



City of Blaine Anoka County, Minnesota

Blaine City Hall
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Legislation Text

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Workshop Item - *Rebecca Haug, Water Resources Manager*

Title

Wetland Banking 101

Background

Wetland mitigation banking is the restoration, creation or enhancement of wetlands for the purpose of compensating for unavoidable impacts to wetlands at another location. Wetland mitigation banking is commonly used to compensate for wetland impacts from development.

Wetland banking was created as an incentive for property owners to maintain and protect wetlands from destruction from development while still providing a financially beneficial use of property that has traditionally been seen as having less value.

Developers can buy credits from wetland mitigation banks to compensate for the impact of lost wetlands. When a mitigation bank is established, the landowner retains ownership and use of the property, while a conservation easement protects the wetlands from incompatible de-grading activities. The size and scope of the wetland restoration, creation, or enhancement activities determine the quantity of credits available for sale. The price of credits is negotiated between the buyer and seller.

The City of Blaine currently has two wetland banks; one is owned by the Economic Development Authority (EDA) and the other by the city. Both banks are located in the Blaine Wetland Sanctuary (BWS). These banks were created with the dual purpose of aiding in development and providing a funding source other than taxes to maintain the city's open spaces and trails. Current valuation of potential revenue from both sites is approximately \$8 million. Annual maintenance costs are approximately \$75,000.

Technical Background of Wetland Banking in Minnesota

Various human activities can impact wetlands by altering the topography or hydrology of a site. Sometimes, these activities lead to the loss of wetland habitat, negatively affecting the surrounding ecosystem. Because of this, steps have been put in place at the local, state and federal government level to protect wetlands.

The Clean Water Act was put in place to protect wetlands in 1972 and then the State of Minnesota (MN) enacted the Wetland Conservation Act (WCA) in 1991. Both of these acts were put in place to:

- Achieve no net loss in the quantity, quality, and biological diversity of existing wetlands;
- Increase the quantity, quality, and biological diversity of wetlands by restoring or enhancing diminished or drained wetlands;
- Avoid direct or indirect impacts from activities that destroy or diminish the quantity, quality, and biological diversity of wetlands; and
- Replace wetland values where avoidance of the activity is not feasible and prudent.

In MN, the WCA requires projects that propose to impact wetlands to comply with several principles in the following descending order or priority:

- a. Avoid direct or indirect impacts that may destroy or diminish the wetland
- b. Minimize impacts by limiting the degree or magnitude of the wetland activity
- c. Rectify impacts by repairing, rehabilitating, or restoring the affected wetland
- d. Reduce or eliminate impacts over time by operating the project in a manner that preserves and maintains the remaining wetland
- e. Replace unavoidable impacts by restoring or, if wetland restoration opportunities are not reasonably available, creating replacement wetland areas having equal or greater public value.

Wetland banking is one of the steps that has been put in place to restore or replace the original state of wetlands. Purchasing credits from a permitted wetland bank to mitigate for wetland impacts has become one of the main methods used. The restored wetlands that become permitted wetland banks generate a net gain of wetlands in a given area, which is quantified based on the resulting ecological benefit to generate a number of mitigation "Credits".

The wetland bank owner then has the ability to sell those credits for a project that is impacting those types of wetlands elsewhere in a defined area. MN has 10 defined Wetland Bank Service Areas (BSA). The City of Blaine is in the wetland BSA 7 and impacts within the BSA must be replaced in the BSA according to a priority order.

In the metro area, wetland replacement is required to follow the below priority order:

1. In the affected county;
2. In another metro county; or
3. One of the major watersheds that are wholly or partially within the metro area.

Local Government Units who regulate the WCA can be more restrictive. In Blaine, the watershed districts regulate the WCA. Rice Creek Watershed District (RCWD) requires permitted projects that need to replace wetland to replace the wetland in RCWD.

Wetland Banking in Blaine

The City of Blaine currently has two wetland banks. One is owned by the Economic Development Authority (EDA) and the other by the city in the Blaine Wetland Sanctuary (BWS). These banks are in the RCWD.

With the purchase and donations of the properties that make up the Blaine Wetland Sanctuary (BWS), the city has had the vision of restoring this 510+ open space. An opportunity to provide funding to the city and have an economic development tool was realized with this site through wetland banking.

The first wetland bank was started by the Economic Development Authority (EDA) in 2009 and for regulatory purposes is called the Branch 3 Wetland Bank. For public purposes, this area is referred to as the Central Portion of the BWS.

This wetland bank received 55 acres of credits to be sold or used as an economic development tool. In order to create this bank, an impoundment of Branch 3 of Anoka County Judicial Ditch 53-62 was

installed to restore the hydrology of the area and vegetative restoration work was completed. This bank requires on-going maintenance to keep the site restored.

The second wetland bank was started in 2014 by the city. For regulatory purposes this bank is called Site 7. For public purposes this area is referred to as the Northern Portion of the BWS. This bank has the potential to receive 81 acres of credits. The city has received approximately 30 acres of credits with another 12 acres soon to be available.

This bank is referred to as Ecological Natural Resource Value (ENRV) bank and requires vegetation restoration as the hydrology already exists. This site necessitated the need for invasive, non-native tree and vegetation removals and will require on-going maintenance to keep the site restored.

On-going maintenance for both banks include controlled burns, spot herbicide treatments and occasional mowing. Volunteer groups have been very helpful in the control of invasive species as well as litter clean up along the boardwalk to maintain the site.

Wetland credit sales are based on the market demands so prices for credits do fluctuate. Also, buyers and sellers are not required to disclose the prices for credits.

When the city began the permitting process for Site 7, the market rate was \$1.75-\$2.00/sq.ft. The demand has changed since 2014 and now the market rate is in the range of \$2.25-\$2.50/sq.ft. (based on those that are willing to share what they are charging). In 2014, staff estimated the city had the potential of approximately \$7 million in revenue from these sales. With current rates, the potential revenue earnings amount is closer to \$8 million. The revenues are designated to pay for maintenance of open spaces and trails.

Staff Recommendation
Informational.