Conservation Finance 101: Where’s the Money?

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We seek to accelerate the pace and scale of land and resource conservation, restoration, and stewardship by expanding the use of innovative and effective funding and financing strategies.
Conservation Finance

A range of strategies that monetize environmental goods or services in some form, whether by cost-savings, generating cash flows, or the appreciation of land and resource values overall.
Evolution of Conservation Finance

1970s
- Land Donations
- Donations of easements
- Some early working lands transactions
- First use of creative development – AKA “conservation development” techniques
- Use of Charitable Creditors

1980s-1990s
- Donations – Land & Easements
- Trade Lands
- Third-Party-Funded Bargain Sales
- First Land Conservation PRIs
- Impact / MRI Angels

1990s-2000s
- Creation of Intermediaries
- Boutique TIMOs with Conservation Strategy
- Creative Land Development
- Conservation Buyers
- Brave Foundation MRIs

2000s-2010s
- Growth of Intermediaries
- Revolving Funds
- Institutional Scale TIMOs with Conservation Strategy
- Eco-System Service Investment Funds
- Resalable State Income Tax Credits

2010s --- Future
- Crowd Sourcing
- Technology/Smart Conservation
- Block Chain
- Impact Investment Aggregators
- Supply Chain Sustainability Investments
- Accessing Donor Advised Funds – “Capshift”
- Green Bonds/EIBs
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Funding & Financing

Simple
- Earned Income
- Philanthropy (individual, foundation, corporate)
- Public Funding
- Tax Benefits
- Bargain Sales
- Seller Financing
- Transfer Fees
- Conservation Buyer

Moderate
- Business Partnerships (e.g. breweries & surcharges)
- Conservation Development
- Borrowing Money (from individual, conservation lender, foundation, or bank)

Difficult
- Ballot Measures
- Natural Resource Damage Payments
- Impact Investing
- Ecosystem Service Markets (carbon, wetlands, habitat)
- Mitigation Banking
- Water Utility Payments
- Tax Credits (e.g. NMTC)

Complexity / Time & Resource Investment

Money
But First... What Assets do You Own & Operate?

Selling products from the land
• Traditional: Timber harvest, non-timber forest products
• New market: carbon, ecosystem services

Leasing land for different uses
• Farm leases, CSA operation
• Hunting leases
• Billboard leases
• Solar leasing

Fee for Service
• Geospatial imaging
• Limited development projects
How many of you have...

...participated in a county-level ballot initiative?

...received a Program Related Investment (PRI)?

...borrowed money to bridge funding?

...established a voluntary surcharge program?
Public Funding
Over 77 different sources of federal funding for land conservation and natural resource management.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Source and Use of Funds</th>
<th>Project Application</th>
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<td>NRCS</td>
<td>• Regional Conservation Partnership Program</td>
<td>Easements/Rental Agreements;</td>
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<td>• Conservation Innovation Grants</td>
<td>Partnership/Innovation Practices</td>
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<td>• Agricultural Conservation Easement Program</td>
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<td>EPA</td>
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<td>USDA FSA</td>
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<td>DOI FWS</td>
<td>Section 6 endangered species land acquisition grants</td>
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<td>Neotropical Migratory Bird Conservation Act (NMBCA) Grants</td>
<td>Acquisition</td>
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<td>Land and Water Conservation Funding (LWCF)</td>
<td>Acquisition</td>
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<tr>
<td>DOD</td>
<td>Readiness and Environmental Protection Integration (REPI) program</td>
<td>Acquisition; Restoration</td>
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**Farm Bill Conservation Programs**

- Largest single federal source of funding for private land conservation

<table>
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<tr>
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<th>Practices</th>
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<td>Conservation Innovation Grants (CIG)</td>
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<td>Healthy Forest Reserve Program (HFRP)</td>
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<td>Wetland Reserve Program (WRP)</td>
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<td>Conservation Reserve Program (CRP)</td>
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Innovative financing mechanisms studied

- Transferable tax credits
- Revolving loan fund
- Environmental double dividend
- Water credit flexibility
- Revolving loan fund and crop insurance incentive
Ballot Measures

• Also known as: initiatives or propositions

• **What**: a state, county, or municipality votes to tax themselves for conservation funding.

• **Pro’s:**
  – Huge source of funding (e.g. $3.3 in 2018)
  – Where successful, indicates public will for conservation

• **Constraints:**
  – Requires significant time, money and expertise
  – Extensive research to identify funding needs, determine compliance with state law, evaluate political and financial feasibility, and conduct public-opinion research.
Track Record of the Concept:
76% long-term approval rate, good times and bad
Context & Questions
Philanthropy
State Funding Most Susceptible

Funding for Conservation in New England, 2004-2014

- Public State: $637 million (52%)
- Public Federal: $337 million (28%)
- Private Foundations: $244 million (20%)
Giving Not Keeping Pace

(Giving USA, 2018)
$428 Billion of Philanthropy

Conservation Finance

- Environmental
- Social
- Economic

(Giving USA, 2018)
Funding remains 9-25% below pre-2008 levels
U.S. Giving as Percent of Disposable Income

(Giving USA, 2018)
Land Trusts Recovering

Total Giving to Conservation NGOs, 2004-2014

- $0-$10
- $10-$20
- $20-$30

- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
- 2014

Other Conservation Groups
Land Trusts
Diversifying Interests

Total Environmental Giving by Subject Area, 2004-2014

- Biodiversity
- Parks
- Community/Economic Development
- Umbrella
- Energy/Climate Resources
- Water Resources
- Land Resources
Manage Expectations

- **Returns**
  - Market Rate
  - Below Market
  - 100% Philanthropic

- **Impact**
  - No Impact
  - Values Alignment
  - Mission Impact

- **Traditional Investing**
- **Socially Responsible Investing**
- **Impact Investing**

- **Program Related Investments**
- **Recoverable Grant**
- **Grant-making**
**Voluntary Surcharge**

- **What:** Small voluntary charge (~1%) or fee (~$2) added to a transaction

- **Pro’s:**
  - Charged to customer, not businesses
  - Opt-out, not opt-in
  - Builds durable relationships with local business community

- **Constraints:**
  - Best for communities with nature-based tourism, targeting visitors and not residents
  - Requires ongoing engagement/management
  - “Saturation” level

1% for Open Space, CO

NFF Ski Conservation Fund
Cause-related Marketing (Business Partnerships)

• What: % of sales donation to a cause
• Pro’s:
  – Marketing boost for participating business
  – Often tied to the business’ supply chain
• Constraints:
  – “Saturation” level, requires strong financial management
• Ex. Transaction Incentive
  – NFF’s REI Credit Card partnership - $ for every transaction
• Maine ex. - Sebago Clean Waters
  – Bissell Brothers – percent of water bottle sales
  – Pale Blue Dot release on Earth Day from Foundation Brewing
  – Major ME brewery: $0.10 per barrel brewed
Corporate Social Responsibility

Corporate Philanthropy

Business Sponsorship

Supply Chain Sustainability

Policy Advocacy for Conservation Funding

For the love of butterflies
A limited-edition collection designed to call attention to declining monarch butterfly populations, and to support the restoration of natural habitats.
• What: a loan to cover acquisition costs when buyer lacks cash on hand.

• Types of lenders:
  – Bank, foundation, conservation lender, individual

• Pro’s:
  – Source of money when funding isn’t available fast enough to meet seller’s timeline

• Constraints:
  – Requires strong financial and management systems
  – Perceived as risky by some boards
Context & Questions
Private Capital
Trends & Drivers

Resource Scarcity
• Resource scarcity shifting how natural resources are valued in the global economy

Climate Risk
• Swiss Re est. $350B econ loss in 2017 from natural and man-made catastrophes, less than half of which insured

Intergenerational Transfer of Wealth
• $30T expected to shift hands over the next 30 years
• Portion of new owners of this wealth care a lot more about aligning their assets with their values

$51.8 B/yr → $300-400 B/yr

Sources: Global Canopy Programme (2012); Credit Suisse, WWF, McKinsey Report (2014)
Environmental Credit Markets

• Market-like transactions that enable payment for environmental assets, externalities and attributes
  – Carbon
  – Wetland & stream
  – Species/habitat
  – Water quality & quantity

→ Southern Plains Land Trust & grasslands soil carbon pilots
Working Lands Investment

- Innovation within mature markets, using revenue from conservation actions and sustainable management practices as a business strategy.
  - Timberland, ag, and ranchland

→ Lyme Timber & Weyerhauser - Michigan
→ The Conservation Fund’s Green Bond
→ Iroquois Valley Farmland REIT’s direct public offering
Cost Savings & Risk Reduction

• Commodity supply chain improvements
  ➔ Land O’Lakes SUSTAIN Innovation Financing

• Tech innovation (e.g. satellite, machine learning, sensors)
  ➔ Upstream Tech & costal land loss in LA

• Outcomes-based or “pay for success” models (contracting for project outcomes)
  ➔ USFS and Quantified Ventures Wayne National Forest PFS
Context & Questions
Blended Finance

- Bargain Sales
- Sebago Clean Waters
- State Revolving Funds (SRFs)
- Public-Public Partnerships
  - Denver Water
  - San Francisco “Joint Benefit Authority”
Resources & More
www.conservationfinancenetwork.org

- **Monthly E News**: distilled practitioner insight
- **Articles**: e.g. “Financing Urban Water Protection and Management”
- **Webinars**: Nature’s Returns Series
- **Toolkits**: ballot measures, bridge financing, pay for success
- **Books**: titles from Island Press

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Q&A

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