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, and public, governmental funds in the form of tax incentives, ballot measures, bonding, agency appropriations, etc., to fund conservation projects and initiatives. Increasingly, conservationists are embracing these traditional funding and financing options, leveraging traditional “philanthropic and governmental resources with other sources of capital, including 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.\(^5\)
Why look for Conservation Financing?

- Extend the use of 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
<table>
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<tr>
<th>Era</th>
<th>Key Events</th>
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<tbody>
<tr>
<td>1970s</td>
<td>• Land Donations</td>
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<td>• Donations of easements</td>
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<td>• Some early working lands transactions</td>
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<td>• First use of creative development – AKA “conservation development” techniques</td>
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<td>• Use of Charitable Creditors</td>
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<td>1980s-1990s</td>
<td>• Donations – Land &amp; Easements</td>
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<td>• Trade Lands</td>
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<td>• Third-Party-Funded Bargain Sales</td>
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<td>• First Land Conservation PRIs</td>
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<td>• Impact / MRI Angels</td>
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<td>1990s-2000s</td>
<td>• Creation of Intermediaries</td>
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<td>• Boutique TIMOs with Conservation Strategy</td>
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<td></td>
<td>• Creative Land Development</td>
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<td>• Conservation Buyers</td>
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<td>• Brave Foundation MRIs</td>
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<td>2000s-2010s</td>
<td>• Growth of Intermediaries</td>
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<td>• Revolving Funds</td>
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<td>• Institutional Scale TIMOs with Conservation Strategy</td>
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<td>• Eco-System Service Investment Funds</td>
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<td>• Resalable State Income Tax Credits</td>
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<td>2010s --- Future</td>
<td>• Crowd Sourcing</td>
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<td>• Technology/Smart Conservation</td>
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<td>• Block Chain</td>
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<td>• Impact Investment Aggregators</td>
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<td>• Supply Chain Sustainability Investments</td>
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<td></td>
<td>• Accessing Donor Advised Funds – “Capshift”</td>
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<td>• Green Bonds/ELBs</td>
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## 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

<table>
<thead>
<tr>
<th>Timber</th>
<th>Ecosystem Services</th>
<th>Agriculture/Ranchland</th>
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<tr>
<td>The Lyme Timber Company</td>
<td>Ecosystem Investment Partners</td>
<td>Beartooth Capital</td>
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<td>Conservation Resources</td>
<td>Encourage Capital</td>
<td>Grasslands LLC</td>
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<td>Ecotrust Forest Management</td>
<td>Resource Environmental Solutions</td>
<td>Farmland LLP</td>
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<td>New Forests</td>
<td>Renewable Resources Group</td>
<td>New Spirit Farmland Partners</td>
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<td>The Forestland Group</td>
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<td>Fall Line Capital</td>
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<td>Forest Investment Associates</td>
<td>Timbervest</td>
<td>Villicus</td>
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<td>EcoProducts</td>
<td>Carrus Land Systems</td>
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<td>Permian</td>
<td>Iroquois Valley Farms LLC</td>
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<td>Dirt Capital Partners</td>
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Pooled Timber Income Fund

Sophie Traficante, Conservation Project Manager
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.
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 managed 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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