

# Conservation Finance 101: Where's the Money?

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THE CONSERVATION  
FINANCE NETWORK



THE  
CONSERVATION FUND

# Who is CFN?



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.

Trainings

Provide sustained learning for practitioners

Convenings

Create opportunities to share actionable knowledge

Content

Create and disseminate educational information and field updates

Partnerships

Leverage impact through strategic & creative partnerships

# TCF Overview

**Founded:** 1985, 501(c)(3) a Maryland non-profit corporation

**Headquarters:** Arlington, Virginia

**Number of employees nationwide:** 200 (175 FTEs)

**Mission:** The Fund provides capital and technical assistance to accelerate the conservation of critical natural and cultural resources while strengthening local communities

## Program Focus Areas

<b>Conservation Transactions</b> 	<b>Technical Assistance, Community Support, and Economic Development</b> 
<ul style="list-style-type: none"> <li>• Interim Ownership of Conservation Properties</li> <li>• Working Forest Conservation</li> <li>• Loans for Land Trusts</li> <li>• Corporate Mitigation Services</li> </ul>	<ul style="list-style-type: none"> <li>• Small Business Lending</li> <li>• Green Infrastructure Planning</li> <li>• Community-based conservation efforts to promote access and inclusion</li> <li>• Conservation Leadership Training</li> <li>• Network Building</li> </ul>

*"We were founded in 1985 on a simple but enduring principle: that environmental protection and economic vitality are inseparable. In fact, they are mutually reinforcing- and every aspect of our work reflects this balance."*

- **Larry Selzer,**  
President and CEO

## Main Achievements

- Over 8 million acres saved nationwide valued at over \$6.7 billion.
- 3,350 land transactions completed to date.
- Provided over \$46 million to more than 250 businesses and nonprofit enterprises in underserved communities in Appalachia and the Southeast to strengthen local economies and create or retain 4,500 jobs.
- Over \$200 million provided to partner organizations in bridge financing through our Conservation Loans to protect lands with a fair market value of over \$440 million.
- Delivered green infrastructure plans in 40 states, and in 16 of those states, completed statewide green infrastructure network mapping.

# Outline



- Conservation Finance 101
- Philanthropy (Private Funds)
- Public Funding
- Project Financing
- Q&A



**Conservation Finance** refers to a broad range of attempts to monetize environmental goods or services in some form, whether it involves cost-savings, generating cash flows, or the appreciation of land and resource values overall (CFN 2017).





# Conservation Finance 101



## Categories

- New or leveraged funding
  - Creative approaches to philanthropy, stretching public funds, borrowing money as bridge funding
- Environmental credit markets
  - Market-like transactions that enable payment for environmental assets, externalities and attributes (e.g. wetlands, streams, carbon, habitats, water quality & quantity)
- Outcomes-based or “pay for success” models
  - Contracting process that enables payment from project outcomes
- Conservation-oriented approaches to traditional real asset investments
  - Ex. Timberland, farmland, ranchland





**Someone has to pay for the environmental good or service.**





# Funding & Financing



## Simple

**Earned Income**

**Philanthropy**  
(individual, foundation, corporate)

**Public Funding**

**Bargain Sales**

**Seller Financing**

**Transfer Fees**

**Conservation Buyer**

## Moderate

**Business Partnerships**  
(e.g. breweries & surcharges)

**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 Incentives** (e.g. NMTC)





# Income from the Land



Turn your assets into income.

Selling products from the land.

- Timber harvest



Leasing land for different uses.

- Farm leases
- Hunting Leases
- Billboards
- Solar leasing



# PHILANTHROPY (PRIVATE FUNDING)

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# Cause-related Marketing (Business Partnerships)



- What: % of sales donation to a cause
- Pros:
  - 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
- Ex. Brewery & Distillery Partnerships
  - Western Rivers Conservancy - % of Sierra Nevada sales in west (\$130k/yr)
  - McKenzie River Trust - % of profits from Oakshire Brewing Co. “Watershed IPA”
  - The Nature Conservancy – Oktoberforest initiative



# Corporate Social Responsibility



- Also known as corporate philanthropy
- What: a voluntary effort by a corporation to assess and take responsibility for their environmental and/or social impacts
- Pros:
  - Could provide significant funding
  - Actions go beyond what regulators or environmental groups require
- Constraints:
  - Requires C-suite buy-in
  - Potential green-washing



# Voluntary Surcharge



- What: Small voluntary charge (~1%) or fee (~\$2) added to a transaction
- Pros:
  - Charged to customer, not participating 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

# PUBLIC FUNDING

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# Ballot Measures



- Also known as: initiatives or propositions
- What: a state, county, or municipality votes to tax themselves for conservation funding.
- Pros:
  - Huge source of funding (e.g. \$6B in 2016)
  - 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.

# Federal Funding



- Over 77 different sources of federal funding for land conservation and natural resource management, including:
  - USDA
    - 2018 Farm Bill Conservation Title programs
    - NRCS Conservation Innovation Grants support market “R&D”
  - Department of Defense Readiness and Environmental Protection Integration Program



# PROJECT FINANCE

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# Impact Investing



- Investments made with intention to generate measurable social and environmental impact alongside financial return.
- Opportunity: If 1% of global assets under management were allocated for conservation impact investments, would address shortfall
- Driven by 1) resource scarcity, 2) intergenerational transfer of wealth (\$30T)
- Growth: Increasing capital in past 10-15 years, mostly in US
- Constraints: Shortage of deals and expertise, small transaction sizes, high transaction costs, limited commercial support for early stage projects



# Bridge Financing



- Bridge loans are temporary or short-term financing.
- Types of lenders:
  - Banks, foundations, conservation lenders, individuals
- Pros:
  - Source of money when funding isn't available fast enough to meet seller's timeline
- Constraints:
  - Borrower needs strong financial and management systems
  - Perceived as "risky" by some Board of Directors

# Bridge Financing



## Conservation Loans Program

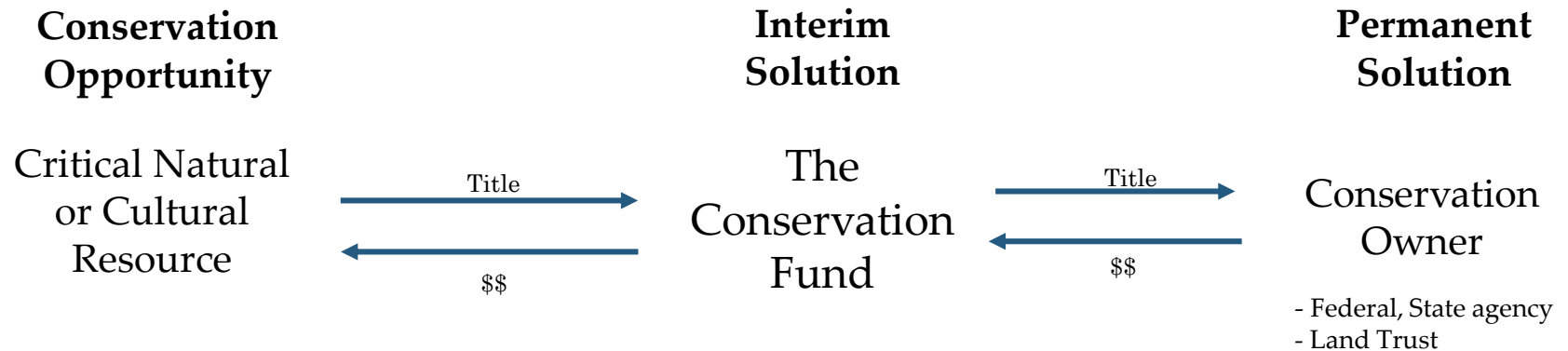
- One of the largest conservation lenders in the US.
- Loan range from \$12K to \$5m, with 1-3 year terms. Made over 370 loans to conserve over 180,000 acres.
- Offers at or below market rate and terms.
- Can provide technical assistance and provide financing quickly.



# Interim Property Ownership



## The Plain Vanilla “Co-op” Model:



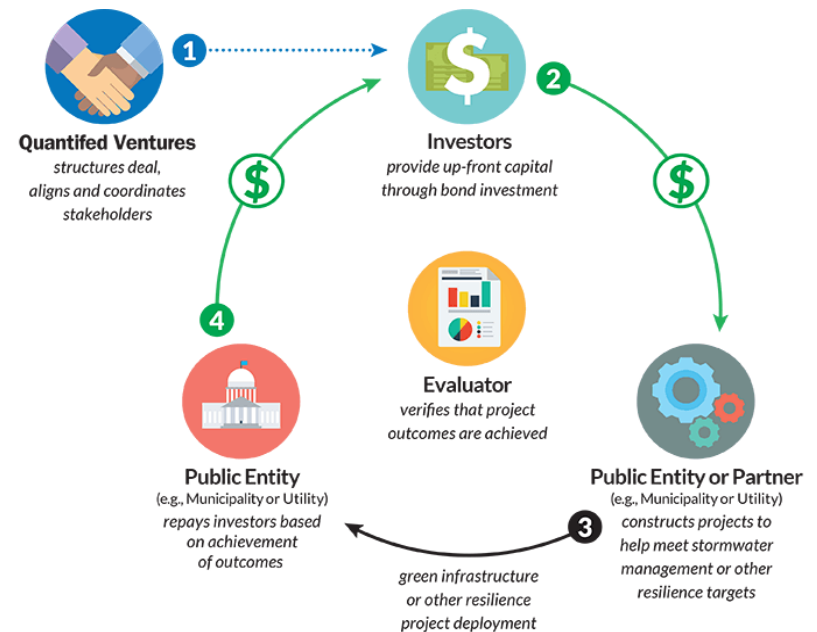
### Variation of Model:

- Initial and exit funding may come from different sources
- TCF may or may not take title
- Bargain sales and full or partial donation exits may occur

# Bonds



- Green Bonds
  - Instrument where proceeds are earmarked for climate or environmental benefits.
  - Mission aligned investors, below market rate returns
- Environmental Impact Bond
  - Or, pay for success
  - Shifts risk of performance to the private sector and creates engagement for multiple stakeholders



# Working Lands Investment

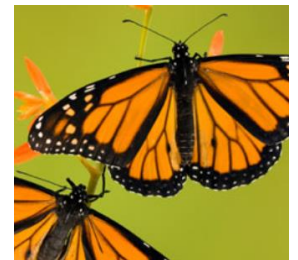


- What: Sustainable approaches to existing real asset markets (timber, ag, and ranchland) which use diversified revenue streams and low-cost capital to conserve and restore areas with high ecological value.
- Pros:
  - Sustainable management can be competitive against conventional investment approaches, projects typically include large acreage
  - Layered sources of capital: easements, new market tax credits, sustainable timber harvest and/or carbon credits
- Constraints:
  - Often relies upon limited public funding (for easements, etc.) to ensure permanent conservation outcomes
  - Requires highest degree of sophistication

# Ecosystem Services



- Forest and Land-Use Carbon
  - Compliance carbon offset markets
  - Voluntary carbon offset markets
- Wetlands & Streams
  - Compensatory mitigation markets
- Watershed Services
  - Water quality trading markets
  - Water rights acquisitions/leasing for environmental flows
  - Water funds and direct payments
- Species & Habitat
  - Compensatory mitigation for endangered species habitat
  - Voluntary markets for candidate species habitat

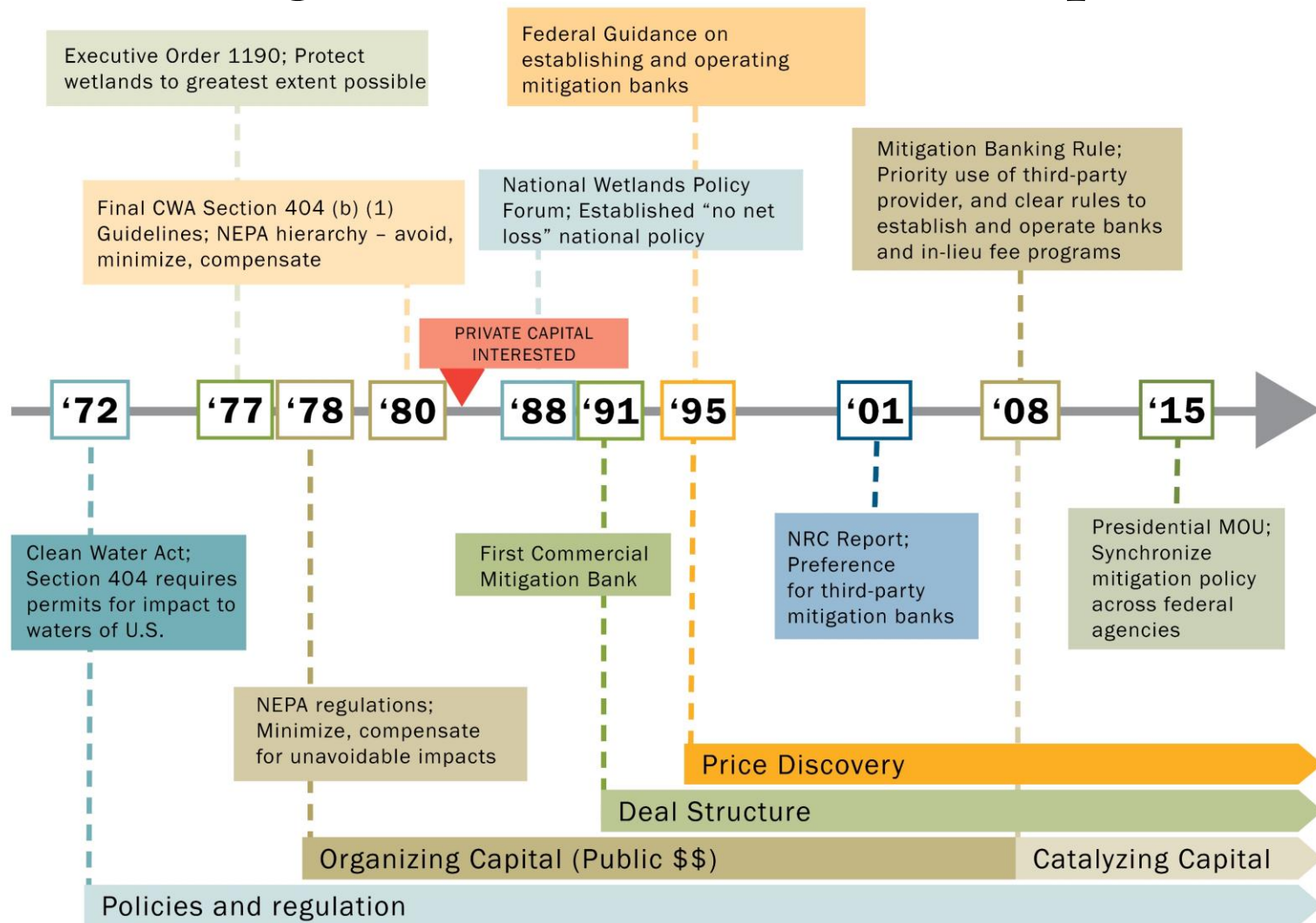




# Keep in Mind...



## The long road to market development





# For More Info...

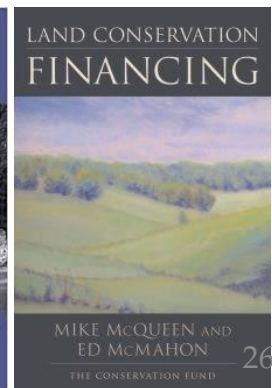
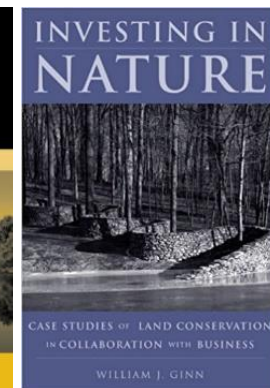
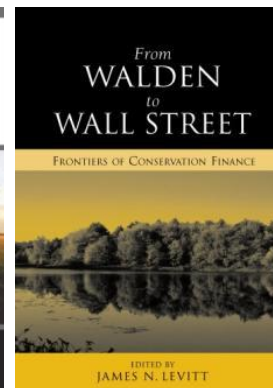
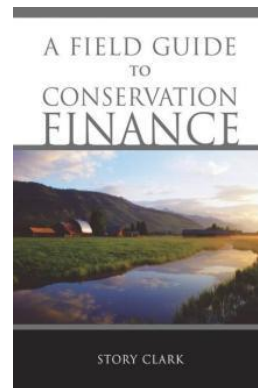


## CFN's website: [Conservationfinancenetwork.org](http://Conservationfinancenetwork.org) Sign up for our monthly Enews!

- **Articles:** e.g. "Financing Urban Water Protection and Management"
- **Thought leadership:** Op-eds and insight
- **Webinars:** Nature's Returns Series
- **Toolkits:** Seller financing, ballot measures, bridge financing, surcharges

- **Books:** Conservation Finance titles from Island Press

- Use discount code "CFN25" for 25% off





# Q&A

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