

Thurston County Board Briefing

<u>Briefing Date/Time:</u>	April 6, 2017 9:00 to 10:00 AM.
<u>Office/Department & Staff Contact:</u>	<p>Resource Stewardship – Long Range Planning</p> <p>Cynthia Wilson, Long Range Planning Manager, ext. 5475</p> <p>Christina Chaput, Associate Planner, ext. 5486</p> <p>Andrew Deffobis, Associate Planner, ext. 5467</p>
	Habitat Conservation Plan Financing
<u>Purpose:</u> (check all that apply)	<input checked="" type="checkbox"/> Information only <input checked="" type="checkbox"/> Decision needed <input type="checkbox"/> Follow up from previous briefing
<u>Synopsis/Request/Recommendation:</u> <i>(One or two sentences identifying your primary objective for this session)</i>	
<ul style="list-style-type: none"> • The purpose of this briefing is to follow-up and bring forward information regarding action items presented to staff during the February 23, 2017 Habitat Conservation Plan (HCP) workshop. • Review the options explored in order to minimize cost of implementing a HCP. 	
<u>1. Recent Briefings</u>	
<p>Briefings have been conducted periodically for the HCP and associated processes from 2010 to the present. Recent past briefings on the HCP include:</p> <ul style="list-style-type: none"> • April 6, 2017 – HCP Planning Cost Estimates • February 22, 2017 – HCP Financing • February 9, 2017 – HCP Review with U.S. Fish and Wildlife • January 4, 2017 - HCP Overview • October 19, 2016 – HCP and Involvement of Conservation Futures • January 20, 2016 – Second Briefing on Financing HCP • October 28, 2015 – Initial Briefing on Financing HCP and Estimated Costs 	
<u>2. HCP Cost Estimates Planning Basics</u>	
<p>Developing a financing plan for a Habitat Conservation Plan (HCP) is a challenging process that requires thorough analysis. This requires identification of cost components, providing a reasonable estimate of all costs for implementing the plan, and determining a viable set of funding sources. Final cost estimates will be included in the final draft HCP, and may be revised pending the HCP review process. The County decides how to finance the HCP and the HCP is a ‘pay-as-you-go’ system.</p>	

3. HCP Cost Components

The HCP allows for impacts to occur to the covered species due to actions (development and building permits) permitted by Thurston County or actions completed by the county (such as capital improvement projects). In order for U.S. Fish and Wildlife Service (USFWS) to agree to these impacts under the Endangered Species Act, there needs to be a conservation design in place that proposes how to mitigate the potential impacts. The mitigation is required to keep pace with the impacts. A plan also must be in place that shows there will be responsible management of plan implementation.

What funding is required for:

- Management and administration of plan implementation
- Securing new conservation lands (e.g., through 15-year working lands agreements, fee title acquisition, easements, or donations of land)
- Enhancing conservation lands to high quality habitat
- Long-term management and monitoring funds (e.g., endowments)

The funding will be required:

- At minimum when implementation begins, to generate conservation.
- Ongoing funding during the HCP permit term, to fund the activities described above in this section.

4. HCP Scenarios to Reduce Cost

During the February 23, 2017, HCP workshop with the Board of County Commissioners, staff presented information regarding the HCP and its cost estimate. This included the anticipated projected impact over 30 years (7,565 functional acres), the conservation strategy, and what is driving the costs for implementing the HCP and mitigating for the impacts.

Staff was asked to explore and return to the Board with several scenarios that can reduce the overall cost of the HCP. For each scenario, potential tradeoffs are presented in terms of total HCP-permitted impact over 30 years, and the risk associated with having insufficient coverage for permitted impacts. Four scenarios were developed:

- Cap annual expenses at \$1 million as requested by the Board;
- Project the effect on permitted impact available if the HCP is modified to \$1 million/year in mitigation expense + \$1.2 million/year in Conservation Futures expense;
- Modify the costs of permitting projected impacts over 20 years and altering buildout projections from 88% to 70% as requested by the Board; and
- Modify the costs of permitting the full projected impacts over 30 years by altering buildout projections from 88% to 70%, adjusting the average impact for rural residential development from 2 acres to 1 acre, and removing the estimated impacts from Tumwater's recently annexed lands.

A. Cap Annual Expenses at \$1 Million

In this scenario, we maximize the use of 15-yr working lands agreements to cover all temporary impacts, and then balance the use of enhancement of publicly owned open space and acquisition of new conservation lands. \$1 million per year can mitigate about 1,175 functional acres of impact over 30 years vs. the 7,565 functional acres of impact that would be permitted in the current draft HCP. This strategy minimizes expenditures, but it also provides only approximately 15% of the impact coverage that is included in the current draft HCP.

It is unclear if USFWS will approve an HCP with a strong emphasis on enhancement of publicly owned land. Additionally, staff review has revealed that the amount of acreage potentially available is limited. Some publicly owned land may be excluded depending on the restrictions and conditions of the original funding sources. Some federal funding sources for habitat conservation may not permit the use of purchased lands for project mitigation purposes.

B. Working Land Conservation Easements: Caps mitigation revenue at \$1 million, assumes use of 100% of Conservation Futures (\$1.2 million) each year.

In this scenario, we use the Board's \$1 million target with addition of the Conservation Futures approximate annual revenue of \$1.2 million to provide \$2.2 million/year in revenue. This scenario could mitigate about 2,652 functional acres of impact over 30 years. This strategy still minimizes expenditures, provides some additional permitted impact, but it also does not provide impact coverage for all anticipated development; this option provides roughly 35% of the impact coverage in the current draft HCP.

The county does not know if USFWS will approve an HCP with the strong emphasis on working lands easement vs. acquisition of core conservation lands.

C. 70% Buildout & 20 yr. permit: Assumes 1 acre of impact for rural residential, removes annexed Tumwater area.

This scenario minimizes the cost assuming a:

- 20-year permit (vs. 30 years) and only a 70% buildout (vs. 88% currently in the HCP, and as projected by Thurston Regional Planning Council).
- Projected impacts are also reduced assuming rural residential impacts will only average 1 acre of impact rather than the 2 acre estimate in the current draft of the HCP.
- Impacts from the area annexed by Tumwater are removed.

This scenario could mitigate about 2,107 functional acres of impact over 20 years. This strategy significantly reduces annual expenditures to \$2.8 million per year, but it also assumes a lot of avoidance both in terms that some land will not be developed (i.e., the 70% buildout assumption), and that rural residential homebuilders will reduce the footprint of their home, driveways, and outbuildings. The annual cost is reduced by the factors above alone and reducing the permit term from 30 years to 20 years in addition does not provide substantial further reduction in cost. Actually, extending the scenario from 20 to 30 years will reduce the annual cost because it is spread out over more time. This option provides 28% of the coverage of the current draft HCP.

D. 88% Buildout: Assumes 1 acre of impact for rural residential, removes annexed Tumwater area

This scenario maintains the 88% buildout currently in the HCP. Projected impacts are reduced assuming rural residential impacts will only average 1 acre of impact rather than the 2 acre estimate in the current draft of the HCP. Additionally, impacts from the area annexed by Tumwater have been removed.

This scenario could mitigate about 3,653 functional acres of impact over 30 years. This strategy significantly reduces annual expenditures to \$3.5 million, but it also assumes a lot of avoidance. Rural residential homebuilders will be required to reduce the footprint of their development envelope (i.e. home, driveways, outbuildings landscape areas, and lawn). This option provides 48% of the coverage of the current draft HCP.

5. Current Draft HCP

The draft HCP includes a current anticipated build-out of 88% of the current zoned capacity of Thurston County over 30 years. The development projections are based on TRPC parcel by parcel projected capacity. These are the added development (i.e. residential, commercial and industrial) units to accommodate projected growth over 30 years. The added development units from the parcel by parcel projected capacity are overlaid on the habitat area for the covered species and this intersection provides the projected impact acreage (16,866 acres). This acreage is then refined, based on habitat functionality, to provide the projected functional acres (7,656) of impact. It is the functional acres for which the County will need to assure mitigation.

The current, annual HCP cost estimates to mitigate for the projected 7,565 functional acres (total over 30 years) is about \$5.1 million per year. This figure includes mitigating for impacts derived from private development and residential building activities permitted by Thurston County and capital projects completed by Thurston County.

The current draft of the HCP is conservative in terms of allowing a high level of take and maximizing the development flexibility and capability for the County and its development community. Under the Growth Management Act the county is required to accommodate future population growth, which may require an increase in the Urban Growth Area. The high level of take allows the county to adjust Urban Growth Areas in the future to accommodate additional development if required by the Growth Management Act (RCW 36.70A) without having to renegotiate with USFWS for an amendment of the HCP.

If the development projected by TRPC and covered in the HCP is not fully achieved, the current plan allows for this impact to be used for unanticipated capital improvements, new schools, more commercial development, etc.

There will be no mitigation cost associated with any projected impacts that do not occur. The HCP is a ‘pay-as-you-go’ system—we are only required to provide mitigation for the impacts that actually occur. Reducing the quantity of the impacts covered in the HCP reduces the overall potential cost of the HCP, but also takes away flexibility.

Documents Attached:

N/A

Summary & Financial Impact:

Thurston County is developing an HCP to offset impacts to listed and other sensitive species that may be listed occurring from development and county activities. How much impact (take) the County wishes to finance is a County decision.

Sufficient flexibility in the projected impact is needed to allow for the uncertainty of projecting the potential for development over long periods of time. The HCP is a ‘pay-as-you-go’ system and a funding plan needs to account for the total project cost to mitigate the impacts. It does not require those total funds to be available on day one of implementation of the HCP, but sufficient funds to mitigate the current need.

Affected Parties:

E.g. County residents, community organizations, other County offices/departments, etc.

All county residents may be affected in some way because of the extent of the coverage for the Thurston County Prairie Habitat Conservation Plan.

Options with Pros & Cons:

Below ~ List all viable options. Begin with underlined option title, then add pros and cons, financial impact of each, as well as affected parties (e.g. County residents, community organizations, etc.)

Board Direction:

Next Steps/Timeframe:

Based on the Board's recommendation, describe the next steps required in order to bring this item to conclusion. Include the time frame for each step, and when the Board should expect to see this issue before them again.

April 2017 – Possible review focus group meeting

June 2017 – Draft HCP complete

June 2017 – HCP review focus group follow-up meeting

July 2017 – NEPA/SEPA process to begin