



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Planning & Development
Department No.: 053
For Agenda Of: June 6, 2017
Placement: Administrative, Set hearing for 6/20/17
Estimated Tme: 90 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Planning and Development
Director(s) Glenn Russell, Ph.D., Director, 568-2084

Contact Info: Peter Cantle, Deputy Director, Energy and Minerals Division,
568-2519

SUBJECT: Set Hearing to Amend Coastal Resource Enhancement Fund (CREF) Guidelines and Allocate 2017 CREF Grants

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence: N/A

As to form: No

Recommended Actions:

That the Board of Supervisors set a hearing on June 20, 2017 to:

- a) Amend the CREF Guidelines as recommended in Attachment A for the purposes of setting aside \$1 million to comply with the Coastal Commission's special permit condition for the Point Arguello Unit and directing staff to solicit CREF proposals every other year, while the Point Arguello Unit and Santa Ynez Unit are not operating;
- b) Receive staff's recommendations for the 2017 CREF awards;
- c) Approve 2017 CREF budgeting of funds as proposed in Table 10 on page 8 of the attached staff report (Attachment B);
- d) Direct staff to prepare the proposed contractual agreements with non-County grantees, including final grant conditions, and return with contractual agreements for Board consideration and approval, including appropriate CEQA compliance;
- e) Extend the 2016 CREF award (\$207,475) to the Trust for Public Land for acquisition of the Gaviota Marine Terminal property until June 7, 2019; and

- f) Determine that amending the CREF guidelines and budgeting CREF funds for the recommended projects do not constitute a “Project” within the meaning of California Environmental Quality Act (CEQA), pursuant to Sections 15378(b)(5) and 15378(b)(4) of the CEQA Guidelines, because they are organizational or administrative activities of the government and creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment.

Summary Text:

- a. **CREF Guidelines amendments.** The amendments proposed for the Coastal Resource Enhancement Fund (CREF) Guidelines in Attachment A are twofold. First, staff recommends that CREF cycles be conducted every other year instead of annually until two oil and gas projects that pay into CREF (the Point Arguello and Santa Ynez Unit Projects) resume operations. The two facilities and the six platforms that serve them are not operating because the Plains Pipeline, which carries oil out of the county, is shut in. Last June, staff reassessed the Point Arguello Unit and Santa Ynez Unit CREF fees, lowering the respective amounts since each operator purged oil from their facilities, which reduces potential impacts to coastal resources. It is unknown when the Pipeline and the two facilities will resume operations. Conducting cycles every other year would be more efficient and less costly to CREF by reducing administrative costs associated with staff time. In addition, accumulating two years of CREF fees would allow a larger amount available for applicants to compete, potentially making it more worthwhile for an applicant to spend time preparing a CREF application. To accommodate this, Section 3.2 and the last paragraph of Section 3.5 would be amended in the CREF Guidelines.

Second, as discussed in the Board Agenda letter dated November 1, 2016, staff recommends a schedule to set aside \$1 million of CREF fees to comply with a California Coastal Commission (CCC) special condition in the Point Arguello oil and gas project’s Coastal Development Permit (CDP). The CCC added two special conditions to the CDP, when it approved the CDP on appeal in 1985. CCC Special Condition #1 requires the permittee to provide \$1 million to Santa Barbara County through its CREF fees; the \$1 million would be earmarked to provide initial funds to implement a public access program for the Hollister Ranch.

No such public access program has been developed because no agreement has been reached to date between the Hollister Ranch Owner’s Association, the California Coastal Conservancy, or the CCC regarding public access through Hollister Ranch. Currently, there is a Superior Court lawsuit addressing public recreational access to the Hollister Ranch. A conservative estimate of the earliest reasonable date by which the legal case could be decided and potentially an access program could be permitted is June 2021. In recognition that the Coastal Conservancy may request funds if and when this lawsuit is resolved in their favor, and recognizing that the Point Arguello project is currently paying less annual CREF fees due to the shutdown of the facility, and the uncertainty of when the facility and Plains All American Pipeline will resume operations, staff is recommending funds be set aside to meet this Coastal Commission’s condition, beginning in 2017. This will require setting aside approximately \$125,000 - \$250,000 for the next five to seven years. Staff will monitor access programs for Hollister Ranch and, if necessary, will return to your Board with a recommendation on accelerating the set-aside schedule.

To accommodate these CREF Guideline amendments, staff recommends adding a new section, *Section 3.8 Coastal Commission Special Condition: Point Arguello Unit*, which explains the setting aside \$1 million towards a Hollister Ranch Access Program. In addition, staff recommends

amending *Section 3.6, Fund Deferral Program*, stating that after the money is set aside each year, half of the remaining fees collected would be designated for acquisitions.

- b-d. 2017 CREF Cycle.** In the 2017 CREF cycle, \$155,500 is available for coastal land acquisitions and \$120,875 is available for general allocation. The County received 14 proposals for this cycle, seeking awards totaling \$903,158 (\$698,408 seeking general allocation monies and \$204,750 seeking acquisition monies). Staff recommends granting awards to eight proposals (two for coastal acquisition and six for general allocation). Please refer to Table 10 on page 8 of the staff report in Attachment B for staff recommendations for the 2017 CREF awards. Appendix 1 of the staff report evaluates each CREF proposal against the established CREF criteria.
- e. Time extension for 2016 CREF grant.** At the June 7, 2016 Board of Supervisors hearing, the Board awarded a \$207,475 CREF grant to the Trust for Public Land (TPL) towards purchasing the Gaviota Cove property. That award was contingent on TPL entering into a signed purchase agreement with the landowner, Gaviota Terminal Company (GTC), or the grant monies would return to CREF. To date, TPL and GTC have not entered into a signed agreement. TPL states that it and GTC are in agreement with all the major acquisition terms and have incorporated those terms into a purchase agreement; however, GTC has decided to hold off on executing TPL's purchase agreement until after the first phase of remediation on the property has begun. GTC secured Demolition and Reclamation and Coastal Development permits in November 2016 for site remediation and restoration. Staff expects GTC to begin remediation work in the summer of 2017. Staff recommends that the Board extend the time extension for a signed agreement between TPL and GTC until June 7, 2019. The reason for the additional two years is if the Board directs staff to solicit proposals every other year while the Point Arguello and Santa Ynez Unit are not operating (Recommendation b, above), the next CREF cycle may not occur until 2019.
- f. CEQA Determination.** California Environmental Quality Act (CEQA) Section 15378 (b)(4) defines a "Project" as not including the creation of government funding mechanisms. Allocation of CREF awards is a proposed budget allocation and therefore is not considered a "Project." CEQA Section 15378(b)(5) defines a "Project" as not including administrative activities of governments that will not result in direct or indirect physical changes in the environment. Amending the CREF Guidelines is an administrative activity and therefore is not considered a "Project."

Background:

The County established CREF to mitigate the environmental impacts of offshore oil and gas development and transportation projects. Mitigation fees are provided through CREF for impacts to four categories of coastal resources: recreation, tourism, aesthetics, and environmentally sensitive resources. The County must ensure that CREF fees are used to mitigate those impacts, according to conditions of approval on projects and the CREF Guidelines.

On November 1, 2016, the Board of Supervisors directed staff to commence the 2017 CREF cycle.

Fiscal and Facilities Impacts:

CREF creates no fiscal impact on the County general fund budget. CREF is funded by mitigation fees paid annually by developers of offshore oil and gas reserves. Funding for CREF is budgeted on page D-291 of the FY 2016-17 budget in the Coastal Mitigation Budget Program, and is fully supported by funds in CREF. Funds for CREF administration are also included in the budget. Administration includes solicitation

and evaluation of proposals, preparation of an annual status report, preparation and monitoring of contracts to complement CREF awards, and reassessment of fees every five years.

Attachments:

Attachment A: Proposed Amendments to CREF Guidelines

Attachment B: 2017 CREF Cycle Staff Report