



**Title:** Resolution of Support for MCWD's Potential Role in the Holy Name Wetland Bank

**Resolution number:** 23-028

**Prepared by:** Name: Kate Moran, Policy Planning Coordinator and Becky Christopher, Policy Planning Manager  
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**Recommended action:** Support for the District to assume long-term management role and authorization to proceed with working with the landowner, the City of Medina and any other interested parties to prepare proposed agreements for the Holy Name Wetland Bank for Board approval.

**Summary:**

At the May 11, 2023 Board meeting, Minnehaha Creek Watershed District (MCWD or District) staff will (1) provide an update on the Holy Name Wetland Bank; (2) determine if the Board of Managers find it appropriate for the District to assume the long-term management role; and (3) request authorization for to work with the landowner and City of Medina to prepare any necessary agreements to advance the project.

The proposed wetland bank is located on a 73-acre agricultural parcel that drains to Holy Name Lake in the Long Lake Creek Subwatershed (refer to Attachment 1). MCWD collaborated with the landowners and City of Medina to develop the proposed concept that includes a 5-lot subdivision and approximately 19 acres of wetland and upland buffer restoration and creation to establish as a private wetland bank (refer to Attachment 2). The landowners are interested in supporting natural resource improvements on site and have initiated the wetland bank process with the U.S. Army Corps of Engineers (Corps) and the Board of Water and Soil Resources (BWSR). The requirement that a single entity be responsible for long-term management of the bank has been identified as a barrier, and the landowners have asked the District to facilitate the restoration by assuming responsibility for long-term management.

MCWD Board of Managers received a staff update on the Holy Name wetland bank at the October 6, 2022 Board meeting and requested staff continue to explore this opportunity, including evaluation and rationale for the District to provide long-term management of the bank site. The landowners are preparing for the second phase of the wetland bank application process which requires greater certainty on long-term management of the bank site.

**Background:**

Long Lake Creek Subwatershed Partnership

The Cities of Long Lake, Medina, and Orono; Long Lake Waters Association; and MCWD have agreed to work together towards a common goal of improving water quality within the Long Lake Creek Subwatershed, including Holy Name Lake, which is impaired for nutrients. The District has led an assessment and developed the Long Lake Creek Roadmap (Roadmap), to identify the highest-impact and most feasible projects to achieve this shared goal.

A 73-acre agricultural property located northeast of Holy Name Lake was one of the properties identified in the Roadmap by the City of Medina and MCWD for likely development and significant opportunity for wetland restoration to maximize load reduction to Holy Name Lake. The impaired Holy Name Lake has a small watershed of only 393 acres, and this 73-acre parcel is one of the only opportunities to address external nutrients and volume entering the lake.

## Holy Name Wetland Bank

A proposal for a six-lot subdivision on this property, referred to as Blooming Meadows, was brought to the City of Medina, and the City engaged the MCWD. Based on the City and landowners' interest, in March 2022, the District developed a high-level concept of how the landowner could develop 5-lots, restore or create approximately 19 acres of wetlands and upland buffer, and establish a wetland bank to generate credits that could be worth an estimated \$1.4 – \$2.1 million. Based on this concept, the landowners decided to move forward with initiating the wetland banking process and contracted directly with Stantec to develop application materials.

Establishing a wetland bank for mitigation credit under federal wetland rules requires the Bank Sponsor (landowners) to follow a three-phase application process. In 2022, the landowners submitted a Draft Prospectus, the first phase, that provides a conceptual overview of the proposed wetland bank. Under this proposal, the bank area was split between the five lots. The Corps and BWSR provided comments that (1) there must be a single entity responsible for the long-term management of the site, and (2) the proposal must address concerns regarding landowner encroachment and easement enforcement.

Based on the Corps feedback, the landowners requested that MCWD consider taking on the role of long-term management to facilitate the restoration and are willing to dedicate a portion of the credit sales to cover the District's costs. While the landowners are willing to make the upfront investment to create the bank, they have expressed concerns about assuming the long-term obligation. In addition, based on discussions with the Corps and BWSR, it is understood that the District's involvement will increase the agencies' likelihood of approving the proposal. This concept was discussed at the October 6, 2022 Board meeting, and the Board requested that staff continue to explore this opportunity and come back with an evaluation and rationale for the District to provide long-term management of the bank site.

### **Evaluation:**

Staff has conducted further analysis of this opportunity, and received input from other staff, legal counsel, the District Engineer, and other advisors, as summarized below.

### Policy Alignment

In recognition of the value wetlands provide for water quality, water quantity, and ecological integrity, a goal in MCWD's 2017 Watershed Management Plan is to maintain or increase existing acreage of wetlands in the watershed and achieve no net loss in their size, quality, type, and biological diversity. The importance of wetlands is further reinforced by the District's Climate Action Framework, which recognizes their value in providing flood storage, carbon sequestration, and overall resilience of the watershed.

In support of these goals, MCWD's [Wetland Protection Rule](#) requires project-specific replacement for wetland impacts to be sited within the watershed prior to seeking replacement outside of MCWD. At this time, there are no wetland banks with available credits located in the Minnehaha Creek Watershed, so replacement is occurring outside of the watershed. In alignment with MCWD's Balanced Urban Ecology approach of working in partnership with those who change the landscape, there is opportunity to use the state and federal wetland banking programs as an incentive for wetland restoration in the watershed. Staff have identified long-term management of bank sites as a potential barrier for not only the Blooming Meadows site, but other public and private partners who may wish to pursue wetland banking within the watershed.

### Resource Need and Benefits

The proposed wetland bank is located within the northeast portion of the Long Lake Creek Subwatershed and has been identified as a priority site under the Roadmap. This 73-acre parcel represents 40 percent of the total subwatershed loading (i.e. 29 pounds (lbs) of total phosphorus (TP) per year of the total 72 lbs TP per year) to Holy Name Lake. MCWD staff identified this as a critical parcel to support load reduction to meet water quality standards for Holy Name Lake.

The proposed wetland bank is anticipated to provide the following benefits:

- Creates an estimated 8 acres of additional wetland over existing conditions
- Enhances 1.5 acres of existing wetlands

- Creates an estimated 9.7 acres of upland buffer with reduced mowed turf areas, providing an estimated 12 percent reduction in runoff volume
- Provides additional flood attenuation/storage in existing and created wetlands
- Improves vegetative quality, wildlife habitat, and other significant ecological benefits
- Provides an additional 0.3 pounds of total phosphorus (TP) load reduction compared to original development proposal
- Reduces risk and uncertainty related to the existing drain tile system and potential for flooding impacts to proposed homes
- Improves quality of life and enhances community character

#### Management Responsibilities and Costs

MCWD staff reviewed previous roles and costs MCWD has taken on for similar restoration projects with partners. Since 2015, MCWD's Project Maintenance and Land Management (PMLM) Program staff have provided support on five partner-led projects, including technical support, serving as easement holder and/or providing long-term management of restoration sites. The PMLM Program staff manage consultant contracts to provide annual vegetation maintenance for the Laketown 9<sup>th</sup> and Methodist Hospital wetlands, and conduct site visits for easements where HOAs have taken over long-term management of the site to ensure they are being properly managed (e.g., Mader, Deerhill Preserve (Stonegate), and School Lake Preserve).

The initial five-year establishment period for the Blooming Meadows wetland bank would be the responsibility of the landowners. The site must meet performance standards set by the Corps and BWSR to receive approval for credit and before MCWD would assume management responsibility. The long-term management of the site would be integrated into PMLM's existing annual vegetation management contracts. It is anticipated that MCWD would conduct annual site visits to (1) identify and address any maintenance needs (e.g., chemically manage noxious and invasive species) and (2) identify any easement violations. Based on the required performance standards for wetland banks and current knowledge of the site, MCWD's PMLM staff and the District Engineer anticipate that the site will generally be self-sustaining upon assuming the long-term management role and expect minimal maintenance.

PMLM staff and the District Engineer developed separate cost estimates for MCWD to take on long-term management of the Blooming Meadows bank site. Based on these assessments, staff believe that a cost range of \$120,000 to \$160,000 would be sufficient to substantially cover the District's long-term management costs. This range is based on estimated 2030 maintenance costs of \$600-\$950 per wetland acre and \$300-\$600 per upland buffer acre (2030 is the estimated year when MCWD would assume responsibility). It accounts for annual inspection costs and 5-10 years of additional maintenance (e.g. herbicide treatment) following the initial establishment period. The estimates also account for cost inflation.

To further manage the District's risk, it is proposed that the City will, through fee ownership of the outlot or easement rights, have the ability to assess any District-incurred costs resulting from homeowner encroachment to the responsible homeowner. The City is in support of the wetland banking proposal as part of the Blooming Meadows development, including MCWD taking on the long-term management role, and have provided a letter of support (Attachment 3).

#### **Staff Recommendation:**

Based on staff's evaluation, there is public benefit in MCWD facilitating a wetland bank within the watershed, whether public or private, when the bank helps ensure mitigation of wetland impacts within the watershed and also provides regional water quality and flood management benefit, and when the cost and risk to the District are limited and commensurate with the public benefit. The District staff recommend that MCWD assume the long-term management role for this proposed wetland bank as it aligns with MCWD's policies and priorities, and engagement with this private development will provide for additional public water resource benefit. MCWD estimates a cost range of \$120,000 - \$160,000 (to be refined during the next phase of the banking process) to substantially cover the costs of long-term management for the wetland bank, and the landowner proposes to fund this cost in advance of District expense, from credit sales or other means to be negotiated.

District staff request authorization to proceed with working with the landowner, the City of Medina and any other interested parties to prepare proposed agreements for the Holy Name Wetland Bank with the understanding that the District cost and risk will be limited and not disproportionate to the public benefit. MCWD staff will provide updates to the Board and request approval for all future agreements if this opportunity moves forward.

**Supporting documents:**

Attachment 1 – Project Overview Map

Attachment 2 – Holy Name Wetland and Blooming Meadows Development Concept Design

Attachment 3 - Letter of Support for Medina Planning Director



## RESOLUTION

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**Resolution number:** 23-028

**Title:** Resolution of Support for MCWD's Potential Role in the Holy Name Wetland Bank

- WHEREAS, the Minnehaha Creek Watershed District (MCWD or District) Board of Managers has adopted a Balanced Urban Ecology policy that recognizes that what happens on the land is the primary driver of ecosystem health, and the District can best achieve its mission by working in partnership with those who change the landscape;
- WHEREAS, a goal of the MCWD's 2017 Watershed Management Plan is to maintain or increase existing acreage of wetlands in the watershed and achieve no net loss in their size, quality, type, and biological diversity;
- WHEREAS, the District's Climate Action Framework recognizes the importance of restoring and preserving wetlands within the watershed to support resilience through carbon sequestration and flood storage;
- WHEREAS, the MCWD's Wetland Protection Rule requires replacement for wetland impacts to occur within the watershed prior to seeking replacement outside of the District's boundaries, and there are currently no available wetland bank credits for purchase within the watershed;
- WHEREAS, the Cities of Long Lake, Medina, and Orono; Long Lake Waters Association; and MCWD have formed the Long Lake Creek Subwatershed Partnership to improve water quality in the subwatershed, including Holy Name Lake, which is impaired for nutrients;
- WHEREAS, through this partnership, the MCWD and City of Medina identified an opportunity for wetland restoration on a 73-acre agricultural parcel draining to Holy Name Lake that was poised for development;
- WHEREAS, the MCWD has collaborated with the landowners and City of Medina to develop a concept that includes a 5-lot subdivision and approximately 19 acres of wetland and upland buffer restoration and creation to establish as a private wetland bank that would serve as a source of credits under state and federal wetland laws;
- WHEREAS, the landowners have initiated the state and federal wetland bank application process but have identified, as a barrier, the requirement that a single entity be responsible for long-term management of the bank, and have asked the District to facilitate bank approval by serving as the entity responsible for long-term management;
- WHEREAS, MCWD has experience managing wetland and upland restoration areas and has provided long-term management in a similar capacity for conservation developments and other project partnerships;
- WHEREAS, the Board finds that there is public benefit in facilitating a wetland bank within the watershed, whether public or private, when the bank helps ensure mitigation of wetland impacts within the watershed and also provides regional water quality and flood management benefit, and when the cost and risk to the District are limited and commensurate with the public benefit;
- WHEREAS, Project Management and Land Management staff, working with the District engineer, has estimated the long-term management cost to be in the range of \$120,000 to \$160,000;

WHEREAS, the landowner proposes to fund this cost in advance of District expense, by escrowing receipts from initial wetland credit sales or other means to be negotiated;

WHEREAS, on the basis of present knowledge of the hydrologic and soils setting, and of state and federal bank approval requirements, District staff advise that the wetland, properly restored, will tend to be self-sustaining and that the risk of unexpected District maintenance expense is likely to be small;

WHEREAS, to facilitate the District's involvement, the City may act as fee owner of the wetland outlot, and may agree to arrangements by which it may assess any District-incurred costs resulting from homeowner encroachment against that homeowner;

WHEREAS, the District's proposed role would align with its Balanced Urban Ecology policy, Watershed Management Plan goals, Climate Action Framework, and Long Lake Creek Subwatershed Roadmap as an engagement with private development to provide for additional public water resource benefit;

THEREFORE BE IT RESOLVED that the Board of Managers finds that it is appropriate for the District to assume the long-term management role for the proposed private wetland bank;

BE IT FURTHER RESOLVED that the District administrator is authorized to work with the landowner, the City of Medina and any other interested parties to prepare proposed agreements to implement this initiative;

BE IT FINALLY RESOLVED that any agreement is subject to Board approval, which will rest, among other things, on the Board's determination that District cost and risk will be limited and not disproportionate to the public benefit that the District's involvement will secure.






Resolution Number 23-028 was moved by Manager \_\_\_\_\_, seconded by Manager \_\_\_\_\_. Motion to adopt the resolution \_\_\_ ayes, \_\_\_ nays, \_\_\_ abstentions. Date: 5/11/2023

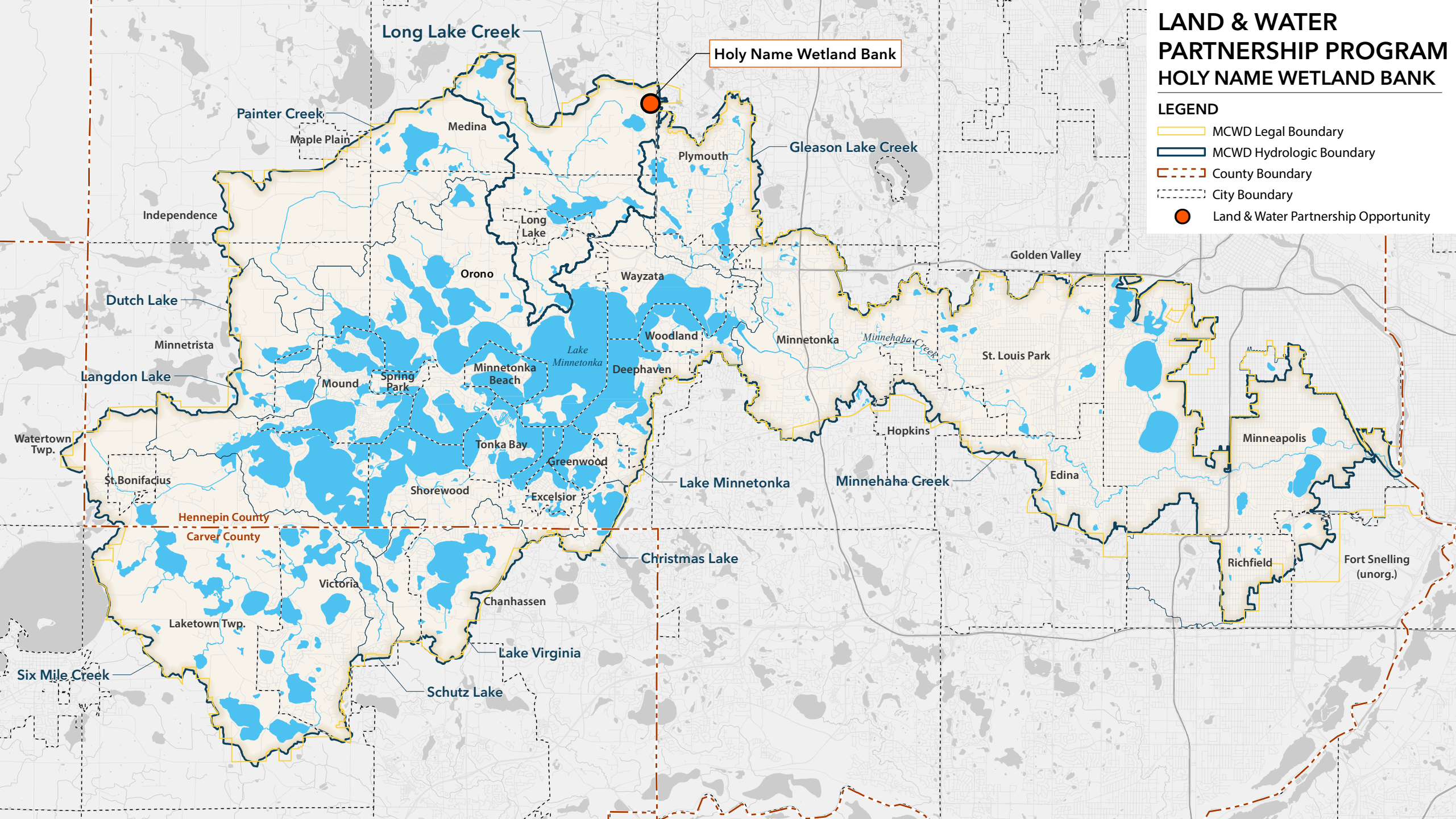
\_\_\_\_\_  
Secretary Date: \_\_\_\_\_

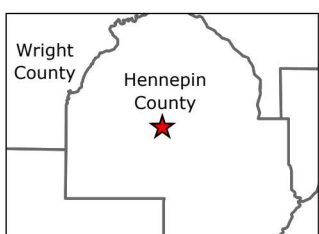
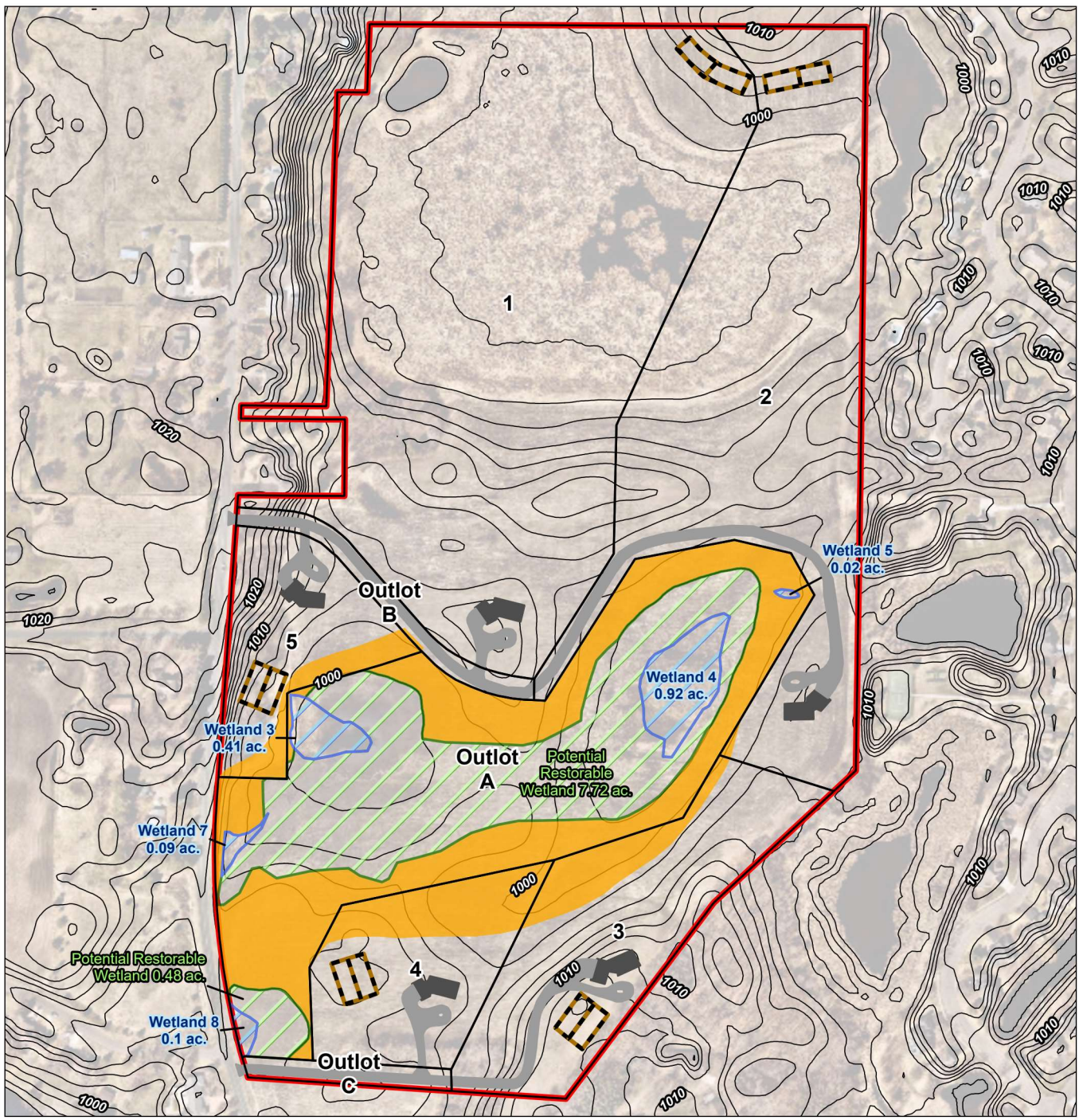
# LAND & WATER PARTNERSHIP PROGRAM

## HOLY NAME WETLAND BANK

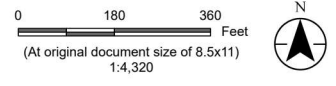
### LEGEND

-  MCWD Legal Boundary
-  MCWD Hydrologic Boundary
-  County Boundary
-  City Boundary
-  Land & Water Partnership Opportunity





- Legend**
- Subject Property
  - Lots
  - Roads/Driveways
  - Houses
  - Septic Location
  - Existing Wetland Areas Eligible for Credit (Total Acres 1.52)
  - Potential Wetland Expansion Area (Total Acres 8.2)
  - Upland Buffer (Total Acres 9.7)



*Project Location*  
T118N, R23W, S13 & S24  
Medina, Hennepin Co., MN

*Prepared by* KJM on 2022-09-27

*Client/Project*  
H.L. Anderson, LLC  
Holy Name Wetland Bank  
Draft Prospectus

227705186

*Figure No.*  
**3**

*Title*  
**Project Illustration**

**Notes**

1. Coordinate System: NAD 1983 UTM Zone 15N
2. Data Sources: Hennepin Co., Stantec
3. Background: 2020 Hennepin Co., Gronberg and Associates, Inc.

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**CITY OFFICE**  
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May 5, 2023

Kate Moran  
Policy Planning Coordinator  
Minnehaha Creek Watershed District  
15320 Minnetonka Blvd  
Minnetonka, MN 55345

**RE: Letter of Support for MCWD's Partnership Approach**

Dear Kate,

The City of Medina (City) and Minnehaha Creek Watershed District (MCWD) have a long history of successful partnership. Over the last few years Long Lake Waters Association, MCWD, and the cities of Medina, Long Lake, and Orono have worked together toward a common goal of improving water quality within the Long Lake Creek Subwatershed and aim to restore the five impaired lakes in the system, including Holy Name Lake. MCWD led an assessment which identified the highest-impact and most feasible projects for the subwatershed. One of the sites identified as an opportunity by the City of Medina and MCWD is a 73-acre agricultural parcel that drains to the impaired Holy Name Lake.

This parcel is now proposed for a 5-lot subdivision (Blooming Meadows) and offers a unique opportunity to create or restore approximately 9.7 acres of wetland and 9.7 acres of upland buffer. The landowners are interested in pursuing a wetland bank on this parcel but have identified the requirement of a single entity responsible for long-term management of the bank area as a barrier. The City and MCWD have previously partnered in the School Lake Preserve and Deerhill Preserve, with MCWD serving the role of long-term steward for these conservation developments. MCWD has played an integral and valuable role in these conservation efforts.

An exciting opportunity is before us to further this partnership as MCWD considers taking on the long-term management role for this wetland bank. Blooming Meadows is a unique opportunity to provide water resources, ecological, and community benefits.

Sincerely,

Dusty Finke, AICP  
Planning Director