

QUARTERLY PROGRAMMATIC REPORT
(Revised)

Program Manager	<u>Spencer Shepherd</u>	Phone # <u>415-778-0999 x24</u>
Project Manager	<u>Meghan Mazzoni</u>	Phone # <u>415-281-0432</u>
CALFED Project #	<u>97-N02</u>	
Quarter Ending	<u>June 30, 1999</u>	

Deliverables
Narrative

Activities Performed:

Task 1: Administrative Costs - Sacramento River Acquisition

Negotiation efforts, due diligence duties and project management pertinent to the acquisition of the Koehnen and Gunn Hill properties plus ten other Sacramento River Floodplain properties currently in negotiation were performed by the Project Director and members of the senior staff. The Koehnen property in Butte County (632 acres planted in walnuts and almonds, plus riparian) is in escrow and expected to close on or about July 20, 1999. The Gunn Hill property in Glenn County (54 acres planted in walnuts, 11 acres riparian) is in escrow and expected to close on or about October 15, 1999.

Task 2A: Acquisition of Kaiser property

Baseline assessment and preparation of a management plan for the Kaiser property (approximately 666 acres) as an addition to the U.S. Fish & Wildlife Service Sacramento River National Wildlife Refuge are ongoing. Perpetual management will be provided by the FWS as part of its normal refuge operations consistent with CALFED objectives and the management plan. TNC currently manages the Kaiser property under a cooperative land management agreement with FWS. Approximately 130 irrigated acres have been leased to Loesch Bros. at \$135 per acre for row crop farming (corn) for crop year 1999. The net income will be used to support restoration activities on refuge lands including those purchased with CALFED funds.

Task 2B: Acquisition of Koehnen property

The Nature Conservancy (TNC), the United States Fish and Wildlife Service (FWS), the Wildlife Conservation Board (WCB) and the California Department of Fish and Game (DFG) reached consensus agreement to pursue acquisition of the Koehnen Property.

The Koehnen property is an approximately 637 acre combined riparian and agricultural parcel located north of Ord Ferry Road, adjacent to the east bank of the Sacramento River in Butte County, California (APN 039-040-015 Map Attached).

CF Koehnen & Sons Orchards, family farmers and bee keepers who have lived and worked in the Sacramento Valley for three generations, agreed to transfer the property to FWS for its appraised value of \$4,151,413, with the intention of reinvesting the proceeds of sale in nearby, less flood-prone agricultural lands.

All due diligence has been completed. FWS documents have been delivered to escrow; CALFED advanced \$3,000,000 to partially fund escrow; and TNC advanced the additional \$1,151,413 required to fund escrow. The transaction will close prior to the end of July, 1999, and CALFED will reimburse additional funds advanced by TNC as soon as Proposition 204 funds are available from the sale of bonds by the State of California.

Following close of escrow FWS will transfer management responsibility to TNC under a TNC/FWS Cooperative Land Management Agreement. TNC will be lease the property for agricultural production for the remaining productive life of the current orchard or until the current orchard is destroyed by flood or other natural force, whichever occurs first. FWS will pay in lieu taxes to Butte County, and in addition, TNC and the farming lessee will pay possessory interest taxes to Butte County for the duration of agricultural production.

Following the completion of agricultural production the property will be transitioned to appropriate habitat. Net income from agricultural production will partially offset transition and restoration costs.

Projected Expenses for Next Three Months:

Following is an estimate of costs for the next three months (July - September, 1999):

Month 1	\$30,000	Month 2	\$30,000	Month 3	\$30,000	Total for Quarter	\$90,000
---------	----------	---------	----------	---------	----------	-------------------	----------