

10,000 Acre Vineyard Conversion in Two Counties

Giant conversion proposal looms over North Coast timberlands 10,000 More Acres of Grapes?

by Jennifer Poole

Everybody's -- and I mean everybody -- is talking about "10,000 acres of grapes," Coastal Forestlands' nightmarish fantasy of a money-making scheme that was splashed all over the front page of Saturday's Press Democrat. The 10,000 acres of new vineyards would be installed on a large, somewhat rectangular parcel of timberland, roughly 7 miles wide and 20 miles long, that runs north-south about 7-14 miles from the coast, straddling the Mendocino-Sonoma County border from the northern Sonoma County town of Annapolis all the way to Mountain View Road in southwestern Mendocino County.

There certainly is much to discuss. But, first, the real news: Late Monday afternoon, the California Department of Forestry issued a report that shows that timber inventory on the 64,000-acre property where these grapes would be planted is indeed far lower than claimed. "The numbers say what we've all suspected," said Steve Smith, forestry advisor to the Mendocino County Forest Council. "The stocking is not there; the growth isn't there; and they just don't have the trees out there anymore. They've cut into their growing stock." The new report shows a current inventory averaging 4,000 board feet per acre of conifers, substantially less than what should be there, and only 1,092.7 board feet per acre of redwoods, by far the most valuable timber. The Option A plan, the so-called long-term timber management plan for the property conditionally approved by CDF last year, showed there should be an average inventory of 6,840 board feet per acre by now. The inventory actually discovered on the ground, the report said, is "substantially lower than industry norms for the region and well below the productive capacity of the land."

Most importantly, the new figures are less than two-fifths of what is claimed in the prospectus for a stock deal that the new owner of the property is trying to put together. In the prospectus for its proposed \$315 million initial public offering, the Strategic Timber Trust (STT) investment company claims an average timber inventory of more than 10,000 board feet per acre on what they call their "Coastal Forest." (If you're wondering what happened to Pioneer Resources, identified as the Coastal Forest's owner in the PD story, a couple of months after buying the property from Coastal Forestlands in July 1998, Pioneer "sold" itself and all of its holdings to STT, for \$35 million in cash and the promise of more after the stock deal is done.) Comments from CDF in April to the Securities and Exchange Commission, where the prospectus is currently under review, forced STT to revise downwards its projected harvest from the Coastal Forest this year from 34 million board feet to 9 million.

However, in return, they jacked up the planned cut from their second piece of North Coast forestland, the Commander Tract, which is located entirely inside the Mendocino National Forest, from 30 million board feet this year to 47 million board feet. The total inventory for the Coastal Forest claimed in the amended prospectus did not change from the original 856 million board feet. This despite CDF's April 15 letter to the SEC

pointing out that, based on the Option A figures, there were only 580 million board feet of "merchantable timber" on the property. We'll see what this new CDF report will do to the next amendment's inventory claims.

Perhaps the most telling number in the new analysis is the percentage found of fast-growing tanoaks, which take over after conifers are logged too heavily. In the Option A plan, tanoaks were listed as occupying 40 percent of the property, which was bad enough. According to the new report, tanoaks now make up 56.6 percent of the Coastal Forest. Well, why not let them plant grapes, then, if most of the valuable trees are gone? First of all, it's against the law. The 1973 Forest Practice Act, under which timber harvesting is conducted in the state of California, requires long-term sustained production of forest products. Supposedly, Coastal Forestlands' harvests have been done with that in mind. And timber harvest plans are supposed to be approved by CDF with that law in mind. Granting permission to plant grapes on hillsides that should be growing our native redwoods and Douglas fir would be an admission of the utter failure of that Forest Practice Act.

Coastal Forestlands must not be rewarded for practicing depletion logging, most particularly not under the guise of "environmental sensitivity" and conservation easements, as glowingly described in Saturday's Press Democrat article. Any logger will tell you that growing grapes on steep hills creates far more erosion than timber harvesting. Most loggers will tell you that praising Coastal Forestlands for its environmental sensitivity is laughable. One local forester who works for private timberland owners said CFL's shoddy forest practices have "caused more problems for the people that do good forestry" than anything else he knows. Indeed, he said, CFL's logging in the Garcia watershed resulted in the sediment problem that has made the Garcia No. 1 on the list of "impaired rivers" under the new federal "Total Maximum Daily Load" sediment regulations.

The very idea of not only clearcutting the trees, but then grubbing out the redwood "grandfather roots" with bulldozers and poisoning the soil to catch any persistent redwood sprouts is abhorrent. The one good thing people say about Coastal Forestlands' environmental record in the timber industry is that owner Rich Padula didn't hold with using forestry herbicides. Conventional grape growers use methyl bromide, "a highly toxic fumigant," according to a story in Tuesday's Press Democrat, "to prepare farmland for new vineyards by ridding the soil of insects, mites, rodents and weeds." A federal ban on the fumigant does not take effect until 2005. We'll see how Padula plans to deal with herbicide and pesticide use in the grape industry. As a matter of fact, "we'll see" about most of Padula's plans, because none of them have yet been disclosed to any of the regulatory agencies we talked to.

Strategic Timber Trust was reportedly as surprised by the PD story as anybody else, and one attorney said Padula had in fact not yet exercised his option -- which is disclosed in the prospectus -- of buying back 10,000 acres of Coastal Forest property from STT for \$2,000 an acre. It's too bad, too, because that \$20 million would come in handy for STT right now. In the latest prospectus amendment, filed May 18, STT disclosed that it recently had to sell a piece of property back to one of its original investors to get enough cash to make a payment on the almost half-a-billion dollars it borrowed to cobble

together this deal. STT was originally hoping to go public with its stock offering in mid-April. That \$20 million doesn't include the value of the standing timber on the 10,000 acres. But harvesting timber does, of course, require permission from CDF, as does converting timberland to other commercial uses. CDF staffers in both Mendocino and Sonoma counties in charge of applications for timberland conversion say they have heard nothing from CFL about any plans to plant grapes on 10,000 acres of timberland. Several high-up CDF sources suggest it's unlikely that CDF will approve any new timber harvest plans at all this year for the Coastal Forest's already badly blitzed property.

Dean Lucke, CDF's assistant deputy director for Forest Practices out of Santa Rosa, also said he knew only what he'd read in the paper. He did comment about CDF's general attitude toward timberland conversions: "We don't like to see the timberland base eroded," he said. "We would be looking at that very carefully, whether that much timberland should be taken out of production." Lucke also commented on Coastal Forestland's quoted intent to submit a timber harvest plan in "two or three months." "He can submit all the THPs he wants," Lucke said, "but as far as us approving any THPs, that comes after the conversion is approved."

Under the law, the Board of Forestry approves conversion permits, but generally delegates the task to the CDF director or other staff. Of course, the conversion permits granted to date have been much, much smaller, in the 200- to 300-acre range at most. With a project this big, it's hard to believe the forestry board wouldn't want to weigh in. That would be difficult now, since there are five empty seats on the nine-member board. The Board of Forestry hasn't even been meeting in recent months, due to lack of a quorum, but the latest word is that at least some appointments can be expected very soon. Other agencies which would be involved with regulating such a project would include the National Marine Fisheries Service, the North Coast Regional Water Quality Board, and state Fish & Game and U.S. Fish & Wildlife.

According to Ken Hoffman of the Arcata Fish & Wildlife office, every THP approved in the state of California has to avoid so-called "incidental take" of species listed on both the state and the federal endangered species lists. If this project can't prove that it won't "take" or harm any endangered species, it has to get a permit for "incidental take" of species by writing a Habitat Conservation Plan, a lengthy process. Other sources seemed to take it as a matter of course that Coastal Forestlands would be required to write a full EIR (environmental impact report) for the project.

In regard to habitat, as Mark Green of the 8,000-member Sonoma County Conservation Action group put it: "I can tell you that stripping 10,000 acres of wildlife habitat in the coastal mountains to put in grapes is an issue that we would take very, very seriously." Water was never mentioned in the PD story, but water is a very serious issue here. As already mentioned, the Garcia River has been designated "impaired" from sediment; so has the Gualala River, which also runs through this property. In addition to worries about silting up the rivers and streams by carving away the natural forest cover, critics also wonder where the irrigation water will come from. Clean water, as everyone knows, is scarce and becoming scarcer, as well as more and more valuable. Grape farmers also sometimes draw water from nearby creeks and rivers to store in giant ponds for frost protection, although these grapes may be planned for areas that don't ever freeze.

In theory, the Mendocino and Sonoma county boards of supervisors also have a strong say in whether chunks of timberland can be changed from timberland production zoning (TPZ) to another kind of commercial use. Any vote to allow such a zoning change must be approved by four out of five of the board members. However, according to Mendocino County head planner Allan Falleri, Mendocino's rules have a "grape loophole" big enough to drive a logging truck through. Perhaps 40 years ago, Falleri said, Mendocino County amended its TPZ ordinance to include grape growing as a "compatible use" with timber production. This made sense on a small scale -- every chunk of timberland has areas that never grew trees or were logged into rangeland or orchards decades ago. This exemption was not intended to apply on the grand scale, to 10,000 acres of grapes, but evidently, it does. Falleri said state CDF does not agree that grape farming is compatible with timber production, in the legal sense. "There's a conflict in the way we interpret our laws," he said, "with what the state says it allows, and what we say is allowed."

One controversial conversion in Laytonville not too long ago, Falleri said, resulted in a "heated debate" between Board of Forestry staffers and the county planning department. Although blocking a timberland conversion permit would require only two votes on the Board of Supervisors, amending the ordinance would take the regular majority block of three votes. Supervisor David Colfax said unhesitatingly the day the PD story came out that he would vote against any such huge conversion -- once he was convinced the story, which had been e-mailed to him in text form, wasn't a prank. Colfax also said he was sure of his second vote. A third vote, though? We'll see.

One hopeful sign is that respected local timber industry leader Art Harwood said he is "fundamentally opposed to turning timberland into vineyard land," when asked about this project on Monday. The Harwood Products mill is in Branscomb, in Third District Supervisor Tom Lucier's district, and Supervisor Lucier appointed Jim Little, who works for the Harwoods, as his planning commissioner. "Having said that," Harwood continued, amending his immediate negative response to the idea, "I would say that when you look at large tracts of timber, such as the former Coastal Forest timberlands, there certainly is part of that tract that may be marginal timber-growing ground or may not even grow timber." Harwood said he "could be convinced" that "turning that type of ground into vineyards perhaps does make some sense." However, he said, there would be some environmental issues to be addressed first. "They have to do with the state of our fisheries," he said. "One is, can you convert this to vineyards and keep the soil on the vineyards and not in the streams? The vineyard industry has a dismal record on this. Secondly, there is the question of where you're going to get the water to irrigate the vineyards. If it's sucking water out of the streams, I really question that."

Local winegrowers have not yet gone on the record over Padula's plans, but the off-the-record buzz is not positive. "Isn't that the guy who cut all the trees?" one wine industry professional asked. "Those are exactly the wrong kind of guys to try and develop a really tough property," with "extremely fragile and very erodable slopes. It would take somebody really experienced." Mendocino County does not yet have a grading ordinance regulating planting vineyards on slopes, like the one recently passed in Sonoma County, but a project like this can do nothing but hasten its coming, and winegrowers know it.

Right now, Mendocino has no more than 15,000 acres of grapes in the whole county; even if the project is planned to be phased in over 10 or 20 years, as claimed in the PD story, it would still be a massive increase. Perhaps grape prices will have plummeted in 20 years; perhaps it'll turn out that some country in South America with even cheaper labor makes the best grapes ever, and nobody will want to pay high prices for North Coast grapes anymore.

What happens then? Rumor has it that Padula has had the certificates of compliance which will allow him to build rural subdivisions on this property, despite any zoning or General Plan regulations, in his back pocket for years. It's up to the citizens of Mendocino and Sonoma counties to see to it that our forests, as badly cut-over as they may be, remain forests and are given a chance to recover. As county forester Steve Smith said: "Conversion is permanent -- it's a one-way trip."

The Anderson Valley Advertiser
707-895-3016
Vol. 47, No. 21
May 26, 1999
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