

Lessons Learned from the Trenches: A California Habitat Manager's Perspective



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Center For Natural Lands Management
NMBC 2008



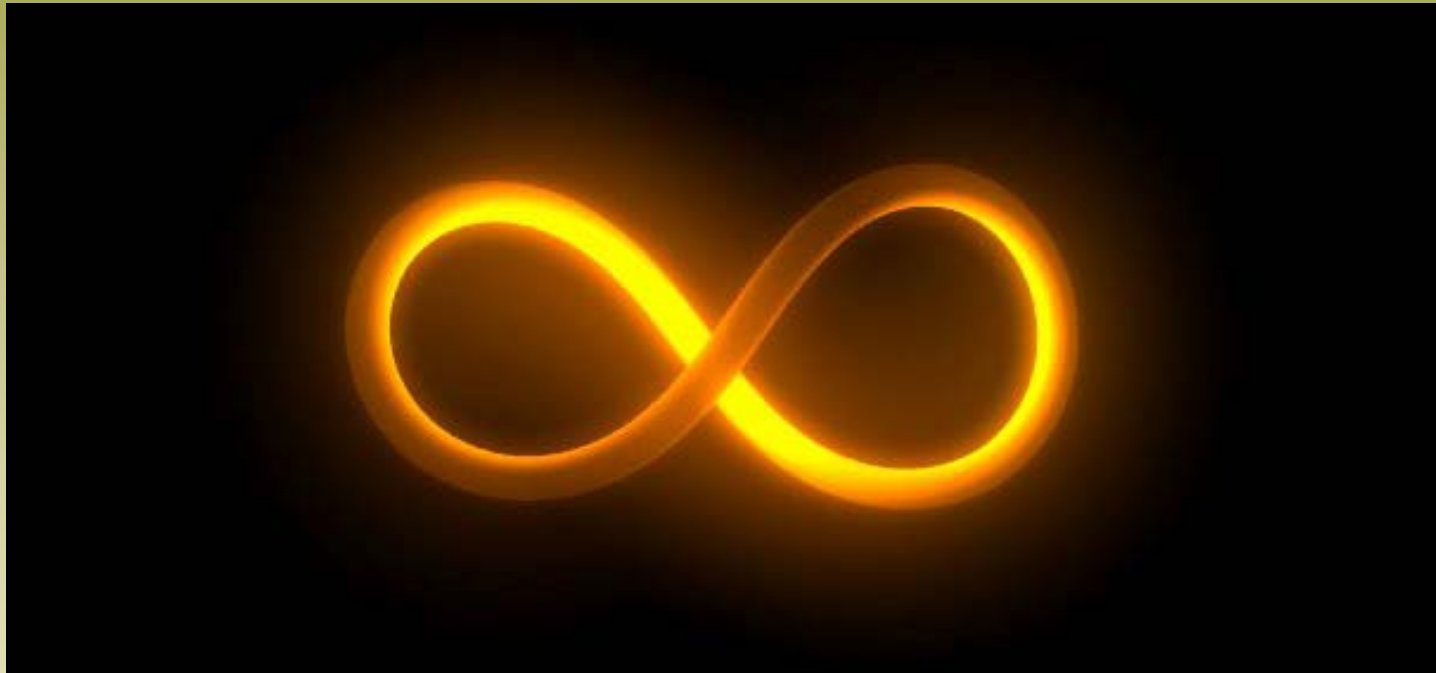
Center for Natural Lands Management

- Founded in 1990 as a 501c(3) conservation org.
- Mission: Perpetual Stewardship of Mitigation and Conservation Lands
- 55,000 Acres Under Mgmt
- 73 Preserves (3 acres to 29,000 ac.)
- Fee Title, Conservation Easements, Contract Mgmt
- 19 Mitigation/Conservation Banks*
- \$51,800,000 in Endowment Funds

**An additional \$10,200,000 held for species in-lieu fees



Perpetuity = Forever



ACQUISITION

DOES NOT EQUAL

PROTECTION

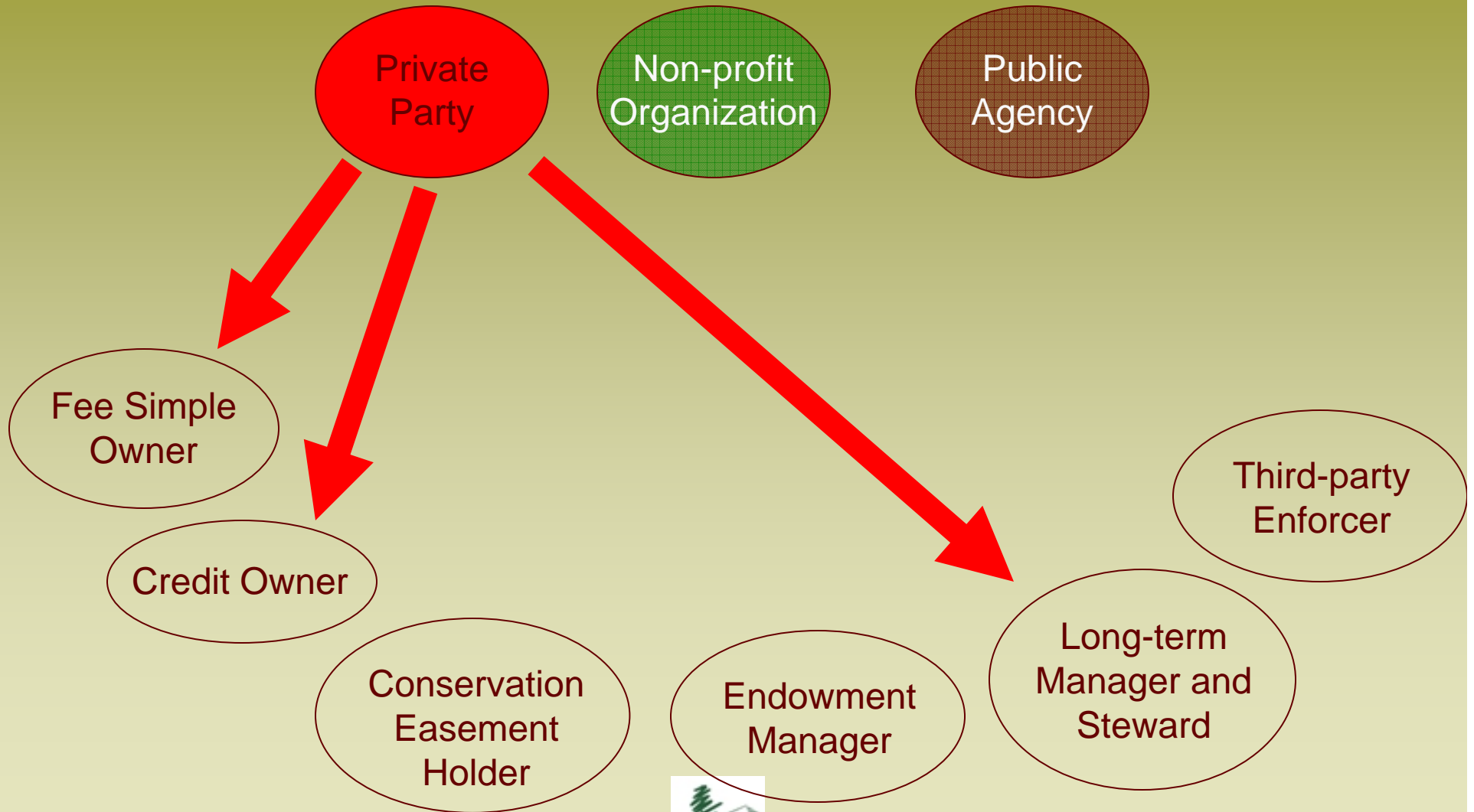


Stewardship

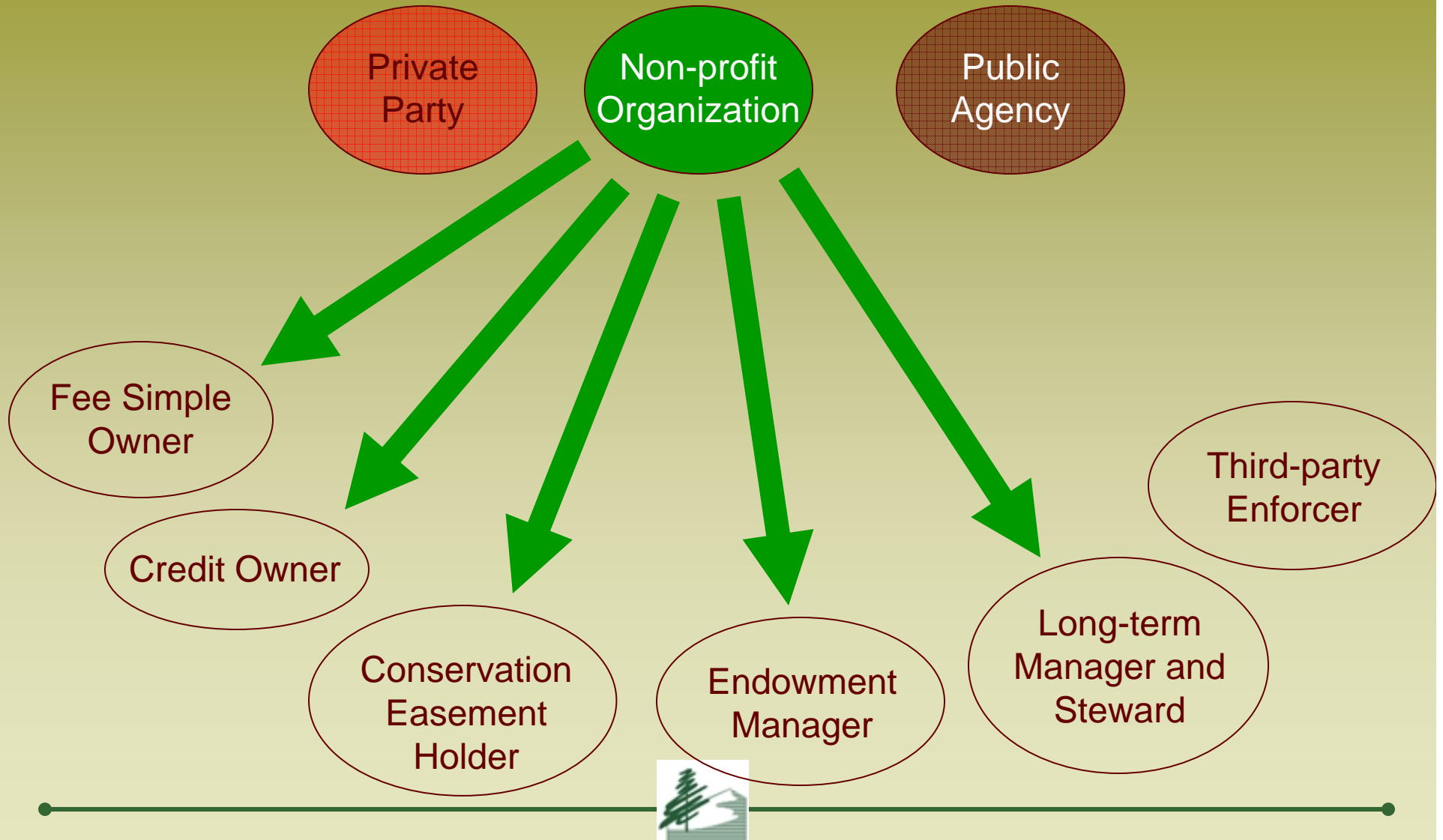
Entrusted with the wise use, management and protection of the human, physical, ecological and financial resources to ensure the integrity of conservation lands for future generations.



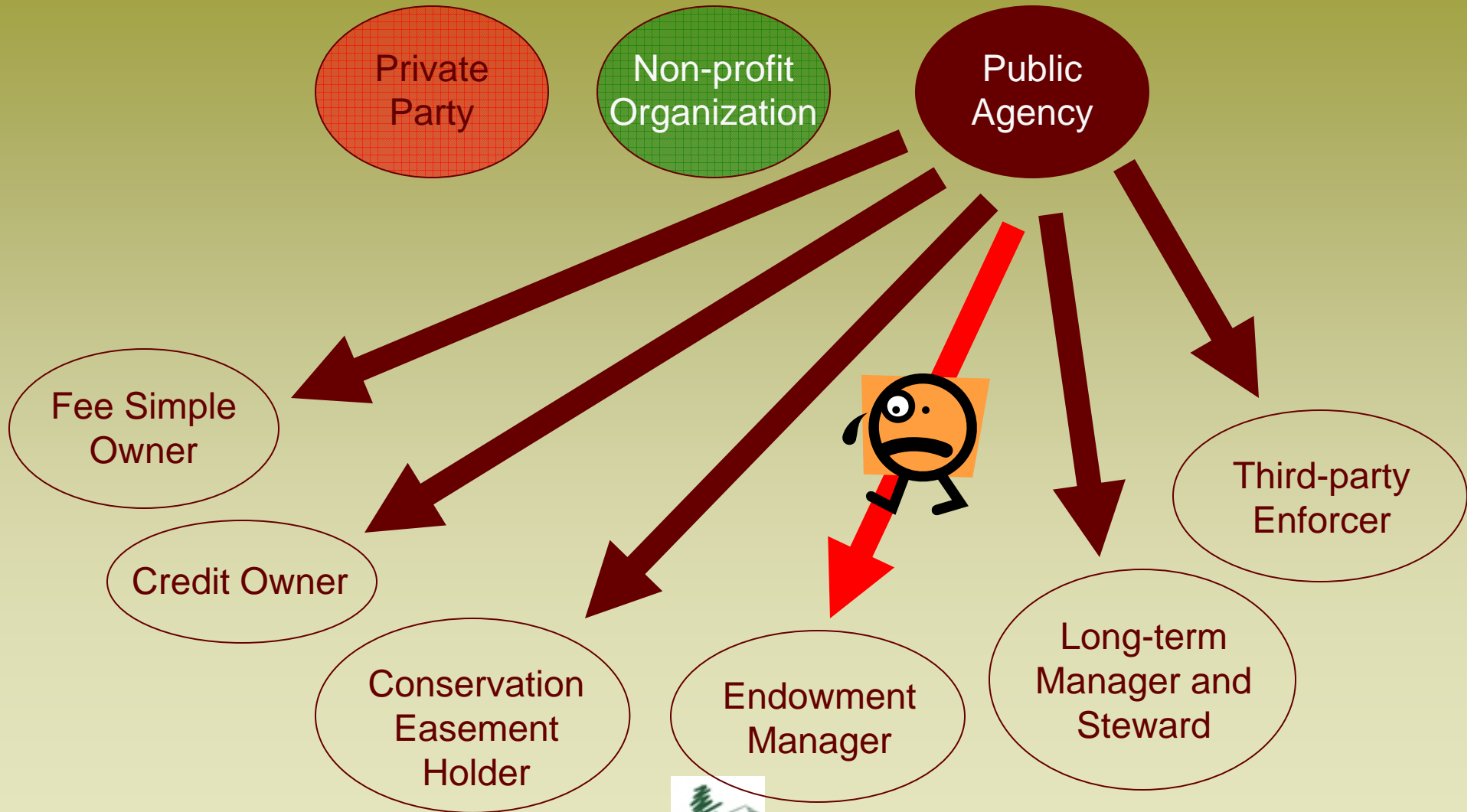
Roles in Long-term Stewardship



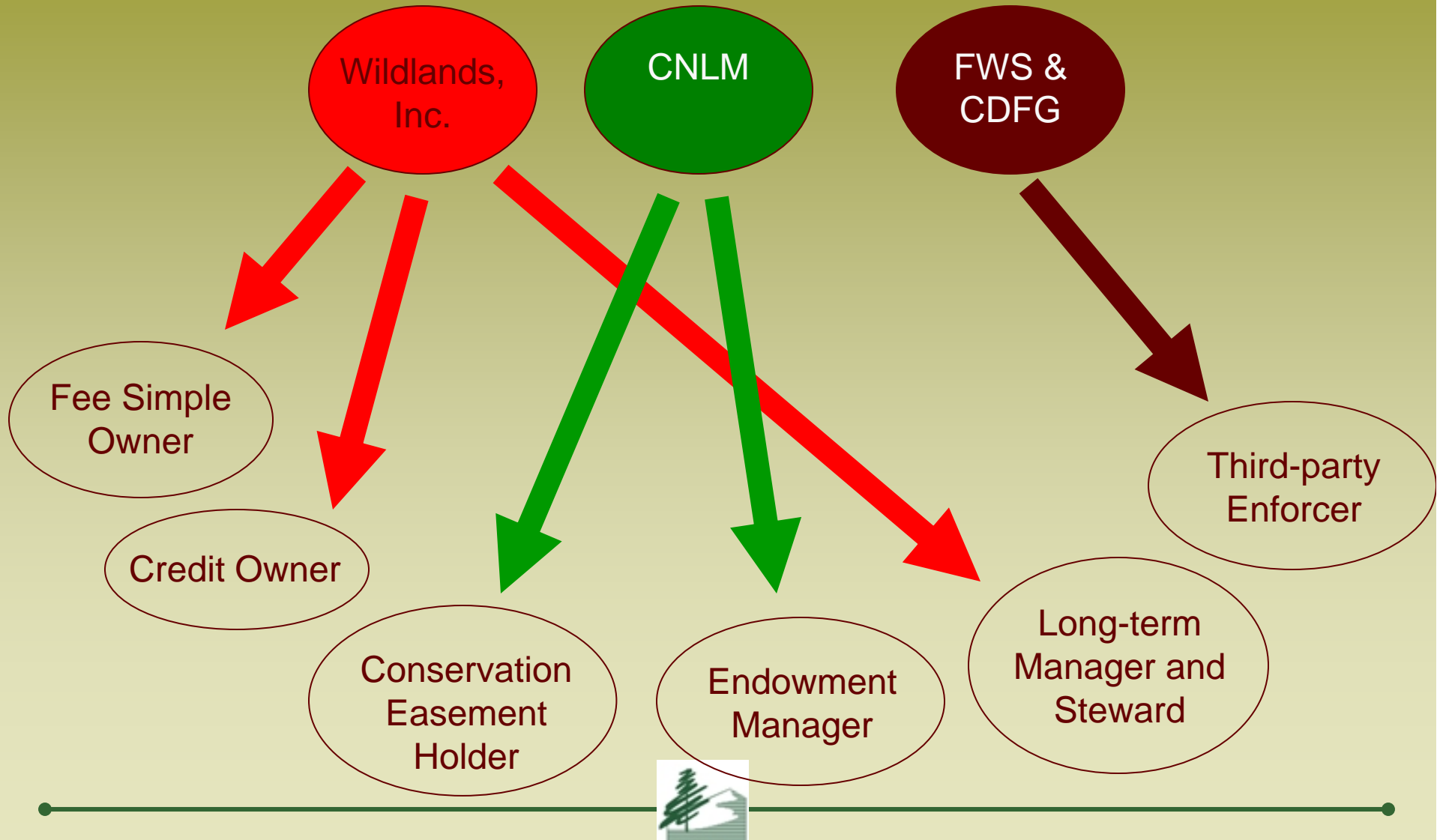
Roles in Long-term Stewardship



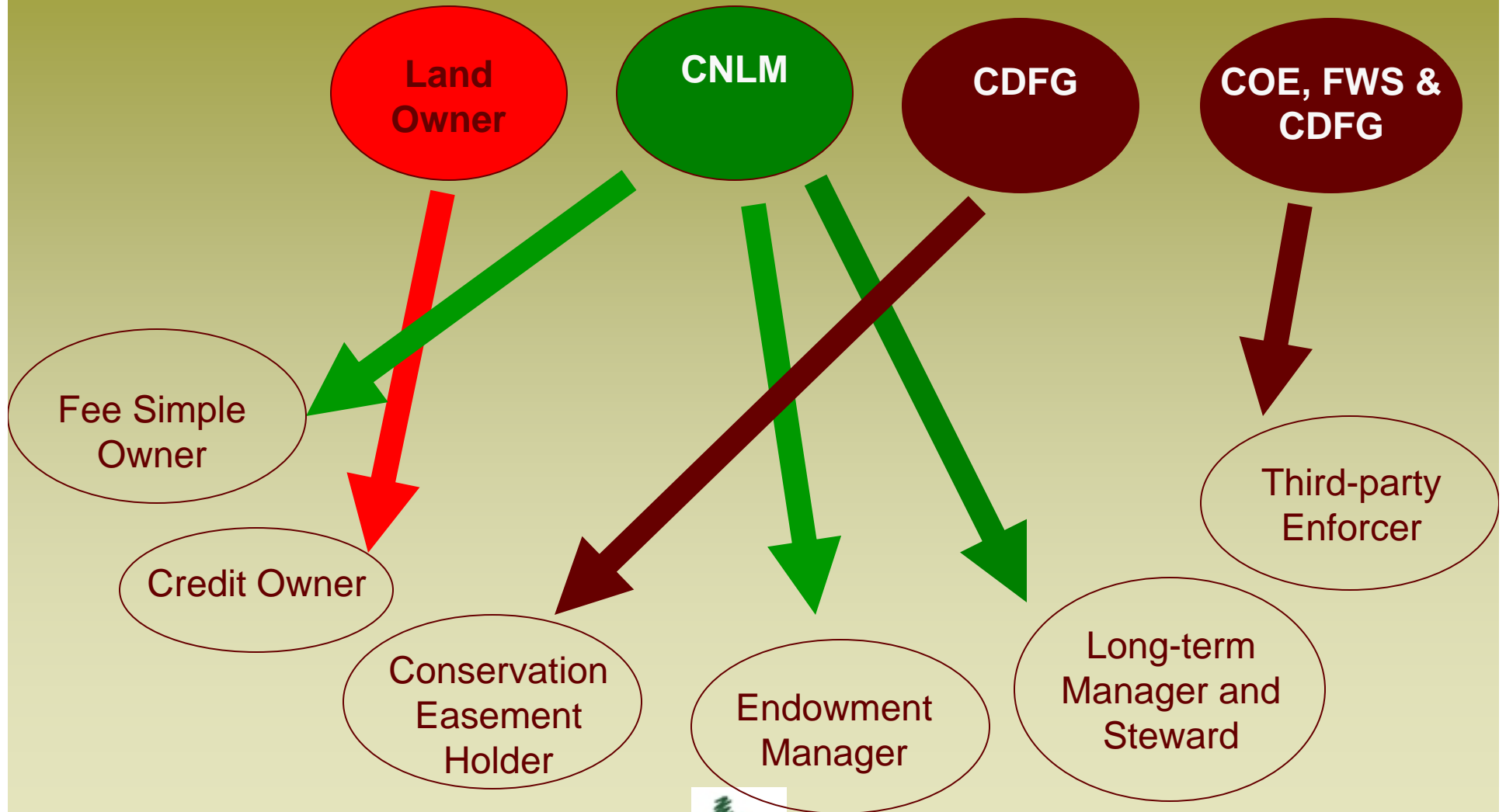
Roles in Long-term Stewardship



Example: Kreyenhagen Hills Conservation Bank



Example: NCHB Bank



The *Perfect* Bank

- Market analysis
- Due diligence
- Signed MBI in 6 months
- No outside capital/ no bonding
- Thorough mitigation plan/as built
- Sufficient size >2,500 acres
- Adequate buffer



The *Perfect* Bank con't

- CE to public agency
- Credit sales sell out w/in 2 yrs
- Credible long-term manager
- Full endowment paid at 1st credit sale
- Meet performance stds
- Adaptive management plan
- Agencies don't change the rules


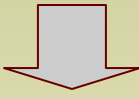
*Banker makes tons of money



First Finish Then Finish First



Risks to Bankers

- Changing market conditions
- Lack of cash flow
- Time delay tweaking docs
- No CE holder or long-term manager
- Balloon payment on endowment
-  competition  revenue
- Changing rules/service areas
- Unforeseen circumstances: e.g, WW II bombing test range



Risks to Long-Term Bank Stewards

- Don't get info in a timely manner
- Little to no incentive after bank closes
- Have to work with others estimates of costs
- Timing of endowment payments/lack of payment
- Lack of notice of credit sales
- Risk to meet performance criteria
- Baseline?
- Land owner not bank sponsor but fine line after bank closes



**Steward may have no financial investment
or profit sharing in bank.**

**Therefore, they have no incentive to assume
financial risk.**



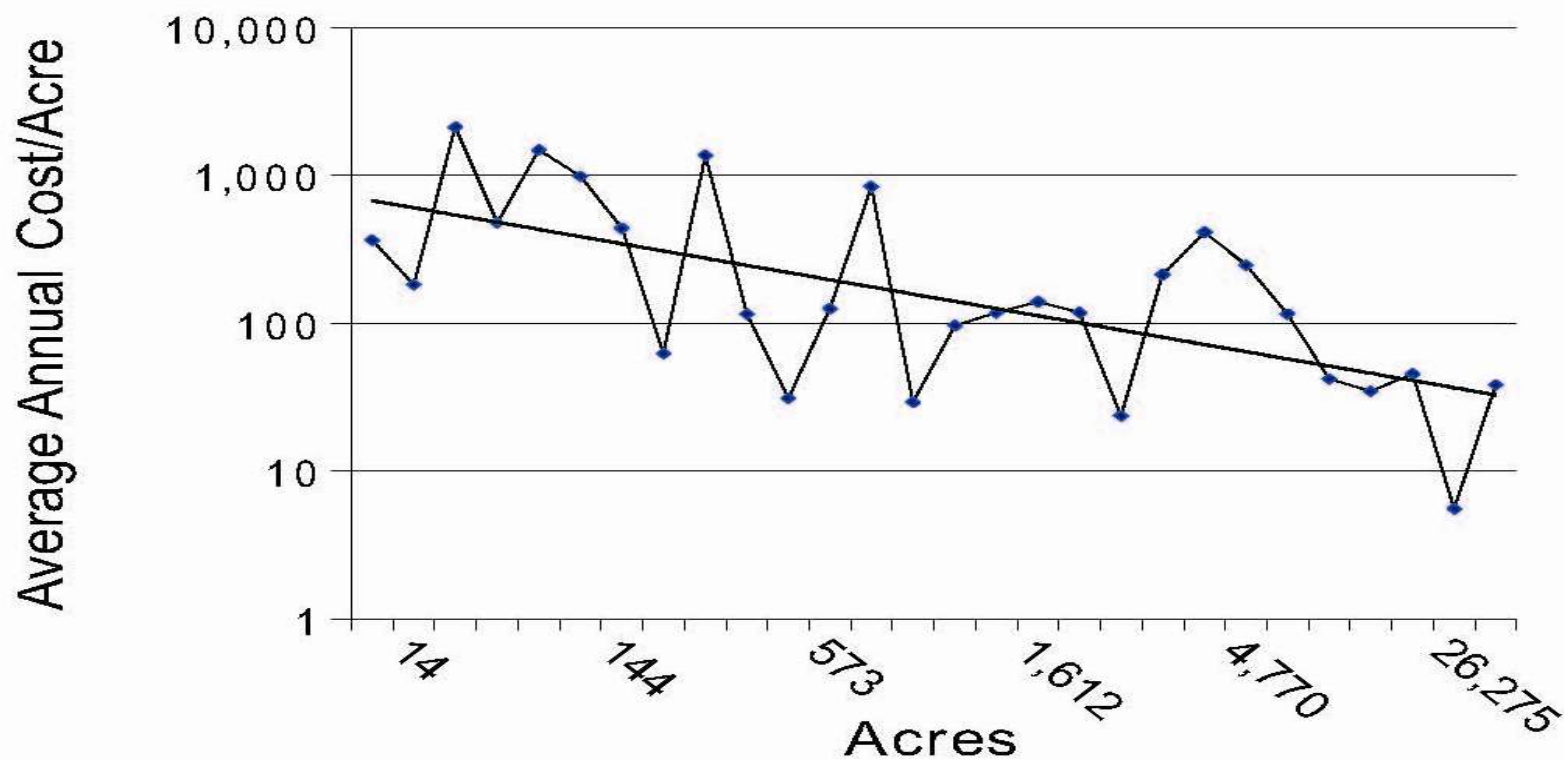
***Public agencies subsidizing private development**



Comparison of Annual Management Cost per Acre (N=28)

2004 CNLM EPA-funded study

Fig. 3 Stewardship Costs Per Acre



Property Analysis Record - PAR

- Helps to define and plan management tasks and costs for individual projects
- Becomes the justification for long-term funding
- PAR 3 now available

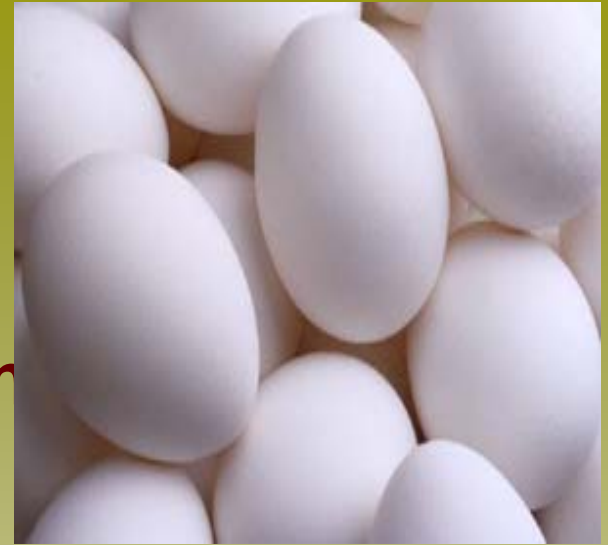


Inflation

\$50.00 in 1950
has the same
buying power as
\$350.24 in 2007



1970 Price Index

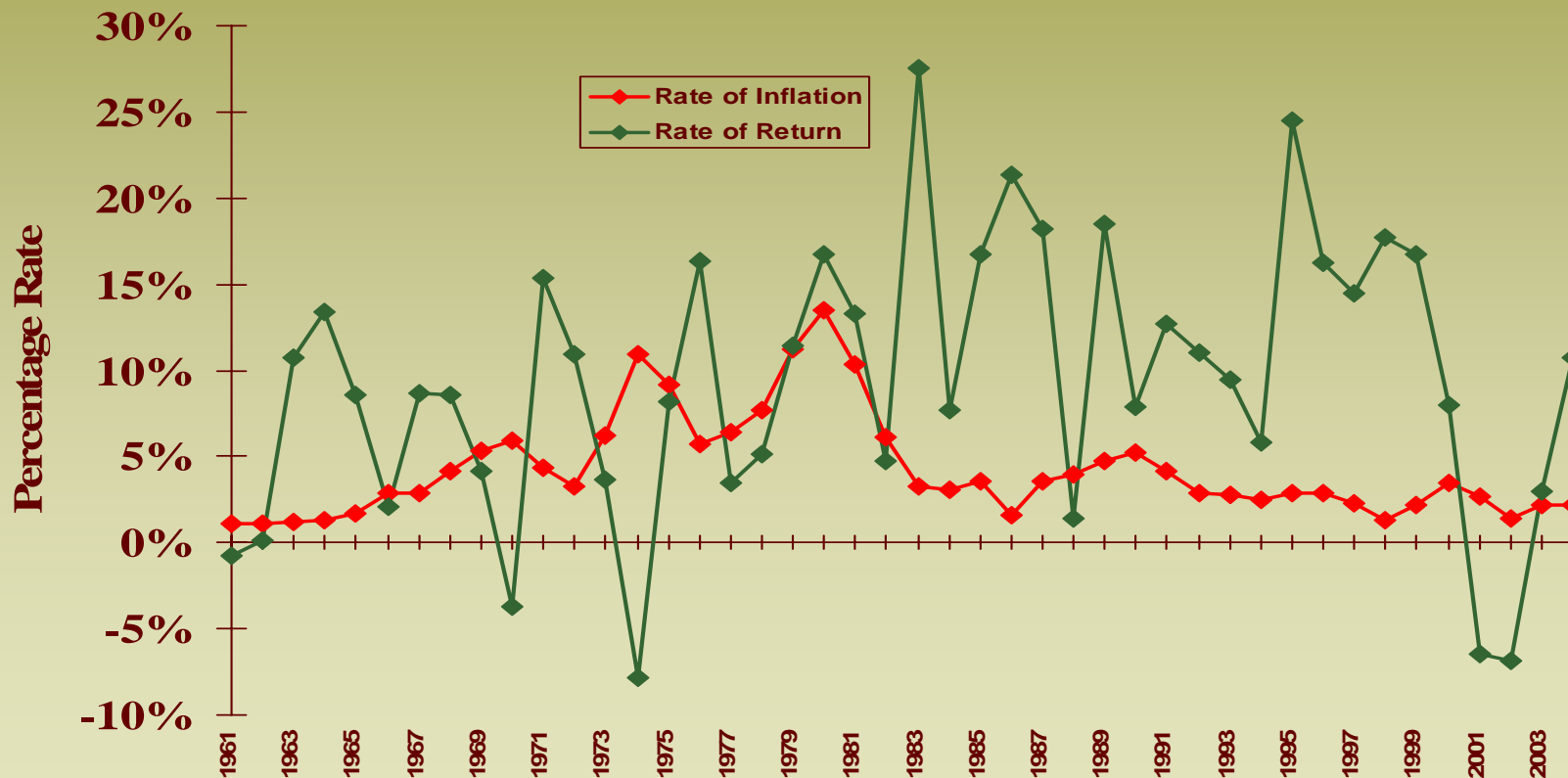


*Gasoline	\$0.36/gallon
Median Income	\$8,734/yr
Median Rent	\$108/month
Median Home	\$17,000
Bread	\$0.24/loaf
Eggs	\$0.51/doz
Harvard College Tuition	\$2,600/yr

Harvard Tuition Today? _____



Comparison of Rates of Inflation and Investment Return (consisting of 60% stocks and 40% bonds)



Effect of Capitalization Rates

<u>Annual Budget</u>	<u>Cap. rate</u>	<u>Endowment</u>
\$20,000	1.0%	\$2,000,000
\$20,000	2.5%	\$800,000
\$20,000	4.5%	\$444,444
\$20,000	10%	\$200,000



Not in New Rules :

Recommendations for Regulators and Participants

- Master Escrow accounts for all sales = notice to all
- Target date for endowment payment <3-5 yrs
- LLC's
- Preference for CE's over deed restrictions
- If nonprofit holds CE, agency 3rd party beneficiary rights to agencies to enforce
- Discretion/Interpretation by District Engineers ~ funding
- Long-term manager signs MBI or 3 party MFA
- Strong regulatory enforcement for non-compliance ~early on
- Bio-Banking...combine ESA – 404 banks



TET UPDATE

The Environmental Trust

70 preserves ~ 4,000 acres

Credits run with land

FWS requires M&M obligations to continue
subject to funding

Ex:\$100k endowment but internal cost
requires \$250k = “indemnifies”
municipalities from going into general fund

Extension of bk court to dispose of lands



TET con't

- Vacated properties maintained by local jurisdictions ~ public safety issues
- County tax sale - CE may not survive
- BK court can order limits of financial obligations = Can trump ESA



www.cnlm.org

Rise Early,
Stay Late and
Take Care of
the Land

