



Midpeninsula Regional  
Open Space District

R-13-103  
Meeting No. 13-32  
November 13, 2013

## **AGENDA ITEM 6**

### **AGENDA ITEM**

Grazing Tenant Selection for Driscoll and McDonald Ranches

#### **GENERAL MANAGER'S RECOMMENDATION**

Authorize General Manager to select tenants for Driscoll and McDonald Ranches and negotiate and execute grazing leases as follows:

1. Award the two leases separately, with one going to the most qualified applicant from the tier with the largest existing capacity and the other going to the most qualified applicant from the tier needing the opportunity to develop additional capacity;
2. For the Driscoll Ranch grazing lease, select Agco Hay, LLC from the first tier;
3. For the McDonald Ranch grazing lease, select Markegard Family Grass-Fed from the second tier;
4. In the event that leases cannot be successfully negotiated with either of the parties above, negotiate and execute grazing leases with the second most qualified applicants as laid out in this report.

#### **SUMMARY**

Midpeninsula Regional Open Space District (District) staff released a Request for Proposal (RFP) on May 17, 2013 to solicit proposals from qualified livestock operators to graze the former Driscoll and McDonald Ranch properties, both located in the La Honda Creek Open Space Preserve. After completing a thorough review and evaluation of the proposals, and consideration of the District's policies and goals regarding agricultural operations in the coastal area, staff is recommending awarding the two leases separately, selecting Agco Hay, LLC as the most highly qualified applicant for the Driscoll Ranch grazing lease, and Markegard Family Grass-Fed as the most highly qualified applicant for the McDonald Ranch grazing lease.

#### **DISCUSSION**

Midpeninsula Regional Open Space District (District) staff released a Request for Proposal (RFP) on May 17, 2013 to solicit proposals from qualified livestock operators to graze the former Driscoll and McDonald Ranch properties, both located in the La Honda Creek Open Space Preserve (see Attachment 1). Because Driscoll and McDonald Ranch are adjoining properties, staff solicited proposals from prospective tenants to either combine the properties into

one lease or to operate the properties as separate ranches with different tenants. A resource grazing plan for the Driscoll Ranch property was approved by the Board of Directors as part of the Driscoll Ranch Property purchase in 2006 (see R-06-07). A resource grazing plan for the former McDonald Ranch property was approved as part of the La Honda Creek Open Space Preserve Master Plan in 2012 (see R-12-83). A brief description of the properties and the District's management objectives follows.

### **Driscoll Ranch Property**

The Driscoll Ranch property has been grazed continuously for several decades, including the past seven years while under District ownership. Driscoll Ranches, LLC retained a 50-year lease for grazing the property when the ranch was originally purchased by Peninsula Open Space Trust (POST) in 2002, and this lease was transferred to the District upon purchase of the ranch from POST in 2006. As a component of their purchase of the Event Center and Apple Orchard properties, POST also purchased the remaining term of the grazing lease from Driscoll Ranches, LLC, who vacated the property on November 1, 2013.

The property will continue to be managed according to the grazing plan prescriptions which call for year around, rotational grazing. The property consists of 3,681 acres divided into twelve (12) separate pastures. The suggested stocking rate is 2,020 Animal Unit Months annually (equivalent to 168 cow/calf pairs).

### **McDonald Ranch Property**

The McDonald Ranch property was historically grazed by cattle, but has not been grazed for the past seventeen years while under District ownership. Re-introducing cattle grazing to McDonald Ranch will provide substantial improvements in habitat enhancement, infrastructure maintenance, and wildland fire fuel load reduction. This property will be grazed year around and consists of 1,030 acres, which will support 1,020 to 1,200 Animal Unit Months annually (equivalent to 85 cow/calf pairs). Because the property has not been grazed for seventeen years, grazing infrastructure (fencing, water systems) has not been maintained and is in poor condition. The grazing tenant will be expected to work with the District to implement the necessary repairs and upgrades.

### **Selection Process**

There was significant interest in the properties; a mandatory pre-bid site visit drew 45 prospective tenants, with the District receiving 9 proposals. Review and rating of the proposals was through an independent panel chosen based on their expertise, experience and background in rangeland and natural resource management, public lands grazing, livestock/ranch management, and other grazing RFP processes. The panel recommended interviews with the top five applicants, and this first round of interviews was conducted by the interview panel and two District staff.

A second interview, consisting of a site visit to a property managed by the applicant, was conducted by District staff and evaluated the applicant's understanding and willingness to conduct their grazing activities in a manner that will enhance the natural resource values, promote maintenance and improvements to the property, and work with the District to achieve recreational and resource management goals. The selection process used a rigorous scoring system that assigned value to various goals and concerns outlined in the RFP, including applicants' experience, capacity, history, and knowledge, with an emphasis on natural resource management issues. The table below presents the ranking of applicants based on their proposals, interviews and site inspections:

Table 1: Ranking of Applicants

Rank	Tier	Applicant
1	I	Agco Hay, LLC
2	I	Fields Livestock
3	II	Markegard Family Grass-Fed
4	II	TomKat Ranch and T.O. Livestock
5	II	Bar T Cattle Co., LLC

In addition to the scored ranking, policy issues were taken into account that could not be addressed by simply assigning a ranking to how well the proposers scored in view of these areas of inquiry. Major District policies related to grazing are set forth in the San Mateo Coastal Annexation Area Service Plan (2003, as adopted by the San Mateo County Local Agency Formation Commission) (“Service Plan”) and the Grazing Management Policy in the District’s Resource Management Policies (see R-12-05). Staff’s recommendation to split the lease award between two tiers of applicants is founded in these policies.

The Service Plan recognizes the “importance of agriculture to the economy and heritage of the Coastal Annexation Area” and states a goal of actions aimed “to promote the economic vitality of continued agricultural operations” in the coastal region. (Service Plan, page 7.) In furtherance of those objectives, the Service Plan provides that implementation should be directed at:

“preserving and fostering existing and potential agricultural operations in San Mateo County in order to keep the maximum amount of prime agricultural land and all other lands suitable for agriculture in agricultural production.” (Service Plan, Agriculture, page 13.)

The Service Plan also states that the leasing activities shall:

“[b]e tailored to meet individual farmers and ranchers needs while respecting the unique characteristics of the property” and “[i]nclude terms that allow farmers and ranchers to adapt and expand their operations and farming practices to adjust to changing economic conditions.” (Service Plan, Agriculture, Permanent Policy PA.3, page 14.)

The District’s Grazing Management Policy establishes the goal to:

“Manage District land with livestock grazing that is protective of natural resources and that is compatible with public access; to maintain and enhance the diversity of native plant and animal communities, manage vegetation fuel for fire protection, help sustain the local agricultural economy, and preserve and foster appreciation for the region’s rural agricultural heritage.”

Among the provisions adopted in the Grazing Management Policy to implement that goal are:

- “Provide necessary infrastructure to support and improve grazing management where appropriate.”
- “Preserve and foster existing and potential grazing operations to help sustain the local agricultural economy.”

The score-based ranking of applicants resulted in values that favored large grazing operations with extensive experience and significant financial resources to perform infrastructure improvements. However, these large operations tend to be based outside of the coastal area, to the disadvantage of the smaller operations within the region. In order to adhere to the intent of the Service Plan and the Grazing Management Policy, staff recommends awarding the leases in two-tiers described below.

The top five applicants were comprised of two fairly distinct tiers, with the two largest operations scoring highest, though very close to one another; and the other three smaller scale, lesser capacity operations in the next tier. The difference in the tiers is primarily existing capacity for larger scale operations. Ability to invest in needed infrastructure, or absence thereof, is also a difference, except for Bar-T-Cattle who may have the financial capacity for infrastructure investment similar to the top two ranked applicants, but has operational capacity similar to the third and fourth ranked applicants.

As noted in the Request for Proposals, up to two grazing leases may be awarded under this process, the larger Driscoll Ranch, and the small MacDonald Ranch. In furtherance of the policies outlined above, the General Manager recommends that the grazing area under consideration be split into two separate leases, and that the Driscoll Ranch lease be awarded to Agco Hay, LLC, the applicant ranked first in the larger operations tier. Because of the large acreage of the Driscoll Ranch operation, it was determined that a large operation was best suited to graze this property. The General Manager further recommends that the MacDonald Ranch lease be awarded to Markegard Family Grass-Fed, the applicant ranked first in the smaller operations tier. This is consistent with the above policy objectives in supporting development of capacity of the ranchers in the region, promoting the vitality of the local agricultural economy, and cultivating a larger more competitive pool of applicants for future leases with the District.

Agco Hay, LLC has demonstrated significant skills and experience managing similarly sized leases on public and private lands, both with and without public recreation access. They have worked with Santa Clara County Parks on the management of a publicly accessible ranch land, where they have completed similar infrastructure projects, and have worked with private partners to manage a mitigation bank with sensitive species and habitats with cattle grazing.

Markegard Family Grass-Fed excels in the knowledge of and experience with grazing lands with similar topographic and vegetative composition; working relationships with the agencies involved in overseeing ranching in the region, and a proximity to the ranch that will ensure the ability to promptly respond to sick/injured livestock, livestock on a roadway, or general emergencies. Since there is no rancher housing available on the MacDonald Ranch, the proximity of this applicant's home ranch is an important consideration.

## **FISCAL IMPACT**

The District lease rate for grazing properties is calculated by multiplying the number of Animal Unit Equivalents (AUE) grazing on the property by the total number of months grazed for the season/year to obtain the total Animal Unit Months (AUM). The AUMs utilized are then multiplied by the current AUM rate to determine the total lease fee for the year. The 2013, fair market value, AUM rate utilized by the District was \$16.25 per AUM.

The lease rate for the Driscoll and McDonald Ranches is detailed in Table 2, below:

<b>Ranch</b>	<b>AUM</b>	<b>AUM Rate (2013)</b>	<b>Annual Lease Fee</b>
Driscoll	2020	\$ 16.25	\$ 32,825
McDonald	1020	\$ 16.25	\$ 16,575

To support the policy goal of increasing local capacity for operations of this size by making necessary infrastructure improvements, it will again be necessary for the District to invest in this property, as it has for other of its grazing properties in the past. This investment will both improve District grazing infrastructure, and support the policy goals described above. Funds for these infrastructure improvements are included in the Natural Resources Department Budget for FY2013-14 and will be recommended in the Natural Resources Department Budget for FY2014-15.

### **BOARD COMMITTEE REVIEW**

No Board Committee Review is required for the selection of grazing tenants for the Driscoll and McDonald Ranches.

### **PUBLIC NOTICE**

Public notice was provided as required by the Brown Act. Additionally, persons on the interested parties for the District's Coastal projects and the Driscoll Event Center were also notified.

### **CEQA COMPLIANCE**

A resource grazing plan for the Driscoll Ranch property and Mitigated Negative Declaration were completed to satisfy requirements of the California Environmental Quality Act (CEQA) was approved by the Board of Directors as part of the Driscoll Ranch Property purchase in 2006 (see R-06-07). A resource grazing plan for the former McDonald Ranch property and subsequent Mitigated Negative Declaration were completed to satisfy requirements of CEQA was approved as part of the La Honda Creek Open Space Preserve Master Plan in 2012 (see R-12-83).

### **NEXT STEPS**

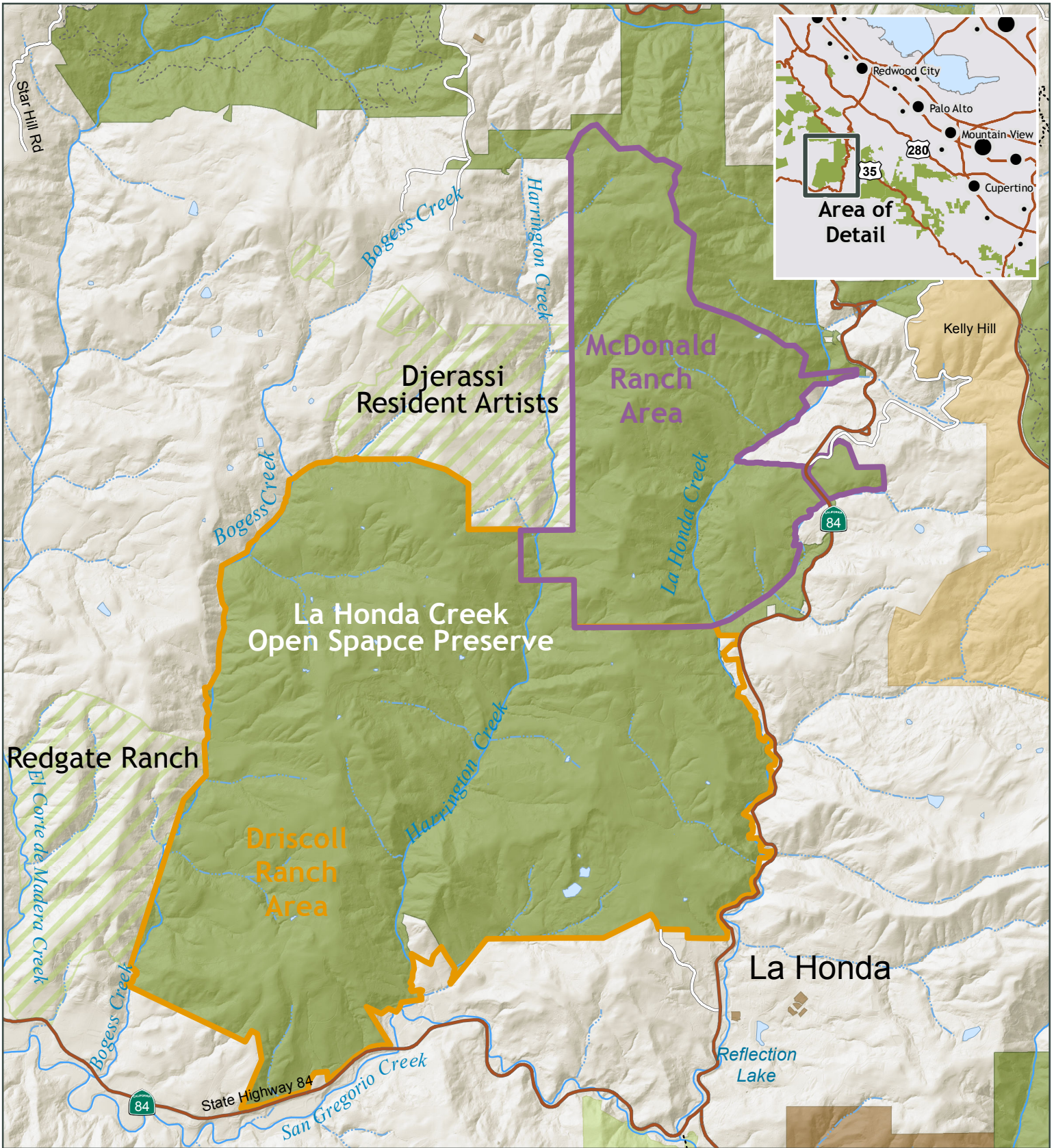
Board adoption of this item will conclude the Request for Proposals process for Driscoll and McDonald Ranches grazing lease. Staff will proceed to negotiate and execute grazing leases with the applicants as laid out in this report. In the event that leases cannot be successfully negotiated with either of the parties above, staff will negotiate and execute grazing leases with the second most qualified applicants as laid out in this report.

Attachments:

1. Location Map









Prepared and reviewed by:

Kirk Lenington, Natural Resources Manager



Created By: jmontgomery Path: G:\Projects\La\_Honda\_Creek\McDonald\_and\_Driscoll.mxd

### Attachment A: Driscoll and McDonald Ranches

- |   |   |
|---|---|
|  Driscoll Ranch                           |  Other Public Agency                             |
|  McDonald Ranch                           |  Private Property                                |
|  MROSD Preserves                          |  Non MROSD Conservation or Agricultural Easement |
|  Other Protected Open Space or Park Lands |   |
|  Land Trust                               |   |

Midpeninsula Regional  
Open Space District  
(MROSD)



November, 2013

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While the District strives to use the best available digital data, this data does not represent a legal survey and is merely a graphic illustration of geographic features.