



U.S. Fish & Wildlife FWS

# Conservation Banking

## *Incentives for Stewardship*

Conservation banks are permanently protected privately or publicly owned lands that are managed for endangered, threatened, and other at-risk species. A conservation bank is like a biological bank account. Instead of money, the bank owner has habitat or species credits to sell.

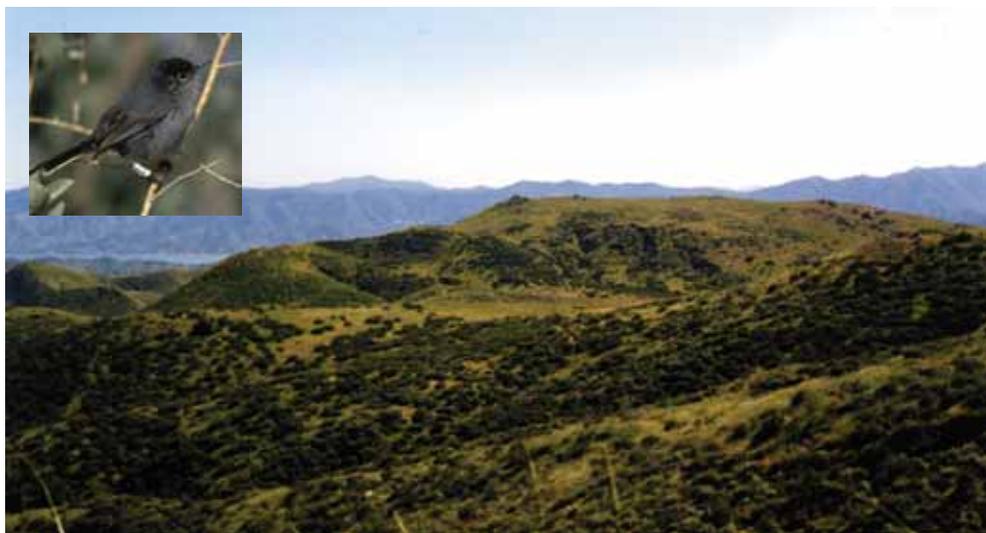
The U.S. Fish and Wildlife Service (FWS) approves habitat or species credits based on the natural resource values on the bank lands. In exchange for permanently protecting the bank lands and managing them for listed and other at-risk species, conservation bank owners may sell credits to developers or others who need to compensate for the environmental impacts of their projects.

Conservation banking offers a range of opportunities. Lands used for ranching, farming, and timber operations can function as conservation banks if habitat is managed for listed and at-risk species. Habitat may also be restored for listed species. Streams or other corridors that provide habitat linkages between existing protected areas may be enhanced and managed. Rather than building on their lands, developers may choose to establish conservation banks.

### **Who benefits from conservation banking?**

A conservation bank is a market enterprise that offers landowners incentives to protect habitats of endangered, threatened, and other at-risk species. Landowners can profit from selling habitat or species credits to parties who need to compensate for environmental impacts. Landowners can generate income, keep large parcels of land intact, possibly reduce their taxes, and preserve open space.

Developers and others whose activities result in adverse environmental impacts typically are required to compensate for such impacts. Providing compensatory habitat off-site is often the best solution.



*The 1200 acre Wilson Valley Mitigation Bank, Riverside County, California.*

*USFWS photo by Michelle Morgan*

*Inset: endangered California gnatcatcher, one of the listed species found there.*

*USFWS photo by B. Moose Peterson*

However, it is difficult to locate appropriate lands and costly to restore and protect them and provide for their long-term management. Conservation banks provide a simple, economical alternative for developers and other project proponents. A one-time purchase of credits saves developers time and money and provides regulatory certainty.

Conservation banking benefits listed species and other wildlife and plants by establishing large reserves that function as compensatory conservation areas for multiple projects. It costs less per acre to manage a conservation bank than the equivalent acreage divided among many small isolated reserves. Larger reserves are more likely to ensure ecosystem functions, foster biodiversity, and provide opportunities for linking existing habitat. In coordination with other tools, this collaborative, incentive-based approach to conservation may aid in the recovery of listed species.

Conservation banking also benefits the public and the community by protecting

open space and contributing to a healthy environment. It works best in concert with regional conservation planning where the community is involved in determining which areas are conserved and which areas are developed to achieve an environmentally and economically healthy community.

### **Background**

Conservation banking for federally listed species has its roots in wetland mitigation banking. In the early 1990s, the FWS began working with other Federal agencies to establish wetland mitigation banks. In 1995, the final policy on wetland banking, Federal Guidance for the Establishment, Use, and Operation of Mitigation Banks, was published (60 FR 58605-58614). In that same year, the State of California established a policy to promote regional conservation by encouraging a second generation of mitigation banks, called conservation banks, to preserve existing habitats. At that time, the FWS began approving conservation banks for a variety of federally listed species, often in

cooperation with other Federal agencies and the State of California. Between 1995 and 2003, approximately 60 conservation banks were approved, most of them in California.

In May 2003, in what has been termed “a hallmark event in the 30-year history of the Endangered Species Act,” the FWS issued the first comprehensive Federal guidelines designed to promote conservation banks as a tool for mitigating adverse impacts to species listed as endangered or threatened under the Endangered Species Act. Although no two banks will be developed or used in an identical fashion, the guidance fosters national consistency through standardization of essential components of establishment and operational criteria. A copy of the guidance is available at <http://endangered.fws.gov/policies/conservation-banking.pdf>.

#### **What lands are eligible to become conservation banks?**

Private, Tribal, State and local government lands are eligible to become conservation banks. Federal lands may require special consideration concerning applicability of the lands for mitigation purposes and review and approval by the FWS for consistency with other regulations and policies. Generally, lands previously designated for conservation purposes through another program are not eligible unless designation as a bank provides an additional conservation benefit to listed species.

Before the FWS can approve a conservation bank, landowners are required to:

- enter into a Conservation Banking Agreement with the FWS;
- grant a conservation easement to an eligible third party, precluding future development of the property and restricting certain land uses;
- develop a long-term management plan for the bank lands; and
- provide funding for monitoring and long-term management of the bank lands.

In return, the FWS approves landowners to sell credits to those requiring mitigation for species that occur on the bank lands and that are within the bank's designated service area.

#### **What is a conservation easement?**

A conservation easement is a legal contract between the landowner (grantor) and the easement holder (grantee) in which the landowner gives up certain development rights and agrees to certain restrictions on the property. Public agencies, land trusts, and other

nonprofit conservation organizations are typical groups that States authorize to hold conservation easements.

Restrictions on the property may include a reduction in the number of livestock that may be grazed, prohibition of recreational off-road vehicle use, or prohibition of construction of new roads and buildings. Any activities that are inconsistent with the purposes of the conservation bank are restricted under the easement. Because perpetual conservation easements are binding on future owners, the resource values of these properties are protected indefinitely. Many States and local governments offer tax benefits associated with this type of property encumbrance.

#### **What is a management plan?**

A management plan identifies tasks for operating and maintaining a bank site as well as methods for monitoring and maintaining desired habitats for listed and at-risk species. A management plan may include removing trash on a regular basis; mending and replacing fencing; monitoring the listed species or habitat conditions; controlling exotic, invasive species that interfere with the naturally functioning ecosystem; conducting prescribed burns; and other activities to maintain the habitat. A management plan is long-term, requires careful development, and should take into account any foreseeable changes that may affect property management. A management plan should be as specific as possible, but flexible enough to allow changes in management practices in response to monitoring results (sometimes referred to as an adaptive management approach).

#### **How is management of the conservation bank funded?**

Most often a perpetual, or non-wasting, endowment is established to fund the long-term management of the conservation bank. The landowner deposits money, typically referred to as an endowment, in an interest-bearing account in an amount sufficient to generate enough yearly income to fund the annual management of the conservation bank. Since only the interest is available for use and the principal is not withdrawn, the endowment is “non-wasting,” providing a perpetual source of funding for management of the conservation bank. Other methods of funding the long-term management of the bank may be used, provided they ensure adequate funding.

#### **What are credits?**

Credits are units representing listed and other at-risk species or habitat for those

species on the conservation bank lands. A credit may be equivalent to (1) an acre of habitat for a particular species; (2) the amount of habitat required to support a breeding pair; (3) a wetland unit along with its supporting uplands; or (4) some other measure of habitat or its value to the listed species. Methods of determining available credits may rely on ranking or weighting of habitats based on habitat condition, size of the parcel, or other factors. A conservation bank may have more than one type of credit if more than one listed species or habitat type occurs at the bank.

#### **What is a service area?**

The service area for a conservation bank is the area outside the bank property within which the bank owner may sell credits. The FWS and the banker determine service areas for conservation banks based on physical and ecological attributes such as watersheds, soil types, species recovery units, and/or species and population distributions. Banks with more than one type of credit may have different service areas designated for different credit types.

#### **What projects are eligible to use conservation banks?**

Only projects that would otherwise be permitted and are suitable for off-site mitigation may use conservation banks. The species and habitats for which the project proponent requires mitigation must be present at the conservation bank. Conservation banking is not a substitute for on-site avoidance and minimization of effects on listed species. The purpose of conservation banking is not to encourage development of listed species' habitats, but rather to provide an ecologically effective alternative to small on-site preserves, which are not defensible.

#### **Contact Us**

If you would like more information on conservation banking, please contact the FWS Regional Office with responsibility for the State or Territory in which the project is being proposed. A map of our Regional Offices can be found at <http://offices.fws.gov/directory/listofficeregion.cfm>

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