

THE
CONSERVATION FUND



Conservation Finance For Working Lands
March 2020

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

WHAT WE DO



Conservation Acquisition
Land, Water & Wildlife Protection



Conservation Leadership Network
Collaborative Solutions



Freshwater Institute
Aquaculture & Water Quality



Go Zero
Carbon & Climate



Land Conservation Loans
Finance & Expertise



Mitigation Solutions
Infrastructure Mitigation



Natural Capital Investment Fund
Business Finance



Resourceful Communities
People, Places, Opportunities



Strategic Conservation Planning
Green Infrastructure



Working Forest Fund
Forestry

What does Conservation Finance Mean?

The practice of raising and managing capital to support land, water, and resource conservation.^[1] Conservation financing options vary by source from public, private, and nonprofit funders; by type from loans, to grants, to tax incentives, to market mechanisms; and by scale ranging from federal to state, national to local.^[2] Conservationists have traditionally relied upon private, philanthropic capital in the form of solicited donations, foundation grants, etc. to fund conservation projects and initiatives. Increasingly, conservationists are exploring financing options, leveraging traditional “philanthropic and government” sources of capital along with financing that from the capital markets.^[3] These non-traditional sources of conservation capital include debt-financing, emerging tax benefits, private equity investments, and project financing.^[4] These additional sources of leverage serve to enlarge the pool of financial capital available to fund conservation work worldwide and, as this financial capital is invested, the asset portfolio of conserved land, water and natural resources is grown.^[5]

**Using other people's
money to achieve
conservation outcomes**



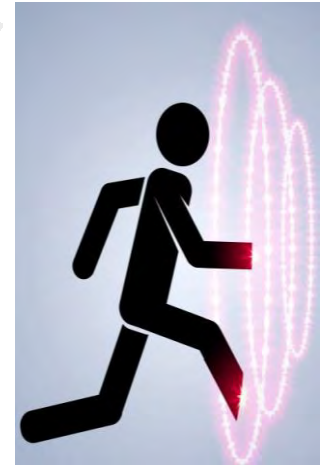
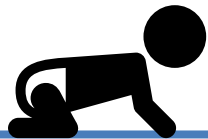
Why look for Conservation Financing?

- Extend the use the limited resources (\$, time, people)
- Grow internal expertise
- Improve the community profile of the organization/effort
- Make a more compelling case for fundraising
- Make savvy finance moves while capital is STILL priced at historic lows





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

Conservation Finance Sources

Gifts & Grants

- **Traditional Sources**
 - Individual Donors
 - Foundations
 - Corporate Engagements/ Partnerships
- Voluntary Surcharges
- Voluntary Private Transfer Fees
- Trade Lands
- Donor-Advised Funds & Aggregators

Tax Benefits

- Federal/State Tax Deductions
- Bargain Sale or Easement Donation
- New Markets Tax Credits
- State Tax Credits

Public Funding

- Fed. Conservation Programs (LWCF, REPI, etc.)
- Other Large Fed/State Programs
- State/Local Ballot Initiatives
- State/Local Specific Use Taxes/Fees/Incentives
- State/Local Conservation Programs
- Local Improvement Districts

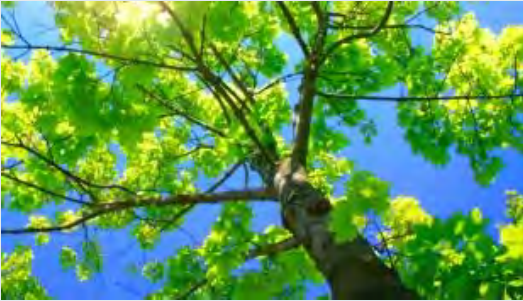
Private Capital

- **Payments for Ecosystem Services**
 - Function Trading (water, nutrients, carbon)
 - Watershed Service Payments
 - Habitat & Species Mitigation/Banking
 - Natl. Res. Damage & Other Settlements
 - Federal Power Act /Relicensing
- Tradable Land Use Rights (TDRs etc.)
- Conservation Development/Buyers
- Agriculture, Timber, Energy & Other Income
- Water Transactions (partial or full sales, leases)
- Cause-Related Marketing
- Impact investing

Bridge Financing & Loans

- **Philanthropic**
 - External Revolving Loan Funds
 - Internal Land Trust Protection Funds
 - Foundations (incl. PRIs)
 - Conservation Lenders & Guarantors
- **Private**
 - Commercial & Farm Credit Lending
 - Seller Financing
- **Public**
 - Fed/State Revolving Loan Funds
 - Tax-Exempt Debt

Social/Conservation Impact Investing



Timber	Ecosystem Services	Agriculture/Ranchland
The Lyme Timber Company	Ecosystem Investment Partners	Beartooth Capital
Conservation Resources	Encourage Capital	Grasslands LLC
Ecotrust Forest Management	Resource Environmental Solutions	Farmland LLP
New Forests	Renewable Resources Group	New Spirit Farmland Partnerships
The Forestland Group	Equator LLC	Fall Line Capital
Forest Investment Associates	Timbervest	Villicus
	EcoProducts	Carrus Land Systems
	Permian	Iroquois Valley Farms LLC
		Dirt Capital Partners





Pooled Timber Income Fund

Sophie Traficonte, Conservation Project Manager



NEW ENGLAND
FORESTRY
FOUNDATION

What is the Pooled Timber Income Fund?

*NEFF has developed a new conservation option for landowners, the **Pooled Timber Income Fund (PTIF)**. This option enables New England landowners to conserve their woodland while receiving lifetime income, as well as tax benefits.*

What is the PTIF?

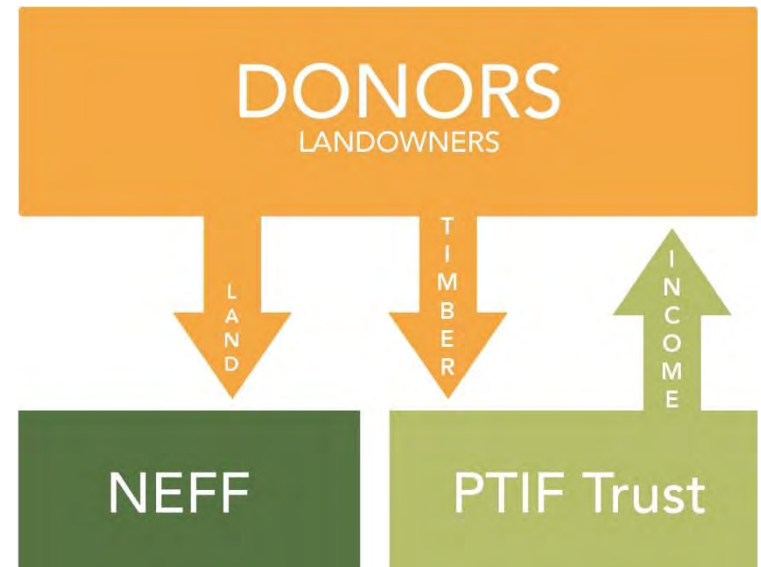
Traditional pooled income fund:

Allows donors to contribute cash or other assets to a charity.

The charity invests the assets, and income after expenses is distributed to the donors until their death, at which point the assets belong to the charity.

Donors receive both lifetime income and a charitable tax deduction at the time of the initial donation.

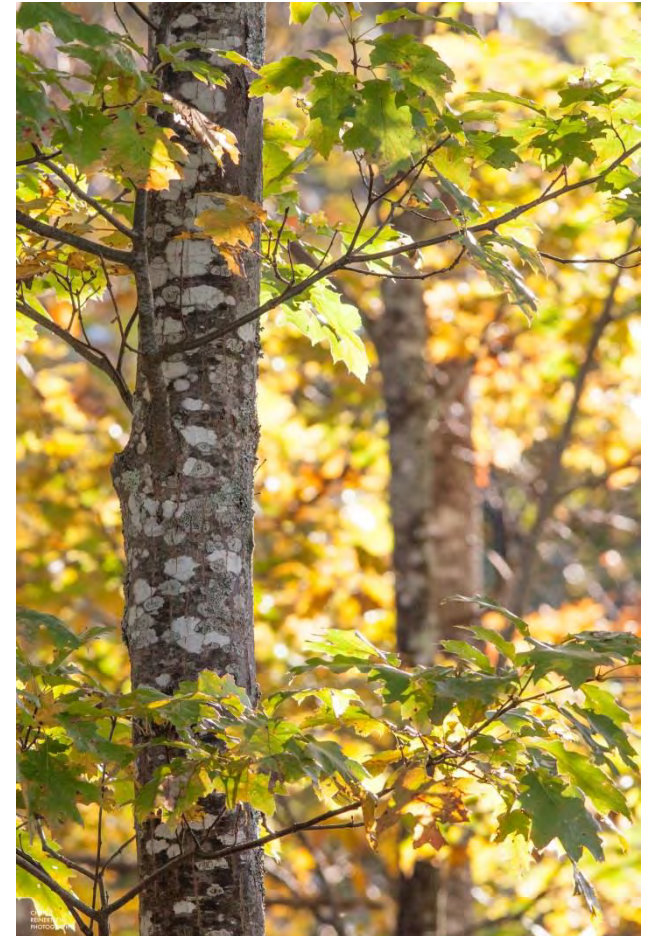
A Pooled **Timber** Income Fund:



Financial Benefits

Annual Income

- Landowners receive shares in the fund proportional to the value of their timber donation.
- Income is generated from timber harvests on all land in the PTIF
- Estimated rate of return before expenses on timber donations to the PTIF should be around 2.5%
- Land donors will receive a more even stream of funding compared to managing their own land due to harvests happening across the pool of timber that is in the Fund and the reduced risk of loss from weather, insects, or other hazards



Financial Benefits

Potential Tax Benefits

- Landowners donating to the PTIF can likely claim a charitable tax deduction on their federal **income tax returns** for both the donation of the land to NEFF and the donation of the timber to the PTIF.
- After enrolling in the PTIF, the landowner is not responsible for further **property taxes** on the woodland. NEFF will pay property taxes on the property while it is enrolled in the PTIF.
- Additionally, the land and timber are removed from the landowner's estate, and are thus not subject to federal or state **estate taxes**. This may allow the landowner to pass other assets on to heirs more easily.

Management of Fund Land

When you enroll in the PTIF:

- You donate your land to NEFF.
- You donate your timber to NEFF's Pooled Timber Income Fund to be managed among a pool of other woodlands, including several of NEFF's.

NEFF will sustainably manage your woodland through **Exemplary Forestry**, which we employ on our own Community Forests, which total more than 27,000 acres.

- These woodlands are certified by the American Tree Farm System® and are also certified to Forest Stewardship Council™ standards.



Management Plans and Harvests

- NEFF works with local consulting foresters to develop a plan for each individual property.
- Plans are updated approximately every 10 to 15 years.
- When conducting harvests, foresters represent our best interests as landowners and they oversee each harvest to ensure compliance above and beyond all relevant environmental standards.



Leasing to the Fund



- Land trusts can lease land to the fund for a set number of years
- Benefits include:
 - A small constant annual income from the harvesting of timber on the land.
 - There would be reduced risks
 - The land trust would also have one less job of managing their land.
 - The land trust would be participating in a pool with other land trusts, thus reducing any reputational risks.
 - The land trust would retain ownership and recreational management of their lands
- Land Trusts promoting PTIF

Donating non-land assets to the Pooled Timber Income Fund

- The PTIF will hold fund donations in interest bearing accounts, bond funds, or diversified equity investments while seeking timber purchase opportunities.
- The funds donated will be used to buy property or timber, so long as the timber on the subject property is worth at least as much as the cash donation. (In the case of a property where the timber is worth less than the cash value of the donation, it may still be possible to buy the property, with the PTIF buying the timber and NEFF buying the underlying fee value.) Any residual funds in the PTIF will be used to buy additional timber value somewhere else.

PTIF and its Future



- Replicating the PTIF: A bicoastal effort
 - Grant to work with the Oregon Community Foundation to replicate this tool.
- Future Benefits- more conservation!



Questions?

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Conserving Forests for Future Generations



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