



The Natomas Basin Conservancy
2150 River Plaza Drive, Suite 460
Sacramento, CA 95833

Phone: 916.649.3331
FAX: 916.649.3322

IMPLEMENTATION ANNUAL REPORT

EXECUTIVE SUMMARY

CALENDAR YEAR 2006

APRIL 30, 2007

Pg. SECTION

2 INTRODUCTION

3 LAND ACQUISITION

5 MITIGATION LAND BALANCES

9 PROGRAMMATIC

10 BUDGET AND FINANCE

11 CONCLUSION

12 FUTURE PLANS

©THE NATOMAS BASIN CONSERVANCY 2007

INTRODUCTION

This report responds to a requirement of the 2003 Natomas Basin Habitat Conservation Plan (NBHCP) and Implementation Agreement (IA) which calls for an implementation annual report. The 2003 NBHCP is supported by permits issued to the Conservancy by the California Department of Fish and Game (issued July 10, 2003; permit number 2081-20032-019-02) and the U.S. Fish and Wildlife Service (issued June 27, 2003; permit number TE073667-0).



Giant garter snake
(*Thamnophis gigas*)

The 2006 Implementation Annual Report comes in three parts. First, this Executive Summary. The reader will get a reasonably comprehensive account of the 2006 reporting from this portion of the Implementation Annual Report, but the “Task Reference and Description” matrix (“2 of 3”) provides detail on every task requirement in the 2003 NBHCP. Third, the Appendices. The Appendices (“3 of 3”) are an integral part of the 2006 Implementation Annual Report.

The Conservancy’s land holdings have been accumulated at a rate far faster than predicted when the first NBHCP was adopted. Notwithstanding this rapid growth, the Conservancy’s “plan operator” functions have been carried out according to plan. For example, the Conservancy has completed restoration and enhancement construction projects on 10 of its preserves.¹ It is approximately four-fifths of the way to assembling the 2,500-acre contiguous preserve. At December 31, 2006, it had \$11,575,109 in endowment funds. Importantly, the Conservancy successfully conducted its annual comprehensive, integrated biological effectiveness monitoring report.

Even with this activity, the Conservancy has kept overhead to a minimum, and continues to implement the NBHCP with a staff of three.

¹ A total of 2,023 acres are contiguous in the Conservancy’s North Basin Reserve Area; an additional 360,586 is nearly adjacent

LAND ACQUISITION

Additional acreage acquired in 2006. The Conservancy acquired additional land in 2006. Acquisition activity took place as presented in Table 1. In terms of land acquisition activity, 2006 was a busy year. A total of five acquisitions were made totaling 766.864 acres, reduced by 559.743 acres that were exchanged. The net difference is 207.121 acres. The exchanges also resulted in an easement over an access area of 3.54 acres.

TABLE 1
2006 LAND ACQUISITION DETAIL

TRACT ACQUIRED	DATE OF ACQUISITION	ACRES	MANNER OF ACQUISITION
Bolen East	09.1.06	155.141	Property exchange ²
Nestor	09.1.06	233.160	Property exchange
Frazer South	11.7.06	110.372	Property exchange ³
Bianchi West	11.7.06	110.161	Property exchange
Vestal South	11.7.06	158.031	Property exchange
Total 2006 acquired acres		766.864	
Less exchanged acres		559.743	
Net Additional acreage		207.121	

The reason for the exchanges was to:

1. substantially reduce preserve fragmentation and therefore help achieve preserve consolidation,
2. exchange less desirable land for better land based on wildlife biology values, and
3. secure substantially greater numbers of overall acres than were released.



A graphic representation of the combined total of the Conservancy's land holdings at December 31, 2006 can be found in Exhibit 1, attached to this report (see "2006 Base Map"). This map is frequently updated and can always be found on the Conservancy's web site (www.natomasbasin.org).

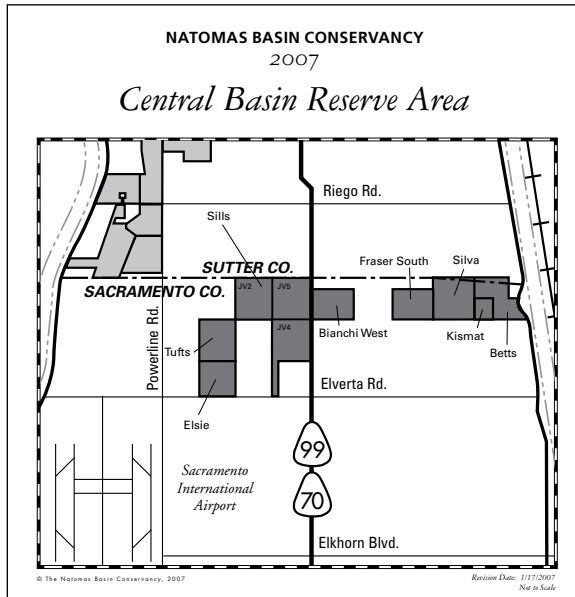
² In the exchange that resulted in the acquisition of the Nestor and Bolen West tracts (combined total of 388.301 acres), the Conservancy exchanged the Brennan tract at 242.376 acres.

³ In the exchange that resulted in the acquisition of the Frazer South, Bianchi West and Elsie tracts (combined total of 378.563 acres), the Conservancy exchanged the Ayala tract at 317.3674 acres). Additionally, at year-end 2006, the Conservancy technically owned 158.846 acres of the Frazer South tract (rather than the 110.372 acres posted above) and 160.55 acres of the Bianchi West tract (rather than the 110.16 listed above), but was contractually bound to reconvey the northerly 800-foot setback area to the entity the Conservancy acquired it from. By year end, this had not yet happened.

- **Preserve consolidation.** In one of the biggest achievements in the Conservancy's history, 2006 saw very substantial preserve consolidation. Preserve consolidation is called for in the NBHCP, and biological monitoring reports mentioned the goal each year.

There were other benefits to the land exchanges as well. The Conservancy was able to secure substantial acreage premiums (a minimum of 136.187 acres, with more acreage in the future a likelihood). Additionally, the land acquired was substantially richer biologically than the land rendered for exchange by the Conservancy based on extensive monitoring results and evaluations.

Figure 1. Acquisition of the Frazer South, Bianchi West and Elsie Tracts advance consolidation of preserves in the Central Basin Reserve Area. Acquisition of these tracts in 2006 helped further efforts to consolidate Conservancy land into larger, contiguous preserves. The map at right displays the acquisitions and how they relate to existing land holdings in the Conservancy's Central Basin Reserve Area. Note the Betts, Kismat and Silva tracts are now joined by the Frazer South tract, thus achieving the NBHCP's required 400-acre minimum contiguous preserve.



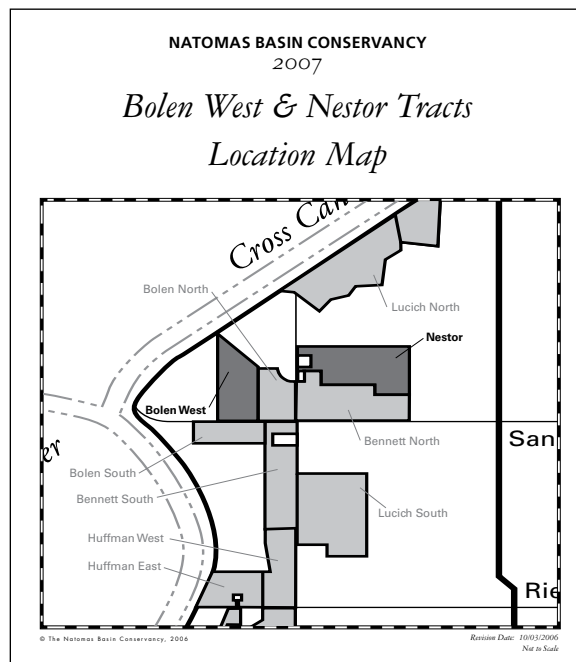
- **Total land acquired through 2006.** The Conservancy has acquired a total of 4,184.9005 acres in total as of December 31, 2006. Easements represent 27.0749 acres of this total. There have been 1,766.1482 acres acquired in Sacramento County and 2,414.5111 acres in Sutter County.⁴ Not all acres have been committed to HCP mitigation.

⁴A very small remainder is supplemental mitigation.

MITIGATION LAND BALANCES

- **Acreage upon which fees have been paid.** Fees related to development in the City of Sacramento permit area have been paid on a total of 6,681.67 acres, including 132.27 acres added in 2006. Through Metro Air Park's participation, there have been HCP fees paid on an additional 317.81 acres. Combined, there have been fees paid on 6,999.48 acres of development.
- **Fees paid.⁵** The amount of HCP fees paid by development in the City of Sacramento Permit Area total \$56,226,118.07 from inception to date, and \$5,812,354.85 during 2006. For Metro Air Park, total fees paid equal \$5,698,003.97 (including HCP and other mitigation) to date and zero in 2006. Combined, the total amount of fees and fee-related income paid from inception to date totals \$62,149,992.32. (All figures include the land value of in-lieu land dedication).

Figure 2. Acquisition of Nestor and Bolen West tracts advance consolidation of preserves. Acquisition of the two tracts in 2006 helped further efforts to consolidate Conservancy land in the North Basin Reserve Area. The map at right displays the acquisitions and brings to 2,023 acres acquired in the Conservancy's North Basin Reserve Area. The Conservancy is required to assemble a 2,500-acre (minimum) contiguous reserve.



- **Acreage on which an urban development permit have been issued.** The City of Sacramento reports it has authorized grading on 6,286.5 acres since inception, and Metro Air Park has developed 109.07 acres of its development.
- **Surplus land.** At December 31, 2006, there were 294.54 surplus acres of land held by the Conservancy.⁶

⁵ "Fees paid" represents actual HCP fees plus related payments such as Metro Air Park's tree replacement and GGS mitigation, so the sum of City and MAP payments does not equal the total amount of fee and related income received to date. Records of all such payments are found in the schedule titled, "Schedule of Subject Acreage and Fees Paid."

⁶The City of Sacramento has accepted fees on 6,999.48 acres of development for City and Metro Air Park development. After backing out the 200 acres of supplemental mitigation in the Metro Air Park, this leaves 6,799.48 acres with 3,399.74 required for mitigation, meaning there is 750.30 acres of surplus land held by the Conservancy. In addition to the 200 acres of supplemental mitigation, and when the 200 acres of the May 1 buffer is considered, that leaves a surplus of 350.30 acres. When the unallocable or prior committed acres are considered (such as supplemental mitigation), that leaves 294.54 acres of land in surplus.

- **Adjustments for actual mitigation and resultant surplus.** Actual land mitigation requirements are applied to land disturbed for development purposes, not fee-paid acres. Under this calculation, the Conservancy has a surplus of mitigation land of 367.6737 acres.^{7,8}

TABLE 2
THE NATOMAS BASIN CONSERVANCY
HCP FEE-PAID ACRES*



PERIOD	HCP FEE-PAID ACRES*
Through December 31, 1998	1,515.66
January 1-December 31, 1999	1,465.47
January 1-December 31, 2000	598.07
January 1-December 31, 2001	242.09
January 1-December 31, 2002	777.81
January 1-December 31, 2003	1,241.98
January 1-December 31, 2004	347.74
January 1-December 31, 2005	678.39
January 1-December 31, 2006	132.27
All Years Through December 31, 2006	6,999.48

*Most mitigation land was dedicated in lieu of paying the Land Acquisition Fund portion of the NBHCP fee. Metro Air Park has paid fees on 233.52 acres of its Initial Tier 1 development.⁹

- **Annual 200-acre May 1 cushion has been met.** It is clear that even with very small other mitigation obligations, the Conservancy has more than enough acreage to meet the 200-acre “cushion” required in the HCP on May 1 of each year.

⁷ Calculated as follows: the sum of the City’s 6,286.5 plus Metro Air Park’s 109.07 divided by the 0.5:1 mitigation ratio equals 3,197.785 plus 200 acres of Metro Air Park supplemental and the NBHCP’s 200-acre May 1 cushion equals 3,597.785. The City of Sacramento has authorized 6,286.5 acres and Metro Air Park has converted 109.07 acres of its 233.52 acres for development. Combined, this is a total of 6,395.57 acres required mitigation at December 31, 2006. At the 0.5:1 mitigation ratio, 3,197.785 acres of mitigation is required. Add to that the 200 acres of supplemental mitigation required of Metro Air Park and the 200-acre cushion at May 1 of each year, and the total actual required mitigation acreage is 3,597.785.

⁸ From the total land holdings, 42.83 acres are reserved for mitigation on the Conservancy’s Tufts tract (63.12 acres were used by Opus West and 42.01 acres were used by Griffin Industries). An additional 5.7579 acres is allocated to RD1000 mitigation, 7.681 acres for Sacramento County Regional Sanitation’s Lower Northwest Interceptor project equals 298.2689 acres of Conservancy-owned land that is not allocable for future HCP mitigation. This calculation does not include reservations for land on which fees have been paid but no mitigation land has been set aside.

⁹ At December 31, 2006, Metro Air Park had paid fees on 316.76 acres, but 200 acres were for supplemental mitigation (all of the Huffman West tract and 19 acres of the Huffman East tract), leaving 116.76 acres of fee-paid mitigation, or, at the 0.5:1 mitigation ratio, 233.52 acres of development.

TABLE 3
THE NATOMAS BASIN CONSERVANCY
LAND ACQUISITION TALLY THROUGH 12.31.06

PROPERTY	DATE ACQUIRED	ACRES
Silva	1.07.99	159.2000
Betts	4.05.99	138.9920
Kismat	4.06.99	40.2930
Bennett (C.L.)	5.17.99	226.6750
Bennett (H&B)	5.17.99	132.4860
Lucich North	5.18.99	267.9860
Lucich South	5.18.99	351.8890
Frazer	7.31.00	92.6000
Souza ¹⁰	7.02.01	40.0000
Natomas Farms	7.09.01	96.4600
Sills ¹¹	7.15.02	436.4059
Alleghany 50	11.07.02	50.2601
Cummings	11.07.02	66.8307
Atkinson	6.12.03	205.3970
Ruby Ranch	6.23.03	91.0780
Huffman West ¹²	9.30.03	181.0030
Huffman East	9.30.03	135.7460
Tufts ¹³	9.29.04	147.9500
Rosa East	3.24.05	106.2827
Rosa Central	3.24.05	100.0150
Bolen North	4.29.05	113.6190
Bolen South	4.29.05	102.3810
Vestal South	9.12.05	94.9510
Bolen West	9.01.06	155.1410
Nestor	9.01.06	233.1600
Frazer South ¹⁴	11.07.06	110.3720
Bianchi West	11.07.06	110.1600
Elsie	11.07.06	158.0310
Total		4,145.3644

¹⁰The long standing litigation filed against the Conservancy was resolved in 2006 through court-ordered settlement. Accordingly, the 4.68 acres of additional land the Conservancy held title to on the Souza tract was deeded over to the plaintiff in the case upon payment of certain funds to the Conservancy.

¹¹ 139.15 acres of the original 575.5559 acres of the Sills tract was exchanged for the two Rosa tracts on March 24, 2005.

¹² Huffman West tract and 19 acres of the Huffman East tract is for supplemental mitigation required of Metro Air Park.

¹³ 63.116 acres for Opus West mitigation (Promenade) with balance, 84.834, available for future mitigation.

¹⁴ Approximately 40 additional acres may be deeded back to the Conservancy over time under a long-term agreement on this tract. The same is true with the Bianchi West tract.

Figure 3, LANDSAT photograph of the Natomas Basin. The 2006 LANDSAT photograph shows physical changes that took place in the Natomas Basin. These photos are acquired each year by the Conservancy in order to show changes over time. (See also, "Base Map" in Exhibit 1 for greater delineation of Conservancy land holdings at December 31, 2006.)



PROGRAMMATIC



Swainson's hawk
(*Buteo swainsoni*)

- **Property documentation.** Phase One environmental reports, American Land Title Association (ALTA) land surveys and aerial photographs were completed on each of the Conservancy's land acquisitions.
- **Biological Effectiveness Monitoring.** Required comprehensive biological monitoring was completed under the Biological Effectiveness Monitoring Program.
- **Required documents submitted.** The Conservancy issued a timely implementation annual report, budget, financial audit and all other required reporting documents during the year.

BUDGET AND FINANCE

- **Finance Model update.** The HCP finance model was updated and a fee increase was requested, granted and implemented.¹⁵

TABLE 4
THE NATOMAS BASIN CONSERVANCY
HCP FEE HISTORY

YEAR	ESTABLISHED FEE
1997	\$2,240
1998	\$2,656
1999	\$3,292
2000	\$3,942
2001	\$5,993 + \$4,028 premium = \$10,021*
2002	\$7,934 + \$4,028 premium = \$11,962*
2003	\$12,270 ¹⁶
2004	\$16,124 ¹⁷
2005	\$24,897 ¹⁸
2006	\$41,182 ¹⁹

*HCP “premium” was established as a result of an agreement to settle litigation, *FWS v. Babbitt*.

- **Endowment Fund.** The Conservancy’s endowment fund account continues to grow, and remains conservatively invested in order to insure its long-term viability. The total account balance in the endowments funds at December 31, 2006 was \$11,575,109. This includes realized and unrealized gains. The Endowment Fund balance was \$9,926,631 and the Supplemental Endowment Fund balance was \$1,648,478 at December 31, 2006.

¹⁵City of Sacramento City Council resolution #2006-223 (“A Resolution increasing the amount of the habitat conservation fee established pursuant to Chapter 18.40 of Title 18 of the City Code and requiring developers in Natomas to dedicate land for habitat mitigation in lieu of payment of HCP fees in specific circumstances, to take effect immediately”), approved April 5, 2006.

¹⁶Also established is a fee of \$7,770 per acre for fee obligations satisfied in part with land dedication.

¹⁷Also established is a fee of \$8,624 per acre for fee obligations satisfied in part with land dedication.

¹⁸Also established is a fee of \$12,397 per acre for fee obligations satisfied in part with land dedication.

¹⁹Also established is a fee of \$18,682 per acre for fee obligations satisfied in part with land dedication.

CONCLUSION

The Conservancy's 2006 was a key year for the organization. The most significant accomplishments were:

1. delivery of another comprehensive annual biological effectiveness monitoring report,
2. acquisition of five new properties to integrate into the Conservancy's holdings (less two exchanged), which enhanced reserve consolidation, obtained more biologically-valuable habitat land, and yielded 136.187 acres of land over and above that exchanged,
3. resolution of longstanding litigation regarding the Souza tract, and
4. integration into the Conservancy's annual budget the NBHCP Finance Model so that there is complete integration between the two, resulting in more reliable budgeting and NBHCP Finance Model results.

The Conservancy continues to integrate the biological monitoring function (through Jones & Stokes) and the land management and planning function (through Wildlands, Inc.), and at the end of 2006, through the successor land management contractor, (Sopwith Farms) with Conservancy staff coordination and management. The specialties and resources of all groups is occasionally supplemented by other specialists to address most any question or need the Conservancy might have. Calling on the additional resources that make up the NBHCP Technical Advisory Committee (TAC) round out the extensive resources available to the Conservancy.



FUTURE PLANS

The year 2007 will be characterized by conducting the necessary work to incorporate the newly-acquired tracts into the habitat system and addressing channel clearing needed to keep the marsh complexes fully functional. During 2007, Conservancy management activity will be focused primarily in the following areas:

1. develop Site-Specific Management Plans (SSMP) for the five newly acquired properties,
2. begin the process of the first ever comprehensive review and updating of all of the Conservancy's SSMPs,
3. completion of the expanded Bennett North managed marsh construction effort,
4. coordination with Sutter County officials as they map and plan the Measure M development, and do so in a manner that preserves or enhances the integrity of the system of reserves the Conservancy owns and manages,
5. undertaking the first ever marsh complex channel clearing effort after testing conducted in 2006 demonstrated preferred courses in the manner in which this work should be conducted,
6. work to coordinate the numerous external initiatives brought to the Conservancy including Sacramento International Airport expansion plans, a PG&E gas transmission line proposed for the Natomas Basin, including through Conservancy land, a Western Area Power Authority (WAPA) overhead electric transmission line through the Natomas Basin and some Conservancy properties, the Natomas Central Mutual Water Company's ground water substitution program, Sacramento Area Flood Control Agency levee reinforcement plans, Greenbriar Habitat Conservation Plan and a number of others. Staff believes that the Conservancy must dedicate time to these, otherwise they may progress in a manner that could compromise the Conservancy's implementation of the NBHCP,
7. planned assumption of certain marsh land management responsibilities after these had been contracted out to Wildlands, Inc. for approximately four years, and
8. extensive oversight of financial planning to ensure that the HCP fee is adequate to fully fund implementation efforts.



Further information can be obtained by logging on to the Conservancy's web site (www.natomasbasin.org) or contacting the Conservancy directly.

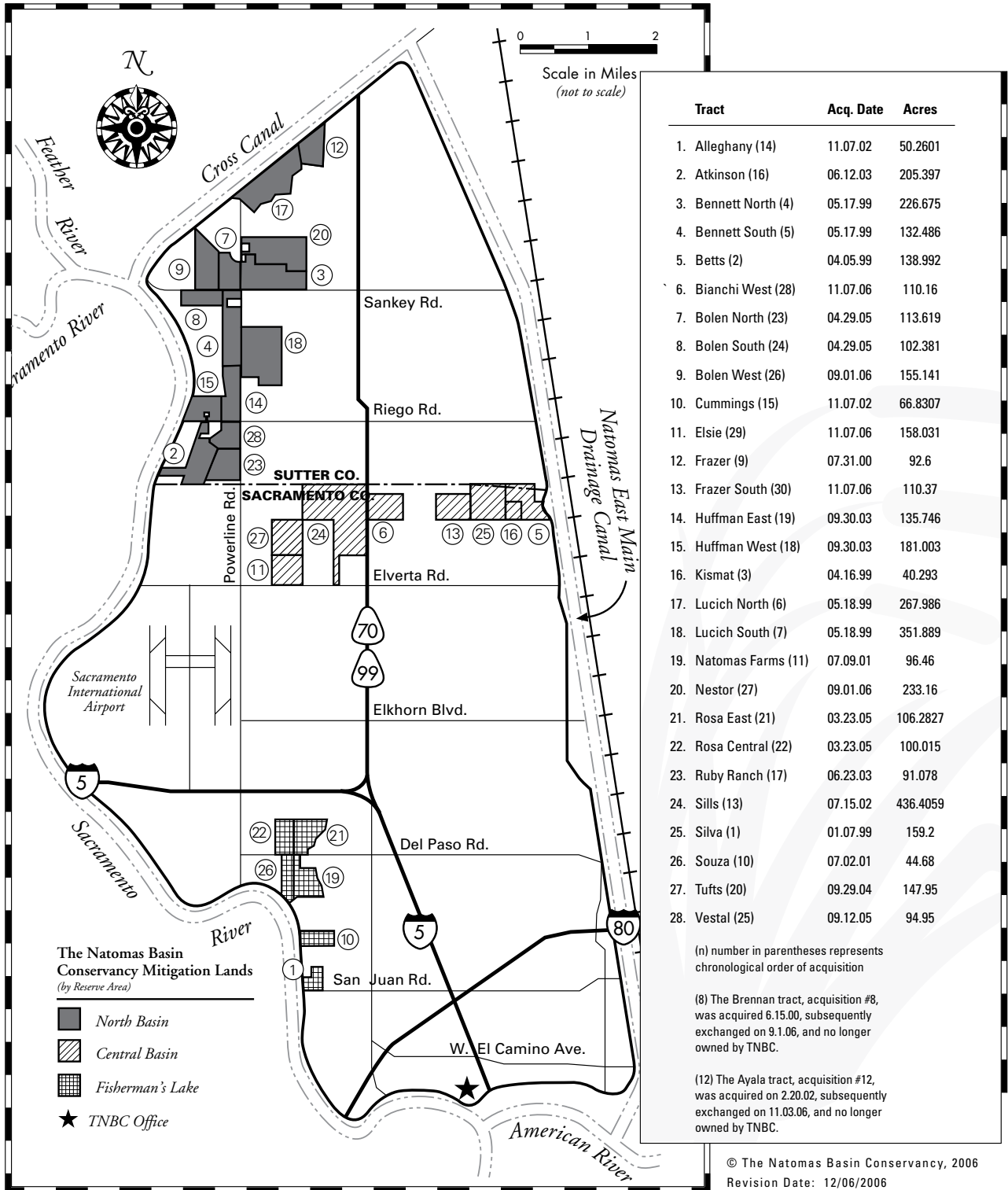
TABLE 4
THE NATOMAS BASIN CONSERVANCY
GENERAL RESERVE CHARACTERISTICS ILLUSTRATION*

Mitigation land tracts in order of acquired date ➡	Silva	Betts	Kismat	Bennett No.	Bennett So.	Lucich No.	Lucich So.	Frazer	Souza	Natomas Farms	Sills	Alleghany 50	Cummings	Ruby Ranch	Atkinson	Huffman West	Huffman East	Tufts	Rosa East	Rosa Central	Bolen North	Bolen South	Vestal South	Bolen West	Nestor	Frazer South	Bianchi West	Elsie
COUNTY																												
Sacramento	●	●	●						●	●	●	●	●					●	●	●						●	●	●
Sutter	⊖	⊖		●	●	●	●	●						●	●	●	●				●	●	●	●	●			
PREDOMINANT LAND USE (2006)																												
Rice				●	●		●				●			●	●		●	●						●	●	●	●	●
Upland	●	●	●		●	⊖		⊖	●	●		●	●		⊖	●	⊖		●	●	●	●						
Marsh	●	●	●	⊖	●	●	⊖	●		●			●		⊖													
WATER																												
NCMWC				●	●	●	●	●	●	●	●	●	●	●	⊖		●	●	●	●	●	●	●	●	●	●	●	●
Ground Water	●	●				●		●							⊖	●			●	●	●	●		●	●	●	●	●
Surface Water	●	●	●	●	●	●	●	●	●	●	●	●	●	●	⊖	●	●	●					●					
MANAGEMENT PLAN																												
Covered by Approved SSMP	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓											
Not yet covered																		●	●	●	●	●	●	●	●	●	●	●
Marsh Construction '01	✓	✓	✓																									
Marsh Construction '02				✓	✓		✓																					
Marsh Construction '03						✓		✓	✓	✓																		
Marsh Construction '04												✓																
Marsh Construction '05																												
Marsh Construction '06																												
EXISTING TREES																												
0				●	●	●	●	●			●			●			●	●		●	●	●		●		●	●	●
1 – 10			●							●						●									●			
11 – 30									●									●										
31+	●	●										●	●		●				●				●					
OTHER																												
Fenced	●	●	●	⊖					●	●		●							⊖	⊖								
Livestock Grazing	●	●	●						⊖	●																		
Residential Structure	●	●							●																			
Farm Structure(s)	●	●							●																			
Vernal pools	✓																											

*Solid dot (●) represents inclusion of characteristic on that tract; hollow-strikethrough dot (⊖) represents minor, partial or planned inclusion on the referenced tract; a check mark (✓) represents completion of project.

2006 BASE MAP

THE NATOMAS BASIN CONSERVANCY





t h e
NATOMAS
BASIN
conservancy

The Natomas Basin Conservancy
2150 River Plaza Drive, Suite 460
Sacramento, CA 95833

Phone: 916.649.3331
FAX: 916.649.3322