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1 **Efficient routes to land conservation given risk of covenant failure**

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22 **Abstract**

23 Conservation initiatives to protect valued species communities in human-dominated landscapes
24 face challenges linked to their potential costs. Conservation covenants on private land may
25 represent a cost-effective alternative to land purchase, although many questions on the long-term
26 monitoring and enforcement costs of covenants and the risk of violation or legal challenges
27 remain unquantified. We explore the cost-effectiveness of conservation covenants, defined here
28 as the fraction of the high-biodiversity landscape potentially protected via investment in
29 covenants versus land purchase. We show that covenant violation and dispute rates substantially
30 affect the estimated long-term cost-effectiveness of a covenant versus land purchase strategy.
31 Our results suggest the long-term cost-effectiveness of conservation covenants may outperform
32 land purchase as a strategy to protect biodiversity as long as disputes and legal challenges are
33 low, but point to a critical need for monitoring data to reduce uncertainty and maximize
34 conservation investment cost-effectiveness.

35 **INTRODUCTION**

36

37 Despite an urgent need to develop mechanisms to promote biodiversity conservation (Bayon and
38 Jenkins, 2010; Estes et al., 2011), developing such mechanisms in human-dominated landscapes
39 primarily under private ownership is particularly challenging (Naidoo et al., 2006; Wunder,
40 2007). One potentially cost-effective route to conservation in such areas may be to promote
41 private land conservation covenants or easements that prohibit land use changes likely to reduce
42 conservation values in exchange for monetary or other compensation (Knight et al., 2011;
43 Merenlender et al., 2004). Advantages of covenants include their low initial cost compared to
44 land purchase (Pence et al., 2003) and their ability to facilitate voluntary conservation with
45 landowners wishing to retain title (Knight et al., 2010). Covenants have thus gained global
46 attention as conservation tools (Fishburn et al., 2009; Gordon et al., 2011).

47

48 However, few studies identify the conditions likely to affect the cost-effectiveness of covenant
49 versus land purchase strategies for biodiversity conservation (Armsworth and Sanchirico, 2008;
50 Fishburn et al., 2009). For example, because no systematic studies of the long-term costs of
51 monitoring, enforcing or defending covenants against legal challenges exist, it is possible that
52 existing comparisons of land purchase versus covenant approaches to conservation overestimate
53 the cost-effectiveness of covenants (e.g. Copeland et al., 2013; Morzaria-Luna et al., 2014).
54 These uncertainties may therefore represent substantial financial risk to covenant holders and
55 negatively affect long-term success in conservation if left unaddressed (Byers et al., 2005;
56 Knight et al., 2010; Rissman and Butsic, 2011). Although some land trusts have begun
57 developing strategies to address potential financial risk in future (Land Trust Alliance, 2009),

58 detailed studies of these potential challenges are lacking. It also remains unknown whether
59 covenants offer similar levels of biodiversity protection as compared to land purchase (Fishburn
60 et al., 2009; Merenlender et al., 2004), despite that an increased demand for covenants, often
61 without proportional increases in funding, is underway (Fitzsimons and Carr, 2014). These
62 uncertainties highlight the critical need for the development of theoretical frameworks capable of
63 evaluating the cost-effectiveness of biodiversity conservation via the establishment of
64 conservation covenants versus fee simple land purchase.

65
66 We developed a simple theoretical framework for simulating conservation outcomes to help
67 define and elucidate the uncertainties above, using detailed data on biodiversity and property
68 values to compare the total cost and effectiveness of land purchase versus conservation
69 covenants as strategies to restore critically endangered Old Forest and Savannah habitats and
70 bird communities of the Georgia Basin of northwestern North America, where <20% of the
71 threatened landscape is owned by governments, and only 9% has been allocated to conservation.
72 Specifically, we asked two questions about the long-term (100 year) cost and biodiversity value
73 of covenant versus land purchase strategies: 1) how might dispute rate influence the cost-
74 effectiveness of conservation covenants as compared to land purchase? 2) Assuming that
75 violations reduce the area of covenants allocated to conservation, what is the total area of the
76 high-biodiversity landscape protected over the long-term given investment in covenants versus
77 land purchase? To answer these questions we used detailed distribution maps for 47 bird species
78 and expert elicitation to map high-biodiversity landscapes in the region, and detailed assessment
79 data to represent land cost. We then contrasted land purchase scenarios developed by Schuster et
80 al. (2014) to maximize biodiversity conservation to parallel scenarios that substituted covenants

81 for land purchase under a range of assumptions about dispute rate and cost from the literature
82 and local practitioners. Our approach offers a new theoretical framework for evaluating land
83 acquisition strategies for biodiversity conservation and highlights a critical need for empirical
84 analyses to estimate the total costs of long-term monitoring and the potential costs and expected
85 rate of legal challenges.

86

87

88 **MATERIALS AND METHODS**

89

90 Ethics Statement

91 Permits or permission for the use of bird point count locations were obtained from Parks Canada
92 (locations in National Park Reserves), private land owners (locations on private land), or did not
93 require specific permission as they occurred on public right of ways (e.g., roadsides, regional
94 parks). As private land owners did not want their information posted publically please contact
95 the authors for contact details. The field studies did not involve endangered or protected species.
96 This study did not require approval from an Animal Care and Use Committee because it was a
97 non-invasive observational field study, and did not involve the capture and handling of wild
98 animals.

99

100 Study region

101 We studied a 2520 km² portion of the Coastal Douglas Fir (CDF) ecological zone of the Georgia
102 Basin of British Columbia (BC), Canada (Appendix S1 in Supporting Information). The CDF
103 includes a critically endangered but diverse suite of old forest and savannah plant and animal

104 communities endemic to the region, but $\geq 60\%$ has been converted to human use (Austin et al.,
105 2008) and $\leq 0.3\%$ of historic old forests (>250 years) (MES, 2008) and $\leq 10\%$ of oak woodlands
106 extant prior to European contact remain (Lea, 2006).

107

108 Land purchase cost scenario

109 We built on Schuster et al. (2014) to identify conservation networks based on fee-simple land
110 purchase and designed to maximize avian biodiversity in Old Forest and Savannah habitats. To
111 do so, we developed distribution models for 47 birds based on 25 remote-sensed predictor
112 variables and incorporating imperfect detectability (Mackenzie et al., 2002) to create composite
113 community scores (Schuster and Arcese, 2013). We then combined Old Forest and Savannah
114 community scores to create a beta-diversity metric to identify heterogeneous landscapes likely to
115 maximize the occurrence of both target communities. Cadastral data was used to identify
116 properties and 2012 assessments to represent property cost. We then used the systematic reserve
117 design software Marxan (Ball et al., 2009) to prioritize properties ($n = 193,623$) by the beta-
118 diversity metric for inclusion in conservation networks to protect 20% of the total beta-diversity
119 scores (Schuster et al., 2014). We retained 100 Marxan solutions to estimate variability in spatial
120 network configuration and cost.

121

122 Covenant cost metrics and assumptions

123 All properties selected in land purchase Marxan solutions were also used as candidates for
124 covenants under the assumption of willing owners in both cases. We did not estimate change in
125 land value given covenants as there is no clear consensus on its magnitude or direction
126 (Anderson and Weinhold, 2008). Covenant costs used here reflect experience at The Nature

127 Trust of British Columbia (<http://www.naturetrust.bc.ca/>) and Islands Trust Fund
128 (<http://www.islandstrustfund.bc.ca/>) following examples in literature (Main et al., 1999; Parker,
129 2004). We compiled estimates of fixed covenant costs including: legal, financial advice,
130 registration and endowment fees, as well as scalable costs of property surveys and appraisal
131 (Table 1). Land managers also identified reoccurring costs of annual monitoring and staff time to
132 address land owner requests (Table 1). All costs were estimated in present day Canadian dollars,
133 because the alternative of using discount rates equal to the inflation rate for costs incurred over
134 time and reporting in future dollar values, has been shown to be highly sensitive to the discount
135 rate chosen, leading to substantial uncertainties about future dollar amounts (Arrow et al., 2013).

136 137 Conservation covenant scenarios

138 We calculated the cost-effectiveness of alternate scenarios as the fraction of the high-biodiversity
139 landscape protected, divided by the total reserve network cost for each scenario (Wilson et al.,
140 2007) and then standardized this value by the cost of land purchase for comparisons. We
141 followed Rissman & Butsic (2011) to estimate the distribution of dispute costs and fitted a cost
142 profile bound between \$1000 and \$400,000 following the power function $\text{cost}[\$] = 4845.78 * \text{disputes}^{-0.701}$. We also explored cost profiles including dispute costs over \$400k using a truncated
143 normal distribution with mean of \$400k, SE of \$1M, and 1% probability of those costs arising
144 but found similar results, and thus restricted our analysis to published values. To find the
145 covenant dispute rate that caused the cost effectiveness of land purchase to exceed that of
146 covenants, we used dispute rates of 0.028, 0.28 and 2.8% of covenants per year. Rissman &
147 Butsic (2011) surveyed 205 land trusts to report that they experienced about 2.8 disputes per
148

149 year, but because they did not record the total number of covenants represented we could not
150 estimate dispute rates precisely.

151
152 In each year of simulation, covenants suffered disputes at rates assumed above and, given a
153 dispute, were assigned a randomly drawn dispute cost that contributed to the total cost of
154 covenant scenarios. To quantify the effect of disputes on biodiversity values we assumed that
155 biodiversity loss followed the same distribution as dispute cost, bounded between 0 and 100%,
156 which was then used to reduce the disputed covenant's beta diversity metric. In the absence of
157 empirical study, we also relaxed that assumption by allowing variation in biodiversity loss to
158 follow a normal distribution around the estimate (SD=5% of total biodiversity loss possible). All
159 analyses were conducted using R v.3.0.2 and the analysis script can be found in Appendix S1.

160

161

162 **RESULTS**

163 Given a goal of protecting 20% of the high-biodiversity landscape, land purchase scenarios
164 protected a mean of 370 km² (range = 365-374 km²) at a mean cost of \$457M (range = \$441 –
165 470M) (Figure 1a). In comparison, the cost of an equivalent area under conservation covenants
166 averaged \$43.9M in year 1 (range = \$42.6 – 45.0 M) and \$162M cumulatively to year 100 (range
167 = \$157 – 166M; Figure 1a), representing a 65% reduction in cost compared to land purchase.
168 Including dispute rates of 0.028 and 0.28% increased long term costs in covenant scenarios by 2
169 and 23%, respectively (Figure 1a). However, with 2.8% of covenants experiencing disputes
170 annually, network cost increased up to 400% (mean = \$546M, range = \$524 – 570 M), exceeding
171 the cost of land purchase (Figure 1a).

172

173 Baseline scenarios in the absence of disputes aimed to protect 20% of the high-biodiversity
174 landscape. However, under the assumption that disputes cause biodiversity loss, a dispute rate of
175 0.028% reduced the area effectively conserved after 100 years by 0.75% (range = 0.11 – 1.49%)
176 compared to baseline (Figure 1b). In contrast, an intermediate dispute rate (0.28%) returned a
177 mean reduction of 7.31% (range = 5.25 – 9.25%), and a high dispute rate (2.8%) returned a mean
178 reduction of 53.62% (range = 49.33 – 57.7%; Figure 1b).

179

180 Given our results above, the cost-effectiveness of conservation covenant versus land purchase
181 scenarios was 2.1 – 2.8 times higher after 100 years (Figure 2). However, assuming a high
182 annual dispute rate of 2.8% drove the cost-effectiveness of covenant scenarios below that of land
183 purchase within 50 years, and was only 39% as cost-efficient as land purchase after 100 years
184 (Figure 2).

185

186

187 **DISCUSSION**

188 We show that covenant violations and disputes can substantially affect the long-term cost-
189 effectiveness of conservation strategies that employ covenants and land purchase to protect high-
190 biodiversity landscapes. In particular, land purchase outperformed covenants as a cost-effective
191 approach to protection when dispute rates were high, in part because disputes may also reduce
192 the level of biodiversity protection (Figure 1b). These results point to critical uncertainties about
193 the cost-effectiveness of conservation covenants and the potential liabilities to covenant holders.
194 In contrast, the low initial cost of covenants vs land purchase suggests that as long as disputes are

195 rare, conservation covenants are likely to outperform land purchase in terms of their cost-
196 effectiveness of biodiversity conservation (Figure 2). We now develop these points in light of
197 literature on land acquisition and conservation covenants and point out several remaining
198 uncertainties.

199

200 Covenant dispute rate

201 We found that the cost-effectiveness of covenants versus purchases in land conservation depend
202 on covenant dispute rate (Figure 2). This indicates that minimizing dispute rates should be a key
203 goal of organizations that use covenants to maximize biodiversity conservation. However, the
204 paucity of published data on the frequency and cost of disputes (Byers et al., 2005; Rissman and
205 Butsic, 2011) points to an urgent need to formalize the experience of conservation organizations
206 and historically-drafted covenants, identify potential pitfalls and reduce dispute rates in future.
207 Anecdotal evidence suggests that dispute rate increases with the number of successive owners of
208 covenanted properties. If true, this implies that some existing covenants include unrecognized
209 risk to holders that should be remedied before ownership is transferred.

210

211 Dispute costs

212 We adopted a dispute cost profile based on a survey of 205 land trusts, but including substantial
213 uncertainty and a maximum dispute cost of \$400k (Rissman and Butsic, 2011), but are aware of
214 examples with a potential for much higher costs. Although we used an inverse dispute cost
215 profile in our simulations, the risk of very large costs remains an uncertainty faced by all
216 covenant holders. Thus, additional empirical data are critically needed to characterize cost
217 profiles sufficiently to facilitate realistic economic analyses of alternate strategies (Boyd et al.,

218 2000; Game et al., 2013). Although more complex cost profiles can be imagined, they remain
219 highly speculative in the absence of data, and our results suggest that modest variation around
220 the upper end of dispute costs had little influence on our results.

221

222 Biodiversity loss and covenant dispute

223 The potential for biodiversity loss via covenant violation also remains unquantified in detail,
224 based on existing literature. However, we found that even at intermediate dispute rates, the area
225 of the high-biodiversity landscape conserved declined by >7% after 100 years (Figure 2). At
226 higher dispute rates over half of the originally covenanted landscape was lost under the
227 assumption that disputes involve land conversion and the loss of protected elements or site
228 integrity (Smith, 2009). Although our assumption that biodiversity loss and dispute cost vary
229 directly is simplistic, and not yet tested with empirical data, we suggest it is a reasonable initial
230 assumption given that covenant violations often involve land clearing, road building or new
231 structures likely to reduce the integrity of high-biodiversity habitats. Our results therefore
232 emphasize that covenant disputes may add management costs and also fail to prevent
233 biodiversity loss, and make it clear that these potential costs must be considered when comparing
234 biodiversity conservation strategies.

235

236 Conclusion

237 Our results suggest that over the long-term, the cost-effectiveness of conservation covenants may
238 outperform land purchase as a strategy to protect or restore critical habitat, as long as the rate of
239 disputes and legal challenges to covenants remain low. We identify several actions that could
240 improve the reliability of comparisons of the cost-effectiveness of land purchase and covenants

241 as approaches to biodiversity protection, including obtaining better quantitative data on: i)
242 covenant dispute rates and cost profiles over time, and ii) biodiversity loss given a dispute. Our
243 findings are general and thus should apply to areas with similar patterns of private ownership and
244 human impact as occurs in the Georgia Basin of western North America, which is currently
245 subject to very high development pressures and land and/or opportunity costs of conservation.

246

247

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- 338
- 339

340 Table 1: Covenant cost estimates from The Nature Trust of British Columbia and Islands Trust
 341 Fund. All variable costs follow a saturating curve in the form of: $\text{cost} = \text{Intercept} + \text{Slope} * \ln(\text{covenant size [acres]})$, with the constraint that the cost could not be below 'minimum cost'.
 342

	Cost [\$]
Fixed costs	
<i>Land owner</i>	
legal cost	300
financial advice	300
Covenant registration	200
Endowment	10000
<i>Covenant holder</i>	
legal cost	4000
Variable costs	
<i>Ecological baseline survey</i>	
minimum cost	1000
Intercept	2185
Slope	1957
<i>Appraisal</i>	
minimum cost	1500
Intercept	0
Slope	1957
<i>Land survey</i>	
minimum cost	1000
Intercept	300
Slope	1957
Reoccurring costs [yearly]	
Covenant monitoring	760
Staff cost to reply to Land owner request	152

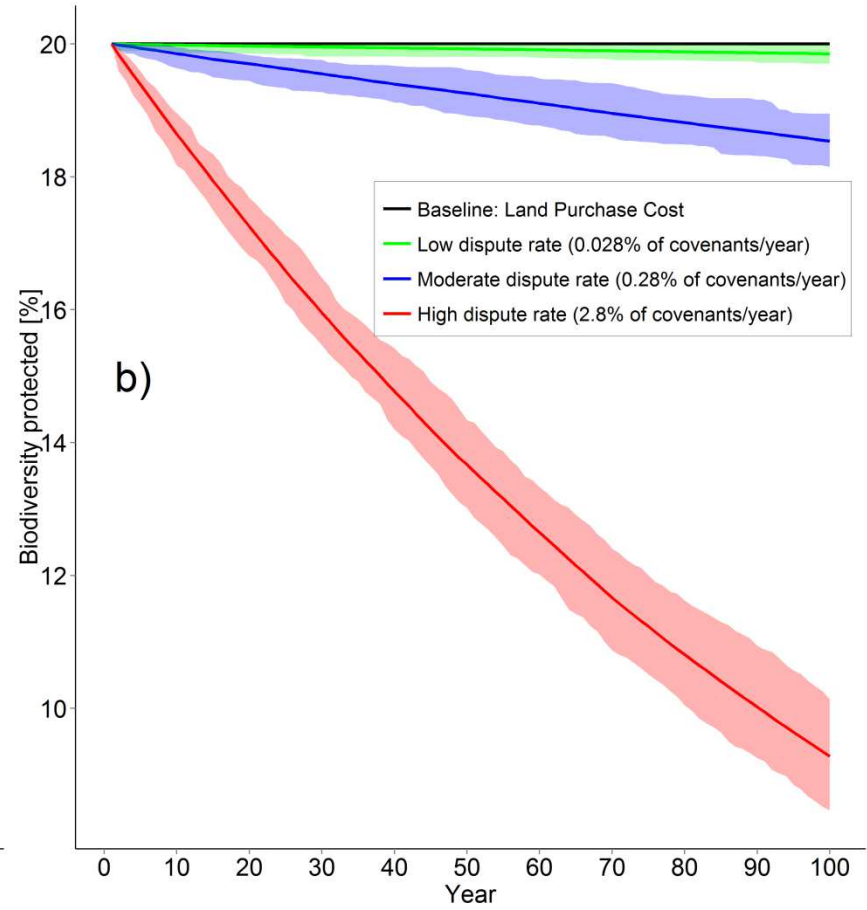
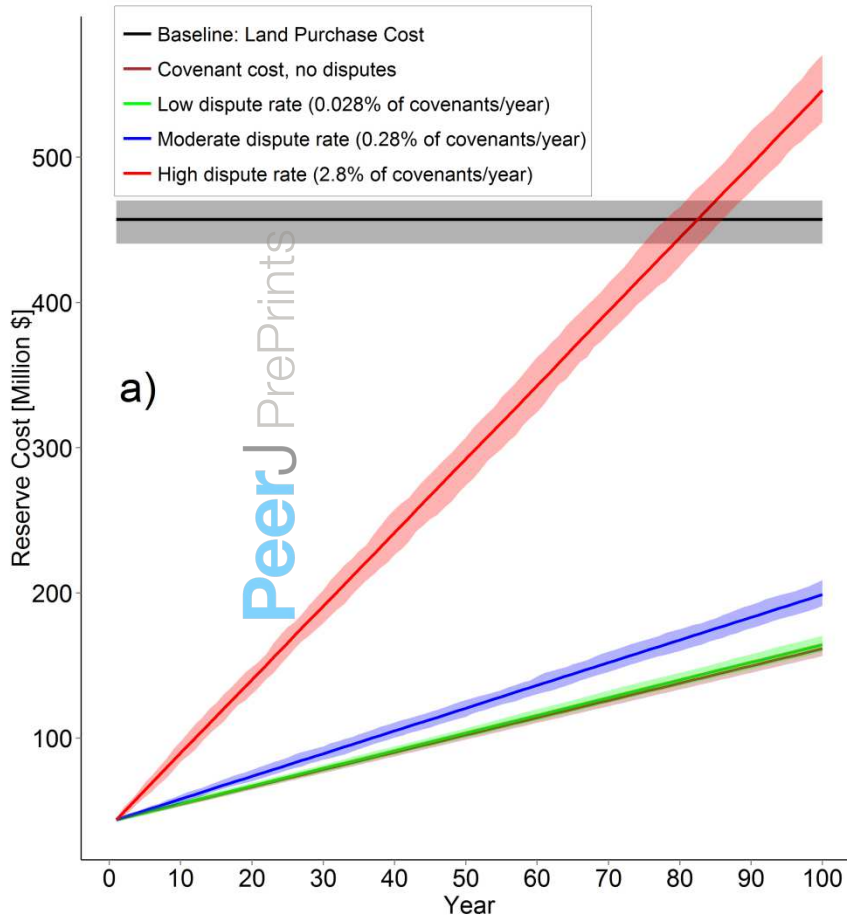
343

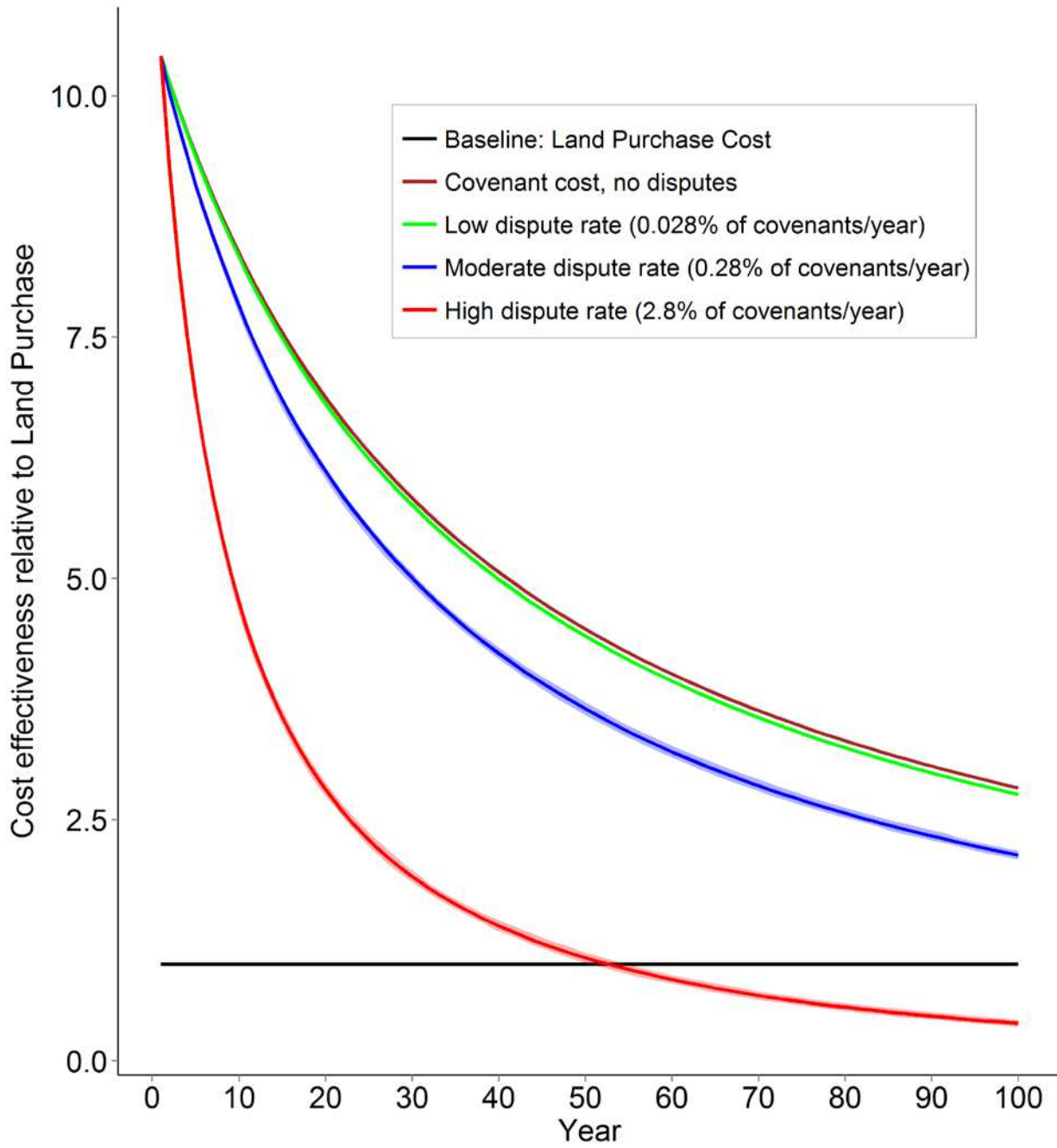
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345 **Figures legends:**

346 Figure 1: a) Conservation network cost comparison between land acquisition and conservation
347 covenants of varying dispute rates. b) Biodiversity loss of varying covenant dispute rates in
348 conservation networks and an initial 20% protection level of current biodiversity in the CDF
349 ecological zone. Solid lines represent mean values for each approach, and the corresponding
350 ribbons show minimum and maximum values for the 100 Marxan solutions.

351
352 Figure 2: Long term cost effectiveness defined as rate of biodiversity protected divided by the
353 reserve network cost. Values are relative to the baseline land purchase scenario. Solid lines
354 represent mean values for each scenario, and the corresponding ribbons show minimum and
355 maximum values for the 100 Marxan solutions.





361 **Supporting Information**

362 Additional Supporting Information may be found in the online version of this article:

363

364 Appendix S1. A figure of the Georgia Basin of British Columbia, Canada, highlighting the study
365 region as well as the R script that we used for our analysis and simulations.

366