

Welcome to

THE CONSERVATION FINANCE INTENSIVE

2019



Australian Government

Department of the Environment and Energy



Biodiversity
Conservation
Trust

9:30am to 10:30am

Keynote: Blended conservation finance deals in productive landscapes

Carl Palmer, Managing Director, LegacyWorks

**THE CONSERVATION
FINANCE INTENSIVE**



Blended Conservation Finance in Productive Landscapes

The background of the slide is a photograph of two birds, likely swans or geese, flying in a bright blue sky with scattered white clouds. One bird is in the upper right, and the other is in the lower left, both with their wings spread wide.

Carl Palmer
Founder and Impact Guide
LEGACYWORKS GROUP
carl@legacyworksgroup.com

Overview

- Personal Introduction
- Conservation in Productive Landscapes in the US
- Blended Finance and Impact Investing
- A Blended Finance Framework
- Productive Landscape Deals
- What We Can Do With Our Own Capital



Conservation of US Productive Landscapes



Blended Conservation Finance

Deploying different kinds of capital - public, philanthropic and private investment - in concert to achieve conservation outcomes.



Impact Investing

**Deploying capital to
achieve financial, social
and environmental
outcomes.**



*How do
we define
impact?*



N

*Where does
conservation
map onto the
SDG's?*



N

*What other
impact do
we hold
keys to
achieving?*



*What role
do we play
unlocking
holistic
solutions?*



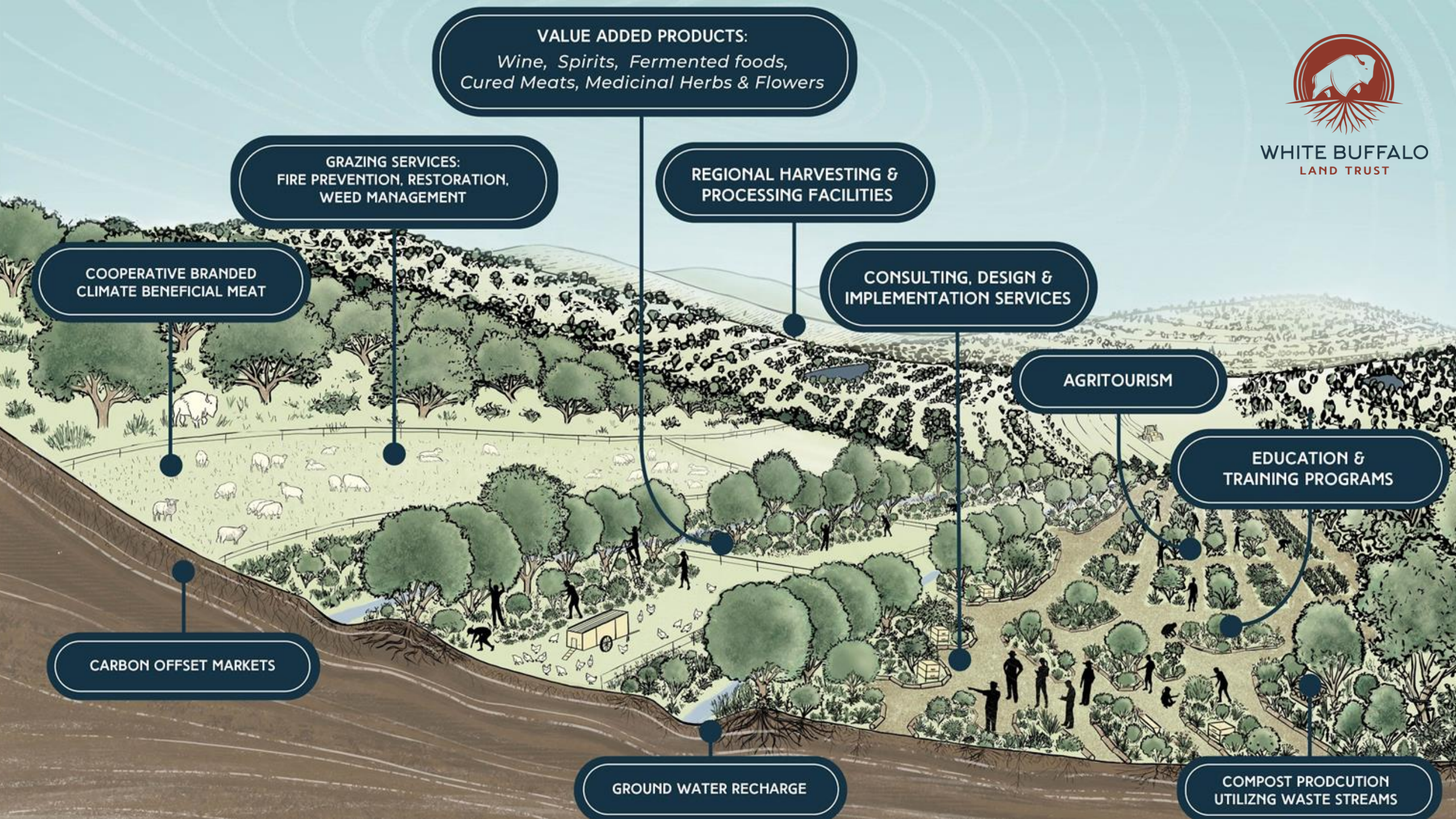
Productive Landscape Conservation

We play a critical role in creating the impact we need in the world now.





WHITE BUFFALO
LAND TRUST



There's a strong case to be made that we can't protect these



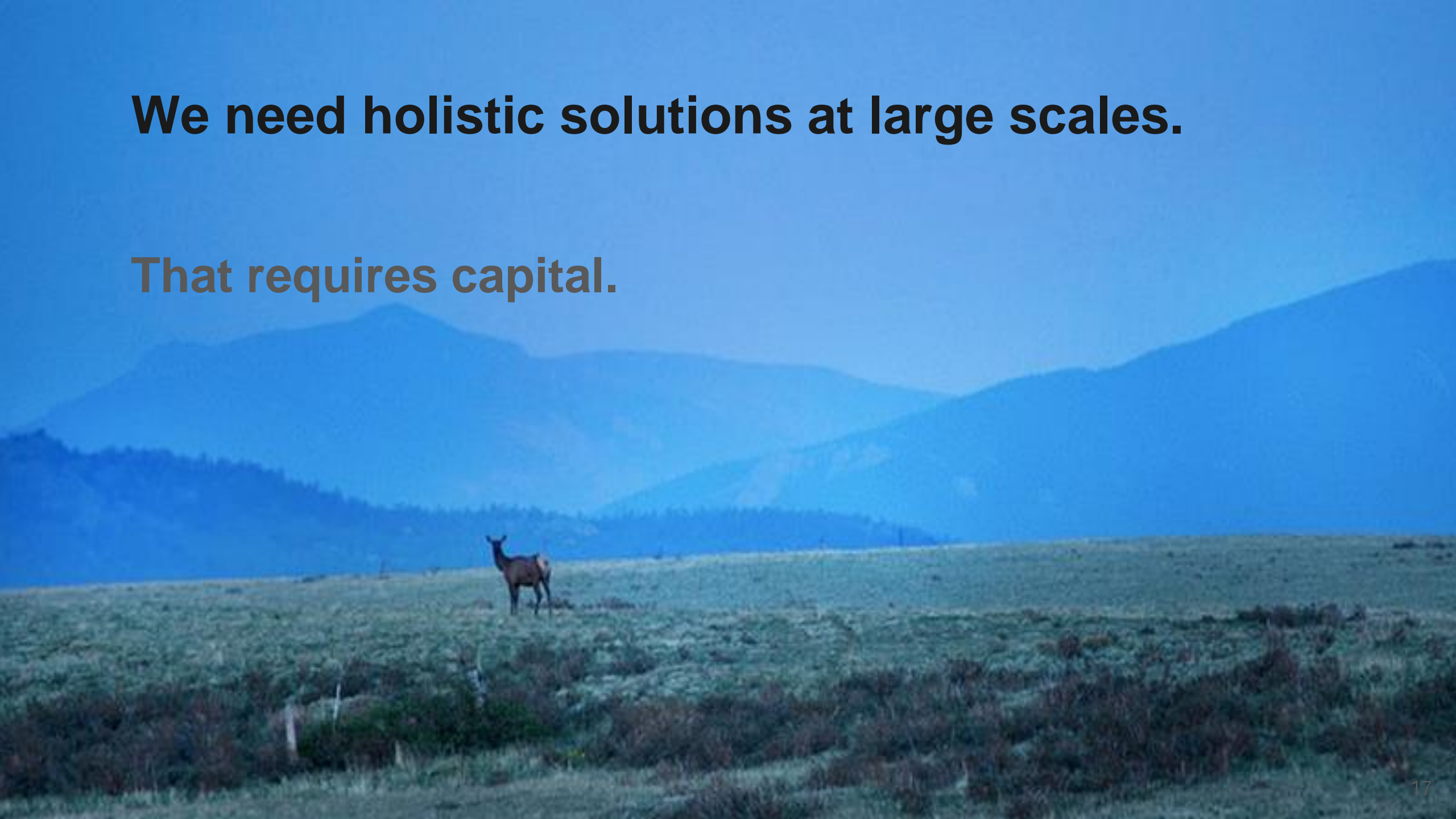
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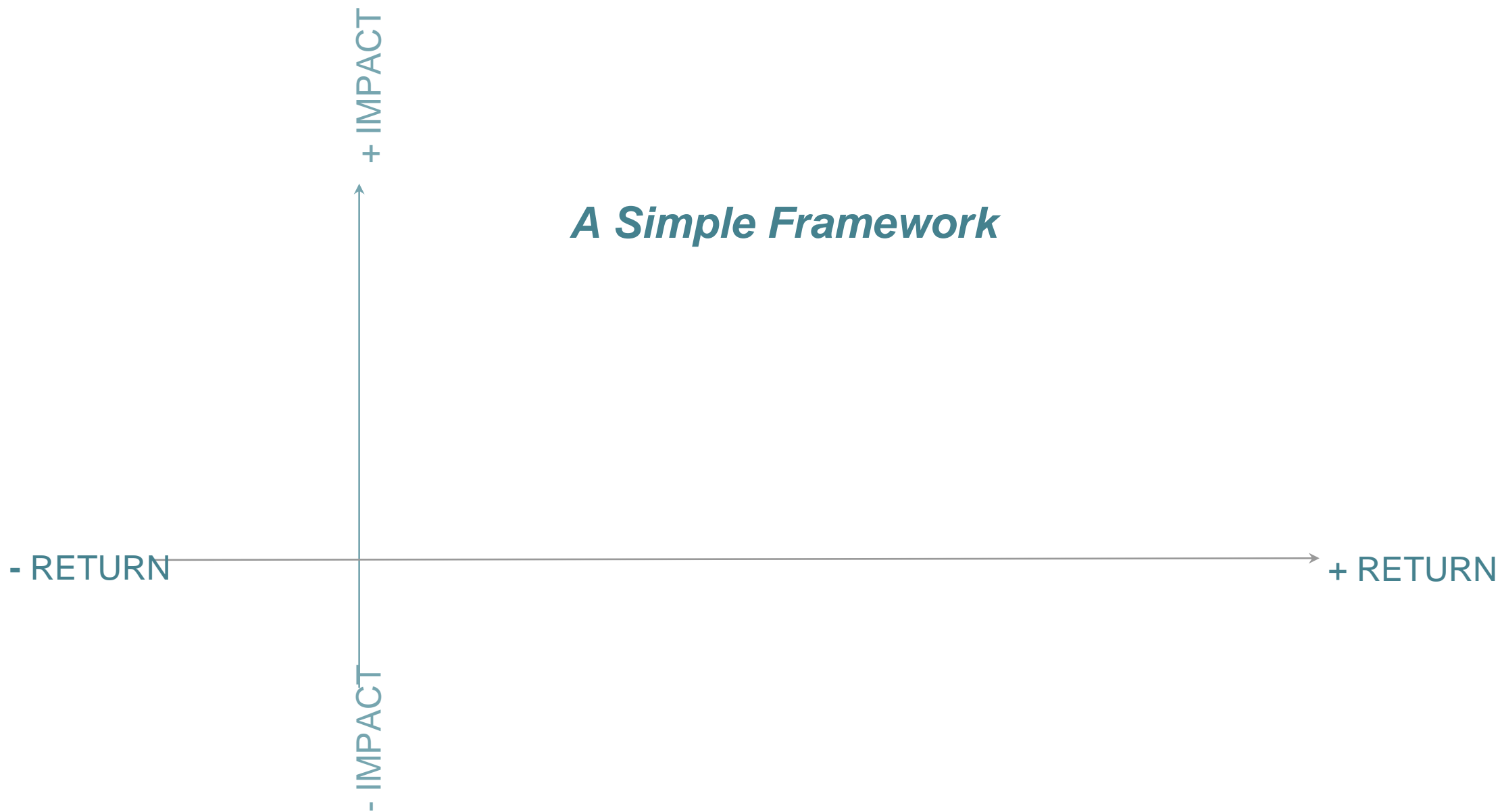
*Without
addressing
all these
key global
needs*

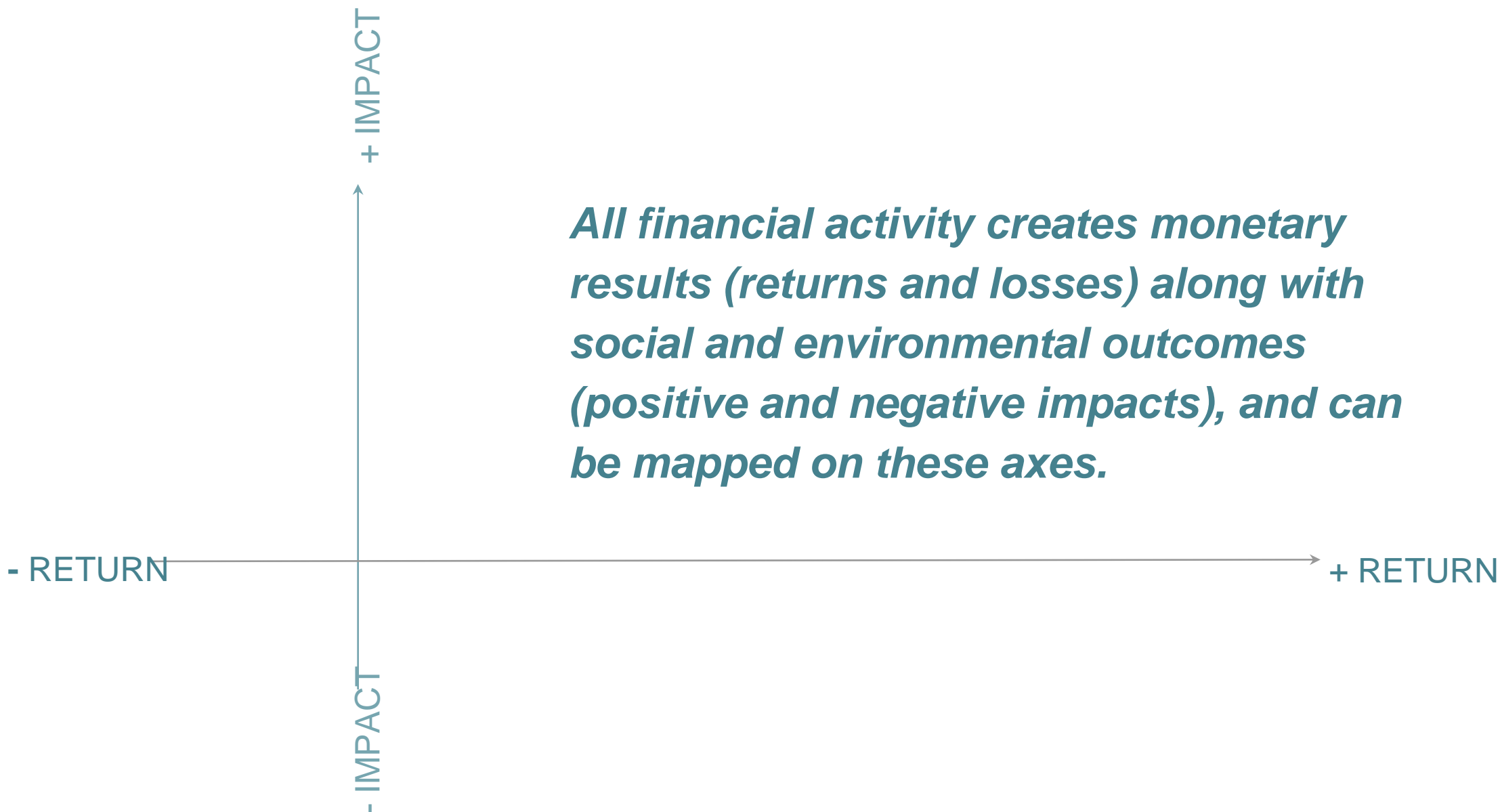


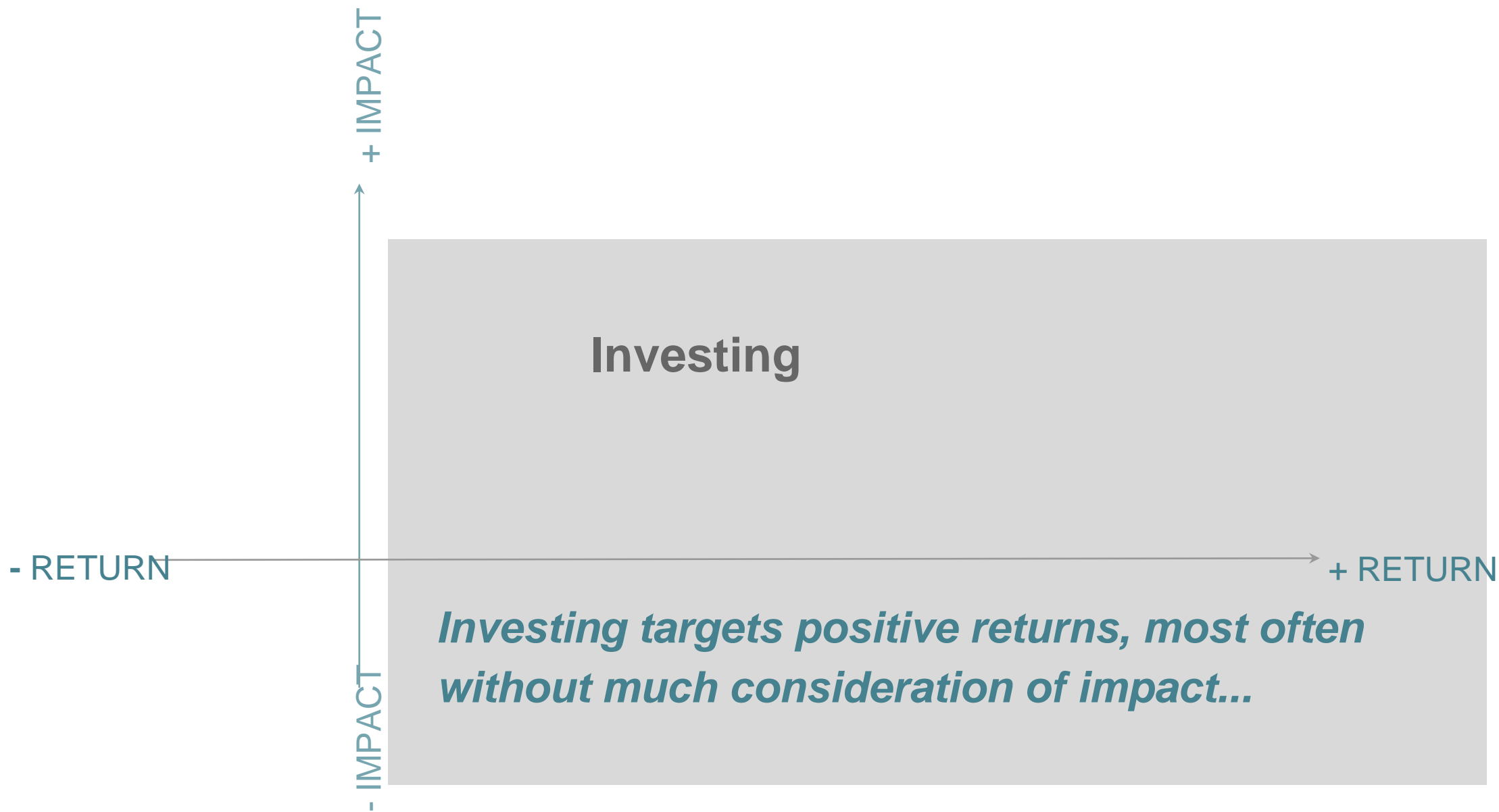
We need holistic solutions at large scales.

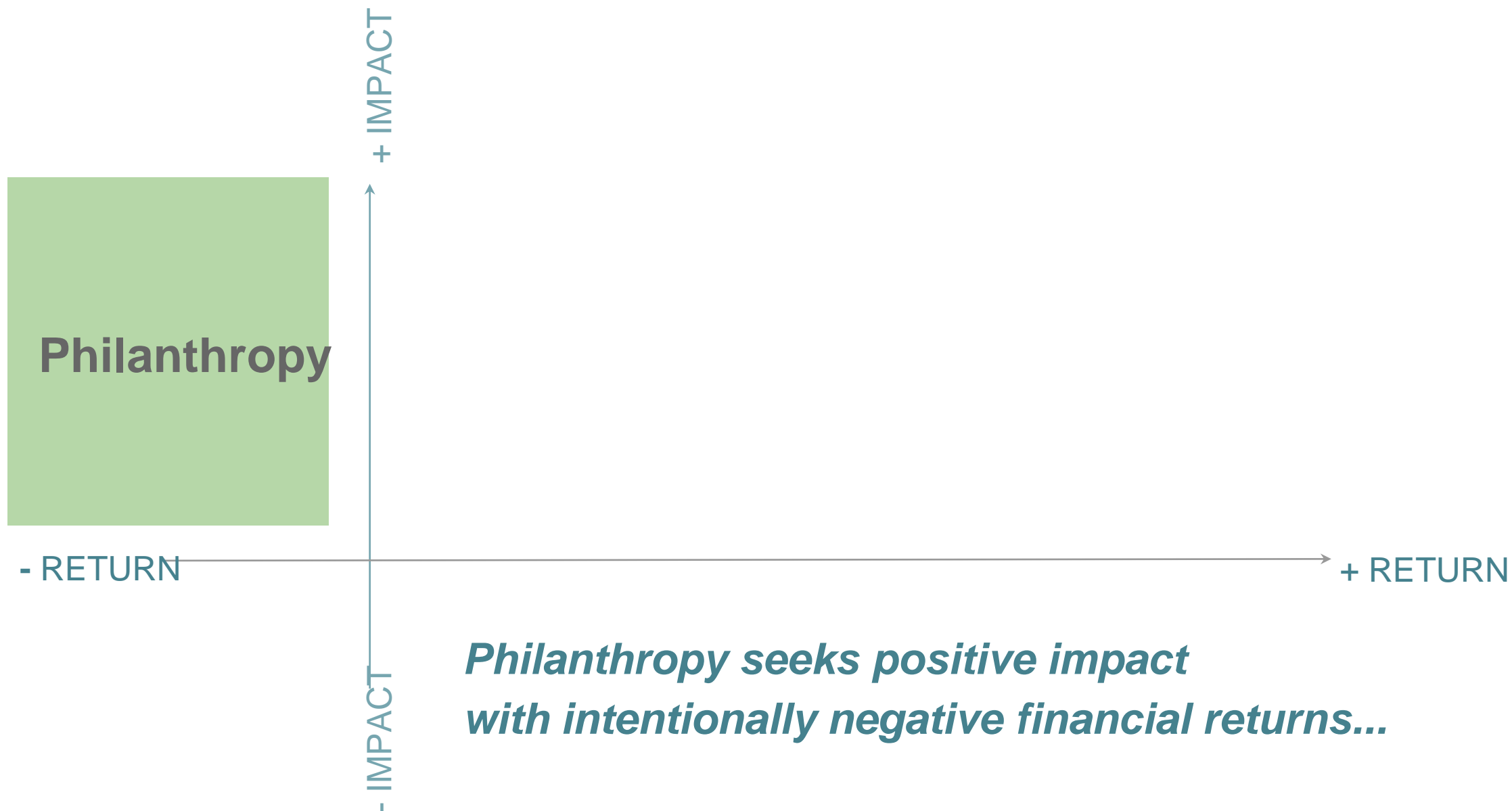
That requires capital.

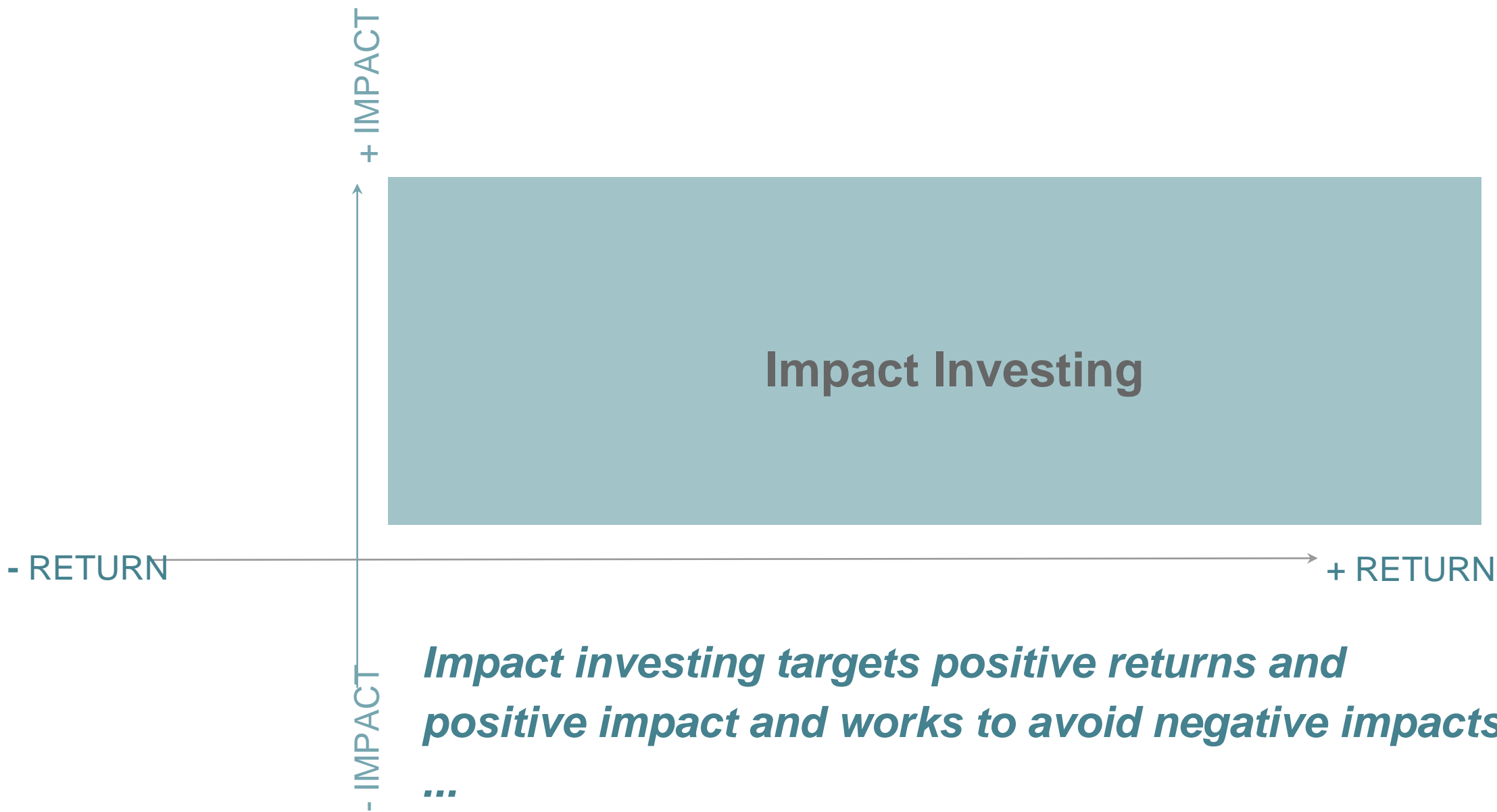


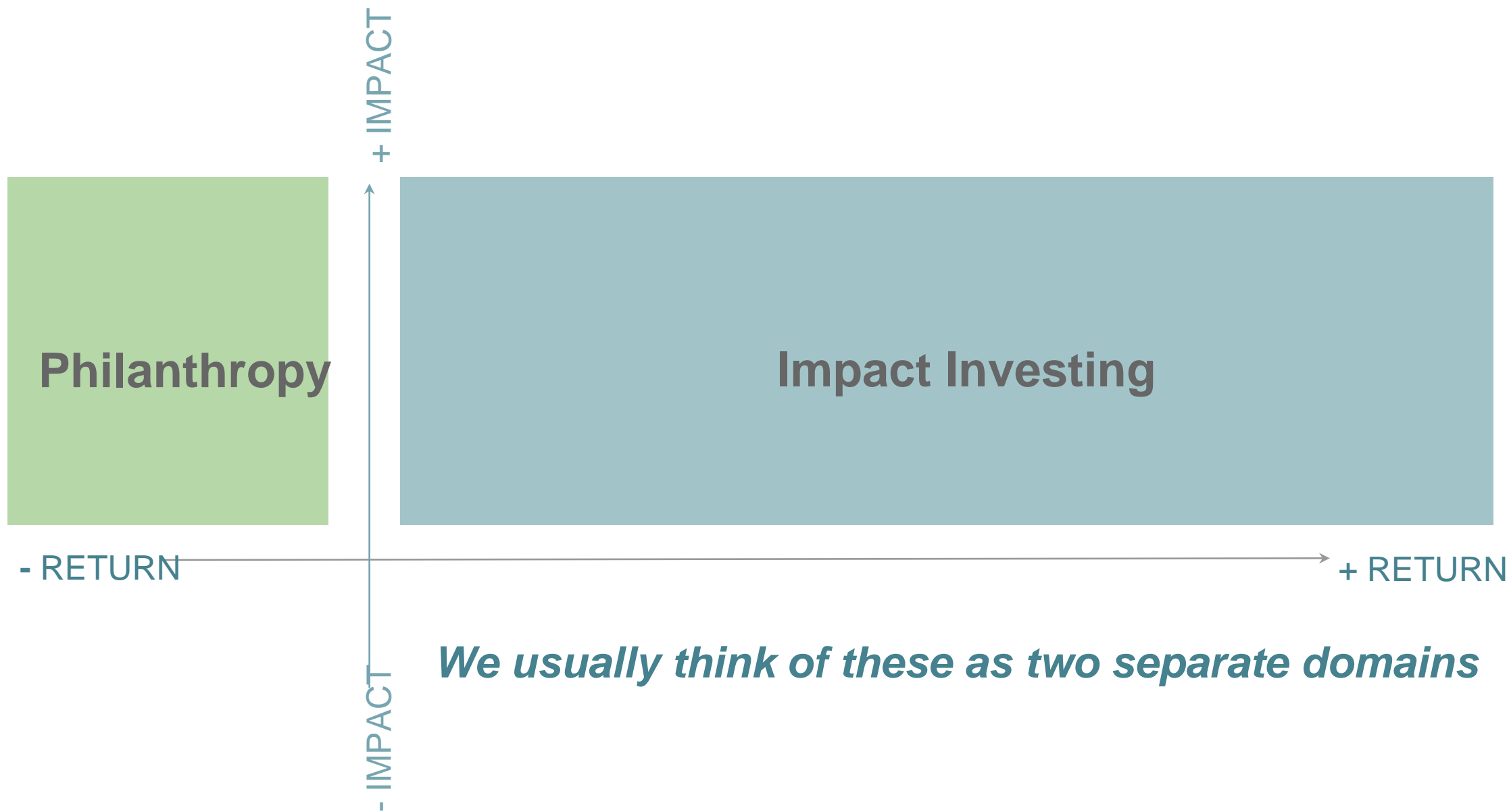






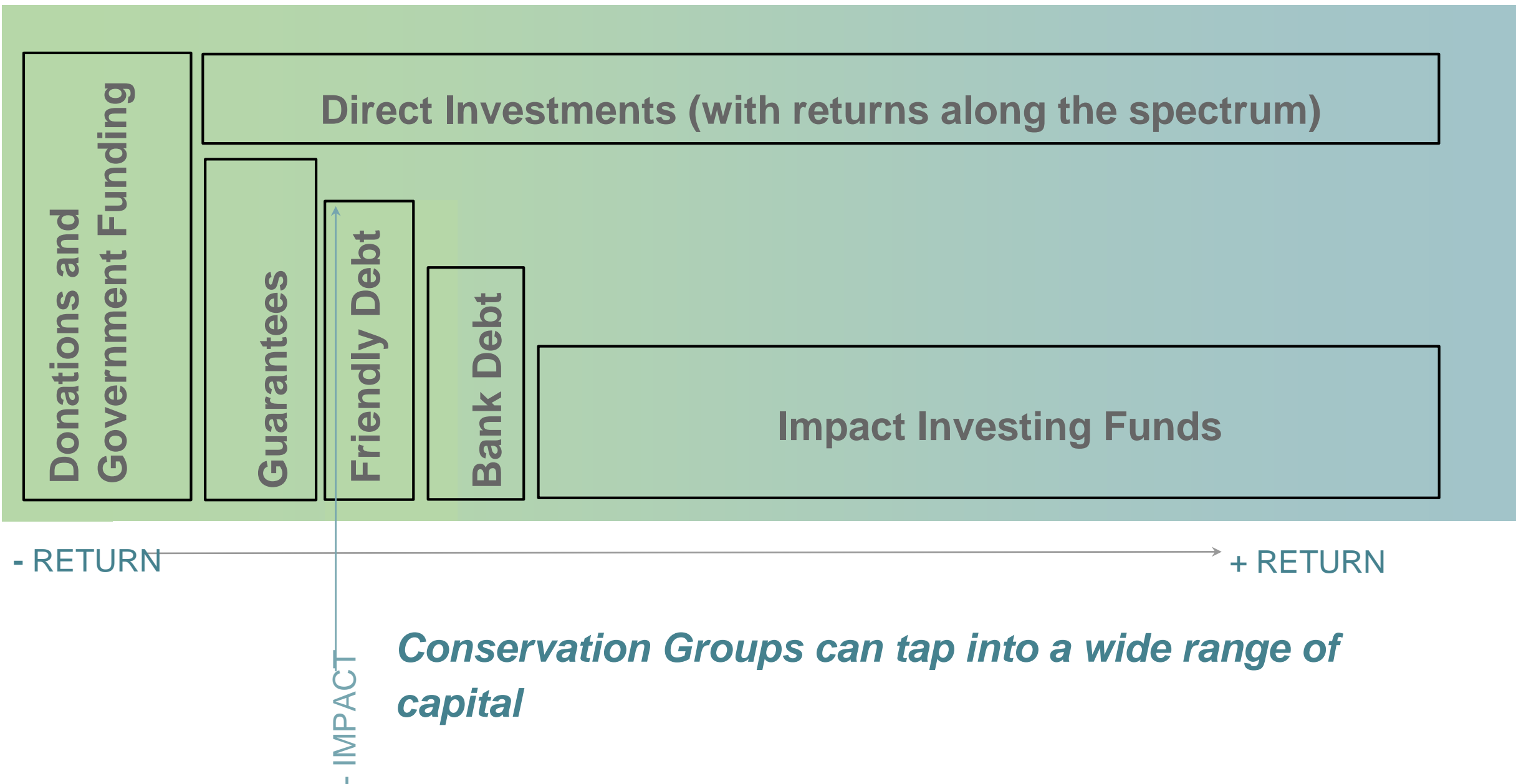












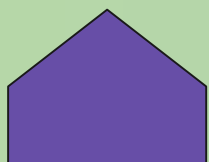
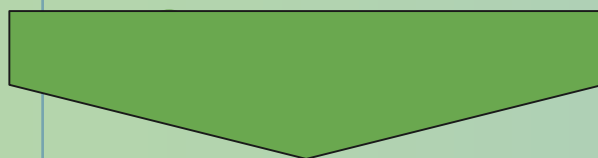
Colorado Land Trust + Local Direct Investors + Friendly Loan

+ Local Land Trust Donors

+ LT SuperFans, LLC Investment

+ The Conservation Fund Loan

LT SuperFans,



Local Donors



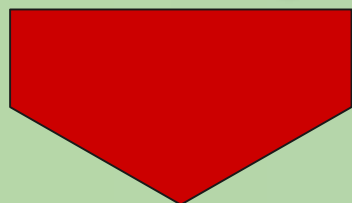
Friendly Loan

+ RETURN

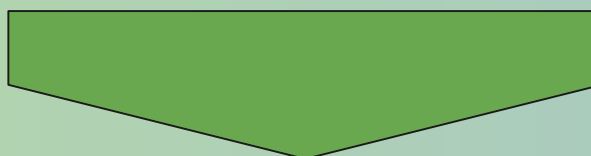
- IMPACT

California Land Trust + Friendly Loan + State \$ + Private Co.

State
Funding



Better Place



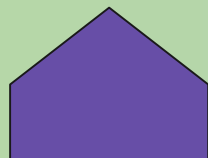
Local Land Trust Donors

+ Better Place Forests

+ CA State Conservation Funding

+ TCF Land Acquisition Program

Local Donors



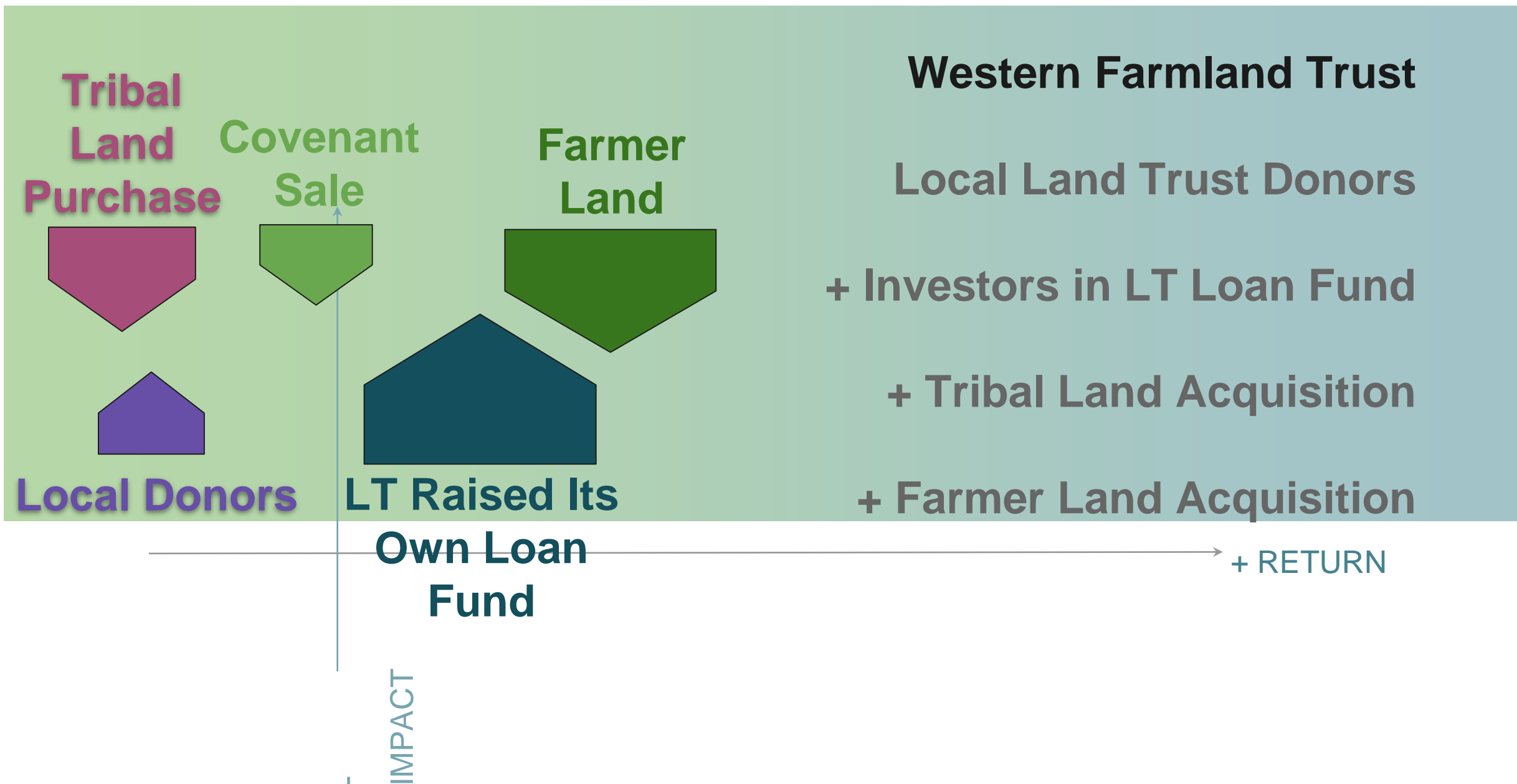
Friendly Buyer



- RETURN

+ RETURN

IMPACT



Western Ag Land Trust

Acquire|Protect|Sell

Farmland Transaction

\$3.4M in

Purchase

**\$2.7M Note
\$700k Donors**

March 2018

\$1.1M out

**Partial Sale to
Local Tribes**

Target: 2020

\$0.7M out

**Farmland
Covenant**

Target: 2020

\$1.7M out

**Sell Protected
Land to Farmer**

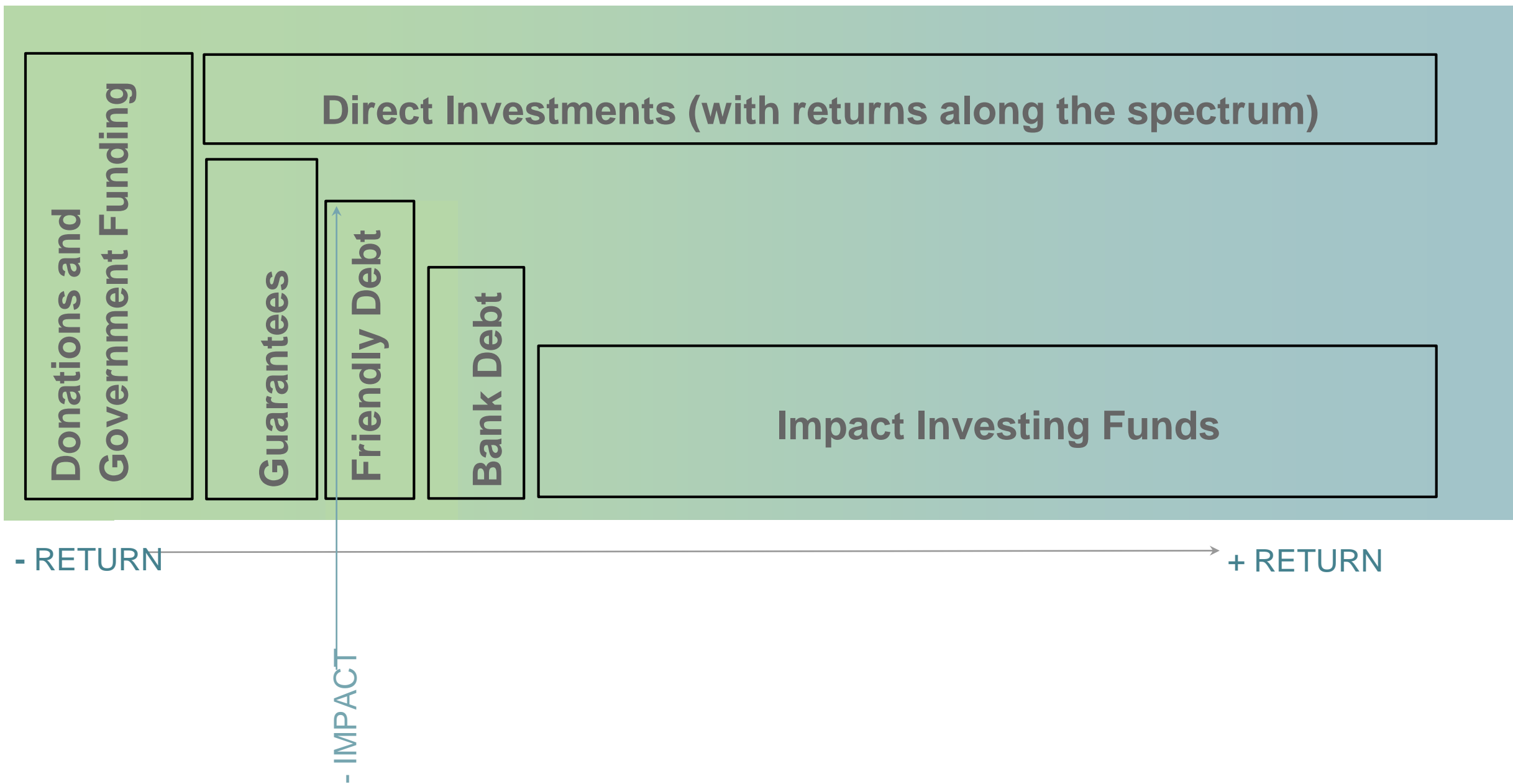
Target: 2024

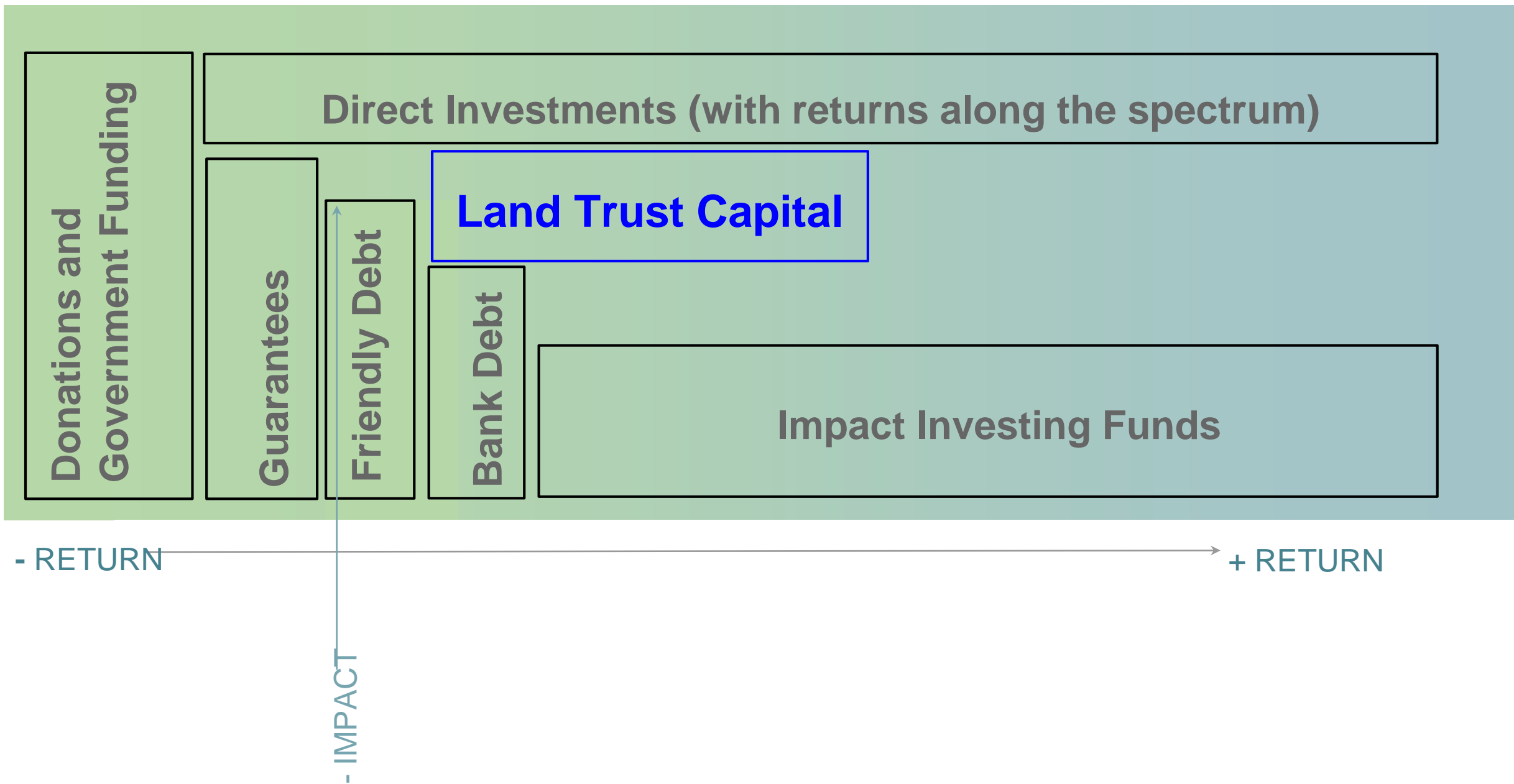
Western Ag Land Trust Impact Note Terms

Term	7 years with 1-year extension
Interest Rate	2.0%
Minimums	\$50,000 for individuals \$100,000 for institutions
Interest Paid	Annually (with the option to gift interest to Land Trust)

Western Ag Land Trust Impact Note Success

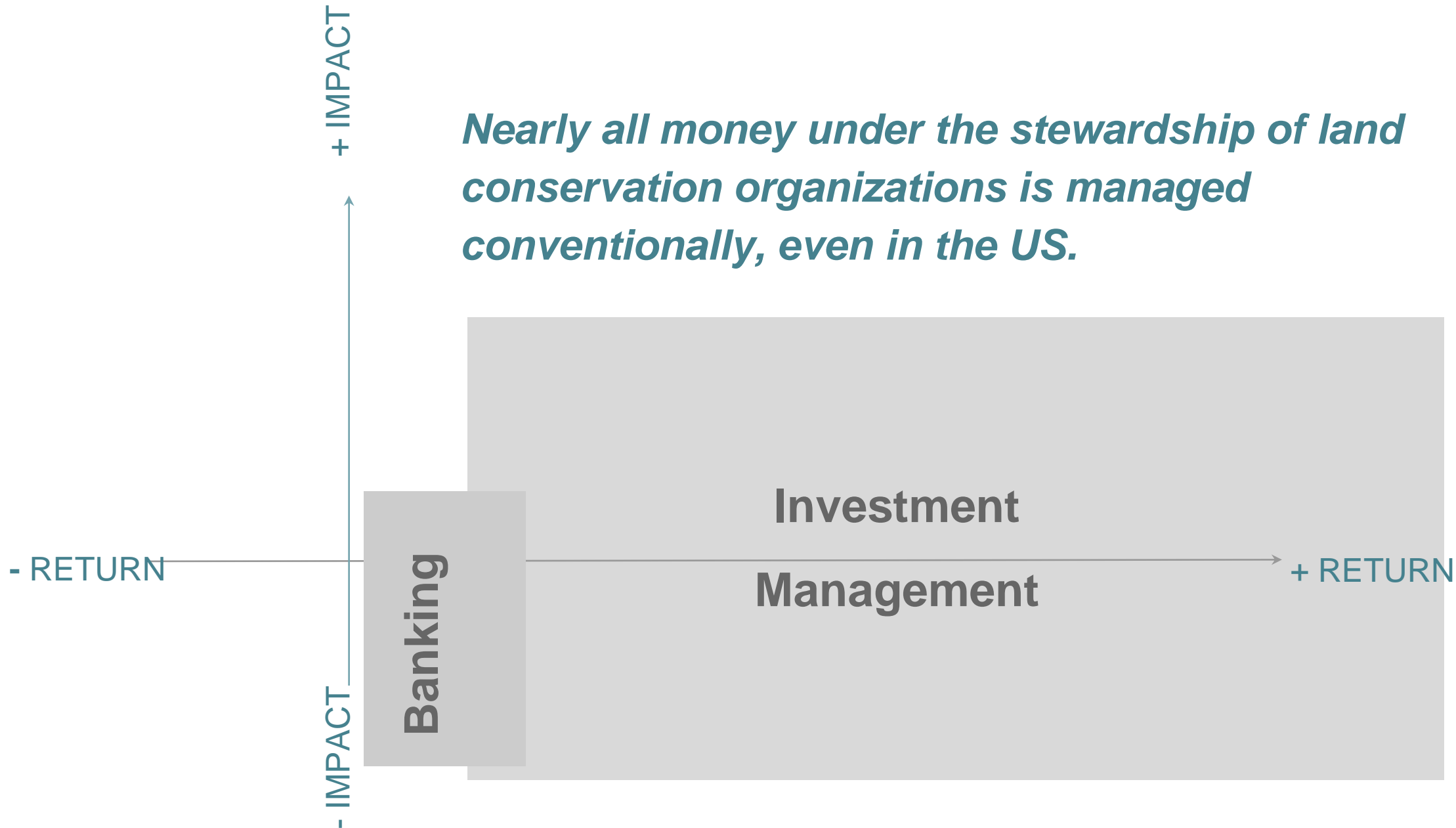
- \$2.73M raised & leveraged with philanthropy
- 17 investors: 16 individuals and 1 institution
- 10 months of active fundraising, more interest after the close
- Largest \$600k and \$500k, both from current non donors
- 4 of 16 individuals came in at the minimum of \$50k
- One local foundation made a impact investment of \$250k
- 3 investors increased commitments once they were close to goal



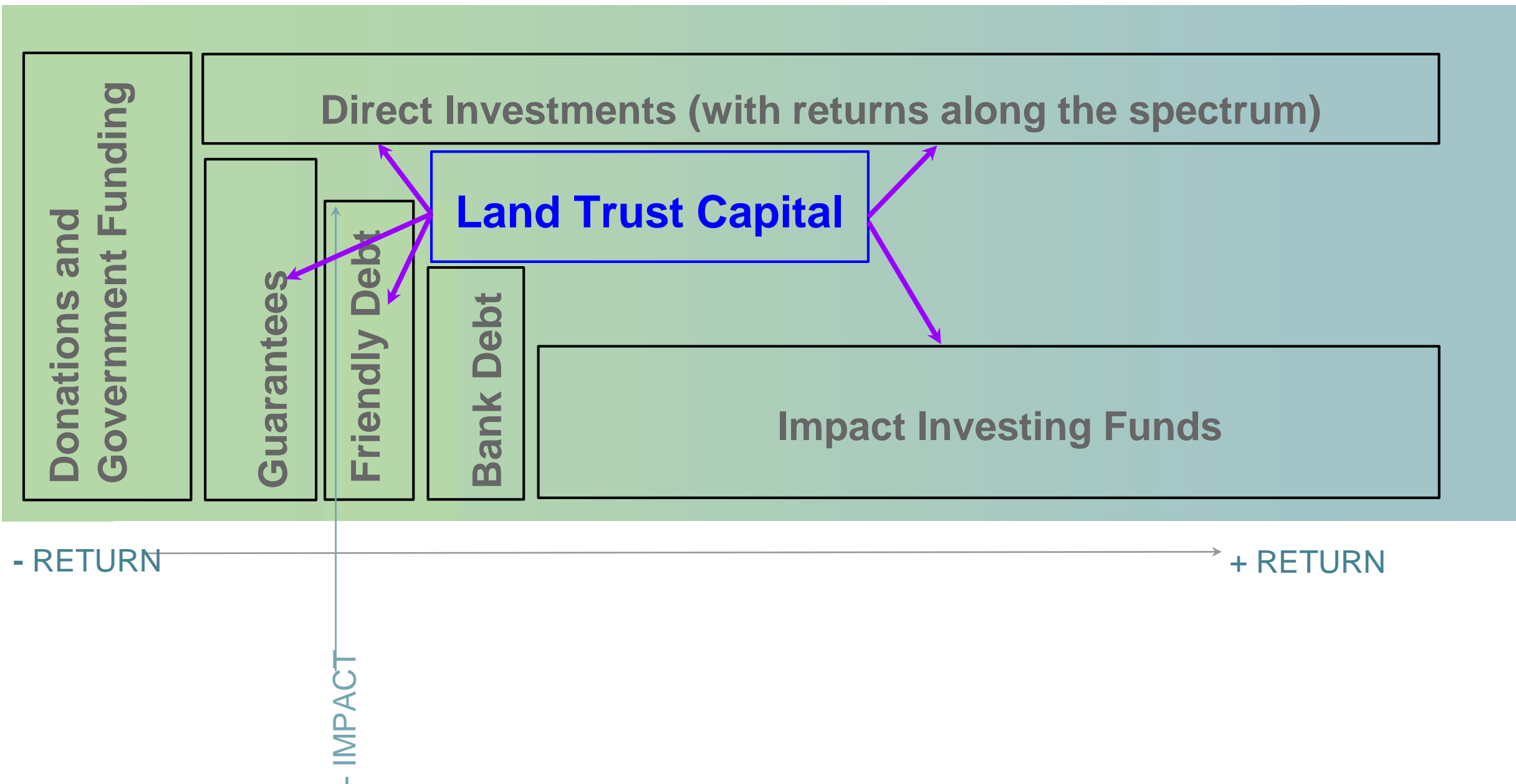


What's possible with our own capital?

- How much capital does the conservation community have?
- How can land trusts use that capital responsibly to meet their own finance needs while also fueling mission impact in the sector?
- Can we create the vehicles we need to accelerate our work and responsibly deploy our own capital to do so (alongside new money we raise to expand the pool)?







A Conservation Community Bank Protecting [Regional/National] Productive Landscapes

- Pool funds from endowments, foundations, donors, impact investors
- Make catalytic loans and investments for:
 - Bridge financing
 - New revenue sources (Better Place Forests)
 - Impact investments that tap the full capital spectrum
- To build capacity in the community to take on bigger challenges and more complex transactions, impact investments and more

What are the indicators you're ready?

- Standards and practices in places
- History of generating an operating surplus
- Transactional literacy, experience and sophistication
- Board and leadership committed to learning and expanding capacity
- Donors and lenders that know you and are committed to your mission
- Advisors to guide and support the process
- Starting with achievable if challenging next steps

Thank you



10:30am to 11:00am

Morning tea

**THE CONSERVATION
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11:00am to 11:45am

Panel: 3 inspiring blended conservation finance projects in Australia and internationally, and lessons learnt

Jane Hutchinson, Executive Director, Strategy and Innovation,
The Nature Conservancy Australia

Carl Palmer, Managing Director, LegacyWorks

Henry Tepper, Instructor, Harvard University

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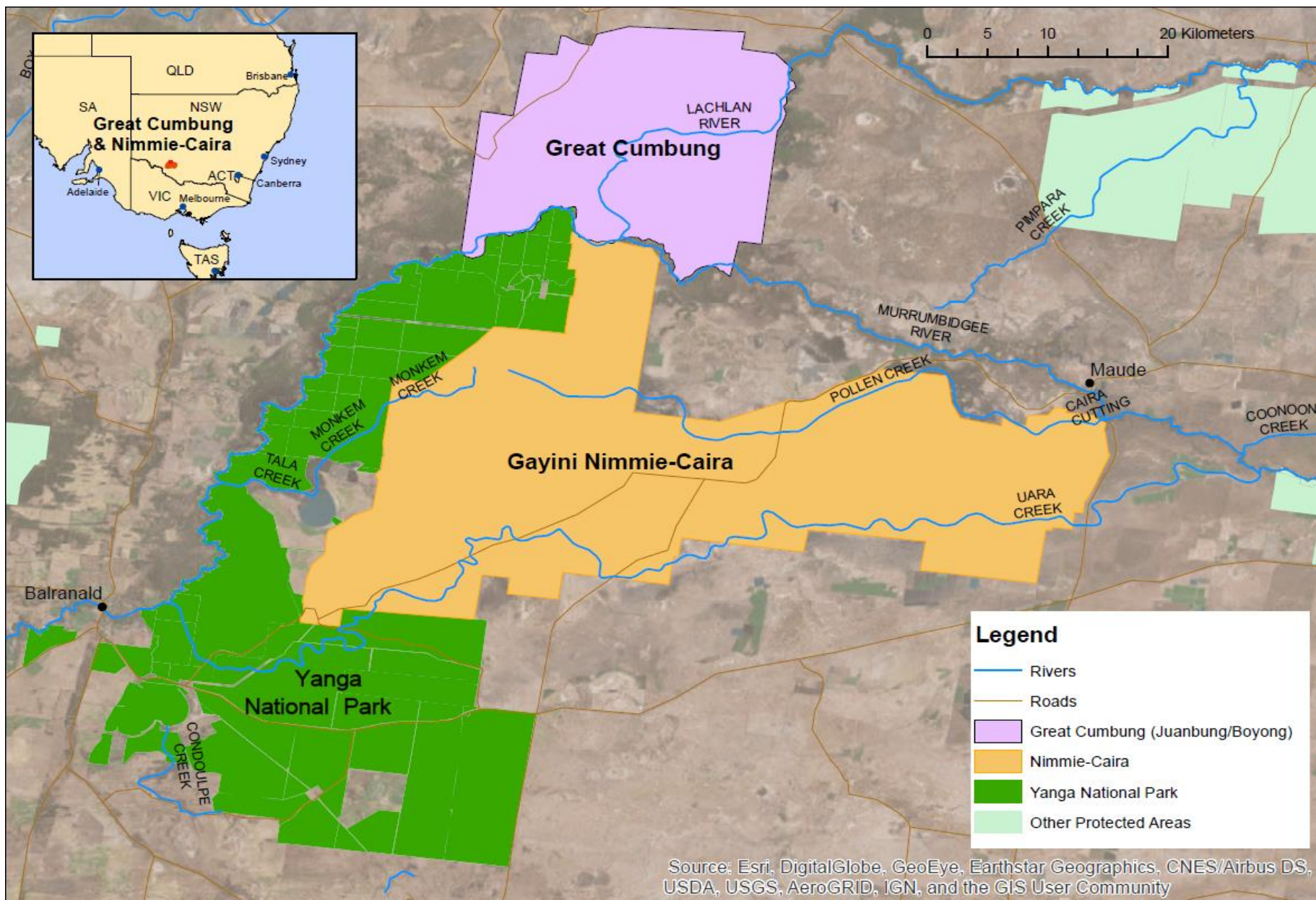


Financing the future: People & nature thriving together

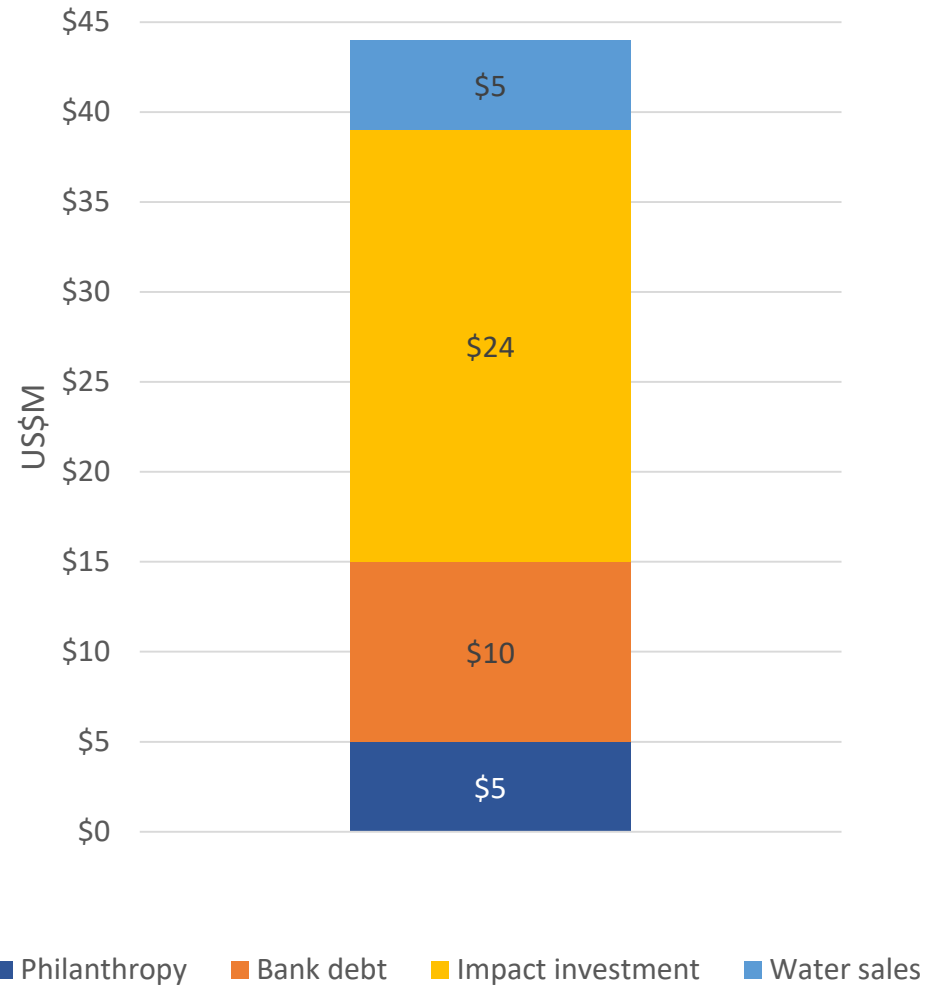




The Great Cumbung,
Australia
A scalable model



Capital Stack 8X leverage



NO REGRETS

JUST LESSONS LEARNED



EXAMPLES OF LARGE LANDSCAPE PUBLIC-PRIVATE FOREST LAND CONSERVATION PROJECTS IN THE UNITED STATES

- These kinds of projects were initiated beginning in 2000, when global industrial timber companies began selling their large-scale holdings in several regions of the US, including the Northeast, the Pacific Northwest, and the Southeast
- Projects mostly launched by a limited number of large land conservation NGOs, including The Nature Conservancy, the Conservation Fund, the Trust for Public Land
- Projects usually included partnerships between conservation NGOs, government agencies— usually state or federal level, and specialized conservation-minded timber companies (Timber Investment Management Organizations- TIMOs)
- Mix of ecological preservation, recreation lands and working forest

SABLE HIGHLANDS, ADIRONDACK MOUNTAINS, NEW YORK STATE, NORTHEASTERN APPALACHIAN ECOREGION

- In 2006, TNC sold 15,000 acres of land for \$21M US from Domtar, a Canadian timber company
- TNC sold working forest conservation easement to NYS
- TNC sold 22,000 acres to NYS to become “Forever Wild” addition to ADK State Park—public recreation, no cutting— Park is 6M acres, 2M acres of Forever Wild
- TNC sold 84,000-acres to Lyme Timber, protected by a working forest conservation easement and FSC global certification
- Lyme Timber land has extensive public access for recreation
- Lyme and Domtar entered into a wood supply agreement to keep Domtar’s FSC-certified mill open



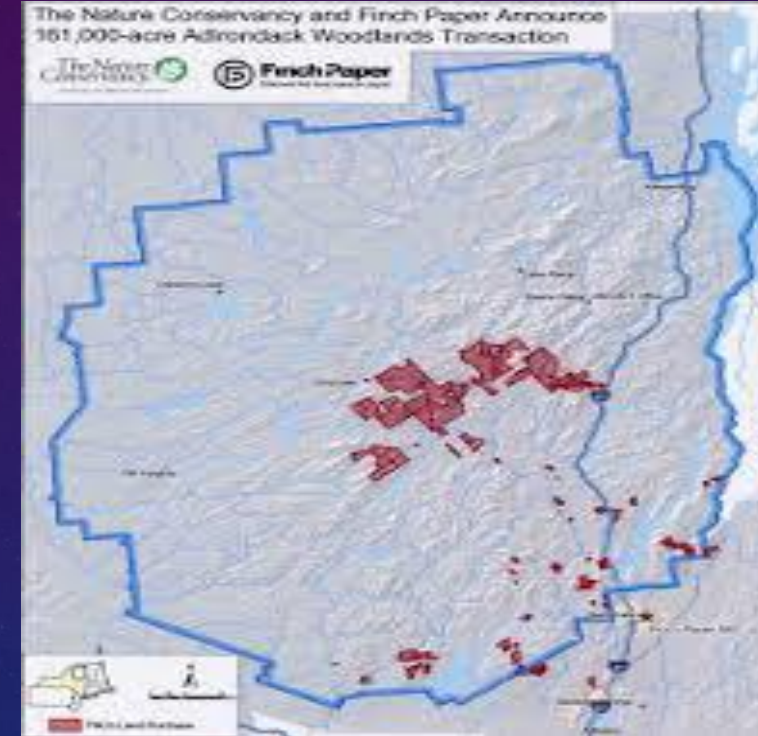
THE HOLY GRAIL: “HEART OF THE ADIRONDACKS PROJECT”- 2007-2016



- TNC-NY purchased 161,000 acres/65,154 ha.) from Finch-Pruyn, locally based private timber company for \$110M US
- Similar formula to Domtar– Partners included TNC-NY, NYS Government, Timber Investment Management Organization (TIMO)
- Enormous conservation and recreational benefits, and an extremely complex transaction

“HEART OF THE ADKS”/FINCH-PRUYN PROJECT, CONTINUED

- TNC-NY and CT-based hedge fund purchased Finch-Pruyn company and property for \$200M in 2007
- Cost to TNC for property-- \$110M— had to be raised in 6 weeks!
- TNC sold 66,000 acres to NYS to add to ADK State Park, with “Forever Wild” status
- TNC sold 95,000-acre working forest to a European pension fund and a timber investment management organization (TIMO)
- TNC sold 95k-acre working forest CE to NYS Government
- NYS didn’t finish acquiring all of this land from TNC until 2016(!)— struggle with interest costs
- Buyer of company/mill committed to continue forestry operations— critical to NYS



SOME LESSONS LEARNED FROM LARGE LANDSCAPE FOREST CONSERVATION PROJECTS IN THE US

- Patience and persistence pays off– TNC and the Conservation Community in NYS waited for 50 years before the Finch-Pruyn Company agreed to sell for conservation
- Be patient, but then be prepared to act very quickly when the moment comes
- Having a public government partner (with \$!) was essential to the success of these projects, but highly bureaucratic
- TIMO partners were also essential the public Perception of project, and tough negotiators
- Navigating local politics was *extremely* challenging
- Securing low-interest loans was critical
- Ecological, Landscape-scale, and Recreational benefits were *enormous*

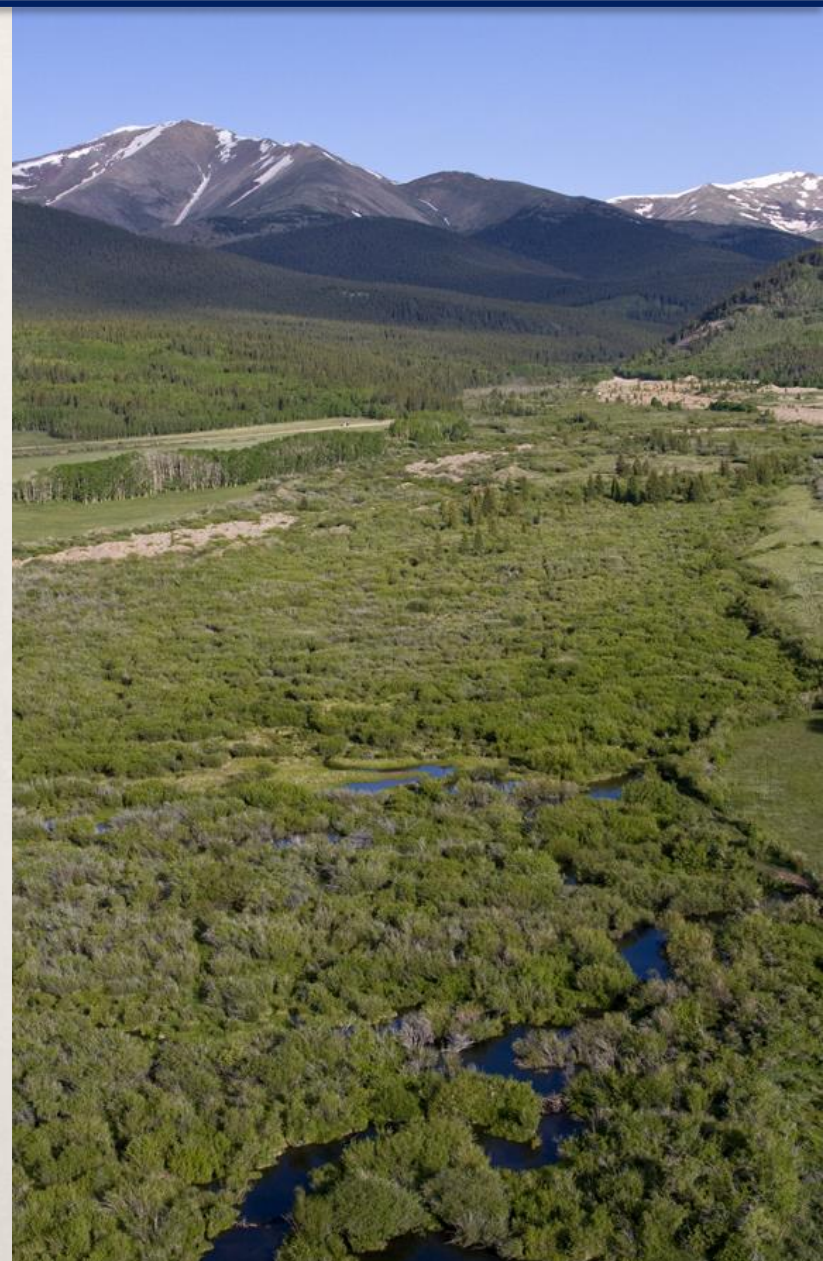


Investment Case Study – Tarryall Creek Ranch, South Park, CO



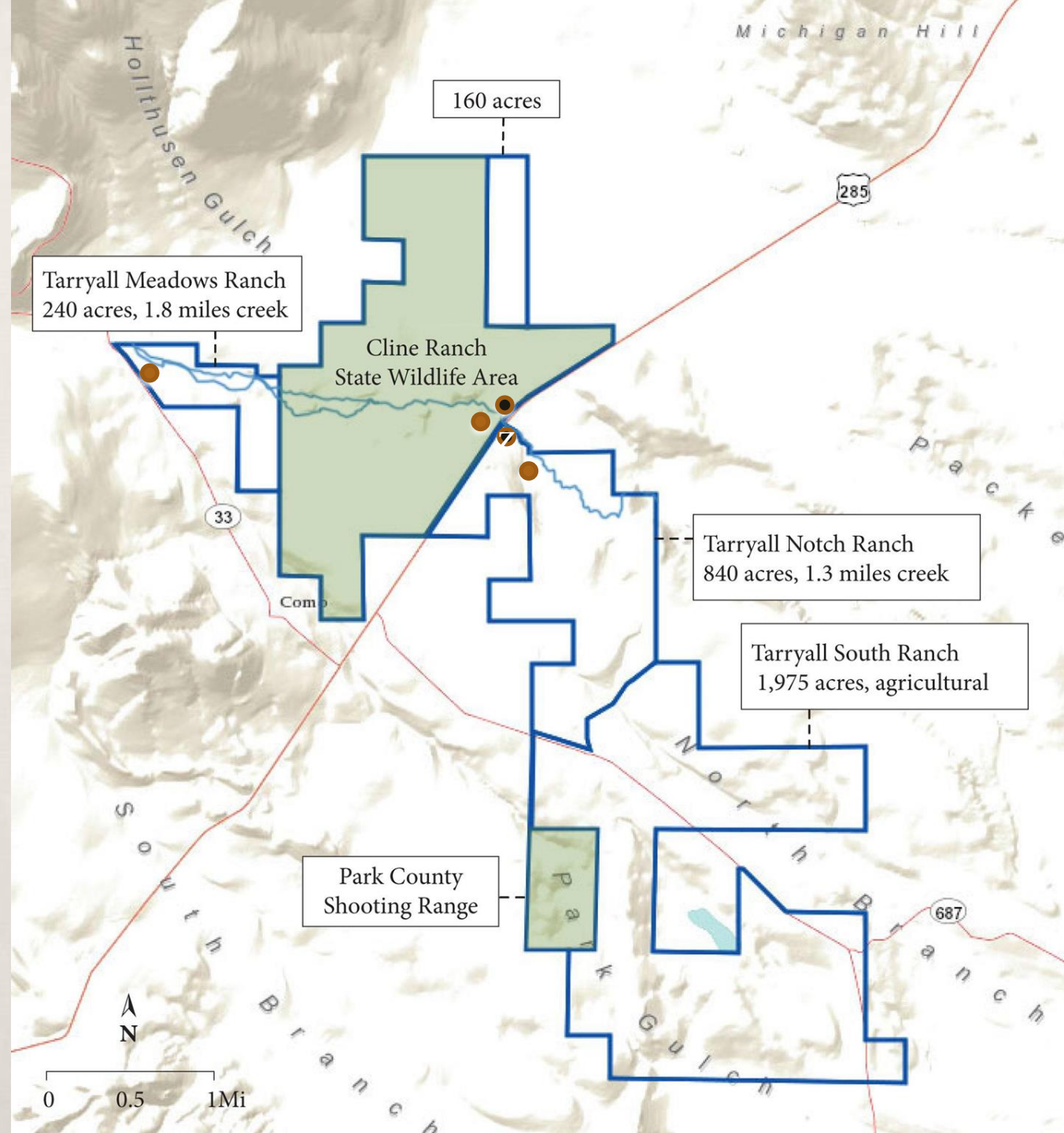
The ranch was a high priority for key partners

- Miles of riparian including major beaver-created riparian corridor
- Globally-rare extreme rich fens, montane grasslands, plovers; critical wildlife habitat and connectivity
- Critical scenic viewshed
- Many partners including:
 - Colorado Open Lands
 - Colorado Lottery Fund
 - Park County L+W Trust Fund
 - S. Park National Heritage Area
 - Colorado Division of Wildlife
 - The Nature Conservancy
 - CO Water Conservation Board
 - Local water conservation boards
 - EcoMetrics (Restoration Co.)

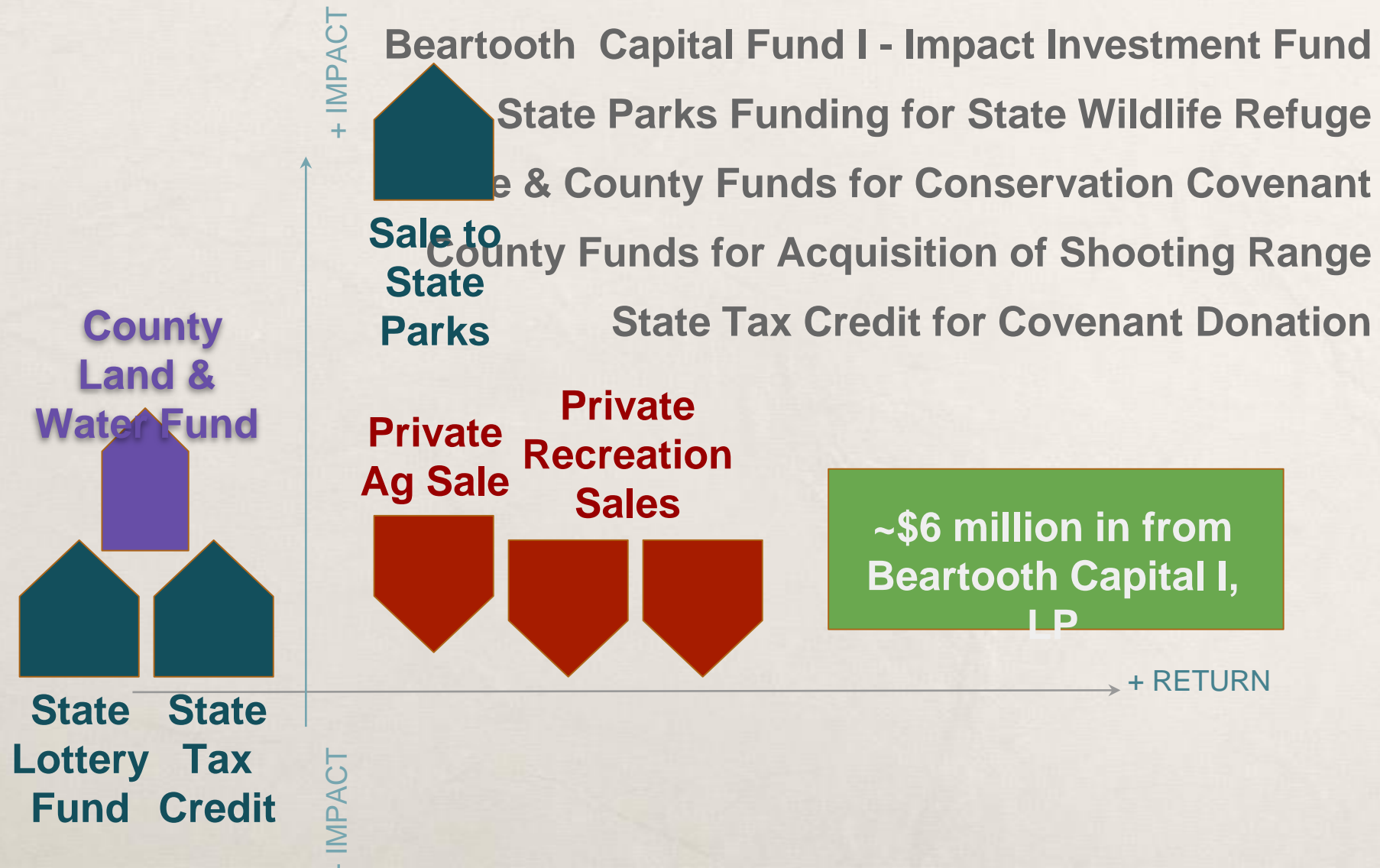


Conservation Results

- More than we set out to achieve
- 4,900 acres under permanent CE
- Two new parks:
 - 200 acre public shooting range
 - 1,640-acre State Wildlife Area
- 6 miles of creek restored
- 5,040 acres rested + restored
- Limited  development potential



The project utilized a wide range of funding sources



Creeks, wetlands, globally rare habitat protected and restored



Mining impacts addressed





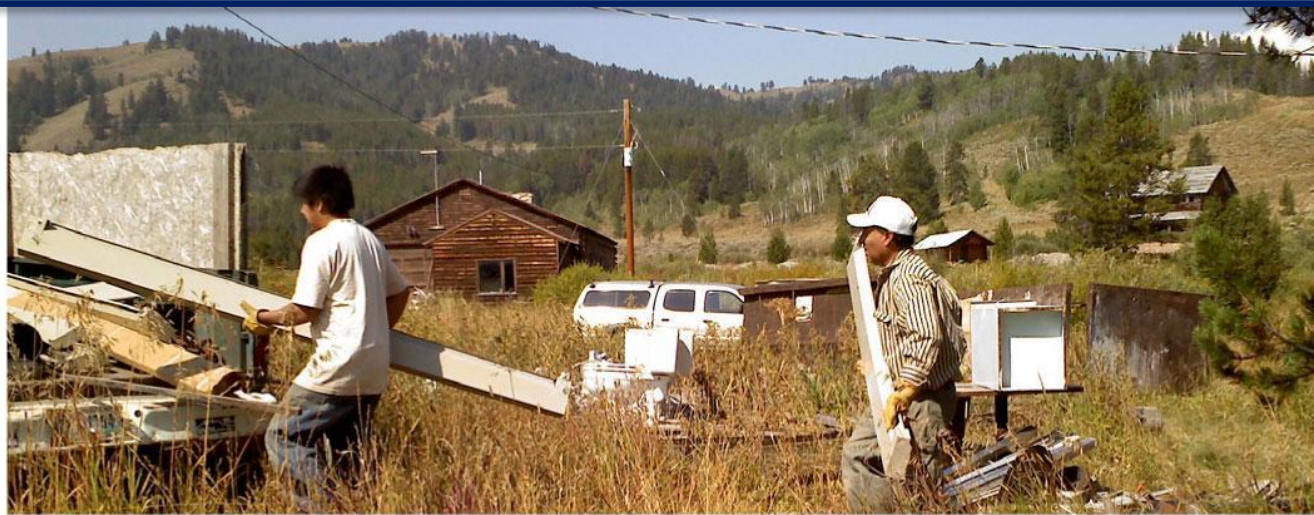
Case Study II – Undoing development in Jackson Hole



Failed development that destroyed value









Conservation

- Failed dude ranch ruins removed
- 16 structures and thousands of tons of debris removed
- Meadows, riparian and wetland being restored

Development

- 70-year old cabins rehabilitated
- 20 lot subdivision and dude ranch entitlements to be reduced

