TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: COMMUNITY SERVICES

DATE: FEBURARY 22, 2005 CMR: 156:05

SUBJECT: FUNDING ALTERNATIVES FOR THE ACQUISITION OF THE PENINSULA OPEN SPACE TRUST ARASTRADERO GATEWAY PROPERTY AND APPROVAL OF RESOLUTION APPROVING AN AGREEMENT WITH SANTA CLARA COUNTY FOR THE FUNDING OF THE PROPERTY ACQUISITION AND THE APPROVAL OF AN ASSOCIATED CONSERVATION EASEMENT

REPORT IN BRIEF

At the Council’s direction, staff has worked to obtain financial pledges and grants for the acquisition of a 13-acre in-holding in the Enid Pearson Arastradero Preserve (Preserve) owned by the Peninsula Open Space Trust (POST), and referred to as the Arastradero Preserve Gateway property (Property). In order to secure two separate grants from Santa Clara County and the California Coastal Conservancy totaling $2,000,000, the City would be required to dedicate a regional pedestrian trail in the Preserve and Foothills Park, and provide a conservation easement for the perpetual protection of the parcel as open space land. This staff report summarizes the funding pledges and grants for the property and recommends that Council adopt a resolution approving an agreement with Santa Clara County.
RECOMMENDATION
Staff recommends that Council:

1. Approve and authorize the Mayor to execute the attached agreement with Santa Clara County for the funding of the Peninsula Open Space Trust (POST) Property acquisition and the approval of an associated conservation easement (Attachment A) for the preservation of the property;

2. Approve the dedication of an alignment of the Santa Clara County S-1 regional pedestrian trail along existing trails through the Preserve and Foothills Park (Attachment B);

3. Direct staff to proceed with drafting amendments to the Palo Alto Municipal Code to provide for additional pedestrian access points for Foothills Park.

BACKGROUND
In October 2002, POST purchased the 13-acre in-holding within the Preserve formerly owned by Jacqueline Bressler at a bankruptcy auction for $3,560,000. The parcel was purchased with the intent of holding the parcel for open space purposes. POST offered the City of Palo Alto the opportunity to purchase the Arastradero Gateway property at a guaranteed price of $3,560,000. Since that time, at the Council’s direction, staff, together with Vice Mayor Kleinberg and Council Member Mossar as Mayor-appointed liaisons to a special fund-raising committee, have been working to assertively pursue numerous grant opportunities in order to acquire the property. POST has given the City of Palo Alto until October 2005 to complete the purchase of the property. If the City is unable or unwilling to purchase the property, the parcel will be offered for open sale.

Acquisition of the parcel is intended to complete the Preserve, provide for expanded recreational opportunities, and preserve a valuable piece of riparian habitat.

On November 17, 2003, Council authorized the submission of a grant request to the California Coastal Conservancy for the amount of $1,800,000 (CMR 519:03). On December 8, 2003, Council approved the submission of an additional grant application to the State of California for the Roberti-Harris-Z’Berg Block Grant program for $163,825 (CMR 544:03). In March 2004, Council approved the submission of two additional grant applications to the State of California for the Per Capita Grant Program for $266,000, and the Land and Water Conservation Grant Program for $162,385 (CMR 187:04).

In July 2004, staff updated Council on the status of these various grant programs and the prospects of other potential funding sources (CMR 347:04). Staff reported that while the initial review of the City’s requests by Santa Clara County Parks and Recreation Director Lisa Killough and California Coastal Conservancy Program Manager Nadine Hitchcock were positive and supportive of the City’s objective in acquiring the property, both agencies stipulated that funding would be provided only if the City of Palo Alto could use the parcel as a trailhead facility to support three county-wide regional trails. Specifically, Ms. Killough and Ms. Hitchcock asked the City to provide additional information on how the City intended to work with the Midpeninsula Regional Open Space District to eventually implement goals in the City’s Comprehensive Plan to create a regional “Bay-to-Ridge” hiking trail connecting the Preserve with Los Trancos Open Space Preserve and Monte Bello Open Space Preserve by way of a
connection through, or along the perimeter, of Foothills Park. This report outlines the actions that are now necessary to meet the requirements of the Coastal Conservancy and Santa Clara County to ensure funding.

Since staff provided the update to Council in July, the City has been notified by the State of California that conditional approval has been given to a Land and Water Conservation Fund Grant. The State Legislature will make the final allocation of $162,385 in July 2005.

In December, the Gordon and Betty Moore Foundation notified the City that because of competing requests for funds for open space acquisition, the Foundation is unable to support a funding request from the City for the Property. Grant Program Manager Frank Jordan left open the possibility of a limited (under $500,000) grant if the City is successful in obtaining a ‘challenge grant’ from another private foundation.

The California Coastal Conservancy notified the City of Palo Alto in January 2005 that its pledge for the acquisition of the property would be increased from $200,000 to $1,000,000. As with the Santa Clara County grant, this pledge is contingent on the City providing regional trail access, as discussed below.

Funding to-date is summarized in the chart below:

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Requested Amount</th>
<th>Matching Amount Required</th>
<th>Status</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>California Coastal Conservancy</td>
<td>$1,800,000</td>
<td>$1,000,000</td>
<td>Conditionally Approved</td>
<td>Stipulation to ensure the parcel would contribute to regional trail connections</td>
</tr>
<tr>
<td>Santa Clara Co. Park Charter Fund</td>
<td>$1,600,000</td>
<td>$0</td>
<td>Conditionally Approved</td>
<td>Requires partnership with the Coastal Conservancy to create regional trail connections</td>
</tr>
<tr>
<td>Roberti-Z’ Berg-Harris Block Grant</td>
<td>$163,825</td>
<td>$0</td>
<td>Approved</td>
<td>These funds can be used as matching funds for other grant programs</td>
</tr>
<tr>
<td>Land &amp; Water Conservation</td>
<td>$162,385</td>
<td>All other funds to complete the acquisition must be secured</td>
<td>Conditionally Approved</td>
<td>Funds will only be granted if all other sources of funds are firmly identified.</td>
</tr>
<tr>
<td>Per Capita Grant Program (Prop 40)</td>
<td>$266,000</td>
<td>$0</td>
<td>Approved</td>
<td>These funds can be used as matching funds for other grant programs</td>
</tr>
<tr>
<td>Wildlife</td>
<td>$260,000</td>
<td>All other funds</td>
<td>Still pending</td>
<td>Value of land as</td>
</tr>
</tbody>
</table>
Conservation Fund to complete the acquisition must be secured decision of its priority to Fish & Game Dept. wildlife habitat must be evaluated by the Ca. Fish & Game Dept.

<table>
<thead>
<tr>
<th>Private Donations</th>
<th>$100,000 – 500,000</th>
<th>$0</th>
<th>In progress</th>
<th>These funds will be used to satisfy match requirements for grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Foundations</td>
<td>$1,000,000</td>
<td>Would require a ‘challenge grant’ from a private foundation</td>
<td>Moore Foundation – request denied.</td>
<td>Currently seeking a challenge grant of $500,000 from another private foundation.</td>
</tr>
</tbody>
</table>

**DISCUSSION**

The crux of what Council is being asked to decide is whether to allow general public pedestrian access to Foothills Park at two additional points of entry for access to the Santa Clara County-wide S-1 (Bay-to-Ridge) Trail in exchange for funding from Santa Clara County ($1,000,000) and the California Coastal Conservancy ($1,000,000).

Currently, Palo Alto Municipal Code Section 22.04.150(b) specifies the only legal public entry point to the park is through the main gate at 3300 Page Mill Road.

The Arastradero Creek Trail in the Pearson-Arastradero Preserve extends from Arastradero Lake, south to Gate D at the border with Foothills Park. The Arastradero Creek Trail also serves as an access road for water, gas, sewer and electrical utilities. Gate D adjoins the Coyote Trail in Foothills Park and a paved road leading to the Interpretive Center. Currently a metal gate between the Preserve and Foothills Park is closed and marked with a “no access” sign. Staff is proposing that this gate be designated as a legal entry point for pedestrian access to Foothills Park.

At the upper (south) end of Foothills Park there is a casual footpath that leads from the Los Trancos Loop Trail into the Los Trancos Open Space Preserve and connects to the Page Mill Trail. This informal footpath is not marked on park maps. Although the trail has existed for many years, it is not known who cleared this footpath. Staff is proposing that this entry be designated as a legal entry point for pedestrian access between Foothills Park and the Los Trancos Open Space Preserve.

By policy, all of the soil-tread trails within Foothills Park and the Los Trancos Open Space Preserve are accessible only by pedestrians. The extremely steep terrain of the southern section of Foothills Park would make it dangerous for bicycle or equestrian access.

Even before Foothills Park was formally opened to the public in 1965, Council established a policy (codified by ordinance) that the park should be accessible only to Palo Alto residents and their accompanied guests. A resident is permitted to escort up to 15 guests at a time into the park.
park. Similarly, reservations of picnic areas, Towle campground sites, and the Interpretive Center meeting room are restricted to Palo Alto residents and their guests.

The City Attorney’s Office has reviewed the grant applications submitted to the California Coastal Conservancy and to the Santa Clara County Parks and Recreation Department, has been involved in discussions with representatives of the County and Conservancy, and has participated in the development of the funding agreement and conservation easement with Santa Clara County. Through deliberations with the County and the Coastal Conservancy, staff has sought provisions in the Funding Agreement that would maintain the current residency restrictions at the main entrance to Foothills Park on Page Mill Road, while allowing pedestrian access at two additional designated points.

Funding Agreement and Conservation Easement
The attached Funding Agreement and associated Conservation Easement with Santa Clara County pledges $1,000,000 for the purchase of the Property from POST in exchange for designation of the Santa Clara County-wide S-1 regional pedestrian trail through the Preserve and Foothills Park. The conservation easement stipulates that the acquired property would be held in perpetuity as open space land for recreation and conservation purposes. Such a conservation easement would be consistent with protections provided by dedication of the Property as City park land. The term of the agreement and conservation easement, eighteen months, provides time for the City to secure the balance of funding needed to acquire the Property and to close escrow with POST for the purchase of the Property. The City Attorney’s Office has worked with County Counsel to ensure that provisions of Section 4(g) of the Funding Agreement protect the existing restrictions of non-resident access through the main gate of Foothills Park, while still providing trail access through the park for the general public.

Dedication of Santa Clara County-wide Trail Easements within the Preserve
The Preserve would serve as a regional trailhead facility for three regional trails, the Matadero Creek/Page Mill Trail (S1 Trail), the San Francisquito/Los Trancos Creek Trail (C1 Trail), and the Juan Bautista de Anza National Historic Trail (R1-A Trail), designated in the County of Santa Clara County-wide Trail Master Plan (reference maps, Attachments B and C). The Juan Bautista de Anza Trail (R1-A) is already designated on the Preserve trail map and runs east and west through the Preserve from the border of Los Altos Hills towards Portola Valley. The San Francisquito/Los Trancos Creek Trail (C-1) follows a newly created trail along Sand Hill Road from El Camino Real in Palo Alto, through Stanford University (designation of this segment is pending), connecting to the Crowder Trail along Alpine Road, and then enters the Preserve along the de Anza Trail. The Matadero Creek/Page Mill Trail will enter the Preserve either along the Redtail Loop Trail or the de Anza Trail, depending on the trail route dedicated by Stanford University across their property. The trail then proceeds from the trailhead facility adjoining the current Preserve parking lot and follows a section of the de Anza Trail and the Arastradero Creek Trail to connect with Foothills Park.

Dedication of Santa Clara County-wide Trail Easements within Foothills Park
The proposed dedication of a County-wide S-1 trail within Foothills Park (reference maps, Attachments B and C) would include the existing Fern Loop Trail, Coastanoan Trail, and
segments of the Los Trancos Trail, Pony Tracks Fire Access (trail), Wildhorse Valley Road (trail), Las Trampas Valley Road, the paved road between the Interpretive Center and Gate D, and the informal footpath between the Pony Tracks Fire Access and the border with Los Trancos Open Space Preserve. Hikers using the S-1 Trail would be permitted to visit the Interpretive Center, use park restrooms, or individual picnic tables for picnicking.

An entrance station is operated at the main gate to Foothills Park. Persons entering through the main gate, either by car, on bike, or on foot, are asked by park rangers to provide proof of Palo Alto residency. Residents are permitted to accompany up to fifteen non-resident guests at a time, in not more than two vehicles. This practice will remain in effect with the proposed Funding Agreement.

The proposed trail designation does not designate Bay-to-Ridge trails for equestrian or bicycle routes through the foothills. Staff will continue to work with Santa Clara County, San Mateo County and the Town of Portola Valley to explore the dedication of viable trail routes connecting the Arastradero Preserve with Skyline Open Space Preserve on Skyline Boulevard.

**ALTERNATIVES TO STAFF RECOMMENDATION**

The Council has the option to reject the proposed dedication of the County-wide S-1 pedestrian trail through the Preserve and Foothills Park. As a result, the funding agreement with Santa Clara County would be moot. The City would lose the prospect for the two most significant sources of funding for the property, totaling $2,000,000.

Staff, together with the Mayor’s Ad Hoc Committee for the purchase of the POST property, and the Friends of the Palo Alto Parks, have explored and sought numerous public and private sources of funding for the property acquisition. Numerous other regional land trusts and open space agencies are competing with the City of Palo Alto to secure grant funding for the acquisition of conservation land. Because the price per acre of the Property is significantly higher than per-acre price of ranch or undeveloped land in remote rural areas, staff has had limited success in competing with these other agencies. With the assistance of State Senator Byron Sher and State Assembly Member Joseph Simitian, Palo Alto was successful in increasing the financial pledge of the California Coastal Conservancy from $200,000 to $1,000,000 for the property acquisition. Both Santa Clara County and the Coastal Conservancy have been adamant that in order to obtain their financial support, the property must serve as a pedestrian trailhead for priority regional trails identified in the Santa Clara County Trail Master Plan.

If Council chooses to not accept the terms of the Santa Clara County and Coastal Conservancy funding, three State grant awards totaling $592,210 could still be applied to the purchase of the property. Staff could seek public donations that could pay a portion of the purchase of the property, however, it does not seem likely that significant funding could be raised through such appeals.

If the City chooses not to purchase the property, POST has informed the City that the property would likely be sold to an individual who bid against POST in the bankruptcy sale, and who continues to be interested in acquiring the property. If this property is not acquired and protected as park land, the property would certainly be developed, compromising the scenic and
recreational value of the Preserve as well as create a significant intrusion on habitat corridors. The integrity of the site’s riparian habitat and the surrounding watershed could also be at significant risk.

**RESOURCE IMPACT**

Funds from various certain and potential grant sources, as outlined above, total $2,592,210. Funding in the amount of $967,790 still remains to be secured in order to acquire the property at the guaranteed price of $3,560,000. Alternatives for providing funds to cover this balance include securing additional grant pledges, donations, or a 2% fixed-rate loan from POST.

The Land and Water Conservation grant program requires the City to provide an equal match to its pledge of $162,385. Funds from the State Per Capita grant program provide the necessary funds for this matching requirement. Similarly, the California Coastal Conservancy grant expects an equal match for its pledge of $1,000,000. Funds from the Santa Clara County Park Charter Fund provide the necessary match. The Roberti-Z’Berg-Harris block grant program does not have a fund matching requirement. Instead, these funds can also be used toward satisfying the matching requirement of other State or Federal grant programs.

As discussed in the resource impact section of the staff report requesting approval of a management agreement with POST to maintain the Property (CMR 473:03), the eventual purchase of the Property would have very slight impacts on the workload of park rangers. The Property is completely surrounded by the Preserve and can be easily monitored by rangers from adjoining trails and roads. Because the Property will follow the Preserve policy of “low use and low impact”, development and maintenance of the property will be minimal.

Staff proposes to dedicate a route that utilizes existing trails as the designated County-wide S-1 trail route. Because this trail route through Foothills Park and the Los Trancos Open Space Preserve are limited to pedestrians, the relative increase in park usage will be minor. Costs associated with the maintenance and patrol of these existing trails, including staffing, contracts and materials, is not expected to change as a result of the proposed trail dedication and will be absorbed by the Open Space Division operational budget. Staff does not anticipate that the acquisition of the Property or the dedication of county-wide regional trails will have any financial impact on other City departments.

When staff returns to Council in the future with a purchase agreement with POST for the Property, a Budget Amendment Ordinance will be required to allocate the funding for the purchase and provide a mechanism for reimbursements to be received from the various grant programs. The grant programs outlined above will reimburse any up-front funds that are needed from reserves to complete the purchase.

**POLICY IMPLICATIONS**

Dedication of a pedestrian trail alignment through the Preserve and Foothills Park in conformance with the Santa Clara County-wide Trail Master Plan (S-1 Trail) is consistent with Program T-25 of the City’s Comprehensive Plan, which says:

“Evaluate the design of a Bay-to-Foothills path. A Bay-to-Foothills path is only a conceptual idea at this time. However, trails for hikers are in place from Arastradero
Road to Skyline Boulevard through existing park lands. Creek corridors and Stanford lands offer the best opportunities for routing this path through the urban area of Palo Alto. Ideally, the path should be constructed as a multi-use trail that includes bicycles, pedestrians, and equestrians (possibly with parallel trail segments for different users).”

At this time, only a pedestrian alignment is proposed. Santa Clara County and the Coastal Conservancy have agreed that a bicycle and equestrian trail designation is not a stipulation of grant funding.

Trail use limited to pedestrians in Foothills Park will not be modified by the proposed trail alignment dedication. As such, this proposal is consistent with the adopted Foothills Park Trail Maintenance Plan.

A trail connection between the Preserve and Foothills Park was discussed and evaluated as part of the Arastradero Preserve Trail Management Plan and EIR that Council approved on May 14, 2001 (CMR 231:01). The regional pedestrian trail connections now proposed by staff are consistent with the recommendations for a Bay-to-Ridge Trail as outlined in the Trail Management Plan (Attachment D: Section 2.4 – Regional Connections, pages 2-3 and 2-4). In its review of the plan in December 2000, the Parks and Recreation Commission tabled adoption of recommended connections between the Preserve and Foothills Park until the matter could be adequately publicized and discussed separately from the rest of the trail plan.

Dedication of the Santa Clara County-wide S-1 regional trail through City-owned park land is consistent with the Comprehensive Plan Pedestrian Circulation Map T-6 (Attachment C) which specifies the points of entry and exit of Foothills Park and the Preserve.

**TIMELINE**

March 7: Staff returns to Council with proposed amendments to P.A.M.C. Sections 22.04.310 and 22.08.330 to formally change the name of the Arastradero Preserve to the Pearson-Arastradero Preserve and dedicate County-wide trail alignments. Staff also returns with proposed amendments to P.A.M.C. 22.04.150 (Foothills Park) that would allow access to the general public for use of Bay-to-Ridge trails, clarify residency restrictions for persons entering through the park’s main gate on Page Mill Road, and allow the general public (pedestrians) to access the park at two additional designated points-of-entry for the sake of using the Bay-to-Ridge (S-1) trails within Foothills Park.

March 8: Santa Clara County Board of Supervisors ratify the conservation easement and funding agreement with the City of Palo Alto for $1,000,000.

May 25: The California Coastal Conservancy Board reviews and approves the dedicated alignment of a regional pedestrian path through the Palo Alto foothills (Attachment B) and approves a contract with the City of Palo Alto for $1,000,000 for the acquisition of the Property.

July 2005: The Midpeninsula Regional Open Space District formally approves the trail connection between Foothills Park and the Los Trancos Open Space Preserve for pedestrian trail access and dedicates an alignment as the County-wide S-1 trail within the Los Trancos Preserve.
August 30: Preliminary findings from the California State Fish & Game on whether the parcel qualifies as priority wildlife habitat for a $260,000 grant.

October 2005: Council approves purchase agreement with POST and associated BAO to allocate funds for the purchase of the property.

ENVIRONMENTAL REVIEW
Improving access between parks and open space areas is a Comprehensive Plan Policy (T-14), as is completing the development of the Bay-to-Ridge Trail (Program T-26). The project would include minor improvements to existing facilities, such as modifying the existing access gate between the Preserve and Foothills Park, adding additional signage to identify the trail and maintenance of the existing casual footpath between Foothills Park and the Los Trancos Open Space Preserve. The proposed project would designate these existing trail sections as part of the Bay-to-Ridge Trail/County-wide S-1 Trail.

These trail sections have been identified and analyzed in several local and County documents, including the City’s Comprehensive Plan, the Arastradero Preserve Trails Management Plan and the Santa Clara County-wide Trail Master Plan. The dedication and marking of these alignments as a County-wide S-1 trail route, utilizing existing trails and pathways previously analyzed within the Preserve and Foothills Park would not alter the previous environmental analysis conducted. Planning staff has considered the proposed project and finds that the improvements from the proposed project will provide the same substantial purpose and user capacity and that they do not have any additional environmental effects or increase any of the previously analyzed effects that were contained within the City’s Comprehensive Plan or the Arastradero Preserve Trails Management Plan Environmental Impact Reports.

PREPARED BY: ____________________________________________
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CITY MANAGER APPROVAL: ____________________________________
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ATTACHMENTS
Attachment A: Agreement with Santa Clara County for the funding of the Property acquisition and the approval of an associated Conservation Easement
Attachment B: Alignment of the Santa Clara County S-1 regional pedestrian trail along existing trails through the Preserve and Foothills Park
Attachment C: Comprehensive Plan Map Amendment for Pedestrian Pathways
Attachment D: Trail Management Plan Section 2.4 – Regional Connections, pages 2-3 and 2-4