The Conservation Fund works at the intersection of conservation and community—we believe that environmental protection and economic vitality are inseparable.

**WHAT WE DO**

- **Business Partnerships**
  - Positive Impact Together

- **Conservation Acquisition**
  - Land, Water & Wildlife Protection

- **Conservation Leadership Network**
  - Collaborative Solutions

- **Conservation Loans**
  - Finance & Expertise

- **Freshwater Institute**
  - Aquaculture & Water Quality

- **Mitigation Solutions**
  - Infrastructure Mitigation

- **Natural Capital Investment Fund**
  - Business Finance

- **Resourceful Communities**
  - People, Places, Opportunities

- **Strategic Conservation Planning**
  - Green Infrastructure

- **Working Forest Fund**
  - Forestry
Alternatives To Financing

Patient Seller or flexible funder

Conservation Buyer or Angel Investor

Private Sector Partners

Partner with larger group
Bridge Financing or Interim Finance:
Temporary or short-term financing to a borrower who is waiting for more permanent funding and usually is reasonably assured of that funding in the next months or few years.
Why borrow money?

- Accelerate outcomes
- Bridge a time or funding gap
- Keep “powder” dry!
- Leverage limited resources
- Grow internal expertise
- Improve Reputation
- Fundraising opportunities
<table>
<thead>
<tr>
<th>YIELD/RATE %</th>
<th>LAST</th>
<th>WK AGO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal-Funds Rate Target</td>
<td>1.75 - 2.00</td>
<td>1.75 - 2.00</td>
</tr>
<tr>
<td>WSJ Prime Rate*</td>
<td>5.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Money Market, Annual Yield</td>
<td>0.72</td>
<td>0.73</td>
</tr>
<tr>
<td>Five-Year CD, Annual Yield</td>
<td>1.50</td>
<td>1.53</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LATEST</th>
<th>WK AGO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Libor Overnight</td>
<td>1.82575</td>
</tr>
<tr>
<td>Libor 1 Week</td>
<td>1.85113</td>
</tr>
<tr>
<td>Libor 1 Month</td>
<td>1.87750</td>
</tr>
<tr>
<td>Libor 2 Month</td>
<td>1.96463</td>
</tr>
<tr>
<td>Libor 3 Month</td>
<td>2.00325</td>
</tr>
<tr>
<td>Libor 6 Month</td>
<td>1.98588</td>
</tr>
<tr>
<td>Libor 1 Year</td>
<td>1.99225</td>
</tr>
</tbody>
</table>
Interest Rate vs. Mission Alignment

- Banks
- Farm Credit
- Seller Financing
- State Clean H2O Loan Fund
- Foundations
- Conservation Lender
- Individual Donor/Lender

Prime (5%)
**Choosing a lender**

- **Prime (5%)**
- **Banks**
- **Seller Financing**
- **Conservation Lender**
- **Individual Donor/Lender**
- **Foundations**

**Axes:**
- **Interest Rate**
- **Time it takes to get a loan**
Commercial Bank Opportunities

Consider using the bank you have existing accounts with (they might cut you a deal!)

Regulated by FDIC and have strong incentives to prove to regulators that they are community oriented

Might be able to get a line of credit

Great place to look for board members

Enhanced Public Exposure
Commercial Bank Challenges

- Due to regulations, banks have less flexibility on terms
- Generally higher interest rates, fees and “brain damage”
- Banks not as familiar nor committed to the conservation mission
- May not lend to acquire raw land, conservation easements or finance restoration
- Origination process may not be quick enough for your project need
Foundations are required to distribute/payout 5% of their endowment each year.
• Motivated to make Program Related Investments because it counts towards their 5%
• Below market rates and terms
• May have conservation as part of their mission
• Might be willing to convert a portion of the PRI into a grant
Foundation Challenges

- May have geographic or mission constraints
- May not have any experience with conservation
- May not be willing to fund certain types of projects
- May not use land as collateral
- May have significant reporting requirements
- May not be able to extend the PRI
- Process may not be quick enough to address your project need
Some (but not all) loan programs for conservation
Conservation Lender Opportunities

• Highly motivated to help you with your project

• Market or below market rates and terms

• Might be willing to provide subordinated debt to leverage other dollars

• Technical Assistance might be provided

• Familiar with conservation

• May finance conservation easement acquisitions or restoration or trail construction or…

• May be able to provide financing quickly
Conservation Lender Challenges

- May not have enough available capital to lend
- Might only be able to lend for a short time
- May have collateral hurdles to overcome
- Might have significant due diligence hurdles if they serve as intermediaries for a foundation or other funder
Opportunities with Individuals

Seller Financing

• Might be motivated to provide seller financing to “save” their deal with you
• Might be below market terms
• Collateral is the land

Individual Lenders

• Move quickly
• Might be below market terms
• Already support the organization and are familiar with it
• Major donor cultivation!
Challenges with Individuals

• Limited Personal Financial Resources

• May need to pool individuals → complicated

• May strain/damage historically good relationships

• What happens when “life events” occur?

• See Treasury Regulation Section 1.7872-5T (b)(9) Exempted Loans!
Addressing the Collateral Challenge

*(Don’t forget Social Capital!)*

Examples of assets which have been proposed as collateral:

- Deed of trust/mortgage on property being acquired
- Deed of trust/mortgage on conservation easement being purchased
- Painting(s)
- Antique car collection
- Billboard Lease
- Timber harvest revenue
- Foundation multi-year pledge
- Major donor multi-year pledge
- Federal agency
- Office building
- Residential lot with house on it
- Residential lot (vacant)
- Land being acquired
- Steel from train tracks
- Private personal guaranty
- Letter of credit from bank against major donor account
- Water rights
- Line of credit
- Commercial building owned by supporter
- Christmas trees (inventory)
- Reimbursement grant
Questions to Ask the Lender

1. Do you lend to acquire raw land (?) conservation easements (?), or to ______________?
2. How long does your underwriting/origination/application process take?
3. What are your fees?
   • Origination
   • Prepayment
   • Extension
4. Do you have a min/max loan term?
5. What is your preferred payment schedule?
6. What is your preferred loan to value ratio?
7. What are your collateral requirements?
8. What happens if we can’t repay the loan?
9. What is your interest rate?
Questions Lenders Are Going to Ask You

1. How much do you need?
2. When do you need it?
3. For how long?
4. What’s your repayment plan?
5. What do you have for collateral?
1. Communicate early and often
2. Ask for help!
3. Think like a business
4. Tell a story
5. Thank us
6. Keep us updated

What do I have to do to put you in a loan today?
A Tale of Borrowing from a Commercial Bank
By Colin Novick
Executive Director
<table>
<thead>
<tr>
<th>Date</th>
<th>Property</th>
<th>Type</th>
<th>Amount</th>
<th>Project</th>
<th>Rate</th>
<th>Term</th>
</tr>
</thead>
</table>
| 2/28/1990  | Southwick Pond    | Seller Financed               | $215,000| $215,000| 10% Ann    | 3 Yrs.
| 12/16/1993 | Parson’s Cider Mill| Seller Financed               | $35,000 | $70,000 | 8.25% Fixed| Open |
| 1/26/1999  | Crow Hill         | Flagship Bank (People’s United Bank) | $200,000| $300,000| 9.75% Var  | 5 Yrs.
| 6/10/2005  | Cascading Waters  | Commonwealth National Bank    | $200,000| $435,000| Prime + 0.5%| 2 Yrs.
| 8/6/2008   | Crow Hill Savannah| Seller Financed               | $425,000| $500,000| 0%         | 1 Yr.
| 8/24/2009  | Southwick Pond Brook| People’s United Bank         | $324,000| $500,000| 5% Fixed   | 3 Yrs.
| 4/18/2012  | Eight Lots Road   | People’s United Bank         | $150,000| $300,000| 5.5% Fixed | 3 Yrs.
| 12/11/2015 | Asnebumskit       | Seller Financed               | $330,000| $330,000| 0%         | 1 Yr.
| 7/29/2016  | Malden Hill South | Conservation Fund             | $155,000| $155,000| 3.25% Fixed| 1 Yr. |
Commercial Bank Case Study

Greater Worcester Land Trust, Town of Sutton, MA –

Cronin Farm Project

• 58 acres of farm field
• Under Chapter 61 (consv. tax prog.)
• Abutting 680 ac. MA Game Preserve
Greater Worcester Land Trust, Town of Sutton, MA –

**Cronin Farm Project**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount/Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>58 Ac Original (Chapter 61)</td>
<td></td>
</tr>
<tr>
<td>(70% must be consv. under right of 1st Refusal)</td>
<td></td>
</tr>
<tr>
<td>People’s United Bank</td>
<td></td>
</tr>
<tr>
<td>5.5% Rate on the Eight Lots Road Mortgage</td>
<td></td>
</tr>
<tr>
<td>$300,000 Total Property Cost</td>
<td></td>
</tr>
<tr>
<td>$150,000 Mortgage</td>
<td></td>
</tr>
<tr>
<td>$200,000 Sell Off 8.3 Ac Lot to Private Buyer</td>
<td></td>
</tr>
<tr>
<td>$100,000 Taking of 49.7 Ac Lot By State</td>
<td></td>
</tr>
<tr>
<td>$41,000 Project Reimbursement from State</td>
<td></td>
</tr>
</tbody>
</table>
APPRAISALS

1. Be prepared to provide an appraisal of the property to validate the order of magnitude of the loan.

1. Be prepared for the Bank to require their own appraisal, and that this will take some time.

1. The bank’s appraisal will be less “fine grained,” as it is not necessarily a conservation appraiser.

1. The loss of some of the property’s value as a result of the less “fine grained” nature should be part of your value calculus.
COLLATERAL

1. No commercial lender will 100% finance.

1. The smaller the percentage of the total value of the property you need a bridge loan for, the more likely the property itself can be your collateral. (Ideal!)

1. Look at your organizational assets and know what CAN be collateral, and what MUST NOT BE collateral! Be Specific!

1. Are you prepared to be able to accept with an “Armageddon Scenario” that the Collateral is forever lost?
ORGANIZATIONAL FINANCIALS

1. The Bank’s familiarity with your fiscal situation is crucial, and as a result your bank may be a very good place to start.

   1.b. Another community bank may consider your loan application as a potential way to woo you to eventually move your accounts.

1. Have your latest 990, Audit/Audit Review, Profit & Loss Statement, handy.

1. Your Board Members and their standing are informally part of the bank’s consideration of your fiscal health.
TERMS

1. Can there be an “Interest Only” period to the loan?

1. Can the **Interest + Principal** period of the loan be for the period AFTER you intend the project to have been completed? (safety net)

1. Can you repay the loan early without penalty?

1. Note the interest rate, and what eventualities would cause this to change over the life of the loan.
Nothing Promotes Success Like Success!!!

A successfully executed loan and repayment will:

• Make your next application process much easier.

• Make the terms of your next loan more favorable.

• Make other banks and commercial lenders more interested in considering you.

• Educate local banks and commercial lender staff on conservation deals.
Borrowing for Conservation in New York’s Finger Lakes Region

Andy Zepp
Executive Director, Finger Lakes Land Trust
Finger Lakes Land Trust
Conservation Finance Milestones

2007  First borrowing for cooperative acquisition with New York State
2009  Formal establishment of internal revolving loan fund
2013  Establishment of $500,000 line of credit with 1% interest rate
2019  Currently carrying 14 projects with collective value of $1.2 million
13 Years of Experience
With Borrowing Funds
for Land Acquisition
Bare Hill – Gathercole Acquisition

- 95 acres purchased for $475,000
- Scenic property overlooking Canandaigua Lake
- Located in rapidly developing area at end of sewer line
- Special significance to Seneca Nation
Bare Hill – Gathercole Financing

• Interest free loan for $250,000 from Norcross Wildlife Foundation

• 1% interest loan for $220,000 from Rochester Area Community Foundation

• Sale to New York State one year after purchase
High Tor – Parish & Murray Estate Acquisitions

• 144 acres of hillside forest for $180,000

• Rugged gorge; popular hiking trail; and wildlife corridor

• Audubon-designated Important Bird Area

• NYS Open Space Plan Priority Project
High Tor – Parish & Murray Estate Financing

• $100,000 bequest

• $80,000 in unrestricted funds on hand

• Establishment of “Forever Fund” (internal revolving loan fund)

• Sale to New York State seven years after purchase
Bear Swamp – Tucker Acquisition

- High quality stream and wetland system
- Audubon-designated Important Bird Area
- NYS Open Space Plan Priority Project
Bear Swamp – Tucker Financing

- $100,000 grant from Allyn Foundation
- $60,000 allocation from Forever Fund
Lessons Learned to Date

- Focus on high quality projects with broad public support
- Always have an exit strategy
- Leverage every available funding source while minimizing interest charges
Near Term Priorities

- Speed up property sales to state and federal governments
- Continue to grow “opportunity fund”
- Undertake conservation brokerage transactions
Nicole Rosmarino, PhD, Executive Director

Southern Plains Land Trust
GAINING GROUND FOR PRAIRIE WILDLIFE
Southeast Colorado: A Biodiversity Hotspot
New Approaches Needed
Doing a Lot with a Little

SPLT Preserve Network

Acreage vs. Year

- 1998 - Fresh Tracks Purchase
- 2003 - Fresh Tracks Refinance
- 2013 - Raven’s Nest Purchase
- 2015 - Raven’s Nest Refinance
- 2015 - Heartland Purchase & Refinance
- 2015-2018
Doing a Lot with a Little

SPLT Assets vs. Debt

Year

Value of Debt or Total Assets

- $1,000,000.00
- $2,000,000.00
- $3,000,000.00
- $4,000,000.00
- $5,000,000.00
- $6,000,000.00
- $7,000,000.00
- $8,000,000.00
- $9,000,000.00

Debt
Total Assets

2019 (projected)
Expanding Heartland Ranch
### Expanding Heartland Ranch (2018): $2.2M

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downpayment</td>
<td>$500K</td>
</tr>
<tr>
<td>Negotiated lower price</td>
<td>$77,000</td>
</tr>
<tr>
<td>Lease-back from Seller</td>
<td>$32K</td>
</tr>
<tr>
<td>Security Negotiated lower price to save $77,000</td>
<td>$250K</td>
</tr>
<tr>
<td>Norcross 0% Loan</td>
<td>$250K</td>
</tr>
<tr>
<td>Security from Donor #2</td>
<td>$627,210</td>
</tr>
<tr>
<td>Security from Foundation #2</td>
<td>$627,210</td>
</tr>
<tr>
<td>Donor #1 0% Loan</td>
<td>$200K</td>
</tr>
<tr>
<td>Cons Buyers 1% Loan</td>
<td>$250K</td>
</tr>
<tr>
<td>Security from Foundation #1</td>
<td>$50K</td>
</tr>
<tr>
<td>GOCO Grant</td>
<td>$310,700</td>
</tr>
<tr>
<td>Foundation #1 Grant</td>
<td>$50K</td>
</tr>
<tr>
<td>Commercial Lender #1</td>
<td>$1,687,910</td>
</tr>
<tr>
<td>Commercial Lender #2</td>
<td>$877,210</td>
</tr>
<tr>
<td>Foundation #2</td>
<td>$0</td>
</tr>
<tr>
<td>The Conservation Fund</td>
<td>$0</td>
</tr>
</tbody>
</table>

Success! SPLIT expanded Heartland by over 7,000 acres in 2018!
On the Horizon: Expanding Heartland Ranch (2020)

• Add 25,000 more acres to grow Heartland to 43,000 acres
• Phased purchase
• First phase: 6,600 acres
• Pulling it off
  – Carbon Sales
  – Grants and individual gifts
  – Conservation financing
Multiple Financing Approaches Since 1998

• Seller-financing
• Commercial lenders
• Major donors
• Conservation Buyers Network
• The Conservation Fund
Key Elements to Success

• Understanding & Communicating Risk
• Flexibility
• Adaptation
• Get busy!
We Need More Nature Protected Now
For More Information

Contact

Nicole J. Rosmarino
Executive Director
Southern Plains Land Trust
PO Box 1016
Lamar, CO 81052
splt@southernplains.org
720-841-1757

Presentation photos: Sean Boggs for EDF, Richard P. Reading, Nicole Rosmarino.