Unlocking Private Capital
Conservation Investment Note
Pulling the Pieces Together

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Agenda

• Feasibility assessment (2010 and 2012)
  - Demand, supply, and infrastructure
• Present results of borrower demand
  - Discuss barriers to land trust borrowing
Overall Demand for Fund Exists: 2010

- 15 socially-minded investors
- 40 land trusts/11 revolving loan funds
- 15 potential funders
Four General Sub-Questions

• Who are the potential customers?
• What is their loan demand?
• Incentives/conditions that could stimulate > demand?
• How could CINs offer efficient delivery of services?
Focus on Borrower Demand

- 40 land trusts & 11 conservation intermediaries/revolving loan funds (by email and phone)

- Land Trusts of diverse sizes, geographies, and capacities
Specific Questions

• Financing plan/track record
• Borrowing capability/barriers
• Live projects with debt financing (payback options, terms)
• Terms of interest for the new fund
• Economic/conservation impact of deals
• Technical assistance
Why Don’t More Land Trusts Borrow?

- Lack of finance skills
- Limited personnel capacity

- Lack of capable land trusts in loan fund service areas
- Limited RLF operating budgets for marketing

- Limited funding takeouts in various loan fund service areas
- Multiple options for financing in certain areas
Characteristics of Land Trusts that **DO** Borrow

- Large/mid-size with strong balance sheets/staff expertise
- Staff/board leadership
- Clear public funding sources
- Diverse communities
- “Neighbor effect”
- First time hurdle
What Are The Other Methods of Debt Financing?

- Internal RLFs
- Commercial Banks
- Individual Loans (board members)
- External RLF/cons interm.
Specific Capital Demands

• 24/40 (60%) borrowing at the time and in need of new financing
• At least 14 needed new financing immediately
• 10 were not currently borrowing but interested (at rates of 3% or less)
• 9 Land Trusts needed $17.5-$19.5M
• 7 Land Trusts needed $16-$18M
• Conservation Loan Funds needed >$15M
Types of Capital of Interest (LTs)

- Lines of credit
- Longer-term loans given public takeout timetables
- Separate fund to cover acquisition costs ($10-$15k)
- Loan guarantees
- Timely underwriting/limited paperwork
- Geographic flexibility
Main Borrower Concerns

**Land Trusts**
- Loss/delays in grant funding
- Past issues with commercial lending
- Spotty geographic coverage
- Only short-term bridge financing available

**Conservation Intermediaries/RLFs**
- Loan terms
- Mismatched service area/land trust borrowing
- Lack of funding to market programs
2012 Survey: Parameters of Interest

- Interest rate (1-4.5%)
- Longer term (2-15 years)
- Geographically flexible
- Quick turnaround/less paperwork
- Flexible repayment
- Refinancing options
- Letters of credit
- Guarantees
- Upfront capital for fundraising campaigns
- Loan for region, not project-specific
- Private pool for tax credit sales
- Loans to retire grazing rights

18 Borrowers
Finding Demand

- Well-funded public open space acquisition programs
- Co-lending with existing RLFs/PRI programs
- LTA national/regional conferences
- Conservation finance boot camps
- Network of cons professionals
- Listservs (e.g. TPL)
- Newsletter?
Borrower Pre-Screen

Initially

• Routine borrowers/certain operating size
• Liquidity (e.g. well-funded public open space acquisition programs or capital campaign $)
  — Explore alternative sources of revenue
• Large “national” conservation transactions

Eventually

• Strong balance sheets, number of years in operation, but no current borrowing
Sources of Takeout Funding

- Cash reserves/endowment
- **Secured** government grant
- **Secured** Foundation grant
- Earned revenue from projects/services (e.g. wetland mitigation credit sales)
- Internal Revolving Loan Funds
- Sale of easement (known price range/identified buyer)
- Land sale
- ** Likely** government purchase or grant
- ** Likely** Foundation grant
- Capital campaign with significant level of commitments already in hand or a strong history of fundraising
- Future capital campaign with minimal history of fundraising
Other Areas of Exploration

• Technical Assistance
• Other borrower types (i.e. private equity funds, L3Cs)
• Co-lending with PRIs/RLFs
• Alternative takeout strategies
THANK YOU!

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