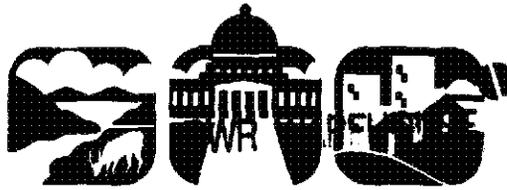


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MCCOLLUM ASSOCIATES

July 28, 1997

Ms. Kate Hansel
CALFED-Bay Delta Program
1416 Ninth Street, Suite 1155
Sacramento, CA 95814

Dear Ms. Hansel:

On behalf of our client, Mr. Tom Luckey, attached are 10 copies of our Category III Proposal for the Fern-Headreach Island Complex in the Sacramento-San Joaquin Delta. If you have any questions, please contact me at 488-0332.

Sincerely,

Kent A. Smith

Environmental Policy Consultants
Constituent & Governmental Relations

7722 Rio Barco Way, Sacramento, California 95831
Telephone (916) 422-1039 • Fax (916) 422-2177

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CALFED 1997 CATEGORY III PROJECT PROPOSAL
EXECUTIVE SUMMARY

DWR WAREHOUSE

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Project Title and Applicant Name

The title of this project is the "Fern-Headreach Island Complex Shaded Riverine Aquatic Restoration and Land Dedication Project". The Project Applicant is Mr. Tom Luckey the landowner of Medford Island, who currently holds the purchase option for the Fern-Headreach Island Complex located very near Medford Island.

Project Description and Primary Biological/Ecological Objectives

The approximately 168 acre Fern-Headreach Island Complex along the main channel of San Joaquin River currently has two minor breaches on the opposite side of the Island from the river channel. These breaches, created from last winter's flooding, at present, allow the 150 acre interior of the island to be subjected to tidal influence. The channel side (east side) of the levee is protected by the U.S. Army Corps of Engineers. The focus of this project is to 1) create 3,000 linear feet of Shaded Riverine Aquatic (SRA) habitat along the east levee of the Complex; 2) to retain the breaches and thereby maintain and enhance newly created tidally influenced shallow water habitat; and, 3) to transfer fee title of the entire 168 acres to the State of California, or other entity approved by CALFED.

Approach/Tasks/Schedule

Work related to the creation of SRA habitat will be completed in three primary tasks including 1) site preparation; 2) planting and maintenance; and 3) performance monitoring. Work will commence in late summer of 1997, with the initial plantings in spring of 1998. Maintenance activities and performance monitoring will take place over a 3-5 year period from the time that the initial plantings are made. Once the SRA habitat requirements have been met and final payment has been received, the applicant will transfer fee title to the property to the State of California or to another entity approved by CALFED

Justification for Project and Funding by CALFED

The proposed project at the Fern-Headreach Island Complex specifically addresses numerous priority interests and goals of the CALFED Program, including increasing, enhancing and acquiring significant acreage of SRA and tidal perennial aquatic (freshwater) habitat. The current situation at this site makes it vital to act immediately or a unique opportunity will be lost as the current levee breaches, which make this project especially attractive, will be

repaired. We believe that this project fits exceptionally well with the goals and objectives of CALFED as outlined in the RFP and Ecosystem Restoration Program Plan.

Budget Costs and Third Party Impacts

There are no known third party impacts associated with this project. The project is confined to a site controlled by the applicant who currently holds a purchase option for the Complex. The estimated cost for project implementation is \$900,000 which represents SRA restoration costs of approximately \$300 per linear foot. Restoration would occur on both the outside and inside portions of the levee. The inside portion is currently subject to tidal action. If a levee maintenance annuity is included (see cost section) as an option, the total project cost is estimated at \$1,100,000.

Applicant Qualifications

The applicant currently hold the purchase option for the Fern-Headreach Complex. The applicant is also the owner of Medford Island a few hundred yards downstream from the project site. The applicant has a proven track record of successful restoration projects under both the SB 34 and federal Wetland Reserve Programs at Medford Island where over 400 acres have been restored under these programs.

Monitoring and Data Evaluation

Performance monitoring on the created SRA habitat will be conducted according to a plan approved by CALFED. Annual reports will be provided along with recommendations for remedial action, if necessary.

Local Support/Coordination with other Programs/Compatibility with CALFED Objectives

As mentioned above, this project specifically addresses numerous high priority goals and objectives of the CALFED Program. The project compliments the San Joaquin County HCP effort and the State levee Subventions (SB 34) Program. The Department of Fish and Game and the Natural Heritage Institute have stated their support of this proposal, as have other Delta landowners.

Project Title: Fern-Headreach Island Complex Shaded Riverine Aquatic Habitat Restoration and Land Dedication Project

**Applicant: Mr. Tom Luckey
P. O. Box 7428
Stockton, CA 95207
Phone No. - (209) 951-8700
Fax No. - (209) 951-3261
Affiliation: Landowner**

Type of Organization: Private Landowner

Tax Identification Number: (To be provided if required)

Technical and Financial Contact Person: Same as above.

Participants/Collaborators in Implementation: Collaborators include the California Department of Fish and Game, U.S. Army Corps of Engineers, Natural Heritage Institute

RFP Project Group Type(s): Other Services/Acquisition

PROJECT DESCRIPTION

Project Description and Approach

The project site consists of the Fern-Headreach Island Complex. These islands were consolidated with the old river channels and contained within a single levee during construction of the Stockton Deep Water Channel. The Corps of Engineers maintains the levee along that portion of the Complex (east side) that is adjacent to the main channel.

The Fern-Headreach Complex has a history of levee failures and repairs. As a result of this past winter's flood events, several small shallow breaches have occurred (Figure 1). These are relatively inexpensive to repair; however, levee maintenance operations necessary to insure long-term reclamation would result in the loss of existing high quality SRA habitat that exists along the west side of the Complex.

When the Deep Water Channel was dredged, spoils were deposited on the north and east sides of the current Complex. Under the present tidal influence, these spoil areas form three smaller islands within the interior of the Complex. The combination of remnant levees, historic channels and spoil created islands are currently providing a diversity of habitats and micro environments that historically occurred, but are now not commonly found in the Delta. The habitats currently found "naturally" occurring at the site are similar to, and very possibly of higher quality, than habitat areas in the Delta that have been specifically engineered and constructed in the past (e.g., Venice Tip, Cache Slough) or are currently being proposed (e.g., Prospect Island and Kimball Island). At an average depth of under 10 feet, and presently under tidal influence, this Complex is in a position to provide a unique conservation opportunity.

The Fern-Headreach Complex is currently under a purchase option to Mr. Tom Luckey, owner of Medford Island, only a few hundred yards away. The specific elements of this project proposed by Mr. Luckey are:

- ▶ Utilizing his resources available from Medford Island, Mr. Luckey will establish 3,000 linear feet of SRA habitat along a portion of the San Joaquin River channel levee section of the Fern-Headreach Complex. The area proposed is currently covered by dense stands of blackberry and Arundo (Figure 2). Habitat will be created on both sides of the levee to standards approved by the Department of Fish and Game. What is unique about this project is its ability to be implemented immediately. There is no need for any additional dredging, thereby eliminating the type of water quality concerns that affect other Delta projects. Establishment of SRA habitat will be carried out according to specifications approved by the Department of Fish and Game. This will include removal of blackberries and Arundo through repeated herbicide

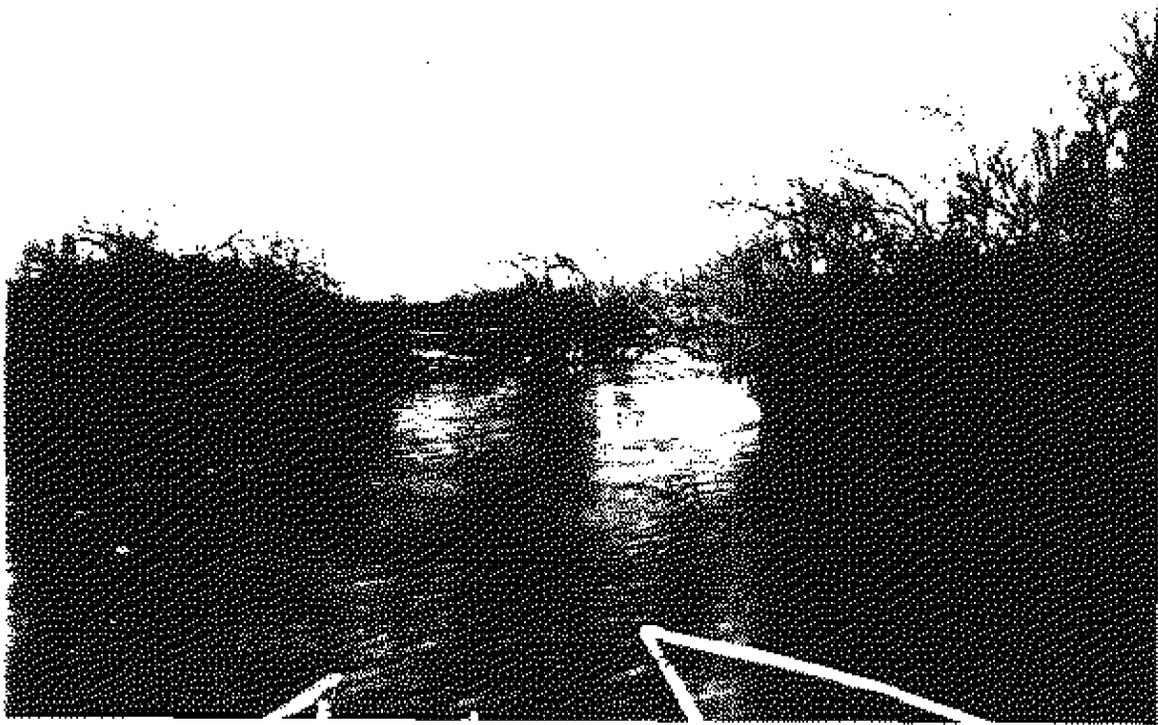


Figure 10c Areas where small breaches have occurred in the outside levee on the west side of the Fern-Headreach Complex

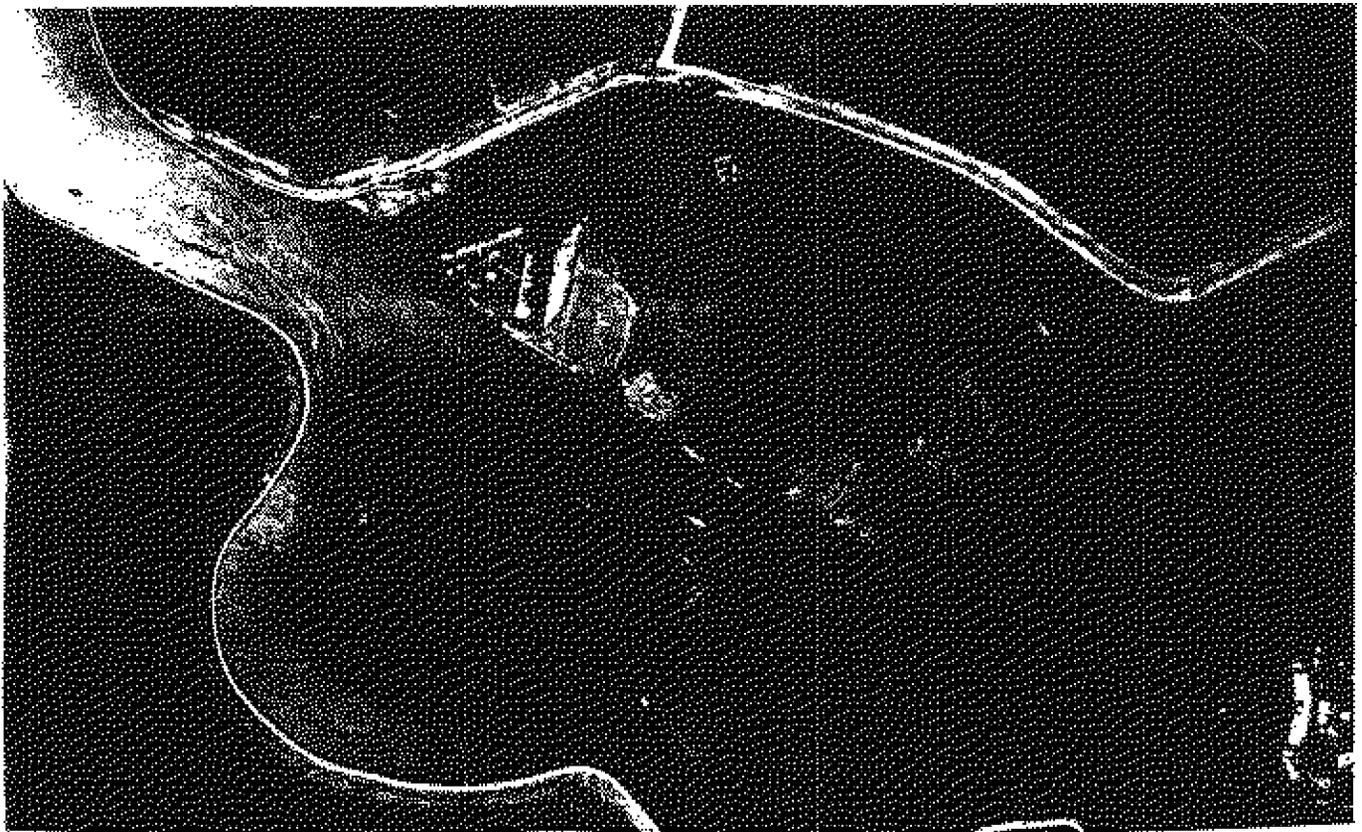
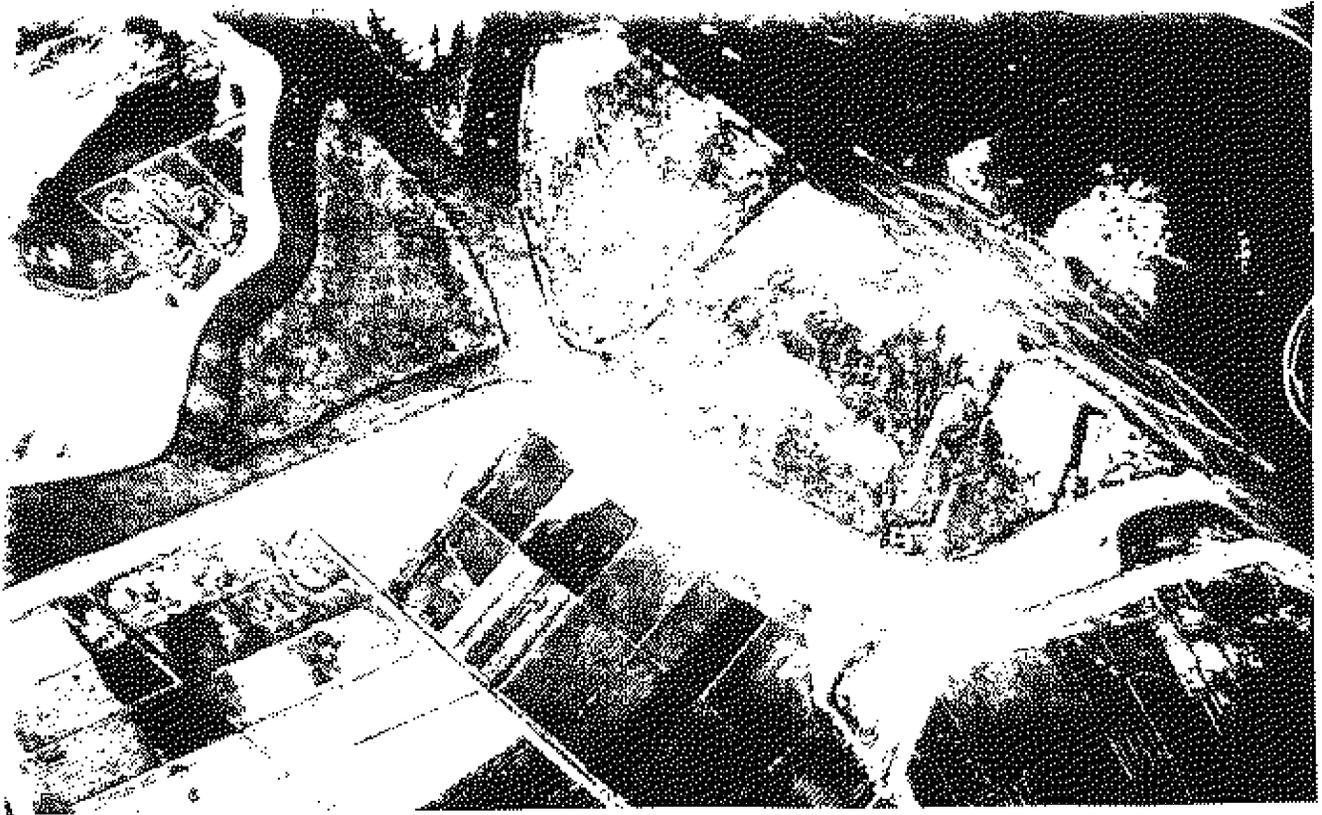


Figure 11. The Fern-Headreach Complex prior to breaches (top photo) and as currently subject to tidal action (bottom photo).

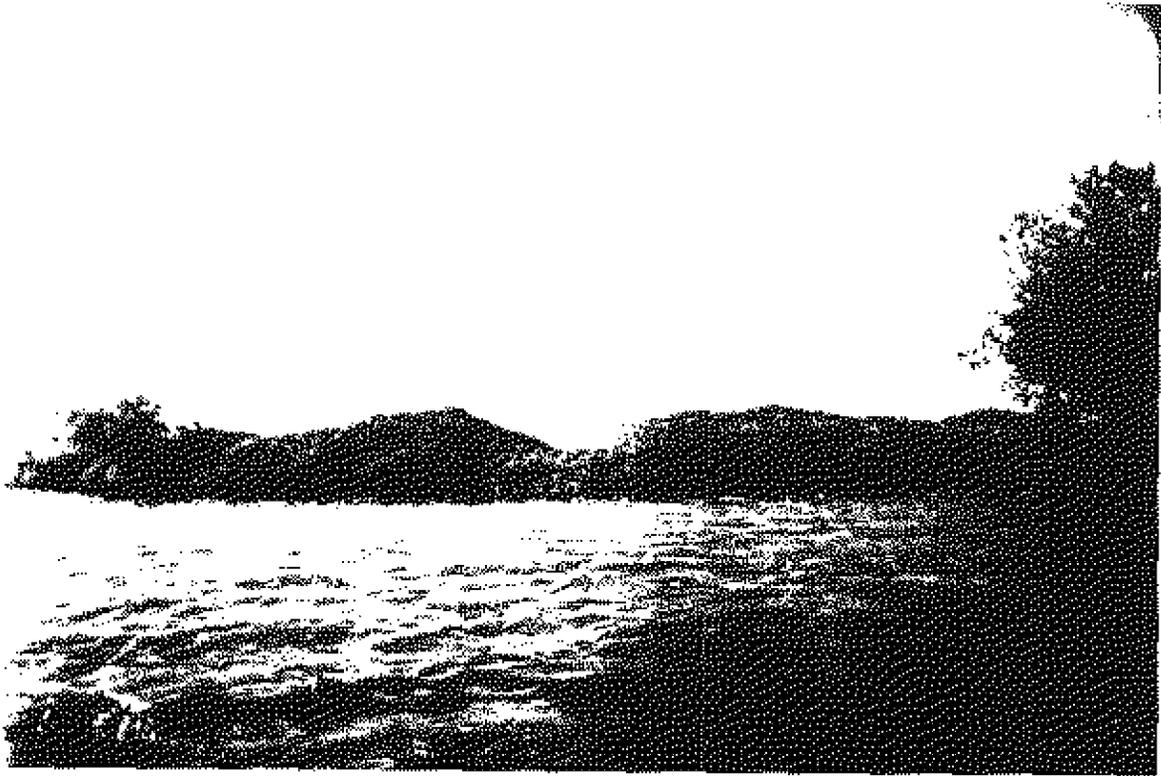


Figure 2. Proposed SRA habitat creation areas are currently covered by blackberry (top photo) and Arundo (bottom photo)

Agreement No. _____

Exhibit _____

**STANDARD CLAUSES --
SMALL BUSINESS PREFERENCE AND CONTRACTOR IDENTIFICATION NUMBER**

NOTICE TO ALL BIDDERS:

Section 14835, et. seq. of the California Government Code requires that a five percent preference be given to bidders who qualify as a small business. The rules and regulations of this law, including the definition of a small business for the delivery of service, are contained in Title 2, California Code of Regulations, Section 1896, et. seq. A copy of the regulations is available upon request. Questions regarding the preference approval process should be directed to the Office of Small and Minority Business at (916) 322-5060. To claim the small business preference, you must submit a copy of your certification approval letter with your bid.

Are you claiming preference as a small business?

_____ Yes*

No

*Attach a copy of your certification approval letter.

applications, clearing, and replanting with willow, cottonwood, valley oak, elderberry and other riparian species according to an approved development and performance monitoring plan.

- ▶ The existing minor breaches will be left in place, thereby allowing continued tidal flooding of the interior portion of the Complex (approximately 150 acres). By leaving the interior of the Complex subject to tidal flows, creation of 3,000 linear feet SRA habitat will directly benefit 6,000 linear feet of tidally influenced habitat (3,000 on each side of the levee).
- ▶ Mr. Luckey will exercise his purchase option, and subsequently dedicate fee title to the entire 168 acres comprising the Fern-Headreach Complex to the State of California or other entity approved by CALFED.
- ▶ The only costs associated with this proposal are those associated with the restoration of the SRA habitat and if considered by CALFED to be beneficial, those associated with establishment of a levee maintenance endowment (see Management/Maintenance Option discussion under Cost Section). There would be no land costs associated with this project.

Location of Project

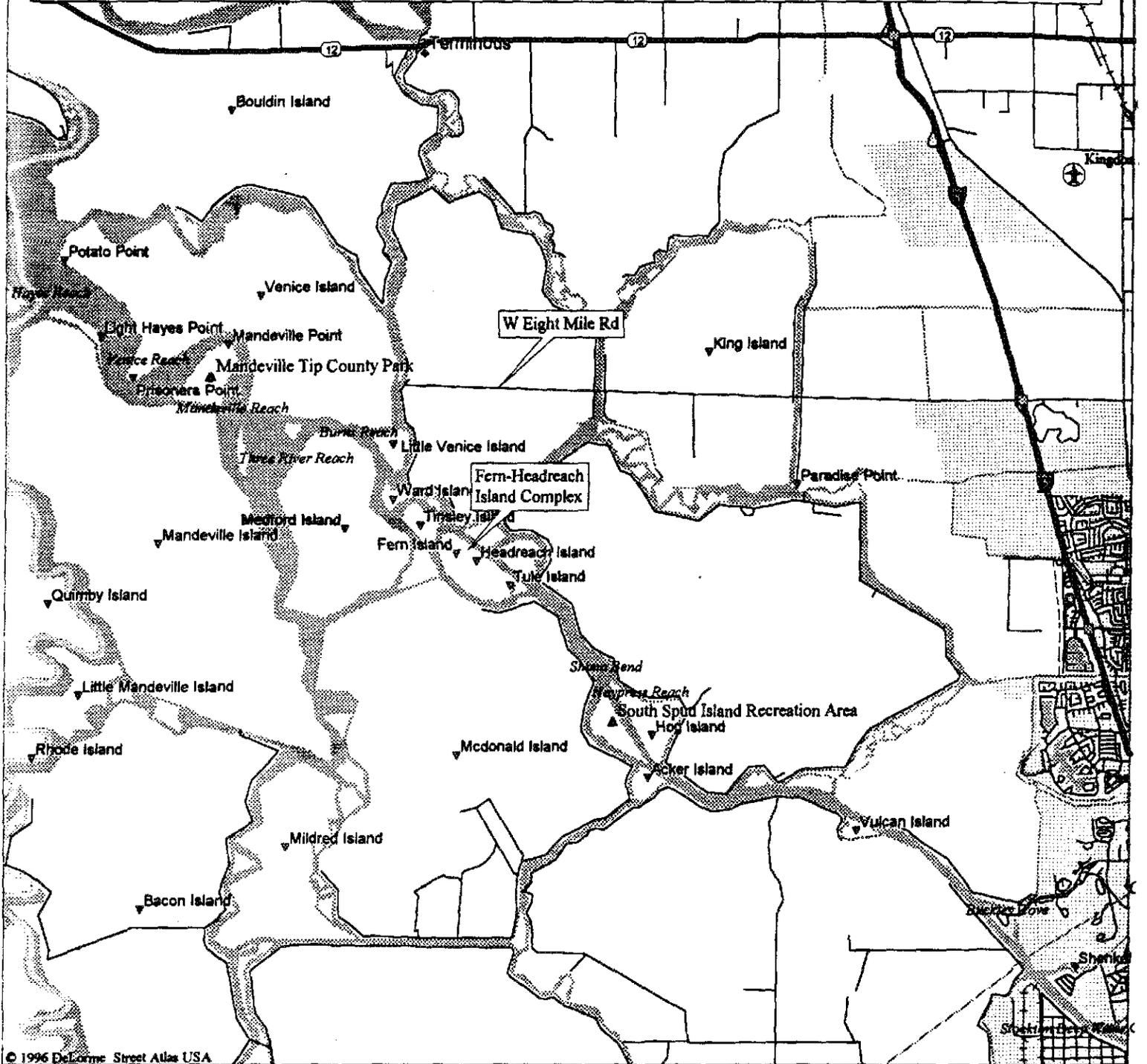
The Fern-Headreach Island Complex is located in San Joaquin County along the main channel of the San Joaquin River in the heart of the Sacramento-San Joaquin Delta (Figure 3). Situated at the intersection of the San Joaquin River and Columbia Cut, and managed over the past decade or so for agriculture and seasonal wetland habitat, this 168 acre Complex currently provides a unique, timely and cost effective opportunity to help achieve numerous conservation goals in the Delta including increasing shaded riverine aquatic (SRA) habitat; increasing and enhancing tidally influenced shallow water habitat; providing escape cover and rearing habitat for sensitive aquatic resources, including listed species; and for carrying out critically needed research activities.

Expected Benefits

Target habitats associated with this proposal are:

- ▶ **Shaded Riverine Aquatic (SRA)** - 3,000 linear feet will be added to the channel side of the island, which is currently in blackberry and Arundo. 3,000 linear feet will also be added to the inside of the levee along the main channel side of the Complex, which will be maintained under tidal influence. In addition, existing riparian habitat along the inside of the western and northern portions of Complex's levee will shade tidally

Location of Fern-Headreach Island



© 1996 DeLorme Street Atlas USA

Mag 12.00
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 Scale 1:100,000 (at center)
 2 Miles
 2 KM

- | | |
|------------------------------|---------------------|
| — Secondary SR/Road/Hwy Ramp | ◆ Locale |
| — Primary State Route | ✈ Public Airport |
| — Interstate/Limited Access | ⬇ Exit |
| - - - Utility/Pipe | ⬆ Population Center |
| + + + Railroad | ⬆ County Boundary |
| ◆ Small Town | Land |
| ▼ Geographic Feature | Water |
| ▲ Park/Reservation | — River/Canal |

Figure 3A

influenced habitat rather than the seasonal habitat that it buffered in past years. Naturally developing riparian habitat within the interior portion of the Complex around the smaller sub-islands that exist will also shade tidal perennial aquatic habitat.

- ▶ **Tidal perennial aquatic (freshwater)** - Approximately 150 acres of this habitat type has been formed through the minor breaches that occurred this past winter. If this proposal is not approved, the breaches will be repaired, and this tidal habitat will be converted back to its previous condition. The average depth of this habitat is under 10 feet.
- ▶ **Mid-Channel Islands and Shoals** - As proposed, this project would result in an ecological complex, a large portion of which would function biologically as a mid-channel island, with riparian vegetation associated with tidal perennial aquatic vegetation.

Each of these habitats will be significantly increased and/or enhanced by the project. Enhancement of targeted habitats will result in enhancement of sensitive species as well. Species that would benefit from the project include San Joaquin River and east-side tributary fall run chinook salmon, Delta smelt, Splittail and many species of migratory birds. Other benefits include:

- ▶ For the cost of developing the 3,000 linear feet of SRA habitat, the State or other approved entity will receive fee title to the entire 168 acres of high quality habitat comprising the Fern-Headreach Complex.
- ▶ The Corps of Engineers has maintenance responsibility for that portion of the levee adjacent to the main channel of the San Joaquin River, ensuring that channel side of the Complex will receive continuing protection along its portion that is most subject to erosion. This is the levee that will benefit from the creation of new SRA habitat.
- ▶ The previous deposition of spoils on the interior portion of the Complex has resulted in the establishment of three smaller islands, further enhancing the diversity of habitats at the site. This is particularly significant, because these areas increase the amount of tidally influenced shallow water habitat available. This habitat is considered extremely important for the conservation of endangered fish and other sensitive aquatic resources. In addition, over time, SRA habitat will also form around these "sub-islands". This process has already started in some locations.
- ▶ One of the primary identified research needs in the Delta is to assess the effects of increasing tidally influenced shallow water habitats. Surveys conducted at Venice Tip, an engineered habitat restoration effort, identified significant use by sensitive aquatic

resources. Because samples are routinely collected by the Department of Fish and Game and the U.S. Fish and Wildlife Service in the immediate area (e.g., around Columbia Cut), significant baseline information currently exists for the immediate area. This provides a unique opportunity to assess the value of providing additional shallow water habitats not only here, but in other areas of the Delta.

- ▶ Because there is no cost or mitigation burden to the State or other approved entity from the transfer of fee title over the great majority of the property (everything except the created SRA habitat), the site could be "banked" and utilized to meet any future CALFED mitigation needs.
- ▶ Public ownership of the property could be identified as part of the State's contribution toward implementing the San Joaquin County HCP. This has significant public relations as well as conservation value. In addition, enhancement of SRA habitat would support State Levee Subventions Program goals and objectives, as well as those of CALFED.

Background and Biological/Technical Justification

The proposed project is specifically aimed at taking advantage of the current biological situation at the Fern-Headreach Island Complex and improving on it to enhance numerous habitats and species resources that have been identified as being critical to the CALFED process. The current situation provides a unique opportunity to bring into public ownership, a highly valuable ecological complex at the present, "going rate", for enhancing SRA habitat. Extensive past experience at Medford Island for SB 34, Wetland Reserve and Mitigation Bank restoration projects will be utilized to ensure success of this project. The alternative is to close the existing levee breaches and return the Complex to a form more closely resembling its lower quality seasonal wetland and agricultural past.

Proposed Scope of Work

Upon approval of this project, work would begin in August/September of 1997 and proceed along the following task schedule:

Task 1. Site Preparation

This Task will involve the hand and mechanical removal of existing blackberry and Arundo vegetation along 3,000 linear feet of levee in August and September 1997. The site will then be treated with herbicides during the winter of 1997 and early spring of 1998.

Task 2. Planting and maintenance of SRA Vegetation

Based on a planting plan developed in conjunction with, and approved by CALFED, initial plantings will be made in spring of 1998. To the extent possible, cuttings and or seedlings from the project site or nearby Medford Island will be used. Irrigation and weed control will be provided as required throughout the summer and fall of 1998. As required to ensure plant establishment, irrigation and other maintenance activities will be provided again in subsequent years (from 3-5 years) until plants have become established. Irrigation and maintenance requirements will be different for the different species represented.

Task 3. Performance Monitoring

A performance monitoring plan approved by CALFED or other designated entity will be developed. The plan will be carried out over the 3-5 year performance monitoring period and will involve the establishment of photo-monitoring stations and minimum success thresholds for the different key species represented. The plan will be based on approved plans from previous restoration activities on Medford Island. Annual reports will be provided to CALFED documenting the status of the project pursuant to the performance monitoring plan and appropriate actions will be identified if needed.

Once the restoration work has been completed and payment has been made, the applicant will transfer title of the property to the State of California or other entity approved by CALFED.

Implementability

Because this is a landowner proposed project, its implementability is virtually assured. The landowner has significant past experience in restoration projects on Medford Island, where over 400 acres are currently under SB 34 and federal wetland reserve programs. Implementation of the project will be further assured through close coordination with the Corps of Engineers and Department of Fish and Game.

COSTS

Implementation of this project provides a unique opportunity to preserve and enhance an extremely valuable ecological complex in the Sacramento-San Joaquin Delta. As mentioned previously in this proposal, for the cost of creating 3,000 feet of SRA habitat, the landowner is willing to dedicate fee title of the entire acreage to the State or other appropriate entity as determined by CALFED. If this proposal is not acted upon this year, the existing breaches in the Fern-Headreach Island Complex levee, that make this project so attractive, will be repaired, and the opportunity will be lost. The following breakdown identifies the costs of restoring and monitoring 3,000 linear feet of SRA habitat. At an estimated \$300 per linear foot, that cost totals \$900,000. While it is not the preference of the landowner, such a cost could be allocated over two budgeting cycles resulting in the establishment 1,500 linear feet

of SRA habitat for each phase.

Project Task	Direct Labor Hours	Direct Salary Costs	Overhead Labor (General, Admin. and Fee	Material Acquisition Costs	Miscellaneous and other Direct Costs	Total Cost
Task 1	800	48,000	15,840	50,000	150,000	263,840
Task 2	2,500	150,000	49,500	150,000	163,780	513,280
Task 3	600	36,000	11,880	25,000	50,000	122,880
Total						\$ 900,000

Management/Maintenance Option

One of the primary issues associated with considering projects in the Sacramento-San Joaquin Delta is that of levee management and maintenance. In the case of the Fern-Headreach Island Complex, the value of maintaining the levee's, and at what level, are biological questions that remain to be answered by the resource agencies. If for example, the greatest ultimate value is in providing tidally influenced shallow water habitat, an argument could be made that the very gradual degradation of the west levee of the complex over the long-term (e.g., through not shoring up current or future breaches, etc.) might actually enhance the biological value of the tidal habitat area. Because of the Corps' responsibility for maintenance of the channel (east) side levee of the complex, the area to the west would always have considerable protection from major boat traffic and other contributing causes of levee failure.

Recognizing that the answers to these questions have yet to be more fully considered and resolved, and that provision for some level of levee maintenance, even if only for addressing catastrophic events (IE., a major levee breach from a single storm event), we propose the following:

1. That an initial endowment in the amount of \$200,000 be established to provide for levee maintenance needs as determined by the Department of Fish and Game, assuming that the landowner will be the Department or other entity approved by the Department.
2. That the endowment be established either as part of this proposed SRA/fee title transfer project or within a reasonable time (e.g., 180 days) thereafter, and that the endowment be held by a third party not-for-profit organization such as the

Center for Natural Lands Management (CNLM). This will ensure the greatest annual management income for the complex.

3. That any required maintenance work be carried out by Reclamation District 2041 (Medford Island) .

It is estimated that an endowment amount of \$200,000 will produce between \$15,000 and \$20,000 in annual interest revenue available for maintenance activities. Because it is not expected that these funds will be used every year, they will be allowed to accumulate over time, thereby establishing a significant account of available cash should a catastrophic event or other management need occur.

Under this proposed management/maintenance option, we could set up the endowment (if included as part of the project cost), or it can be set up separately by CALFED (if established after transfer of fee title). If set up under the guise of this project, the total project cost would be increased to \$1,100,000.

Schedule Milestones

The schedule for completing the project tasks is identified in the task descriptions above. A payment schedule would be agreed upon as part of the contract signature process.

Third Party Impacts

There are no known third party impacts associated with this project.

APPLICANT QUALIFICATIONS

The applicant will conduct all project activities utilizing his existing human and equipment resources at Medford Island. The applicant has a proven track record of successful riparian and wetland restoration projects on Medford Island, including over 400 acres in SB 34 and federal Wetland Reserve projects, as well as mitigation bank restoration activities. Close coordination will occur between the landowner and all appropriate local, state and federal agencies, in particular, the Corps of Engineers and Department of Fish and Game.

COMPLIANCE WITH STANDARD TERMS AND CONDITIONS

The applicant agrees to comply with all applicable terms and conditions as set forth in the RFP. At this stage of proposal submittal, the two forms applicable to this proposal are form 8 (Nondiscrimination Compliance Statement) and form 12 (Small Business Preference). Since there are no contracts proposed to be let under this proposal, the nondiscrimination

compliance statement which applies to contracts, is not attached. Form 12 is attached to this proposal.