



May 15, 2020

The Honorable Board of Supervisors
Mr. Greg Cox, Chair
County Administration Center
1600 Pacific Highway
San Diego, CA 92101

RE: North County Multiple Species Conservation Plan (MSCP) Status Review and Options Assessment
Opportunity for Private Capital to Replace Public Expenditures

Dear Chair Cox:

We are principals in the Cleveland Corridor Conservation Bank, which received approval from the California Department of Fish and Wildlife in February 2020. Our purpose is to improve and preserve natural lands using private investment capital for economic and public good, and the following comments on the *Options Assessment* underscore the County's opportunity to harness private investment to help achieve any of the compliance options selected by the Board of Supervisors.

In recent years a growing pool of investment capital has focused on solving environmental issues that were formerly considered exclusively the responsibility of government. With nearly 200 conservation and wetland mitigation banking projects, California has been a leader in utilizing private capital to achieve its environmental protection goals. Throughout the country, there are more than 1,900 mitigation banks, and mitigation banking drives the environmental restoration industry, which generates approximately \$24.5 billion in economic input annually to the US economy. It directly employs approximately 126,000 workers while supporting an additional 95,000.

The *Options Assessment* is silent on the opportunity to utilize private investment in any of the options, yet it deals extensively with the cost to the private development community. Just as there is private investment capital ready and willing to invest in real estate development, there is private capital investing in offsets to environmental impacts. The key benefit of using private investment to develop offsets to the impacts of private real estate development is that it requires no public subsidy of mitigation development or the permanent management of same.

Private conservation banks not only acquire environmentally sensitive lands, but they set up endowments for perpetual protection and land management. The *Options Assessment* estimates that 95% of the cost of a Revised North County Plan would be for County land acquisition and 50 years of management and monitoring. Private conservation banks can fund much of these very same costs without public money. If the County embraces and encourages private conservation banks as part of a North County MSCP strategy, a substantial amount of otherwise public expenditure can be borne by the private sector, freeing these public dollars to be directed elsewhere.

The key to unlocking these savings of public funds is to create an atmosphere of trust and reasonable certainty for conservation investors, and this starts with addressing the role of private conservation banking in any of the compliance options ultimately selected for North County. In the absence of a policy embracing private conservation banking, many investors will reasonably assume that to meet its

conservation acreage goals, the County sees little or no role for private capital in the operations of the North County MSCP; this, in turn, could significantly discourage private investment in the conservation credit market. In that case, public funds would supplant private investment and the private sector as a funding source would be largely lost.

Enlisting private sector capital to address public needs is good government. The County's motto, "The noblest motive is the public good," would be well served by embracing private investment conservation banking. We look forward to working with the County to this end on whichever compliance option the Board of Supervisors directs.

We are invested in San Diego County through the Cleveland Corridor Conservation bank and have a vested interest in the County's conservation outcomes. Please consider us a partner in this effort and engage us whenever it is beneficial.

Sincerely,



Don Ross



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Attachments (2)



SANDY CREEK PARTNERS

About Sandy Creek Partners

Through its affiliate, Sandy Creek Partners, LLC (SCP) (www.sandycreekpartners.com) operates an environmental mitigation investment fund in conjunction with its partner EarthBalance[®], a leading conservation land restoration company (www.earthbalance.com). Together SCP and EarthBalance[®] have created and operated mitigation projects across the U.S. and have decades of experience developing well planned and well executed mitigation banks in partnership with relevant regulatory agencies. This combination of capital resources and seasoned expertise gives SCP the key resources to do the job right, cost-effectively, and on time.

The principals include Gray Stevens, Don Ross, and Wade Waltmyer, who have worked together as a team on mitigation projects for more than a dozen years. Gray Stevens is a former investment banker with Merrill Lynch, where he led its Midwest Private Equity Group. He is experienced in structuring a wide variety of business transactions, including those involving commercial, residential and rural real estate. He is a former Board Member of the Florida Association of Mitigation Bankers and currently serves on the Board of EarthBalance[®]. Gray is a guest instructor at U.S. Fish & Wildlife Service's National Conservation Training Center and speaks frequently on the business of mitigation banking.

Don Ross is a certified Senior Ecologist (Emeritus) and the founder of EarthBalance[®]. He has served in county government as an elected commissioner, and later chaired Florida's Environmental Regulation Commission. In the mitigation banking industry, he has served as president of both the Florida Association of Mitigation Bankers and the national Ecological Restoration Business Association. Don has been an invited speaker on Planning, Permitting, and Mitigating for Transportation Corridors, Ports and Intermodal Logistic Centers at Florida Environmental Network Summer Conferences and Encouraging Private Investment in Restoration at the 2016 Restore America's Estuaries Conference in New Orleans.

Wade Waltmyer is an EarthBalance[®] officer and Senior Scientist. As a certified Project Management Professional, he has managed the permitting and implementation of all SCP mitigation banks for over a decade, while also advising private and public clients on a broad range of mitigation delivery issues. As an expert in restoration cost evaluation and ecosystem functional analysis, Wade builds the enterprise models, whereby each SCP mitigation bank is designed to be both ecologically and financially successful.

Ross / Stevens / Waltmyer Collective Mitigation Bank Experience

Mitigation Bank	Location	Equity Partner	Due Diligence	Enterprise Development	Design & Permitting	Construction Oversight	Restoration	Long-Term Management	Sales & Admin
Cleveland Corridor	San Diego County	X	X	X	X	F	F	F	F
Minkum Creek	South Carolina	X	X	X	X	F	F	F	F
Black Gum	South Carolina	X	X	X	X	F	F	F	F
Mossy Bend	South Carolina	X	X	X	X	F	F	F	F
Ironhead	SW Florida	X	X	X	X	F	F	F	F
Boran Ranch Phase 1	SW Florida	X	X	X	X	X	X	X	X
Boran Ranch Phase 2	SW Florida	X	X	X	X	X	X	X	X
Peace River	SW Florida	X	X	X	X	X	X	X	X
Flat Creek	East Tennessee	X	X	X					
Horse Creek	SW Florida	X	X	X	X		F		F
Upper Coastal	West Florida	X	X	X	X		X	X	X
Myakka	SW Florida	X	X	X	X	X	X	X	X
North Shore Seagrass	West Coastal Florida			X	X	F	F		
Cherry Creek	South Denver CO	X	X	X	X	F	F	F	F
Rabbit Creek	West Fort Collins CO	X	X	X	X	F	F	F	F
Box Elder Creek	East Denver CO	X	X	X	X	F	F	F	F

X = Previous Experience, F = Future Work

Cleveland Corridor Conservation Bank is a multi-species conservation area designed to serve parts of San Diego County. Credits of various habitats are sold to developers to offset impacts to similar habitats. The site is preserved with perpetual maintenance, yielding sought after credits in a limited supply market.

Minkum Creek is a stream mitigation bank project in northern South Carolina serving the high growth corridor between Charlotte, NC and Greenville-Spartanburg, SC. Credits are generated by restoring eroded streams and conserving buffer lands on either side of these streams.

Black Gum & Mossy Bend are wetland restoration projects in the floodplains of streams in the Piedmont Ecoregion of South Carolina. Each provides for an under-served market with growing demand.

Ross / Stevens / Waltmyer Collective Mitigation Bank Experience

Ironhead will restore approximately 2000 acres of wetlands and upland buffers along South Florida's most important corridor for panthers and black bears. Credits will serve growth in the Southwest Florida market around Naples and Fort Myers.

Boran Ranch Phase 1 & 2 is a wetland mitigation bank permitted in the late 1990's that is now mostly sold out of credits. Credits from the bank were purchased for roads, airports, landfills, and commercial development. After implementation was completed, the bank was sold to a private equity firm for the remaining cash flow.

Peace River is a wetland bank conserving forested floodplains along the Peace River in southwest Florida. The project serves users along parts of the I-4 Corridor between Tampa and Orlando and the Peace River basin. After implementation was completed, the bank was sold to a private equity firm for the remaining cash flow.

Flat Creek is a stream restoration project serving a major metropolitan market in East Tennessee with high demand for stream credits.

Horse Creek Mitigation Bank is in the phosphate mining region of Florida where the demand for credits is high. During the permitting stage of project development, the project was sold to private equity, and EarthBalance is working with the owner to complete the project.

Upper Coastal is a wetland mitigation bank in western peninsular Florida. The mitigation credits served an important widening of I-75 and numerous commercial developments in the greater Tampa area. Following implementation, the bank was sold to a private equity firm for the remaining cash flow.

Miyakka Mitigation Bank was created in partnership with a landowner desiring to improve and preserve the property for hunting. EarthBalance created the mitigation bank to meet the landowner's needs, while at the same time producing credits to offset impacts in the basin.

North Shore Seagrass is a prospective seagrass mitigation bank that will offset important seaport and navigation channel dredging in Tampa Bay. The project is the first seagrass mitigation bank permitted in Florida.

Three Colorado Banks are stream and wetland banks in the Colorado front range. These would be the first stream bank credits in the state and are in partnership with the Colorado State Land Board.