



- **Board of Directors**
One Water and Stewardship Committee

5/9/2023 Board Meeting

Revised 8-3

Subject

Adopt a resolution to support an approximately ~~\$19,740~~\$20,900,000 grant application to the Sacramento-San Joaquin Delta Conservancy to develop a multi-benefit landscape opportunity on Webb Tract; and authorize the General Manager to accept the grant if awarded; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA

Executive Summary

In October 2022, Metropolitan's Board affirmed the revised Bay-Delta Policy Objectives and Framework (Bay-Delta Policies) regarding the Sacramento-San Joaquin Delta. In February 2023, staff submitted a concept grant proposal to the Sacramento-San Joaquin Delta Conservancy (Delta Conservancy) to develop a multi-benefit landscape opportunity on Webb Tract, one of the Metropolitan-owned islands, to support the Board's Bay-Delta Policies. The Delta Conservancy staff accepted the concept grant proposal and invited Metropolitan to submit an application for a full grant proposal to their board. Metropolitan staff proposes the Board adopt a resolution supporting an approximately ~~\$19.74~~\$20.9 million grant application to the Delta Conservancy's Nature Based Solutions: Wetland Restoration Grant Program and authorize the General Manager or designated representative to accept the grant if awarded (**Attachment 1**). Though a specific cost share is not specified, Metropolitan is proposing to provide in-kind staff services of approximately \$3.5 million (~~+5.14~~ percent) of the total project cost of approximately ~~\$23.24~~\$24.4 million over a three-year period.

Details

Background

In 2016, Metropolitan's Board approved the purchase of properties on five islands located in the Sacramento-San Joaquin Delta region. Metropolitan's portion of Chipps Island was sold to the California Department of Water Resources in 2021, a tidal marsh habitat restoration project. The remaining four islands are currently being leased to farmers, who grow a variety of crops on the fertile peat soils. Farming practices throughout much of the Delta region contribute to subsidence, which lowers the elevation of the islands and contributes to greenhouse gas emissions of carbon dioxide and nitrous oxide through a process called microbial oxidation. Oxidation of the soils occurs when the highly organic peat soil is exposed to the atmosphere during harvesting and tilling activities. As a result of subsidence, over the last century or more, Metropolitan's islands are currently as much as 12-25 feet below sea level. These islands, like other islands in the Delta, are protected by perimeter levees that prevent flooding of the islands by holding back the water from the surrounding rivers and sloughs. If the current land practices continue, the islands will continue to lose land surface elevation, increasing hydrostatic pressure on levee systems that protect the islands.

In March of 2020, Metropolitan received a Proposition 1 Watershed Restoration Planning Grant for the Delta Islands Adaptation Project from the California Department of Fish and Wildlife. The goal of the Delta Islands Adaptation Project planning grant is to bring together a diverse group of Delta interests to undertake a comprehensive planning-level analysis of opportunities for island-wide improvements that include a mosaic of multiple land uses with the objectives of stopping or reversing subsidence, maintaining sustainable agricultural practices, improving carbon sequestration and water quality, and restoring habitat.

The Delta Islands Adaptation Project planning grant funds a collaborative, two-phase conceptual process that includes the evaluation and selection of one of the islands (Phase 1) to undergo a conceptual design process that results in a recommended island-wide mosaic of pilot projects (Phase 2). In Phase 1, each of Metropolitan's four islands were evaluated by criteria that included its susceptibility to subsidence, water quality and supply impact from levee failure, net potential reduction of greenhouse gas emissions, suitable conditions for conversion of land to wetlands or rice, suitable conditions for conversion of land to terrestrial habitat, opportunities to support sustainable agricultural practices, and economic viability. Phase 2 is currently underway with Bouldin Island selected to undertake the more detailed island-wide mosaic planning effort.

The findings of the Phase 1 analysis recognized that Webb Tract would provide a unique opportunity to develop a multi-benefit habitat restoration opportunity. As a result, staff proposes to submit a grant application to the Delta Conservancy to fund a whole-island, multi-benefit habitat restoration project that would construct up to 3,500 acres of shallow flooded wetland and up to 1,500 acres of rice farming (or other subsidence-reducing crop).

Developing this multi-benefit landscape opportunity would support the Bay-Delta Policies. The benefits include stopping and/or reversing subsidence and reducing greenhouse gas emissions that are released during dry-land farming activities on the island's peat soils. Developing wetlands and rice fields would trap carbon dioxide through carbon sequestration, which could be used to offset emissions under Metropolitan's Climate Action Plan or generate income from carbon credits realized. The wetlands would provide habitat that can be studied and developed to potentially increase production of phytoplankton and zooplankton, which can help address one of the most important needs of the Delta ecosystem, the declining pelagic food web. In addition to the potential carbon credit opportunities, Metropolitan could realize increased revenue from longer-term leases of the rice fields, and development of various habitat or paludiculture projects. Under the terms of the grant, the project may not provide mitigation for any water conveyance project, including the Delta Conveyance Project. If after design and environmental review, Metropolitan approves the Webb Tract project, acceptance and use of the grant funding will require restrictions on the land for a period of 15 years.

Metropolitan staff is proposing to submit an approximately ~~\$19.74~~20.9 million grant application to the Delta Conservancy to fund a three-year project term that includes design, environmental documentation, permitting and construction of wetlands, rice fields, and associated improvements on Webb Tract, as well as quantification of greenhouse gas emissions before and after construction to calculate the carbon credits realized from the project. The grant will also fund a limited-term position for a period of three years during the grant period to assist with project activities. Additional staffing will be provided by consultants and in-house staff. Staff anticipates providing approximately \$3.5 million (~~15-14~~ percent) of in-kind staff services to match the approximately ~~\$19.74~~20.9 million grant over a three-year period.

Staff will return to the Board to add this project to the Capital Investment Plan and to award agreements for design, environmental documentation and permits, and construction, as well as execute land use and any lease agreements for rice farming activities.

Staff will return to the Board with regular updates.

Project Milestones

May 2023 – Expected grant award notification from Delta Conservancy

June 2023 – Board to consider amending the Capital Investment Plan to include project

Fall 2023 – Board to consider authorizing professional services agreements for planning, design and environmental documentation

Winter 2024 – Board to consider certification of environmental documentation

Spring 2025 – Award construction

Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

By Minute 53012, dated October 11, 2022, the Board adopted the Revision and Restatement of Bay-Delta Policies.

California Environmental Quality Act (CEQA)

CEQA determinations for Option #1:

The proposed actions related to the grant application and acceptance of funds are not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because they involve the 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 physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines). In addition, the proposed actions are not defined as a project under CEQA because they involve organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment (Section 15378(b)(5) of the State CEQA Guidelines).

If the grant funding is accepted, the proposed design, environmental review, preconstruction data collection, and permitting activities are categorically exempt under the provisions of CEQA and the State CEQA Guidelines. The proposed actions consist of basic data collection, research, and resource evaluation activities, which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded. Accordingly, the proposed actions qualify as a Class 6 Categorical Exemption (Section 15306 of the State CEQA Guidelines). Additionally, the proposed actions are statutorily exempt under the provisions of CEQA and the State CEQA Guidelines. The proposed actions involve feasibility or planning studies for possible future actions which the agency, commission or board has not yet approved, adopted or funded (Section 15262 of the State CEQA Guidelines).

Prior to formal approval of any proposed construction by the Board, CEQA documentation will be prepared and processed in accordance with CEQA and the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt a resolution to support an approximately \$~~19,740~~20,900,000 grant application to the Sacramento-San Joaquin Delta Conservancy to develop a multi-benefit landscape opportunity on Webb Tract, and authorize the General Manager or designated representative to accept the grant if awarded.

Fiscal Impact: Provide approximately \$3.5 million (~~15-14~~ percent) of in-kind staff services to match the approximately \$~~19.74~~20.9 million grant over a three-year period. The total project cost is approximately \$~~23.2-4.4~~ million.

Business Analysis: Metropolitan would leverage a significant funding opportunity to enhance Webb Tract and meet the Board-adopted Bay-Delta Policy Objectives and Framework.

Option #2

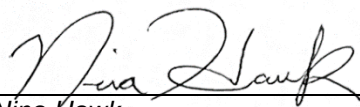
Do not adopt the resolution supporting the grant application and authorizing the General Manager to accept funding if awarded.

Fiscal Impact: None

Business Analysis: Metropolitan would miss an opportunity to collaborate with the Delta Conservancy and the local Delta interests and obtain an approximately \$~~19.74~~20.9 million in grant funding to reduce or reverse subsidence on Webb Tract, generate carbon credits from carbon sequestration in wetlands and rice, generate increased lease potential from long-term leases on rice fields, and forego potential opportunity to increase the property value for any future property disposition considerations.

Staff Recommendation


Option # 1



Nina Hawk
Chief, Bay-Delta Initiatives

5/1/2023

Date



Adel Hagekhalil
General Manager

5/1/2023

Date

Attachment 1 – Board Resolution

Ref# eo12693016

RESOLUTION _____

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
IN SUPPORT OF ITS PROPOSAL FOR FUNDING
UNDER THE DELTA CONSERVANCY NATURE BASED SOLUTIONS:
WETLAND RESTORATION GRANT PROGRAM TO DEVELOP
A MULTI-BENEFIT LANDSCAPE OPPORTUNITY ON WEBB TRACT**

WHEREAS, the Sacramento-San Joaquin Delta Conservancy (Delta Conservancy) is requesting proposals from sponsors to facilitate project development under the Amended Budget Act of 2022 for projects that support Nature Based Solutions: Wetland Restoration; and

WHEREAS, the submittal of a proposal for grant funding and acceptance of funding by Metropolitan has been determined not to be a project under the California Environmental Quality Act (CEQA) under Section 15378(b)(4) and Section 15378(b)(5) of the State CEQA Guidelines; and

WHEREAS, the expenditure of grant funding, if awarded, for design, environmental review, preconstruction data collection and permitting activities by Metropolitan has been determined to be exempt from CEQA under Section 15306 and Section 15262 of the State CEQA Guidelines.

WHEREAS, prior to formal approval of any proposed construction by the Board, CEQA documentation will be prepared and processed in accordance with the CEQA and State CEQA Guidelines; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of The Metropolitan Water District of Southern California that the Board supports the Metropolitan Water District's proposal to Develop a Multi-Benefit Landscape Opportunity on Webb Tract.

BE IT FURTHER RESOLVED that Metropolitan's Board authorizes Metropolitan's General Manager or his/her designee to accept grant funding of approximately ~~\$19,7420,900~~,000.

BE IT FURTHER RESOLVED that Metropolitan's Board delegates legal authority to Metropolitan's General Manager to enter into an agreement with the Delta Conservancy, subject to the approval of the General Counsel, relevant to receipt of the requested proposal to Develop a Multi-Benefit Landscape Opportunity on Webb Tract grant.

BE IT FURTHER RESOLVED that Metropolitan is capable of providing the amount of funding and/or in-kind contributions specified in the funding plan.

BE IT FURTHER RESOLVED that if selected for funding, Metropolitan will work with Delta Conservancy to meet established program deadlines.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California at its meeting held May 9, 2023.

Secretary of the Board of Directors
of The Metropolitan Water District
of Southern California