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August 1, 2006

MEMORANDUM

TO: Council Members

FROM: Terry Morlan

SUBJECT: IEAB Report on Approaches to Habitat Preservation

The Independent Economic Analysis Board was asked to compare different approaches to preserving desirable habitat. The initial comparison, which remained the primary focus of the report, was between fee simple acquisition of land and conservation easements. However, the alternatives expanded to include many other approaches, including habitat conservation plans, land leases, options, purchase or trading of development rights and tradable environmental credits, and cooperative arrangements involving federal farm programs, certification programs, and water trusts.

These alternatives were assessed in relation to criteria that included cost effectiveness, certainty and durability of protection, ability to finance under BPA F&W program, economies of scale, opportunities for partnerships, incentives for landowner participation, and community acceptability.

In evaluating these approaches to habitat preservation the IEAB met with representatives of the Metro Parks and Greenspaces Program, Columbia Land Trust, the Oregon Water Trust, and the Trust for Public Lands all of whom are involved in habitat preservation. Their insights contributed significantly to the IEAB report.

The attached Task 104 report contains a number of conclusions. The primary conclusion is that no single approach to habitat preservation is best in all circumstances. The report describes advantages of particular approaches and the conditions under which they are most likely to be successful and cost effective. For example, a conservation easement may be the most cost effective means to preserve habitat if the restrictions have only a small effect on the primary land use. However, if the primary economic purpose of the land is affected, it is likely to be more cost effective to acquire the land through a fee simple purchase. Joel Hamilton of the IEAB will present other findings at the meeting in Spokane.

Independent Economic Analysis Board

Comparing Approaches
to Preserving Habitat

Council Charge

- Outline alternative approaches to acquire and preserve habitat
- Examine the characteristics of alternatives

Question: Could the cost effectiveness of FWP habitat projects be improved by using alternative ways to acquire habitat?

Alternatives for Acquiring Habitat

- Fee Simple Acquisition
- Conservation Easements
- Settlement Agreements
- Other Alternatives

Criteria for Evaluating Alternatives

- Cost effectiveness
- Certainty & durability of protection
- Can BPA finance under F&W program?
- Economies of scale
- Opportunities for partnerships
- Incentives for landowner participation
- Community acceptability

Findings

- No one method is best in all cases.
- Fee simple purchase and conservation easements may achieve the same objectives.

Findings Cont.

- Fee simple purchase may be preferred when:
 - Certainty of protection is high priority
 - The primary use of land is being restricted
 - Negotiating a conservation easement is expected to be difficult or costly

Findings Cont.

- Conservation easements may be preferred if:
 - Desired habitat is not in major conflict with primary land uses
 - Easement affects only a small portion of parcel
 - Owner is unwilling to sell land
 - Community favors continued private ownership

Other Considerations

- Future land management costs
- Uncertainties about enforcing the terms of conservation agreement
- Transferring land or easements to a land trust will relieve agency of management responsibility, but exposes agency to problems that land trust may encounter

Conclusions

- BPA has made good use of settlement agreements in its F&W program
- Choosing among these options is complex and case specific
- Recommend expanding scope to include aquatic habitat
- Recommend applying criteria to additional strategies

Questions?

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SUBJECT: IEAB Report on Data Adequacy for Cost-Effectiveness Analysis

The IEAB undertook Task 105 as a preliminary investigation of the available information about fish and wildlife projects that could support cost benchmarking and cost-effectiveness analyses. The term "benchmarking" refers to estimating a reasonable range of costs for a specific action, such as fencing or riparian restoration, that would be used to help screen proposal information. Cost-effectiveness analysis is used to compare among multiple options for achieving or furthering an objective.

There were three components to the analysis: (1) evaluation of several specific project proposals; (2) evaluation of Pisces information and organization; and (3) consideration of data adequacy for cost-effectiveness analysis and benchmarking of the costs of specific types of actions in fish and wildlife projects.

The IEAB evaluated the economic data provided in six habitat proposals and five hatchery proposals. The attached report contains a number of observations about the availability and quality of the data. The IEAB then evaluated the Pisces database to see the degree to which ongoing project information could support cost benchmarking for project proposals.

Information in proposals might be used for cost-effectiveness comparisons among the proposals, and it might be used as data for cost benchmarking even if the proposal is modified or not funded. However, the IEAB found the quality of information in project proposals to be variable among proposals. There are inconsistencies in the definitions, availability and organization of cost data, and there are site-specific factors that strongly influence unit costs.

Pisces provides information on funded projects that, with some further refinement and extensions, could be more useful. The IEAB proposes doing further work to establish benchmarking for some types of costs based on the information in Pisces, fish and wildlife project proposals, and other readily available sources. Because this could be an important advance in our ability to do routine cost-effectiveness analysis, the IEAB seeks Council support for this important task.

Members of the Pisces development team have attended three IEAB meetings at which they presented their work on Pisces and learned about the information the IEAB needs for cost benchmarking and cost-effectiveness. The report includes a number of comments on Pisces, which have been shared with Pisces developers during the review process. The IEAB and Pisces developers agree that we should find ways to make Pisces more practical for cost benchmarking.

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Independent Economic Analysis Board

Feasibility of Using Available Cost
Data to Better Inform Project
Selection

Approach

- Evaluate information in six 2006 habitat proposals and five hatchery proposals as case studies
- Evaluate Pisces data management system to see if it organizes and maintains project information in a way that could help evaluate cost effectiveness.
- Identify useful additional work

Findings on Habitat Project Proposals

- Many work elements did not have metrics
 - E.g. overhead, management, research, monitoring
- Some work elements with a single metric included a wide range of activities
 - Example, create or restore wetlands can be anything from duck nesting islands to major water conveyance

Findings on Habitat Project Proposals -2

- For some work elements there are opportunities for comparison across projects
 - Esp. install fence, plant vegetation, remove vegetation, and improve/relocate road. Still: work and site specific factors cause large variability
- Some useful information for cost-effectiveness was found in the expanded narratives

For Hatcheries,

- The IEAB has found in an earlier study that cost effectiveness can be assessed using data on actual returns
- Proposal information is planned and expected rather than actual
- Data on actual, past performance is usually available

General Findings from FY2007 Proposals

- This is all new, so we should expect opportunities to make improvements
- There is enormous variability in the type of work and local conditions that make cost comparisons across projects difficult

Pisces Improves on Proposal Information

- Metrics in Pisces are both planned and actual
- Information is verified and updated
- Pisces requires that metrics be provided

Keeping in mind. . .

- The main purpose of Pisces is for project tracking and management, not economic analysis
- Pisces managers have been working with the IEAB to incorporate our comments
- There are limits based on the variability of type of work and local conditions
- There is a trade-off between having many work elements and metrics that are appropriate for every situation, and having fewer that allow for more comparisons across projects

Suggested Improvements for Pisces

- Some work elements and metrics should be disaggregated
- Project costs should reflect all costs, not just the cost share paid by Bonneville
- Information on the expected life of investments is needed
- Provide access to additional levels of detail if available
- More metrics for some elements may be useful

Summary

- Pisces provides useful cost information
- There remains potential for improvement
- IEAB proposes continued work with Pisces