provide oversight of the conservation easements and support agriculture in the valley. Its approach is to promote sustainable food and agriculture systems as a means of creating a synergy between the agricultural lands, the built and natural environments, community health and natural resource stewardship. It provides mechanisms to assure the long-term preservation and management of the open lands in Green Valley and will help to manage and monitor the proposed  $\pm 1,500$  acres of productive agricultural land, pastures, and natural areas.

**The GVAC has three primary roles:**

- Protecting our agricultural legacy
- The Conservancy provides assistance and oversight to the farms in Green Valley so that a comprehensive approach of supporting agricultural and growing food for the local community and regional food shed is accomplished.
- Establishing a stewardship ethic
- The Conservancy oversees the management, stewardship, enhancement, restoration and conservation easements for conservation lands including oak woodlands, riparian areas, pastures, rangelands, and agricultural lands.
- Building community
- The Conservancy provides educational and interpretive opportunities and the social glue for the evolving community.

In 2011, GVAC started "Totally Local," a certified farmers market showcasing local agricultural and artisanal products. It was held every Saturday in July through October, and will continue again this summer.

Long-term funding for GVAC and the financial assistance it would provide to local farmers will depend on the sale of the 400 homes proposed in the Specific Plan. Upon the sale of each, 3% of the purchase price will be directed to GVAC. Each subsequent sale will generate a transfer fee of 1% in perpetuity.

#### 4. The Tri-Valley Conservancy/ South Livermore Specific Plan Livermore, CA

##### **Relevance to Coyote Valley:**

- South Livermore is an example of how a conservation easement program is funded and administered for the preservation of land in perpetuity. To ensure that farmers have land upon which to grow crops, the Coyote Valley Agricultural Enterprise and Conservation (CVAEC) program also proposes using conservation easements.
- The conservation easement program is partially funded by development mitigation fees and state funds. The mitigation program is countywide, which allows development fees in urban areas to ‘pass-through’ to the surrounding agricultural land that are conserved. Although this concept has not been proposed for Coyote Valley, considering the county as a whole and allowing funds from one area to achieve goals for conserving agriculture in another may be considered in the future.

Funding sources:	Development Fees placed on new homes in the area as mitigation for farmland conversion \$4.4 million largely from state funds and as local match Full value of easements is \$45 million
Land ownership:	Individuals
Tools for agriculture and open space preservation:	Conservation easements (held by the Conservancy) Density bonuses
Farmer tenure:	Ownership
Agricultural land conserved:	3,700 acres (53 properties)
Number of farmers supported:	65
Open space/habitat conserved:	925 acres
Parcelization:	Average acreage is 58 acres.
Crops/Products:	Cultivated agriculture, primarily wine-grapes.

##### **Overview:**

The South Livermore Valley Agricultural Land Trust (SLVALT) was established in 1994 subsequent to the County’s adoption of The South Livermore Valley Area Plan (SLVAP) to protect important agricultural and open space lands. SLVALT’s original goal was to permanently protect and steward 5,000 acres of land within the SLVAP. As of 2003, over 3,700 acres are under conservation easement. In early 2003, a strategic plan process was initiated and the land trust board recognized the need to have a greater conservation presence in the region. The SLVALT became the Tri Valley Conservancy with an expanded mission and an expanded geographic area. The Conservancy’s mission is to permanently protect the fertile soils, rangelands, open space and biological resources and to support a viable agricultural economy in the Tri Valley area. The Conservancy accomplishes this mission by providing landowners with a flexible, voluntary

alternative to subdividing or developing their property. One facet of the Conservancy's work is acquisition. Working with willing landowners, the Conservancy acquires property development rights through the legal arrangement of a conservation easement. In so doing, the Conservancy ensures that a property will be protected from future development. The Conservancy works with developers in a unique model to conserve the Valley's important lands. Through county and city programs, developers in the region are required to mitigate their projects by fee payments and/or by replacement of agricultural acreage covered by a conservation easement. The Conservancy was established as the recipient of those mitigation fees and the custodian of the conservation easements on replacement acreage within the SLVAP.

The Conservancy will continue its original mission to preserve 5,000 acres within the SLVAP until completed. All monies received by the Conservancy for the SLAP will be restricted funds used for only that purpose.

**Conservation Scheme:**

The Conservancy operates by acquiring conservation easements from willing landowners and becomes the custodian of all or part of a property's development rights through the conservation easement. One development right equals the ability to add one buildable subdivision parcel to a property. The number of development rights on a given property depends on the property's size and zoning designation. The easement details property-specific restrictions on future development. For example, the easement may limit or prohibit future subdivision and may restrict non-agricultural improvements to defined areas. The easement need not change the current use of the property and does not limit the owners' right to lease or sell.

The Conservancy acquires conservation easements through purchase or donation. The value of the easement is mutually agreed upon by the landowner and the Conservancy and is based upon the development potential and conservation value of the property. In addition to receiving possible property and estate tax benefits, landowners dedicating easements to the Conservancy play a vital role in protecting the Valley's agricultural productivity and open space character for present and future generations.

Recognizing that development pressures in the South Livermore Valley are intense, county and city planners developed the Bonus Density Program and the South Livermore Specific Plan (Specific Plan).

Through SLVAP, landowners may qualify to receive additional property development rights in exchange for planting a portion of the property in cultivated agriculture and placing that portion under conservation easement. For example, a 100-acre property zoned for agriculture normally has one development right. Under the Bonus Density Program, an additional four development rights may be placed on the property and each of the resultant 20-acre parcels granted a 2-acre building envelope. In exchange for the newly granted development rights, each parcel's 18 undevelopable acres must be planted and placed under conservation easement.

Through the Specific Plan, developers are required to carry out agriculture mitigation financing in the following ways: 1) paying the Conservancy a fee sum for every home lot developed; or 2) placing one acre of cultivated agriculture land under conservation easement for every house constructed, and placing one acre of cultivated agriculture land under conservation easement for every acre of cultivatable land developed.

## 5. King County Farmland Preservation Program and Indochinese Farm Project King County, WA

### **Relevance to Coyote Valley:**

- The King County Farmland Preservation Program is an example of how a county combines fee purchases and conservation easements with the concept of agricultural priority areas. Setting priority areas allows the county to apply several preservation and economic development tools in a concerted effort. A similar multi-faceted and targeted approach will also be needed in Coyote Valley.
- The King County example demonstrates how a ready funding source can purchase land quickly when opportunities arise, and subsequently transfer the title to other entities while retaining conservation easements over the land. While a bond measure is not proposed for Coyote Valley, the same idea to raise a ready pool of funds and to act quickly when opportunities arise will be useful.

### **Overview:**

#### **Conservation Scheme:**

Located in King County, WA (the Seattle metropolitan region), FPP involves purchase of development rights through easements, held in perpetuity by the County using proceeds from a \$50 million bond issued in 1979 and subsequent funding sources.

In most cases, title to the land under the FPP is retained by the existing owner, although County title purchase is allowed in cases where an easement is not practical. In some of these land purchase cases, the County leases it short-term to the Indochinese Farm Project to provide increased land access to farmers with limited resources. The County may only own agricultural properties for up to five years, and must sell the land to a farmer or farming collaborative with the highest bid, with easements placed to ensure preservation. The discouragement of public property ownership is embedded in the bond structure that created the Program. King County administers the program and holds the easements in trust under their own management.

FPP easements are located on land throughout the King County area, surrounding metropolitan Seattle. Since the best soils are proximate to Seattle, these lands are pursued by FPP, despite higher land values nearest to the urban areas. The bond required that a threatened parcel should be prioritized, all things being equal.

#### **Economic Development:**

King County created the brand “Puget Found Fresh” to support local farmers and insure a close-in food supply while encouraging consumers, wholesalers, retailers and restaurants to seek out and purchase higher-quality, fresher, locally-grown products. It also maintains and makes available on its website a Community-Supported Agriculture Directory.

## 6. Capay Valley Vision and Capay Valley Grown Yolo County, CA

### **Relevance to Coyote Valley:**

- Capay Valley Vision is a group led by a committed Board of Directors and advised by a representative advisory council. This is similar to what has been proposed for the Coyote Valley Agricultural Enterprise and Conservation Program.
- Capay Valley Vision started with one dedicated staff person (the executive director) and relied on the Board of Directors to lead activities. It is an example of how to start on a shoestring while building support and leadership within the community.
- Capay Valley Grown is an example of how a micro-region can begin to differentiate itself through a shared label/logo, shared marketing efforts, and promotional events that raise the visibility of Capay Valley products. A similar program to market the place and its products has been proposed for Coyote Valley.

### **Overview:**

Founded by a diverse group of residents in 2000, Capay Valley Vision (CVV) was created to provide a forum for ongoing communication within the community about the future of the Valley. One local farmer, David Sheuring, played a crucial role in getting the organization started. At the time, there was much tension within the community over highway safety due to the growing popularity of the Cache Creek Casino and the opening of a tasting room at RH Rhillips Winery. David talked with numerous community members in one-on-one meetings over coffee and kitchen tables to bring people together for this forum. He also sought initial funding through grants from the Great Valley Center and the State of California Department of Conservation.

The group formed task forces to address the following concerns in their community:

- Agriculture and Environment
- Economic Development
- Housing
- Recreation
- Transportation.

Task force chairs (or co-chairs) are also members of the Board of Directors, which meets regularly to share task force activities and to strategize ways to connect the sometimes disparate activities of each group. The commitment and leadership of the board members on the individual task forces have been critical to the success of the project. This organization is driven by the strong commitment and involvement of its board members.

Besides the Board, there is a Community Advisory Council which includes nearly 50 community organizations within the Capay Valley-Esparto Region. The Council holds meetings twice a year to elect the board of directors and advise them on policy.

Staffing has varied, though generally minimal, over the years. The group started with a part-time executive director. As funding increased, a full-time executive director and limited administrative support staff were hired.

### **Capay Valley Grown:**

Of the task forces, the most active has been the one focused on Agriculture and Environment. In 2004, 23 farmers and ranchers came together to form Capay Valley Grown. Their goals were:

- To increase consumer awareness of their products,
- To increase their profitability, and
- To preserve and enhance the region's resources, rural character, and way of life.

Capay Valley Grown is a brand that identifies a micro-region within the County, encompassing the Western Yolo County communities of Madison, Esparto, Capay, Brooks, Guinda, and Rumsey, including Lamb Valley and Hungry Hollow.

Farms and ranches within the program benefit from shared marketing efforts, through a common regional label, promotional events and campaigns to raise the visibility of Capay Valley products.

## **7. Brentwood Agricultural Land Trust (BALT) and Buy Fresh Buy Local Contra Costa County, CA**

### **Relevance to Coyote Valley:**

- In Brentwood, agricultural enterprises benefit from land conservation and economic development. The community recognizes that preserving farmland requires both protecting the land and creating a vibrant agricultural economy. A similar dual effort has been recommended for Coyote Valley.
- BALT's farmland conservation program utilizes several planning and market-based tools, including an agricultural mitigation fee, conservation easement, purchase of fee title, and transferable agricultural credit. Coyote Valley would also benefit from multiple conservation tools.
- BALT works with local government to strengthen food and farm policies. It demonstrated that East Contra Costa agriculture is important to all the citizens of Contra Costa County. This led the County to (i) consider a county local food purchasing policy for county institutional purchasers (ii) explore distribution systems that connect Brentwood farmers and their urban neighbors (iii) study an agricultural mitigation program for the County (iv) consider agricultural tourism zoning. BALT is seeking funding to work with the County to accomplish these important measures. Advocacy to integrate the CVAEC program into local and regional policy efforts is recommended for Coyote Valley.

Funding sources:	Agricultural mitigation fee paid by developers for converting prime agricultural land to urban uses (\$12 million collected to date) California Farmland Conservancy Program
Land ownership:	Individuals
Tools for agriculture and open space preservation:	Conservation easements Fee simple land purchases Transferable agricultural credit program (TAC)
Farmer tenure:	Ownership
Agricultural land conserved:	653 acres
Number of farmers supported:	7
Open space/habitat conserved:	NA
Parcelization:	NA
Crops/Products:	Orchards and row crops

### **Overview:**

The fast-growing City of Brentwood in northwest Contra Costa County is home to high-producing orchards and row crops. The agricultural area includes more than 12,000 acres of contiguous, irrigated farmland located just fifty miles from the Bay Area. With prime soils, ample water and a year-round growing season, Brentwood farms have provided food for the Bay Area since the 1880's. Regional agricultural production generated \$51.2 million in 1998.

Local farming is being threatened, however, as Bay Area suburbs expand eastward. The City of Brentwood grew from 7,500 people in 1990 to over 56,000 people today. Between 1984 and 2004, almost 20,000 acres of Contra Costa agricultural land, including 9,100 acres of prime farmland, were converted to urban uses.

### **Conservation Scheme:**

BALT was created, in part, to implement the farmland conservation program adopted by the City of Brentwood (the "City") in 2001 pursuant to Ordinance No. 683. The program seeks to conserve productive agricultural farmland in the 11,000-acre County Agricultural Core (the "Agricultural Core") to the east and the south of the City.

### **The Ordinance provides:**

- Agricultural Mitigation Fee. Developers in the City must pay an agricultural mitigation fee of \$5,500 for each acre of prime agricultural land converted to urban uses.
- Farmland Conservation. The agricultural mitigation fees collected are to be used to preserve agricultural land through the purchase conservation easements and fee title.

- Transferable Agricultural Credit Program (TAC). When certain valuable agricultural land in a 2,600-acre area south of the City is permanently preserved, the property owner gains two TAC credits for each acre preserved. Each credit may be used to build one unit of above mid-range density in developments within the City. The current program anticipates a private market in credits between property owners and developers.

To date, the City has collected over \$12 million in agricultural mitigation fees. The City holds and controls the use of the funds, and is allowed to spend the funds to advance the economic development of agriculture in Brentwood.

### **Economic Development:**

Based on the conviction that creating a vibrant agricultural economy is essential to preserving prime farmland, BALT has formed the Agricultural Enterprise Committee to bring farmers, the community and local governments together to promote local agriculture and remove regulatory restrictions to agricultural enterprise. The committee, which meets once a month, is well attended by an extraordinarily diverse group of family farmers, from large conventional wholesale marketers to small-scale organic farms. The group has worked cooperatively to identify projects that would benefit all Brentwood farmers.

Through a consensus building process, this committee has identified goals and has begun to implement several projects. Specifically, the farmers identified three goals they felt were essential to preserve and promote the economic viability of agriculture in East Contra Costa County.

- Create a Brentwood Farmers' Market.
- The Brentwood Certified Farmers Market opened on June 2004. This community building accomplishment reverses three decades of opposition by local u-pick farmers who were concerned that a farmers market would bring competition from out-of-town farmers. Because BALT's Agricultural Enterprise Committee is farmer based, the committee was able to give all Brentwood farmers a voice in how the farmers' market was structured resulting in a unique farmers' market that features primarily local farmers.
- Promote local farming through Buy Fresh Buy Local.
- Based on the philosophy that the best way to protect agricultural land is to create a vibrant agricultural economy, BALT seeks to build new markets for Brentwood farmers by creating consumer demand for local agricultural products. In 2006, BALT created the beautiful, place-specific Contra Costa/Brentwood Buy Fresh Buy Local logos that provide consumers with a simple, visual way to identify Contra Costa and Brentwood products when they purchase food.
- Strengthen local government food and farm policies.
- The BALT Board recognizes that the County Board of Supervisors governs agricultural land use in Contra Costa County. BALT works closely with the Supervisors to demonstrate that East Contra Costa agriculture is important to all of the citizens of Contra Costa County. In 2008, the Board of Supervisors directed County staff to work with BALT and other community-based organizations to (i) consider a County local food purchasing policy for County institutional purchasers and (ii) explore distribution systems that connect



Brentwood farmers and their urban neighbors. In February 2009, the County Board of Supervisors adopted a resolution directing County staff to study an agricultural mitigation program for the County, and consider agricultural tourism zoning. BALT is seeking funding to work with the County to accomplish these important measures.

## 8. Montgomery County Agricultural Reserve Montgomery County, MD

### **Relevance to Coyote Valley:**

- Montgomery County designated an area as an Agricultural Reserve, and within it, it implemented multiple farmland conservation tools, including a Rural Density Transfer Zone, right-to-farm laws, conservation easement, and economic development programs. Each of these tools reinforce each other within a targeted area. The same targeted and multi-faceted approach is recommended for Coyote Valley.
- Farmland conservation in Montgomery County began 30 years ago, and to date, 93,000 acres, 561 farms and 350 horticultural enterprises have been conserved. It all started with recognition of a unique region and designating it an Agricultural Reserve or Priority area. Conservation efforts have been focused and continuously build on each other. A similar recognition of Coyote Valley as an agricultural priority area or similar will help to focus conservation efforts.

Funding sources:	NA
Land ownership:	Individuals
Tools for agriculture and open space preservation:	Agricultural zoning Rural density transfer zone (Transfer of development rights program) Right-to-farm law Farmland preservation programs Agri-business support
Farmer tenure:	Ownership
Agricultural land conserved:	93,000 acres
Number of farmers supported:	561 farms 350 horticulture enterprises
Open space/habitat conserved:	NA
Parcelization:	Average size of farm is 130 acres 13 farms over 1000 acres each
Crops/Products:	Beef, horse, dairy, sheep, corn for grain, corn for silage, wheat, soybeans, hay, fruit, vegetables, flowers, Christmas trees, production nurseries and greenhouses, sod

**Overview:**

Montgomery County, located northwest of the Washington, D.C. metropolitan area, has always been a suburb to the nation's capital but farming has also been central to the region's people and land for centuries. By using a combination of agricultural zoning, master plan development, strategic capital improvement and transportation enhancements, farmland preservation programs, and agri-business support, the County has been able to preserve 93,000 acres of land, 577 farms and 350 horticultural enterprises which together produce more than \$240 million in economic contribution to the County and employ more than 10,000 residents.

In 1980, the Functional Master Plan for the Preservation of Agriculture and Rural Open Space (Master Plan) created what is now a 93,000 acre Agricultural Reserve that reduced the allowance of residential development from 1 unit per 5 acres to 1 unit per 25 acres. It also established the Rural Density Transfer Zone allowing landowners to sell, on the open market, one development right per five acres, and entitling landowners in a receiving area to build one more housing unit than otherwise would have been allowed. The Master Plan also established an agricultural zone that identified agriculture as the primary land use, incorporating right-to-farm provisions stating that all agricultural operations are permitted at anytime, including operation of farm machinery.

Although the Master Plan and the County's variety of conservation tools are primarily responsible for the County's Agricultural Reserve, some argue that there are other growth management forces at work that should be given some credit. For example, the County's Adequate Public Facilities (APF) requirement is intended to accommodate the County's growth in an orderly fashion. Since 1986, the County has published an annual Growth Policy Report which defines the capacity of public facilities in various areas and provides developers with advance notice of those areas of the County in which development projects are likely to receive approval. In addition, the County's General Plan has encouraged development to occur around the core areas of the Metrorail system. Additionally, the state of Maryland's Priority Funding Areas (PFA) requirement has been a central component of smart growth across the state. This policy gives priority for state funding to projects located in areas already developed or designated for future growth. In order to be designated as PFA, locations must meet intended use guidelines, have available plans for water and sewer, meet a density of 3.5 units per acre, and have minimal sprawl effects.

**Conservation Scheme:**

The strategic combination of market-based incentives and more traditional low-density zoning for agricultural and rural uses work in tandem with the County's farmland preservation programs. The programs represent a dynamic set of tools that reinforce each other as well as the County's traditional regulatory growth management tools. There are seven different preservation tools currently available to landowners who wish to preserve their land. Each of these programs places an easement on the property which prevents future commercial, residential or industrial development of the land. Table

1 below shows the amount of acreage preserved by farmland preservation programs and the year that the programs began. This does not include the Legacy Open Space Program and the Conservation Reserve Enhancement Program which do not have a primary focus on farmland. The Transfer of Development Rights Program has by far, been the most popular and broadly effective program, preserving 48,584 acres at no cost to the county's taxpayers. After the County established this program with both the Rural Density Transfer Zone and the initial receiving area which was allowed to accommodate up to 3,000 development rights, the loss of acres to developed land dropped by 93 percent over a ten year period. A recent study for the Maryland Agro-Ecology Center found less fragmentation of the agricultural land mass in Montgomery County than any urban or urbanizing county in the country.

Table 1. Farmland Preservation in Montgomery County (as of June 30, 2005)	Acres Protected
Maryland Environmental Trust (1967)	2,086
Maryland Agricultural Land Preservation Foundation (1977)	3,594
Montgomery County Transfer of Development Rights (1981)	48,584
Montgomery County Agricultural Easement Program (1986)	6,799
Rural Legacy Program (1997)	3,935
Total	64,998
Source: Montgomery County Agricultural Services Division of the Department of Economic Development	

**Economic Development:**

Crucial to sustaining the viability of agricultural preservation is the County's strong focus on maintaining agriculture's economic viability. Economic support has come in the form of regional labeling, county-sponsored farmers markets, annual farm tour and harvest sale, training programs and networking opportunities, an emergency drought assistance program, agricultural energy tax relief program, and liaisons working with the county government from the agricultural community. Many of these programs belong to the Agricultural Services Division of the Department of Economic Development which was created to support and promote the viability of the agricultural industry in Montgomery County. They oversee the agricultural economic assistance as well as the County's conservation easements program.

The Agricultural Services Division reports that the majority of Montgomery County farms are family-run operations, many reaching back several generations and employing more than 10,000 residents of whom **50 percent work full time in farming. Though many of the farms may continue to be family-run, a substantial amount of farmland is dedicated to large-scale farming. While the average farm size is 130 acres, there are 13 farms with over 1000 acres each in operation. This represents at a minimum 13,000 acres in the County that are dedicated to large-scale farming. One of the Division's goals is to ensure** continued high quality food supply for their citizens and one could argue that one way to measure this goal is through farmers' markets, community supported agriculture and other direct marketing mechanisms. While small in scale, direct marketing from the region's farms has grown significantly, from 63 farms with a value of \$382,000 from direct marketing in 1997, to 71 farms with a value of \$1,315,000 in 2002. Still, this increase only represents 3 percent of the market value of all products sold in 2002 in the County. Nonetheless, there are only ten farmers' markets currently operating in the entire County of 800,000 in population.

**Table 2. Distribution of agricultural production in Montgomery County**

	Farms	Amount Produced
Beef	104	2,201 cows
Horse	233	12,000 horses
Dairy	7	1,546 cows
Sheep	47	952 sheep
Corn for Grain	48	11,121 acres
Corn for Silage	14	1,304 acres
Wheat	34	4,717 acres
Soybeans	43	13,794 acres
Hay	192	11,524 acres
Fruit, Vegetables, Flowers, Christmas Trees	37	3,000 acres
Production Nurseries and Greenhouses	175	900 acres
Sod	26	25 acres
Landscape, Arborist, Lawn Care Businesses	150	4,500 acres



