

**Sax-Zim Bog:**

# Wetland Mitigation Bank/ Land Exchange

**The Challenge**

The landscape of Northern Minnesota is a mosaic of millions of acres of lakes, wetlands, and streams. Balancing the conservation of these waterways and wetlands with thoughtful development is an enormous challenge for planners and regulators. This challenge was exacerbated by the lack of any wetland mitigation banks in the region.

In June of 2012, Ecosystem Investment Partners, LLC (EIP), a private investment manager that delivers high-quality ecological restoration and conservation, recognized an opportunity. EIP approached The Conservation Fund for assistance in acquiring the land necessary to create a large-scale mitigation bank.

Land ownership in northern Minnesota is fractured, and private land holdings have been whittled down to only select pockets of upland. Any large, contiguous expanses of wetlands necessary to establish a mitigation bank were owned by the state or the federal government, and were not available for purchase.

Sax-Zim Bog, one of the nation's most important birding sites, is an area of more than 100,000 acres, including 25,000 acres of wetlands that were degraded by pattern ditches dating from the early 1900s that were dug to drain the peatlands. Through tax forfeiture and a system of federal assignment of land dating from statehood, those 25,000 acres at Sax-Zim Bog were owned by the Minnesota School Trust (Trust) and the state, and managed by St. Louis County. Both the Trust and the county were required to generate revenue from the land they owned or managed, but the Sax-Zim Bog property offered no opportunity for this. In fact, every day that they owned and managed the property at Sax-Zim Bog, the Trust and county were losing money.

**The Conservation Solution**

The solution was a land exchange. Land use rules prohibited the Trust and the state from selling their lands directly to a prospective buyer; instead they had to be exchanged for lands of equal value. Therefore, The Conservation Fund took the following steps:

- Acquired approximately 9,500 acres of productive timberlands desired by the Trust and St. Louis County from the Potlatch Corporation, a forestland company
- Exchanged these lands for approximately 25,000 acres of land of equal value in and around Sax-Zim Bog that were held by the Trust and the state
- Sold these Sax-Zim Bog lands to EIP, which is working to restore them, in accordance with state and federal requirements

This involved: facilitating consensus about what land was to be acquired and what land was to be released among a complex web of partners; negotiating commensurate values; managing the land exchange process; and navigating the governmental interactions. If any one party had defected at any step of the process, the project would not have succeeded.

**Mitigation Implementation:**  
Clean Water Act,  
Minnesota Wetland  
Conservation Act

**Partners:** Ecosystem  
Investment Partners,  
St. Louis County,  
State of Minnesota,  
Minnesota School  
Trust, Army Corps of  
Engineers, Minnesota  
Board of Water and  
Soil Resources



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**The Conservation Solution (continued)**

Despite the intricacies involved, this land exchange was completed in January of 2015, less than a year after the exchange process formally began. The project was the largest land exchange in Trust history, and was completed in half the time a public land exchange typically requires in Minnesota.

As there is no other wetland mitigation bank within the Lake Superior drainage, EIP sells wetland mitigation credits to entities that may impact wetlands in that area. Once EIP has restored the wetlands and sold all available credits, the land will be permanently protected with a conservation easement, and its management and future property taxes will be assured via an endowment established by EIP. EIP will then transfer the land to state or private conservation organizations interested in the preservation of the Sax-Zim Bog. Wetland enhancement and restoration activities were nearly complete at Sax-Zim Bog by late 2016.

**Outcome Highlights**

The Conservation Fund helped to create one of the largest wetland mitigation banks in the country.

Public agencies and local conservationists had long sought to protect Sax-Zim Bog. The Conservation Fund, EIP, St. Louis County, the State of Minnesota, Potlatch, and our many partners found a way to do it without the expenditure of public funds.

**Conservation:** The Sax-Zim Bog project protects more than 34,000 acres of forestland and America's premier boreal birding site.

**Economic:** The Minnesota School Trust and St. Louis County now respectively own and manage sufficiently large parcels of viable forestland to have a long-term source of stable revenue generation, encouraging new mills to be built and jobs to be created.