



**Consideration of California Environmental Quality Act Lead Agency Exemption Declaration and Award of Nature Based Solutions: Wetland Restoration Grant Funds for the Wetland Restoration Project on Staten Island
Staff Report**

This agenda item presents for Board consideration a recommendation to adopt a Board resolution in accordance with the California Environmental Quality Act (CEQA) finding the Project statutorily exempt from environmental review and a recommendation to award Nature Based Solutions: Wetland Restoration (NBS: WR) Grant Funding to the Wetland Restoration Project on Staten Island (Project).

PROJECT OVERVIEW

Applicant	The Nature Conservancy
Project Number	NBS04
Project Type	Implementation
County	San Joaquin
Funding Request	\$6,753,396
Total Project Cost	\$6,819,706
Funding Recommendation	\$6,753,396

RECOMMENDATION

Conservancy staff recommends that the Board adopt Resolution 2023-03 declaring that this Project is statutorily exempt from environmental review under the California Environmental Quality Act pursuant to Section 21080.56 and the Project will not have a significant effect on the environment.

Contingent upon the adoption of Resolution 2023-03, Conservancy staff recommends that the Board approve up to \$6,753,396 of Nature Based Solutions: Wetland Restoration Grant Funding for the Wetland Restoration Project on Staten Island (NBS04) proposed by The Nature Conservancy (TNC).

Staff prepared the text below based on staff’s best understanding of the information provided in the application and meetings with staff of TNC. Staff followed the General Grant Guidelines, approved by the Conservancy Board in November 2022, in working with the Applicant and assessing this proposal.

DESCRIPTION

TNC is seeking grant funding to complete design planning and restore 426 acres of seasonal and semi-permanent wetland on the southeastern corner of Staten Island (Island) in the central Delta. The goal of this Project is to implement wetland restoration and carbon farming to create and support vital habitat for birds and other species; reduce greenhouse gas emissions and restore carbon stocks; halt and reverse ground subsidence; provide other co-benefits like improved water quality; and serve as a demonstration project to help scale similar wetland and carbon farming projects across the Delta. This proposal is the second phase of a multi-phase project that includes ecosystem restoration and climate-benefit projects.

The first phase of the project (planning) was funded by the California Department of Fish and Wildlife's Proposition 1 Grant Program and includes 745.9 acres of wetlands and 148.2 acres of existing row crops converted to wildlife-friendly rice. The Project TNC now proposes for funding from the Delta Conservancy involves restoration of only a portion of the Island (426 acres). TNC intends to use private funding to implement remaining portions of the planned restoration; however, TNC may consider other funding sources to support the Project. The Delta Conservancy proposes to serve as lead agency for the restoration portion of the Project (745.9 acres) because the Delta Conservancy is the only agency taking discretionary action; there is uncertainty about funding sources for implementation of the remainder Project acreage; and the Project can be evaluated as a whole for environmental impacts.

TNC will use data collected from the Project to conduct analyses that will explore economic incentives and environmental benefits of the Project. To increase interest in wetland restoration, rice conversion, and wildlife-friendly crop management, TNC will then conduct outreach and engagement with farmers, land managers, non-profit organizations, and other decision-makers. Finally, TNC will identify resources, policy pathways, funding opportunities, and permitting processes to support future projects that address Delta wetland restoration and rice conversion.

ENVIRONMENTAL COMPLIANCE

This implementation Project is considered a project under CEQA. CEQA exempts certain restoration projects from environmental review pursuant to Section 21080.56 of the California Public Resources Code. The Project qualifies for this exemption because the Project will restore or provide habitat restoration and provision of wildlife habitat. This exemption requires concurrence from the Director of the California Department of Fish and Wildlife that the Project meets the requirements in the statute. Staff filed a request for concurrence on October 4, 2023 (Attachment 11.4).

The Delta Conservancy is proposing to act as the CEQA lead agency for the full 745.9-acre restoration Project. Although TNC is not yet requesting funding for the full restoration Project, the Delta Conservancy has reviewed design plans and other relevant planning documents (see Agenda Item 11.4) and is requesting CEQA findings for the entire restoration project (745.9 acres). This will facilitate future restoration of the remaining portion of the Project and ensure comprehensive review of the environmental impacts of the Project as a whole. The agricultural conversion from row crops to wildlife-friendly rice is not part of the Delta Conservancy's Project. It is not considered a project under CEQA because TNC plans to use private funds to pay for the rice conversion and it is unclear when the conversion would be implemented, which is why it was not included in the Statutory Exemption for Restoration Projects concurrence request. The Delta Conservancy has sought and received concurrence from CDFW for the full Project (<https://wildlife.ca.gov/Conservation/Cutting-Green-Tape/SERP/Concurrences>). Staff have reviewed the Project and are advising the Board to determine the Project exempt by adopting Resolution 2023-03, which details lead agency findings, and having the Chair sign the attached Notice of Exemption.

COST SHARE

TNC will contribute \$66,310 in cost share for the Project as in-kind services through indirect costs in excess of 20 percent and cash for the purchase of a methane sensor that costs about \$60,000.

CONSISTENCY WITH STATE AND LOCAL PRIORITIES

The Project is consistent with, and links to, multiple actions and priorities outlined in the Conservancy's governing statute, the Conservancy's Strategic Plan, the California Water Resilience Portfolio, the Delta Plan, and the Delta Protection Commission's Economic Sustainability Plan. Additionally, the Project furthers the California Natural Resources Agency's initiatives of building climate resilience, protecting biodiversity, and expanding nature-based solutions.

LONG-TERM VIABILITY

Staten Island is a 9,200-acre property that is owned by TNC. The Island is currently used for agriculture and is primarily farmed by TNC's associated agency, Conservation Farms and Ranches. The Island is used to grow a variety of crops sustainably and for wildlife benefits, including corn, potatoes, and most recently, rice. The southeastern corner of the Island is very deeply subsided (more than 20 feet) and is becoming too wet to farm. TNC is seeking a sustainable alternative to farming that supports ecosystems, reduces risk of flooding through subsidence reversal, and provides net climate benefits to California.

The Project is part of a broader mosaic carbon farming project at Staten Island that TNC has committed to maintain through participation with California's voluntary carbon market. However, TNC does not require the sale of any carbon credits to support this Project; credits are being sought as a demonstration and proof-of-concept. The protocol for this carbon farming Project requires maintenance for a 40-year window, which will extend long-term management significantly beyond the 15 years required by the Conservancy. Funds for management and maintenance will come from the sale of crops from Staten Island or carbon credits, if sold. Additional sources of funding may include funds raised from other sources including private donors.

LOCAL AND INSTITUTIONAL SUPPORT

The proposal demonstrates local support and includes a letter of support from the San Joaquin County Board of Supervisors, the California Farm Bureau, and the Solano County Farm Bureau. The Applicant also acquired letters of support from the Delta Counties Coalition, local landowners, and local non-profit organizations. They are also actively engaging tribal partners.

SCIENTIFIC MERIT

The proposal describes the scientific basis of the Project and incorporates the best available science that has been developed through 20 years of Delta-specific research on subsidence and emissions. The proposal describes efforts to develop an adaptive management approach consistent with the Delta Plan's adaptive management framework. The proposal describes climate impacts and benefits and includes a mechanism for incorporating climate change considerations into the Project.

ADDITIONAL CONSIDERATIONS

The Project site is owned by TNC and subject to a conservation easement held by the California Department of Water Resources (DWR) for agricultural land preservation, wildlife habitat protection, protection of floodplain area, and potential role in future flood management and water management improvements. Under the conservation easement, TNC is to refrain from engaging in any actions that would result in the conversion of any material portion of Staten Island away from agricultural use. Restoration of the Project site will convert less than five percent of Staten Island away from agricultural use, which is not a material portion. Additionally, portions of that converted area are

expected to still provide agricultural use via paludiculture and one of the purposes for the wetland restoration Project is to support and ensure the long-term agricultural viability on the remainder of the Staten Island property. The proposed wetland restoration Project is therefore consistent with the terms of the conservation easement.

The Island is also under a Williamson Act contract with San Joaquin County to limit land use to agricultural or related open space. Related land uses must be compatible with agriculture following specific criteria as outlined in the contract. The Project is compatible with the Williamson Act contract since it is planned for a portion of the Island that is most deeply subsided and is thus no longer viable for growing crops. Relative to the amount of existing agriculture on the Island (about 8,500 acres), the Project is small (less than ten percent) and supports existing agriculture on the Island by providing a freshwater source for irrigation. The Project will also not displace or impair agricultural operations on the Island, nor will it result in a removal of adjacent land from agricultural or open space use.

BACKGROUND

Chaptered on September 5, 2022, the Amended Budget Act of 2022 (Assembly Bill 179, Item 3875-101-0001 of Section 111) provided the Conservancy with \$36,000,000 for projects that support NBS: WR. Of the total up to \$34,200,000 is available for projects. The goals of the NBS: WR funding are to support restoration, conservation, and climate resilience for wetlands in the Sacramento-San Joaquin Delta. The Delta region includes over 150,000 acres of highly organic peat soils that are significantly subsided to depths of 20 to 30 feet below sea level. This subsidence threatens the State and Federal water projects, Delta communities, and the region's rich agricultural production. Subsidence is the result of oxidation of the peat soils and results in over 1.5 million tons of CO₂ emissions annually. Decades of data suggest that re-wetting the peat soils by restoring wetlands or implementing wet agriculture (paludiculture) stops subsidence and the resulting carbon emissions.

SUGGESTED MOTION LANGUAGE:

Move that the Board adopt Resolution 2023-03, which finds that the Wetland Restoration Project on Staten Island is statutorily exempt from environmental review under the California Environmental Quality Act (CEQA).

Move that the Board award funding up to \$6,753,396 to The Nature Conservancy from the Nature Based Solutions: Wetland Restoration Grant Funding for the Wetland Restoration Project on Staten Island.

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FIGURE 1. MAP OF WETLAND RESTORATION PROJECT ON STATEN ISLAND

