



A FRAGILE SPACE The sandhills represent acres and acres of endangered habitat, and are home to two species found only in the Santa Cruz Mountains.

Saving Sandhills

Santa Cruz Land Trust buys endangered habitat
after the first local conservation bank downsizes | **BY AMY COOMBS**

Endangered Species

ATOP THE MILES OF REDWOOD FOREST that span the Santa Cruz Mountains is a peak of barren sandhills lined with bright flowers. Originally the bottom of an ancient seabed, the peaks raised as the mountains formed, creating a desert island amidst miles of foggy, tree-lined canopy.

"It's a small habitat," says Stephen Slade, the development director at the Land Trust of Santa Cruz County. "Only 6,000 acres originally, and the majority has been built upon or quarried."

This is what motivated the nonprofit to purchase 189 acres of sand habitat and surrounding forest for \$4.1 million on Aug. 5. Home to seven rare and endangered species, Slade points out that almost half of the habitat has already been lost and that "it's critical that the few last remaining sites be preserved."

The peaks are mined for fine-grained Zayante sand, a favorite in the optics industry, which uses the sand to make glass lenses. But the mining has taken a toll on the ecosystem. Once home to roadrunners and a host of wildlife, the hills now contain only a portion of the biodiversity found just 20 years ago.

"Back then there were 18 different populations of the Ben Lomond Wallflower," says Jodi McGraw, a local environmental consultant who specializes in the sandhills ecosystem. "Now, we are down to only a dozen, and the flower is entirely gone from many of the sandhills. This is how extinction happens. A species begins to dwindle, and then it entirely disappears."

Unlike the roadrunner, which can still be spotted in other California deserts, the Wallflower is not found anywhere else on Earth. The Santa Cruz Kangaroo Rat, the Mount Hermon June Beetle and the other endangered species found in the sandy peaks are in the same boat. "If these plants and animals disappear from the sandhills, they will be gone from the planet forever," says McGraw.

While in graduate school, McGraw discovered why the plant species can't grow in any other habitat. "It's not the sandy soil—most of the plants and flowers do fine in rich soils. The problem is light. They need a lot of it, and as the sand prevents trees from encroaching into the sandhills, the plants evolved without any

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shade." The endangered animals have evolved by eating the plants for food, and haven't been able to integrate into the forest ecosystem.

BANK BLUNDERS

Those who followed the \$4.1 million purchase say it marks a turning point for the Santa Cruz conservation community. The 189-acre property was purchased from a company called PCO, INC, which runs the Zayante Sandhills Conservation Bank—a for-profit business that sells conservation credits.

Much like carbon credits allow pollution rights to be purchased, the conservation credits sold by Zayante allow property owners and developers to expand in sandhills habitat. "We allow people to mitigate in a conservation-like way," says Paul Burrowes, a co-founder of Zayante, and its current manager.

After making a contribution to one of Zayante's existing preserves, developers are awarded a set number of conservation credits. These credits offset state mitigation requirements, and help developers reconcile limitations imposed by federal endangered species laws.

While the 189 acres were originally purchased to be part of the Zayante Conservation Bank, the county put the brakes on, implementing the first boundaries for such ventures. "We didn't quite know what to make of it at first," says Tom Burns, director of the Santa Cruz County Planning Department. "This is the first conservation bank we have ever done."

For starters, the county capped the credit value at \$7.50 per square foot in order to make credits affordable to locals and not just large developers. "[Zayante] didn't know the county had to recognize their bank, and play a role in determining the credit valuation," says Burns. "But we are a critical party that needs to be brought on board."

The county also limited the types of projects that could buy credits. "We didn't want the bank to help large-scale development projects get approved if they otherwise wouldn't," Burns adds.

Endangered species protection makes it difficult to build in prime habitat like the sandhills, but the county feared the conservation bank might help developers sidestep these regulations. Even when development is prohibitively expensive due to mitigation requirements, the land bank might have provided developers with a new, affordable way to meet certain state and federal requirements. Instead of protecting species at the development site or purchasing new land for protection, developers could simply contribute to a pre-existing land bank.

Four species found in the sandhills were added to the federal endangered species list in the mid-'90s. The Ben Lomond Wallflower was state-listed as endangered in 1981 before being added to the federal list. In addition, three unlisted species are considered rare by researchers.

"We didn't want the conservation bank to overcome these difficulties and pose a mitigation

option for large-scale development projects," says Burns. "If only half of a property should be developed because the other half is prime habitat, this is what should happen."

According to a local endangered species ordinance, the county has authority to approve mitigation activities that impact critical habitat. This allowed the planning department to negotiate with the conservation bank. In exchange for approving the conservation bank as a mitigation alternative for select projects, the county was able to negotiate a credit cap and exclude large-scale development projects.

In the end, this seemingly prevented Zayante from selling enough credits to pay off debt—at least not for the entire acreage purchased.

"We spent millions of dollars with entomologists and conservationists," says Burrowes. "Putting together the data needed to become officially sanctioned as a conservation bank was expensive." The company raised investment dollars to fund the project.

"We went into all of this to protect the land," says Burrowes. Yet after the conservation bank was faced with downsizing their initial plans, Zayante drew up development plans on the 189 acres. The plans reportedly included 12 different housing cites. "Developing the property was one of our options," adds Burrowes.

According to the county, it would have been possible to push development plans through, at least partially. Much of the 189 acres contains forest, and while this helps protect the sandhills from being swept away, the forest isn't protected by the same environmental measures. "The law is very much on their side," says Burns. "If they wanted to develop, they likely could have." While Zayante had originally intended to place protective conservation easements on the property, these had not yet been implemented.

Ultimately, Zayante decided to sell the property to the Santa Cruz Land Trust, and set the development plans aside. "We sold the land at a discount price because we wanted to help preserve it," says Burrows. The land was appraised at \$6.1 million—\$2 million more than the purchase price.

Zayante will hold onto 23 acres and continue with plans to sell credits. Homeowners in the sandhills can still participate in the conservation bank, so long as the projects are limited to single room additions or other minor expansions, and meet county zoning requirements. Burrows says the county was great to work with, and that the \$7.50 credit valuation is fair.

"These types of projects can take years to get approved because of all the bureaucratic pathways," says Burns. "We are fine with homeowners purchasing conservation credits if it will speed up approval."

CONSERVATION OR PROFIT?

Land banks are sometimes criticized for allowing developers to play both sides of the game. In some cases, developers start land banks with the intention of profiting from the mitigation

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process as well as construction. "If you want to develop a protected habitat you might not be able to meet state requirements for mitigation," says Burns. "But if a developer sets up a land bank, he may now be able to get construction plans approved, as well as make some money off the sale of conservation credits."

Zayante says it had nothing but conservation goals in mind, and has no connection to development groups currently working in the sandhills.

Yet Burrowes admits he holds other real estate investments and works with developers from time to time. Zayante's co-owner, Owen Lawlor, works as a consultant on construction projects in the sandhills. Lawlor's Linked In profile says he brings "over 20 years of experience in all aspects of the Residential and Commercial Real Estate Development Process, with special emphasis in governmental relations within the Land Use entitlement process."

But having a development consultant behind a land bank isn't necessarily a bad thing. "If you are a sophisticated player, you may need this kind of experience," says Jonathan Zasloff, a law professor at the University of California, Los Angeles. "I just wonder why [the Zayante Conservation Bank] didn't know the county would influence the credit price. It almost sounds like a real estate deal gone bad, or else someone didn't do their research."

Experts also say there are latent problems with the conservation bank model. If preserving land is your goal, going the nonprofit route is more cost effective. While Zayante will not release how much it spent in set-up costs, it says the profit from the 189-acre sale will not get the company out of debt. They likely could have protected all of the land for a fraction of the costs involved in setting up the land bank.

Land banks are also criticized for helping developers avoid traditional forms of mitigation. "Sometimes these market-based incentives work," says Zasloff, "but according to the California Environmental Quality Act you have to rebuild habitat that is destroyed, or preserve critical habitat on your development site. With land banks you are just selling credits for an existing piece of land."

Despite the criticism, many environmental advocates say there is still hope for conservation banking. Terry Corwin, executive director of the Land Trust, won't comment on Zayante's approach, but says a land bank's success depends on how it's set up. "There is a place for land banks," Corwin says. "They help consolidate large areas of important habitat. They also make sure the smaller acreage is developed, while the larger habitats needed for species survival are conserved."

Corwin also emphasizes that land owners should make every effort to preserve the open spaces on their own property. "Just because you only have three acres to preserve, doesn't mean you can't make a big impact," says Corwin. "Even though we are aiming to consolidate land for preserves, the way people manage their backyard acreage impacts endangered species." In the

Santa Cruz Mountains, plots of land are often five or 10 acres, and even backyards outside of the sandhills habitat are home to a critical species.

ALL'S WELL THAT ENDS WELL

In the case of the 189 acres of protected sandhills habitat, the Santa Cruz County Land Trust believes that all's well that ends well. They may have preserved more land for their money if the 189 acres had been bought four years ago, and never taken a detour through the conservation bank, yet the Land Trust chooses to look on the bright side. "The land might have been more expensive if we had waited, or even worse, it might have been developed," says Slade. "In California, conservation is always a real estate game."

McGraw says the prognosis for the endangered species looks good, at least if conservation attempts continue, and the land is well managed.

The Land Trust has not decided how to regulate local access to the site, but says motorcycles continue to trample the rare species. The erosion from dirt bikes and public use also makes it hard for plants to re-establish themselves.

The Land Trust also says it has no current plans for controlled burns. Because the endangered sandhills plants require a lot of light, the build-up of overarching trees and brush is an ongoing problem. Due to a lack of fires, the species grow smaller, produce fewer seeds and generally struggle. "Most of the sandhills habitat hasn't burned recently because they are surrounded by development, and we suppress the fires," says McGraw. Summer fires recently burned through the Bonny Doon Ecological Preserve, where about 400 acres of sandhills are found. Yet most other sandhills habitat remained untouched.

Even though there are no plans for controlled burns, the Land Trust says there will be many restoration activities at the site. Three leaky oil tanks have already been removed from the property, as well as a lot of garbage. An additional \$800,000 is being set aside in an endowment to cover future management costs, and \$200,000 is reserved for clean-up costs.

"It was very important to our donors that we set aside funds to take care of the property after the purchase," says Corwin. "There are a lot of cases where land is bought, but no stewardship takes place. We will be actively managing this property to help the native plants and animals expand and flourish."

The Gordon and Betty Moore Foundation contributed \$2.3 million to the acquisition, and another \$2 million came from the California Wildlife Conservation Board—a state agency that contributes to public land purchases. Four hundred thousand dollars came from the David and Lucile Packard Foundation, and the rest was donated in smaller increments from members of the community. "We were pleased to see this land is something people really cared about protecting," says Corwin. **ET**