



# SPROUL TROST

REAL ESTATE & CORPORATE  
ATTORNEYS AT LAW

A LIMITED LIABILITY PARTNERSHIP

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March 21, 2011

Alfred M. Pollard, General Counsel  
**ATTN: Comments/RIN 2590-AA41**  
Federal Housing Finance Agency  
1700 G Street, N.W.  
Washington, DC 20552

*Sent via email to: [RegComments@fhfa.gov](mailto:RegComments@fhfa.gov)*

***Re: Comments on Proposed FHFA Regulation Restricting Permissible Real Estate Private Transfer Fee Covenant (adding a new Part "B" to Chapter XII of Title 12 of the Code of Federal Regulations).***

Dear Mr. Pollard:

I am a California attorney who is currently serving as the State Bar Real Property Law Section Co-Chair of the Section's Subsection on Common Interest Developments. In my practice, I represent developers of common interest developments (condominiums, planned unit developments, and resort communities). The lots, condominium units and common areas in some of those developments (particularly resort and large master planned developments) are subject to private transfer fee covenants. I am sending the Federal Housing Finance Agency ("FHEA") these comments regarding the proposed FHEA transfer fee regulations not in any official capacity on behalf of the State Bar of California, but rather as a lawyer who specializes in legal issues related to California real estate developments.

No common interest developments represented by this office are burdened by private transfer fee covenants that identify the developer or any affiliate of the developer as the beneficiary-recipient of transfer fee revenues. Also, due to the prohibitions imposed by California Civil Code section 1368(c), the transfer fee covenants in the client communities do not identify the development's association of property owners as the beneficiary/recipient of

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covenant revenues<sup>1</sup>. Instead, the transfer fees, which are typically fixed at a half of a percent or a quarter of a percent of each covered residential purchase and sale transaction (with a number of transfer transactions being exempted), are payable to a nonprofit 501(c)(3) or 501(c)(4) entity whose stated purposes include open space management or restoration, habitat preservation, open space acquisition, or the provision of affordable housing or housing assistance.

If the FHFA proposed Regulations are adopted in their proposed form and content the interplay of the Regulation's "direct benefit" requirements and permitted beneficiary limitations, on the one hand, and California's prohibition on receipt of transfer fees by owner associations or community service organizations, on the other, leaves very few transfer fee covenants that will be viable in the California's troubled residential real estate market. In the opinion of the undersigned, that would be an unfortunate outcome that would eliminate many very valuable and beneficial transfer fee covenants which enhance, rather than detract, from the market value of the residential properties to which the covenant pertains.

***Comments and Recommendations:***

Here are my comments and recommendations on the proposed FHFA Regulations concerning real estate transfer fee covenants:

1. Eligible Recipient Entities. I support the FHFA's position that real estate transfer fee covenants are unreasonable and should not be permitted when the designated recipient of the fee revenue is the developer entity or an affiliate of the developer entity. Some commentators have supported fee covenants structured in this manner as a means of enabling a developer to recoup capital investments in costly infrastructure or to encourage developers to undertake worthy real estate development projects that have a marginal projected return on invested capital. However there is no guarantee that the fee revenues received by the developer will have any rational relation to those risk factors or any tangible long-term benefit to future owners of the burdened properties.

I also support the Agency's position that transfer fees should be used solely for purposes that confer a substantial direct benefit on the community whose properties are encumbered by the transfer fee obligation. Where I diverge from the FHFA's position is with respect to the

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<sup>1</sup> Generally speaking, Civil Code section 1368(c) prohibits owner associations and "community service organizations," as defined, from receiving fees in connection with the transfer of title to property in a common interest development. For purposes of the statute, a "community service organization" means an nonprofit organization that is not an owners association but which is organized to provide services to the residents of a common interest development or to the public to the extent that common facilities of the development are open to access and use by the public. Excluded from the definition of community service organizations are charitable organizations that are organized solely to raise money and to contribute to other charitable organizations that provide housing or housing assistance. Civil Code section 1368 does not apply to subdivisions that are not common interest developments (i.e., no owner association and no common area property), whereas the proposed FHEA Regulations would apply to transfer fee covenants imposed on real property located in a standard subdivision.

proposed Regulation's definition of "direct benefit" and the Regulation's definition of what "covered associations" and what "communities" are eligible recipients of transfer fees.

(a) Covered Associations. The proposed Regulations define "covered associations" to include owner associations and "an organization described in section 501(c)(3) or 501(c)(4) of the Internal Revenue Code". While I support the inclusion of nonprofit entities (in the definition of "covered associations") that are not owner associations as eligible transfer fee recipients, merely referring to 501(c)(3) or 501(c)(4) entities is overbroad. Those two categories of tax exempt organizations encompass many organizations whose charitable activities have little or no relation to any possible benefit on properties encumbered by transfer fee covenants. That over breadth is resolved in some respects by the proposed Regulation's definition of "direct benefit," however why not say (in this definition) that in order to be a "covered association" a nonprofit organization that is not an owners' association must be an entity that is described in section 501(c)(3) or 501(c)(4) of the Internal Revenue Code and which is formed for charitable or social welfare purposes that can provide a direct benefit (as defined in the Regulation) to the property that is encumbered by the private transfer fee covenant or to the community in which the encumbered property is located.

Insofar as covered 501(c)(3) and 501(c)(4) organizations are concerned, the proposed Regulations ought to clearly state that the nonprofit entity can have a specific mission or purpose that extends beyond activities and programs that provide a direct benefit to properties burdened by a fee covenant or adjacent or contiguous properties (all as defined), so long as any transfer fee covenant identifying the organization as a beneficiary recipient of transfer fee revenues requires the recipient organization to segregate those revenues in trust so as to be applied only for direct benefit activities and purposes (similar to donor directed, funds administered by nonprofit community foundations).

(b) Direct Benefit. In the first sentence of the definition of "direct benefit", the word "exclusively" is too limiting ("activities that exclusively benefit the real property encumbered by the private transfer fee covenants"). In addition to eliminating the word "exclusively" or perhaps replacing that word with a word such as "primarily" or "principally," I would recommend adding this phrase at the end of the first sentence of the direct benefit definition: "and/or adjacent or contiguous property."

2. The Definition of "Adjacent or Contiguous Property." There are several problems with current text of this defined term:

(a) The current one sentence definition tries to encompass too many concepts and to include too many limitations. The result is an ambiguous term. For example:

- Does "adjacent or contiguous property" also have to be encumbered with a transfer fee covenant or can it simply be property in reasonable proximity to the encumbered property that is owned or managed by an eligible nonprofit entity that has a mission and purpose that confers a direct benefit on the property encumbered by the transfer fee covenant?

- In the definition of “adjacent or contiguous property” what does “similarly encumbered property” mean? Does that phrase require that the property that is not encumbered by the transfer free covenant that is being considered for mortgage eligibility by one of the Regulated Entities must be encumbered by a transfer fee covenant that identifies the same charitable recipients and which imposes the same transfer fee percentage?

- What is the word “community” intended to mean in the context of this definition? This is a very important question and perhaps it is a term that requires different definitions based on regional population or number of cities or residents in the community in much the way the U.S. Census Bureau defines Metropolitan Statistical Areas and Core Based Statistical Areas, the latter being a collective term for both metropolitan and micropolitan areas. A metropolitan statistical area in Census Bureau parlance contains a core urban area of 50,000 or more population (further subdivided into metropolitan divisions in metropolitan areas of 2.5 million population or more, and a micropolitan area containing an urban core of at least one urban cluster of 10,000 (but less than 50,000) population, but less than 50,000 population, plus adjacent territory that has a high degree of social and economic integration with the core<sup>2</sup>.

The Census Bureau added these new classifications and sub-classifications of communities in recognition that their analysis of census data had to be more precise than previously anticipated: “In the case of metropolitan statistical areas that contain metropolitan divisions, in this analysis we examine only the metropolitan divisions and not the larger metropolitan statistical areas themselves. This more closely replicates previous analyses using 1990 metropolitan area standards that calculated housing pattern indexes for PMSAs and not for CMSAs. In total, we therefore compute indexes for 380 metropolitan areas and metropolitan divisions.” (*The Effects of Using Newly Defined Metropolitan Area Boundaries When Examining Residential Housing Patterns*, U.S. Census Bureau.) Admittedly, the data the U.S. Census is interested in examining is not the same as the FHFA’s concern with identifying a “direct benefit” nexus between transfer fee covenant revenues and the benefits and values to be derived from those fees by burdened properties, but the underlying reality remains the same, namely that one size does not fit all in measuring and defining significant and discernable benefits and cultural values among large and small communities and communities that have a discernable identity in a larger metropolitan context (i.e., metropolitan divisions such as Playa Vista in Los Angeles – see discussion of Playa Vista, below).

How to properly and fairly define the term “community” in the proposed FHFA transfer fee Regulations is of critical importance. For example, a transfer fee covenant on a subdivision in the County of Los Angeles perhaps should not be drafted so as to identify as a beneficiary organization an entity that has a mission devoted solely to a charitable undertaking in some city within the County of Los Angeles that is outside of the boundaries of the city or immediate

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<sup>2</sup> Each metropolitan or micropolitan area in the Census Bureau lexicon consists of one or more counties and includes the counties containing the core urban area, as well as any adjacent counties that have a high degree of social and economic integration (as measured by commuting to work) with the urban core. The Census Bureau makes these distinctions between metro and micro areas.

micro neighborhood in which the burdened property is located. However, in a smaller community, such as the Truckee/Martis Valley area of California, straddling both Nevada and Placer Counties, in which there is only one major town (Truckee), an argument can be made that the “community” should be permitted to encompass all lands included in the Martis Valley Community Plan (a Placer County planning document) and the Town of Truckee Sphere of Influence (a Nevada County planning document).<sup>3</sup> In the past fifteen years or so, the Town of Truckee has undergone significant development that could potentially irrevocably alter the historic character of the region or adversely impact local natural resources or cultural values extending beyond the Town limits.

Still another California example that demonstrates the need for considerable refinement and nuance in the proposed Regulation’s use and definition<sup>4</sup> of the term “community,” is the area of the City Los Angeles known as Playa Vista which has its own zip code and is often described as a “city within a city.” Playa Vista is a sprawling, yet definable, community located on 1,087 acres in the western area of Los Angeles near the Los Angeles International Airport. Adjacent to

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<sup>3</sup> The population of the Town of Truckee is approximately 16,500 residents and the Truckee Sphere of Influence is defined in the Nevada County General Plan as including approximately 700 acres to the west and 1,700 acres to the east of the Town limits, and a small area north of the Town limits along Prosser Creek. The Martis Valley Community Plan describes the plan area in Placer County as follows: “The Martis Valley consists of an area of land that is approximately 70 square miles near the Town of Truckee in the central Sierra Nevada Mountains. The Martis Valley is located in both Nevada and Placer Counties, encompassing approximately 44,800 total acres. Within Placer County, however, Martis Valley consists of approximately 25,570 acres, or roughly 57 percent of the total acreage of the Valley.”

The Martis Valley Community Plan includes a vision statement that emphasizes the totally integrated nature of the Truckee/Martis Valley region: “The Martis Valley is an important region of the Sierra Nevada and Tahoe area. The geographic area falls within Placer and Nevada Counties as well as within the Town of Truckee’s incorporated limits. It is recognized herein that although this Plan addresses the Placer County portion of the valley, it has been prepared in a way that recognizes that the portions of the area contained within other jurisdictions affect and are affected by everything that occurs within the valley. The Placer County portion of the Martis Valley is a part of a larger region, and is not a separate distinct community. The Martis Valley will continue to provide a range of services and facilities which create opportunities for people to live, work, and play in the Sierras. The urban core of Martis Valley is the Town of Truckee. Outlying areas will continue to support and be supported by the services found within the Town. The Placer County portion of the Valley will provide expanded and enhanced opportunities for summer and winter recreation, first home, second home, and to a lesser degree, workforce housing. Improved transportation facilities will both relieve longstanding traffic congestion and increase capacity of the area’s circulation system. Continued expansion of the airport will provide alternative means for some to get to the region.

<sup>4</sup> Currently “community” is not further defined in the proposed Regulation. I am suggesting that the FHFA should consider adding “community” as a defined term, perhaps with distinctions between highly populated metropolitan areas, master planned communities within large metropolitan areas and rural communities and their immediately surrounding environs, similar to the distinctions recognized by the U.S. Census Bureau. Defining “direct benefit” and “adjacent or contiguous property” merely by the boundaries of a subdivision or by a half mile radius around the boundaries of a subdivision is a rather crude and arbitrary formula that does not recognize a local community’s own vision and appreciation of what constitutes a direct and significantly measurable benefit to that particular community.

Playa Vista is a marshland area known as the Ballona Wetlands, which was once a fertile habitat stretching across 2,000 acres of the California coastline that had been reduced to a 200-acre marsh choked with pollution and threatened by drought, neglect and urban sprawl at the time the Playa Vista development was proposed in the early 1990s. In a litigation settlement the Ballona Wetlands were preserved as marshland open space and a conservancy was established, funded by transfer fees, to maintain, restore and enhance the wetlands.

Because the Ballona Conservancy and the transfer fee that provides partial funding to the work of the Conservancy were established pursuant to a court approved settlement of litigation initiated by environmental organizations, the Playa Vista transfer fee covenant would remain viable under the proposed Regulations. However I cite the Playa Vista story here to underscore that often an environmentally significant natural resource may be adversely impacted by local development and a transfer fee can serve as an invaluable means of reducing those potentially negative impacts of development for the benefit of persons within the burdened development and surrounding communities. In the context of Playa Vista, the “community” could and perhaps should be limited to homes in the Playa Vista zip code, rather than extending to the greater City of Los Angeles or surrounding neighborhoods.

The final California example I want to address involving a residential transfer fee covenant that confers substantial benefits on a very large area of development is a transfer fee covenant that is imposed on a portion of the City of Roseville, California that comprises approximately 3200 acres and is identified as the West Roseville Specific Plan Area. The West Roseville Specific Plan Area was historically rural and agricultural in nature and was (at the time the fee covenant was imposed) undergoing significant, rapid urban development pursuant to the guidelines of the Specific Plan. As one tool in responding to and mitigating the loss of open space and recreational areas resulting from significant new urban development, the principal developers of the area (two unrelated developers) joined in recording a Community Benefit Conveyance Fee Agreement that called for a one half of one percent fee to be paid to the Placer Land Trust upon the conveyance of any residential property in the Specific Plan Area.

The West Roseville Fee Agreement described the Placer Land Trust as a tax exempt community-based private nonprofit organization dedicated to preserving lands that hold valuable natural, historic, and agricultural resources in Placer County, California. The mission of the Trust is to work with landowners and conservation partners to permanently preserve natural open spaces and agricultural lands in Placer County for future generations. To implement that mission, the Trust promulgates stewardship plans that are specific to the needs of lands or parcel areas that are given to the Trust for ownership or management pursuant to conservation easements. The Trust is steward for properties throughout Placer County; however, the West Roseville Fee Covenant identified the property to be benefited by the fee covenants as open space and vernal pool land management and preservation within Phase 1 Placer Legacy Area [the legal description of that Area identified open spaces in and around the Specific Plan area].

- “and owned by members of the same covered association.” This is another extremely limiting phrase in the definition of “adjacent and contiguous property” that should be deleted from the definition. “Covered Associations” is a term that includes nonprofit IRC

section 501(c)(3) and 501(c)(4) organizations, as well as owner associations and most nonprofit charitable and social welfare organizations have no “members” as such. Also, in each of the examples cited above, other than the West Roseville example, several community-based nonprofit organizations were identified as benefit fee recipients in the transfer fee covenants. Each of the identified organizations had a different focus or mission of that conferred a benefit on the properties burdened by the covenant and the immediately adjacent “community.”

- “in no event shall property greater than one thousand yards from the encumbered property be considered adjacent or contiguous.” In each of the examples cited in this letter, a radius limitation of approximately two-thirds of a mile from the burdened property would have been a crippling limitation on programs and intended beneficiary organizations that are conferring considerable benefits on the short and long-term quality of life elements of the property generating the fee covenant revenues.

As just one more example of the inadvisability of the 1000 yard radius limitation, I site a common interest development that is currently being planned and developed in a portion of the Town of Truckee known as Coldstream Canyon<sup>5</sup>. Coldstream Canyon is located near the eastern shoreline of Donner Lake where the Donner Party camped in the devastating winter of 1846-47. The actual route that the Donner Party survivors took to escape from Donner Lake was a meandering trail that went up Coldstream Canyon, rather than along the route presently improved as Interstate 80. The Coldstream Canyon lands and watershed above the proposed residential development are now permanent open space (owned by either the Federal Government or nonprofit organizations) and constitute a common watershed, comprised of many tributaries, that culminate in several large ponds within the Coldstream Canyon development and which eventually flow into Donner Creek and ultimately flowing in to the Truckee River.

In all, the Coldstream Canyon watershed comprises many hundreds of pristine mountain acres above, and in excess of a third of a mile from, the proposed Coldstream development. No other development is possible above the Coldstream Canyon project and yet to properly maintain, preserve and enhance the canyon watershed and the significant historical values of the Donner Party trail route, preservation efforts must extend to the top of the Canyon rim. In non-technical parlance, in the Coldstream context it is impossible to achieve meaningful watershed rehabilitated, erosion control, and environmental/open space restoration if available funding cannot extend more than 1000 yards from the bottom of the mountain. That point is emphasized in the accompanying article from the *Sierra Sun* newspaper that accompanies this letter. The *Sierra Sun* article also emphasizes how many different nonprofit and developer entities are potentially going to be involved in a concerted and unified collaboration to preserve and improve Coldstream Canyon. My informed anticipation is that the future residents of the Coldstream

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<sup>5</sup> Coldstream Canyon can be described as follows: The entrance is near the eastern tip of Donner Lake. Coldstream runs, roughly, east to southwest to the Sierra crest at Mt. Lincoln (8,383') that sits atop the Sugar Bowl ski area. The canyon has rugged, spectacular ridges mantled with ponderosa pine and fir. It has one of the deepest snowfalls in the United States.

Canyon development will recognize the relation of that preservation effort to the value and desirability of their burdened properties and would enthusiastically embrace the fact that much of the total area of vulnerable open space and watershed lands are more than half a mile from their homes.

- If the 1000 yard limitation is retained in the Regulation (even if expanded), the Regulation should clarify that the distance is to be measured from any portion of the overall development that is encumbered by the excepted transfer fee covenant, rather than being measured from the parcel that is encumbered by a mortgage that is being acquired by a Regulated Entity.

3. Absence of a Percentage Cap on Transfer Fees in the Proposed Regulations. Although the August 12, 2010 News Release of the FHFA discussing transfer fees characterized a transfer fee of one percent of the sales price of homes as being unreasonable, the currently proposed Regulation contains no stated cap on the percentage or amount of permissible transfer fees in an “excepted transfer fee covenant.” I would recommend adding a cap that cannot exceed one half of one percent of the property sales price. A percentage cap in that modest amount would rise and fall with the value of the burdened property and should have little if any effect on the property’s value or marketability.

4. Exemptions from Transfer Fee Payment Obligations. Most well-drafted transfer fee covenants imposed on California developments identify a number of transactions that are arguably sales and yet do not result in a transfer fee payment obligation. Those customary exemptions (in California) include:

(a) The transfer of an interest in a Residential Lot or Condominium to secure the performance of an obligation, such as a Mortgage or a lien, which will be reconveyed upon the completion of such performance.

(b) A transfer resulting from a foreclosure (by judicial foreclosure or trustee’s sale) by the Beneficiary of a First Mortgage, or by an association (as defined in Civil Code section 1351(a)), or by an association described in a Public Report issued by the California Department of Real Estate for the Property or any part thereof, or a transfer in lieu thereof.

(c) A transfer of a Residential Lot or Condominium by a transferor or the transferor’s spouse into a revocable intervivos trust which is an exempt transfer under California Revenue and Taxation Code Section 62(d).

(d) Any inter-spousal transfer (as defined in California Revenue and Taxation Code 63) or transfer between parents and any of their children (as defined in California Revenue and Taxation Code Section 63.1).

(e) A change in ownership where the transferee is not locally reassessed by the Office of the County Tax Assessor.

(f) Any transfer of real property to any public agency, entity or district, or any utility service provider.

(g) Any transfer of real property to an association (as defined in Section 1351(a) of the California Civil Code) as common area (as defined in Section 1351(b) of the California Civil Code).

(h) The rental or lease of a Residential Lot or Condominium that is not more than ten (10) years, including any option or renewal terms.

(i) An exchange pursuant to an exchange program as defined in California Business and Professions Code section 11212(1).

(j) Any bulk or wholesale transfer of real property from the Developer to any Affiliate of the Developer.

Although some of these common exemptions from transfer fee liability are California specific, the FHFA Regulations would be improved by incorporating similar exemptions in the proposed transfer fee Regulations in order to further address and rectify some of the abuses and inequities that the FHFA perceives in transfer fee covenants, generally.

5. Prohibition of Transfer Fees on Properties Valued Below a Stated Median Sales Price. Another potential element of a more refined Regulatory approach of the FHFA would be for the Regulations to provide that “excepted transfer fee covenants” do not include any private transfer fee covenants imposed on property that has a market value below some stated amount on the date when the transfer fee covenant is recorded or at the time when the mortgage becomes an encumbrance.

***Conclusions:***

The proposed FHFA Regulations depart from the original FHFA proposal that would have banned all transfer fee covenants, by permitting Regulated Entities to purchase and invest in mortgages and mortgage-backed securities that are on property encumbered by transfer fee covenants, if the revenues derived from those covenants flow to covered associations for the direct benefit of the encumbered property or adjacent lands within 1000 yards of the encumbered properties. Although the current proposed Regulations are viewed as a significant improvement over the August 2010 guidelines, which would have prohibited Regulated Entities from acquiring mortgages on properties encumbered with any sort of transfer fee covenant, it is respectfully suggested that the proposed Regulations remain unduly restrictive and therefore continue to exclude from the status of excepted transfer fee covenants, many transfer fee structures and programs that confer substantial direct benefits on the properties that are subject to the covenant obligations. These benefits are recognized and supported by the owners of those properties.

In short, the proposed Regulations, in their current form, will exclude many transfer fee covenants that actually enhance the value of the properties encumbered by mortgages acquired or securitized by the Regulated Entities. Insofar as what should be considered as substantial direct benefit to particular communities is concerned, the proposed Regulations are a one-size-fits-all response that will, if adopted, significantly impede recovery of the residential real estate markets in many California communities (as defined above), rather than assist in preserving and enhancing real property values.

Sincerely,

**SPROUL TROST LLP**

A handwritten signature in cursive script, appearing to read "Curtis C. Sproul", is written over the typed name. The signature is fluid and covers the text "By: Curtis C. Sproul".

By: Curtis C. Sproul

Wednesday, May 28, 2008

# FINDING A FIX FOR COLDSTREAM CANYON

**By Greyson Howard**  
**Sierra Sun Newspaper**

Truckee River Watershed Council Program Manager Beth Christman and state fluvial geomorphologist Cyndie Walck discuss the pending restoration of gravel pit ponds in Coldstream Canyon.

Surveying a fresh set of tire tracks cut deeply into the mud in Coldstream Canyon, Beth Christman and Cyndie Walck explain the challenges of working in one of Truckee's most troubled watersheds.

"We've looked at the whole Cold Creek watershed and know there are tons of problems. It's the problem child dumping tons of sediment into the Truckee river," said Christman, program manager with the Truckee River Watershed Council.

The Truckee River is considered impaired by sediment, and the Donner Basin is considered a major contributor, but Christman said within the Donner Basin, Cold Creek is really the problem.

The issue stems from a combination of the natural topography of the canyon and human interference, said Walck, a fluvial geomorphologist with California Department of Parks and Recreation.

"Coldstream is one of the most hammered watersheds I've ever been in," Walck said. "The railroad blew out a lot of the canyon, it's been logged repeatedly and mined for gravel."

The naturally steep, silty watershed originally fanned out before joining Donner Creek, giving sediment time to settle out, but that deposit was the perfect place to mine gravel for Teichert Aggregates, which years ago cut the stream into a deep, fast-moving flow, causing erosion, Christman said.

But now, as Teichert looks forward to potentially developing the old mining site, the aggregate company, the watershed council and state parks are partnering up to make some needed fixes.

Working with a \$91,500 grant from the Sierra Nevada Conservancy, the groups are tackling a eroded channel of Cold Creek and a former gravel pond further up the canyon, Christman said.

First up are ponds in Coldstream Canyon formerly used for gravel mining, and stripped of surrounding top soil, she said. Replacing that top soil this summer, they will be able to recreate riparian habitat in the watershed, Christman said.

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Lower down, a stretch of Cold Creek with sheer banks running both through Donner Memorial State Parks and Teichert's property will be targeted for flood plain widening, in an effort to slow down the water, settle out some sediment, and create additional stream-side habitat, Walck said.

## **More work in the watershed**

The Truckee River Watershed Council has also received grants for work on Negro Canyon, which empties into Donner Lake, and Prosser Creek, a popular fishing spot, said Beth Christman with the council.

Using a \$60,000 grant from the Bella Vista Foundation, the watershed council will be assessing what kind of work will be needed in the extremely eroded canyon that feeds Gregory Creek, emptying into Donner Lake, she said.

And with a \$35,000 grant from the Nature Fund, the council will be deepening the roughly 1.5-mile stretch of Prosser Creek from the dam to the Truckee River, she said.

The shallow waters currently heats up to much to be a good place for fish spawning, so the deeper channel along with additional vegetation should keep the water cooler, Christman said.

But with all the work the watershed council has done in the area, and these big projects coming up, Christman said they've just scratched the surface.

"We've basically restored one to three percent of the watershed," Christman said. "The majority of the watershed could be helped and needs help, and the vision of the watershed council is, 'let's start working on it.'"