

# NRCS 2017 Conservation Innovation Grants

## Project Fact Sheet

**Lead Organization Name:** Chesapeake Bay Foundation

**Contact Name and Email:** Beth McGee; bmcgee@cbf.org

**Website Address:** www.cbf.org

**Duration of Project:** 29 months

### **Project Title:**

Pennsylvania "Offset Partnerships": Bringing Pay for Success Models to Agricultural Conservation and Stormwater Compliance

### **Project in a Sentence:**

An innovative win-win-win for conservation, clean water, and the economy: cost-effective conservation practices are installed on farms while municipalities meet stormwater obligations at a reduced cost, and profits are returned to capital investors.

### **Project Elevator Pitch:**

Since 1983, states in the Chesapeake Bay Watershed have been working with the federal government to reduce nutrient and sediment pollution in order to restore local water quality and the Chesapeake Bay. Costs to reduce stormwater pollution from urban/suburban areas in the Chesapeake Bay watershed are several times greater than pollutant reductions from the wastewater or agricultural sectors. The Chesapeake Bay Foundation's (CBF's) project will demonstrate the feasibility and cost-effectiveness of using a pay-for-success (PFS) approach to attract new streams of capital to implement conservation practices on agricultural lands that will be used to satisfy pollutant reduction requirements of urban/suburban municipalities with Clean Water Act separate storm sewer system (MS4) permits. If successful, CBF's project will accelerate the number of practices on the ground because investors can provide up-front capital and then get paid back over a longer period of time. This will help municipalities to meet stormwater requirements in a cost-effective manner, while transferring the risks of effective implementation to impact investors. The incentive for investors is that they expect to make money because of the large cost differential.



## **Deliverables:**

1. Engage with at least 2 municipalities in the development of a PFS "Offset Partnership".
2. Cost-Benefit analysis for at least 2 municipalities systematically comparing implementation of agricultural BMPs through a PFS transaction to traditional approaches to urban stormwater management.
3. Engagement with 15-20 agricultural producers in the appropriate geographic area as potential sites for BMP implementation.
4. Development of financing structures based on discussions with participating jurisdictions that can be expanded to include, or be replicated in, other jurisdictions.
5. Development of investor technical memoranda enabling due diligence prior to transaction execution.
6. PFS contracts between Payers, Investors, Service Providers, a 3rd Party Verifier, and a Financial Intermediary.
7. Development of an approach to verifying implementation of the agricultural BMPs and achievement of the intended outcomes.
8. Presentation of project outcomes, lessons learned, and valuable insights in project summaries and reports to NRCS as well as in a white paper for public and stakeholder utilization.
9. A policy analysis evaluating the technical, legal, and financial feasibility of scaling the PFS offset partnership transaction outside of the MS4 jurisdictional boundary.

## **How We Are Advancing Conservation Finance:**

If successful, this will be the first project to bring a PFS model to integrate agricultural conservation and stormwater compliance. CBF's project will demonstrate a cost-effective approach for meeting stormwater requirements while transferring the risks of effective implementation from local governments to impact investors. It will also play a significant strategic role in achieving numerous local, county, and state priorities, including Pennsylvania's Phase I and Phase II Watershed Implementation Plans (WIPs) and would accelerate Pennsylvania's ability to achieve cost-effective reductions in urban stormwater pollution while also infusing private capital into the implementation of agricultural BMPs. This model has great potential to be broadly replicable across PA and other Bay watershed states.

Demand for federal and state cost-share assistance for agricultural conservation practices typically far exceeds supply. If successful, the project will demonstrate how to infuse additional private and public investments into technical and financial assistance for conservation practices. The benefits of these additional investments will directly accrue to producers within our targeted areas, but also to producers across the Chesapeake Bay region and nationally, if we are successful in demonstrating the feasibility and replicability of this approach.



# NRCS 2017 Conservation Innovation Grants

## Project Fact Sheet

**Lead Organization Name:** The Climate Trust

**Contact Name and Email:** Peter Weisberg; pweisberg@climatetrust.org

**Website Address:** <http://www.climatetrust.org>

**Duration of Project:** Three years

**Project Title:**

Environmental Price Assurance Facility

**Project in a Sentence:**

To make environmental markets financeable, the Environmental Price Assurance Facility will serve as a buyer-of-last resort for environmental credits by auctioning put options guaranteed by public capital, mitigating the risk of policy-driven markets so that private finance can invest at scale.

**Project Elevator Pitch:**

The significant risks associated with the future value of environmental credits diminish the ability of environmental markets to mobilize much needed capital for conservation projects. The Environmental Price Assurance Facility (EPAF) will auction put option contracts to projects in the United States that generate environmental credits. These contracts guarantee a minimum value for future environmental credits—assuring projects, investors, and lenders that environmental markets have real value. The EPAF adapts the World Bank's Pilot Auction Facility to environmental markets in the United States. (The World Bank launched its facility in 2014, and has since run three successful auctions for international projects.) This grant brings that international model to benefit conservation in the United States. With an initial \$900,000 from The Climate Trust to guarantee the issuance of put options, the EPAF will leverage at least \$1.8 million of private climate finance, which in turn will mobilize \$6 million of total project finance for conservation projects. Provided that robust environmental markets emerge and the put options are not exercised, the original \$900,000 used to guarantee the first put options will revolve to leverage additional financing in an expanded Facility.



## Deliverables:

1. The Climate Trust's contractual commitment to purchase carbon credits from the EPAF. The Trust will enter into an Emission Reduction Purchase Agreement with the newly formed EPAF, guaranteeing that The Trust will purchase at least \$900,000 of carbon credits acquired by the EPAF. In the event that projects exercise their put options and sell credits to the EPAF, The Trust will be obligated to purchase these credits from the EPAF.
2. At least one EPAF put option auction for a least \$900,000 of long-term price guarantees. For each auction, EPAF staff will generate a packet of materials that includes, but is not limited to, the following items:
  - a. The template put option contract.
  - b. A description of the auction structure and format.
  - c. A description of the eligibility criteria for projects.

After each auction, the EPAF will issue a publicly available report that reviews the final settlement prices and a summary of the overall competition in the auction. This will include, at a minimum, the number of bidders in the opening round of the auction and the number of eventual winners. The Trust will analyze this information in its semi-annual progress reports to NRCS.

3. Final report detailing how to scale the EPAF with additional capital to cover additional markets. After the three-year period of the grant comes to an end, The Trust will issue a final report detailing its plans to scale the EPAF with new capital to cover additional markets. If the EPAF plans to raise the \$100 million of capital itself, this final report will serve as a business plan the EPAF will use to conduct fundraising. If, instead, the EPAF will pass its lessons learned onto another public agency to operate at scale, this final report will serve as a detailed playbook for the EPAF's recommendations on how this mechanism may be implemented based on the lessons learned from three years of operating the EPAF.
4. A pool of \$4 million of capital to guarantee put options. The EPAF will raise at least an additional \$3 million over the three-year grant period from foundations and government agencies.

## How We Are Advancing Conservation Finance:

This grant will generate at least \$900,000 in public finance from The Trust and NRCS to guarantee the issuance of long-term price assurance in environmental markets. As detailed above, The Trust anticipates that this will leverage at least \$6 million in new project finance for agriculture and forestry projects in the United States that generate verified greenhouse gas emission reductions. With NRCS's support, the EPAF will build a platform that can accept additional capital, with the goal of raising at least \$100 million to guarantee put options. These put options will, in turn, leverage at least \$667 million in private finance for investment into projects that benefit from environmental markets in the United States.

The EPAF will demonstrate a new tool for public agencies to leverage private finance in scaling conservation efforts. The EPAF will provide a platform on which to scale a new framework for public support that first mitigates risk and then--in the worst-case scenario--pays for performance.



# NRCS 2017 Conservation Innovation Grants

## Project Fact Sheet

**Lead Organization Name:** The Conservation Fund

**Contact Name and Email:** Stacy Funderburke; [sfunderburke@conservationfund.org](mailto:sfunderburke@conservationfund.org)

**Website Address:** <http://www.conservationfund.org/>

**Duration of Project:** 18 months

### Project Title:

Pathways for Producers in Metro Atlanta Region: Unlocking Capital and Resources to Conserve and Transform Local Food Systems

### Project in a Sentence:

The Conservation Fund seeks to create an innovative, metro region-centered investment fund to accelerate the pace of agricultural working lands conservation in Atlanta's 23-county region and to provide pathways for producers to access farmland, strengthening the local food system.

### Project Elevator Pitch:

The rapid expansion of Atlanta's metro area is taxing the local food system. Development pressure is driving accelerated rates of farmland loss and next generation producers, including young, veteran, minority, and EQIP-eligible producers need additional support to secure land access and build profitable farm businesses.

At the same time, metro centers like Atlanta are experiencing increased demand for fresh, locally-produced food that fuels a powerful coalition of consumers, investors, and other local entities interested in reinventing food systems in a way that permanently protects productive agricultural land and allows for producers to launch successful farm careers.

This project seeks to launch a first-of-its-kind investment fund to buy time for both farmland and farmers. Using a buy-protect-lease-sell model, the fund will ensure that critical agricultural lands surrounding the Atlanta metro area not only remain as farmland but are also sustainably managed as working farmland into the future.



**Deliverables:**

1. Producer outreach and interviews to appropriately design and scale the investment vehicle to meet the needs of local producers.
2. Parcel-level GIS mapping analytics of priority counties surrounding Atlanta to identify high conservation value opportunities.
3. Farmland discovery and investment blueprint analyses to refine the investment thesis.
4. Lease contract model development to model optimal structures for transferring ownership to next generation producers.
5. Objective screening criteria creation to make durable matches between farmland and producers.
6. Fund formation and structuring to launch the proposed investment fund.

**How We Are Advancing Conservation Finance:**

The Pathways for Producers project is an opportunity to establish a first-of-its-kind metro region-centered conservation finance model for aggregating public and private capital toward farmland protection and new farm businesses. By targeting a specific geographic region, the project will open opportunities for regional economic efficiencies and provide a new way to cluster businesses resources, technical assistance, and supply chain infrastructure as a way to scale outcomes and bolster producer success. This approach is highly transferable to other geographies and can play a critical role in supporting next generation producers and local food systems across the country.



# NRCS 2017 Conservation Innovation Grants

## Project Fact Sheet

**Lead Organization Name:** Delta Institute

**Contact Name and Email:** David LeZaks; dlezaks@delta-institute.org

**Website Address:** [www.delta-institute.org](http://www.delta-institute.org)

**Duration of Project:** Three years

### **Project Title:**

Financing Regenerative Agriculture: Innovative Mechanisms to Mobilize Private Capital and Accelerate Deal Flow

### **Project in a Sentence:**

This project will engage partners across sources of capital to address barriers to investing in regenerative agriculture, strengthen the business case for investment, develop tools that will improve investor literacy and accelerate deal flow, and demonstrate its innovative approaches in a place-based example in Wisconsin.

### **Project Elevator Pitch:**

We are at the beginning of a \$30 trillion generational transfer of wealth, where millennials and other motivated investors are seeking positive impacts from their investments. This presents a unique opportunity to combine and leverage these trends to markedly improve the condition of our soils, farms, and communities. This project will work across the pre-competitive investment landscape and build the data, tools, models, and communities of practice needed to accelerate and expand investment in the regenerative agriculture sector.



### **Deliverables:**

The package of project deliverables for the agricultural community includes: sectoral investment needs and opportunities, whitepapers, stakeholder meetings, and a Regenerative Agriculture Investment Toolkit. In the Driftless Area case study, financial models, market analyses, business pro formas, and investor casebooks will also be produced for those in the region and will be generally applicable to other geographies.

### **How We Are Advancing Conservation Finance:**

This project is innovative in its approaches to supporting the growth of the regenerative agriculture investment sector, including: identifying methodologies for blending sources of capital, creating aggregated demand for regeneratively-produced products, engaging and coordinating the investor community, and scaling and spreading other innovative projects (e.g. past and ongoing CIGs). This will be accomplished through engaging partners across sources of capital to characterize the perceived barriers and opportunities to investing in regenerative agriculture, developing clear business cases for investing in regenerative agriculture, standardizing the quantification of benefits for investor decision-making, developing more collaborative approaches to managing investment risk, improving investor literacy, reducing deal friction, and accelerating deal flow.



# NRCS 2017 Conservation Innovation Grants

## Project Fact Sheet

**Lead Organization Name:** i2 Capital

**Contact Name and Email:** Ashley Allen, CEO; aallen@i2capitalcorp.com

**Website Address:** www.i2capitalcorp.com

**Duration of Project:** 18 months

### **Project Title:**

The Brandywine-Christina Water Fund Pay-for-Success Mechanism

### **Project in a Sentence:**

The Brandywine-Christina Water Fund Pay for Success project is an innovative partnership amongst farmers, water companies, municipalities, impact investors and conservation stakeholders in Delaware and Pennsylvania that aims to catalyze and test an incentive-based conservation adoption system to expand funding for nature based water quality interventions across the Brandywine-Christina watershed.

### **Project Elevator Pitch:**

Under a grant from the William Penn Foundation, The Nature Conservancy in Delaware and the University of Delaware's Water Resources Agency have developed the Water Fund as a vehicle to maximize and strategically deploy freshwater conservation investments on agricultural lands in the Brandywine-Christina watershed. The Water Fund is designed to a) receive investments from water companies, municipalities, philanthropic organizations and corporations; b) strategically deploy capital into conservation practices that are scientifically identified to provide the greatest water quality benefit; and c) quantify and account for those benefits and ensure their durability over time. The PFS will inject private financing into the Water Fund development process to test and prove the Water Fund model. The PFS aims to attract private impact capital to fund the initial implementation of agricultural best management practices on farms, with the goal of reducing water quality impediments, improving soil health, and increasing farm profitability across the watershed. Upfront investments will be repaid by downstream beneficiaries -- primarily water companies and municipalities -- upon the achievement of agreed predetermined outcomes.



**Deliverables:**

1. Inventory of Best Practices for Agricultural Based BMPs.
2. Summary of Process to Identify Best Locations for Conservation Interventions.
3. Summary of Data Collection and Analysis Approach.
4. Environmental Impact Unit Calculations.
5. Case Study of PFS and its component parts.

**How We Are Innovating in Natural Resources Conservation:**

i2 Capital is working at the forefront of conservation finance to advance new environmental market products and services that support private capital investment. The Company recognizes that such solutions often require incremental development, and that models are needed to demonstrate how new products are measured, valued, marketed, and purchased. This incremental process requires financial, business, regulatory and conservation acumen, a commitment to work across public, private and philanthropic sectors, and a long-term dedication to advance innovation. The development of Pay-for-Success (PFS) mechanisms for conservation finance shifts the risk of project development from more risk averse municipal and corporate entities to impact investors committed to conservation outcomes. These investors often use program related investment (PRI) or mission related investment (MRI) structures to advance project development capital. i2 offers a distinctly private sector approach to company and business development, which positions the Company to efficiently deliver private capital market solutions. i2 Capital is deeply committed to advancing the Conservation Finance sector, and invests its own capital, alongside third party private and public capital, to prove and scale innovative conservation finance models.



# NRCS 2017 Conservation Innovation Grants

## Project Fact Sheet

**Lead Organization Name:** Maine Organic Farmers and Gardeners Association (MOFGA)

**Contact Name and Email:** David Colson; dcolson@mofga.org

**Website Address:** [www.mofga.org](http://www.mofga.org)

**Duration of Project:** Three years

### **Project Title:**

Integrated Investment Incentives for Conservation Programs

### **Project in a Sentence:**

This project combines the technical resources of the Maine Organic Farmers and Gardeners Association (MOFGA) and an innovative, agriculturally focused, cooperatively-owned credit union, in a project designed to promote environmental protection through the development of specialized loan products which stimulate and reward conservation practices.

### **Project Elevator Pitch:**

This project involves an innovative approach that combines resource assessment with a broad-based tool and implementation of specialized conservation programs in conjunction with financing options. Both the Maine Organic Farmers and Gardeners Association (MOFGA) and the Maine Harvest Credit Union (MHCU) supply innovative approaches that combine resource assessments and the implementation of specialized conservation programs in conjunction with newly developed investment incentives through the field-testing of the Resource Stewardship Evaluation Tool (RSET) and the creation of specialized loan products to award farm conservation practices.



## **Deliverables:**

1. Promote increased use of NRCS conservation programs and assessment measures in combination with new methods of financing conservation improvements. The project will provide NRCS applicants with innovative financing options for implementing approved practices.
2. Determine the effectiveness of RSET in developing broad-based conservation planning.
3. Test the effectiveness of using environmental benchmarks along with financial incentives (e.g. reduced loan payments) to boost adoption of conservation practices particularly among beginning farmers.
4. Finalize the creation of the Maine Harvest Credit Union and launch the nation's first deposit taking institution specifically created to serve the financing needs of small farms.

## **How We Are Advancing Conservation Finance:**

Conservation finance will be advanced through the creation of a specialized short-term loan product, which will act as a grant anticipation loan, bridging the gap between construction of conservation projects and the receipt of NRCS cost share funds. Loans will include the bundling of NRCS resource assessments and discounts (e.g. reduced origination fees, reduced closing costs, and interest subsidies) to incentivize borrowers. Additionally, financing will incentivize--through loan discounts--new small farm mortgage applicants to seek NRCS-based assessments as part of the mortgage application process. Specialized expertise and flexible underwriting will accommodate a wide range of farmer business models and practices, including the specialized needs of conservation projects. These factors will support the loan program alongside an efficient service-delivery model augmented by technology that will allow this small, specialized institution to reach an entire state. This project's technology innovations include shared branching and ATMs (i.e. with other credit unions throughout the state) and internet-based solutions for remote account opening and transaction processing.



# NRCS 2017 Conservation Innovation Grants

## Project Fact Sheet

**Lead Organization Name:** National Audubon Society

**Contact Name and Email:** Chris Wilson; cwwilson@audubon.org

**Website Address:** [audubon.org/ranching](http://audubon.org/ranching)

**Duration of Project:** Three years

### Project Title:

Development of Self-Sustaining Markets for Bird-Friendly Beef to Incentivize Grassland Conservation on Private Lands Across the Great Plains

### Project in a Sentence:

By certifying and linking bird-friendly grassland management to consumers whose values include healthy bird populations and thriving rural communities, this timely program will create the first scalable self-sustaining model for a linked network of producers and consumers in seven states.

### Project Elevator Pitch:

Across the Great Plains, grassland ecosystems have been eliminated or degraded from a range of factors, including conversion to cropland, urban development, invasive plant encroachment, and poor grazing practices. The loss of grassland habitat has led to sharp declines in populations of grassland-dependent birds and other wildlife. Audubon has initiated a producer-centered, market-based approach to grassland conservation that aims to enhance millions of acres of grassland bird habitat by partnering with ranchers to implement sustainable grazing practices. The Audubon Conservation Ranching program offers market-based incentives for good grassland stewardship through the development of a certification label on beef products, and it allows consumers to participate in conservation efforts that keep ranchers on the land and healthy grasslands on the landscape. Over the next 3 years, Audubon will help dozens of new ranches enroll in the program and begin making the transition toward sustainable grazing management that benefits grassland-dependent wildlife, soil health, and water quality. Through the development of multiple markets in seven states, Audubon and its partners will fully develop supply chains, providing certified ranches an opportunity to access consumer-driven premium beef markets.



## **Deliverables:**

1. Ranch-specific Habitat Management Plans for each producer enrolled in the program.
2. Ecoregion-specific habitat protocols that include a list of target grassland bird species for every ecoregion within the seven participating states.
3. Local, regional, and national marketing and promotional media products aimed at producers, supply chain partners, points-of-sale partners, and consumers.
4. A set of print and online materials that promote and explain the program, its benefits and opportunities.
5. A fully developed program package for producers that outlines eligibility, rules, protocols, and monitoring and certification requirements.
6. Staffing resources to accomplish project objectives.
7. New markets in beef from Audubon-certified ranches in seven states.

## **How We Are Advancing Conservation Finance:**

Although there is a growing market for premium meat products certified as environmentally sustainable, there is currently no way for consumers to recognize the conservation attributes of beef products. By certifying and linking bird-friendly grassland management to consumers whose values include healthy bird populations and thriving rural communities, this timely program will create the first scalable self-sustaining model for a linked network of producers and consumers of beef from bird-friendly farms and ranches. The launch of beef product sales from Audubon-certified ranches across multiple states will demonstrate the value of the market-based approach to producers and the potential to achieve lasting conservation benefits. This project is expected to result in at least seven fully functioning self-sustaining ranch-to-retail markets that use Audubon certification for bird-friendly ranches. Pilot producers will reap the immediate economic benefits. However, the successful establishment of these markets--specifically the demonstrated economic return available from entry into this premium beef market--will allow for future replicability elsewhere. It is believed that this program will serve as a model for the creation of market-based conservation delivery that can be applied to commodities other than beef. Significantly, its sustainability lies in the market, rather than in the hope of continued governmental support.



# NRCS 2017 Conservation Innovation Grants

## Project Fact Sheet

**Lead Organization Name:** The Nature Conservancy in California

**Contact Name and Email:** Siobhan King; sking@tnc.org and Sarah Heard; sheard@tnc.org

**Website Address:** [www.conserveca.org](http://www.conserveca.org)

**Duration of Project:** Two years

### Project Title:

Leveraging Water Markets to Secure Water for Nature and Agriculture

### Project in a Sentence:

The California chapter of The Nature Conservancy is pioneering two initiatives that use a novel combination of data analytics and water markets to meet critical freshwater conservation goals and improve the overall management and drought resiliency of our water resources.

### Project Elevator Pitch:

As California routinely experiences extended periods of drought, both surface and groundwater resources are regularly oversubscribed, straining agriculture, cities and the environment. Climate change and population growth will further exacerbate water supply and demand imbalances, pointing to the need for innovative and flexible approaches to increase drought resiliency across the agricultural, urban and environmental sectors. This project will test on-the-ground implementation of two specific tools that leverage water markets and data analytics to improve the management and drought resiliency of our water resources and also provide water for nature:

- **Ventura Groundwater Market:** Test the ability of a groundwater market in Ventura County to address overdrafted basins, while continuing to support agriculture and providing benefits to nature.
- **Central Valley Water Sharing Investment Partnership (WSIP):** Assess the potential for a viable impact investing model in the Central Valley that provides water for habitat and agriculture, while generating a financial return.

Through piloting and analyzing these tools, The Nature Conservancy seeks to develop and share information on investment feasibility and lessons learned with the conservation community in order to create a platform for future collaborations, and incentivize investment in new water supply projects.



## **Deliverables:**

### Ventura Groundwater Market:

1. Installation of Advanced Metering Infrastructure on wells in the Fox Canyon Groundwater Management Agency's (FCGMA) jurisdiction.
2. Written documents outlining data management system requirements and analysis of market pilots.
3. Groundwater Market Framework reports outlining lessons learned from the Ventura groundwater market.

### Central Valley WSIP:

1. Written feasibility assessment based on water markets research and analyses across the ecological, financial, market and legal dimensions of the WSIP model.
2. Data analytics tools and methods which increase our ability to evaluate and prioritize habitat investments across a range of environmental and market conditions.
3. Assessment of private investor interest in the WSIP model.
4. Pilot transactions (providing the identification of viable opportunities), possibly utilizing private investor capital, demonstrating the potential and efficacy of the WSIP model.

## **How We Are Advancing Conservation Finance:**

Impact investing can play a pivotal role in attracting the capital necessary to reinforce, amplify, and extend the outcomes generated by existing programs. More than ever, impact investors are hungry for projects that benefit nature and also generate a financial return. Water markets, which provide users the flexibility to monetize their water holdings and/or donate them to environmental and social needs, are particularly compelling. By developing a solution, like the WSIP, that generates returns for investors, while also providing sufficient water supplies to meet targeted environmental and social objectives, The Nature Conservancy believes it can significantly increase the amount of capital available for conservation, and as a result expand and improve habitat conservation efforts in the Central Valley and beyond. Finally, in creating functioning groundwater markets, The Nature Conservancy seeks to incentivize investment in innovative new water supply projects that can improve drought resiliency and achieve freshwater water conservation goals.



# NRCS 2017 Conservation Innovation Grants

## Project Fact Sheet

**Lead Organization Name:** The Nature Conservancy

**Contact Name and Email:** Randy Dell; rdell@tnc.org

**Website Address:** [www.nature.org/gldrain](http://www.nature.org/gldrain)

**Duration of Project:** Two years

### **Project Title:**

Drain Infrastructure Transactions for Clean H2O

### **Project in a Sentence:**

Providing financial, engineering and communication tools for county public drain officials to implement drain improvement projects that improve water quality while benefiting farmers and surrounding communities.

### **Project Elevator Pitch:**

Drainage infrastructure, both public and private, is a common and often necessary investment in much of the Midwest. Due to changing precipitation patterns and the intensification of in-field drain management, public drains often act as conduits for nutrients, sediment and increased flows to the detriment of water quality and flood impacted communities. Drain Infrastructure Transactions for Clean H2O, or D.I.T.C.H, creates opportunities to help public county drain officials better recognize the benefits of, and incentivize, conservation practices that improve the function and/or reduce the future maintenance costs of publicly managed drain systems while also improving water quality outcomes. The Nature Conservancy, Michigan Farm Bureau and partners have identified tools, partnerships and a framework to create a novel conservation delivery and financing approach whereby public county drain officials gain access to an efficient system of incentivizing conservation practices, and participating farmers and property owners realize new financial benefits from the adoption of those practices through modified drain assessments.



**Deliverables:**

1. A replicable approach for performance-based property drain assessments that recognize a suite of Best Management Practices, generating cost-savings to property owners and county drain professionals.
2. Outreach materials and Frequently Asked Questions for landowners and drain professionals.
3. Creation of a Drain Management Company or entity.
4. Protocol for landowner contracts for program participation.
5. Presentations to county drain officials, municipalities, farmers and farm groups, and professional drain associations.
6. Financial analyses of investment need and, if appropriate, an investment prospectus.

**How We Are Advancing Conservation Finance:**

By demonstrating cost-effectiveness and financing tools for drain improvement projects, this project will advance conservation finance by increasing access for public county drain officials to a system that will efficiently and cost-effectively incentivize conservation practices that would not otherwise be feasible under conventional drain financing. The approach is designed to scale and will potentially be replicable across the Midwest.



# NRCS 2017 Conservation Innovation Grants

## Project Fact Sheet

**Lead Organization Name:** Parks and Wildlife Foundation of Texas, Inc., DBA Texas Parks and Wildlife Foundation

**Contact Name and Email:** Anne Brown; [abrown@tpwf.org](mailto:abrown@tpwf.org)

**Website Address:** [www.tpwf.org](http://www.tpwf.org)

**Duration of Project:** Three years

### Project Title:

The Gulf Coast Conservation Loan Fund: Leveraging Private Philanthropy to Achieve Transformative Land Conservation on the Texas Gulf Coast

### Project in a Sentence:

Texas Parks and Wildlife Foundation (TPWF) has established the Gulf Coast Conservation Loan Fund to support efforts to maximize Deepwater Horizon oil spill mitigation funding over the next three years, leveraging private investment for public and working lands conservation along the Texas Gulf Coast.

### Project Elevator Pitch:

Texas Parks and Wildlife Foundation formed the Texas Coastal Conservation Initiative (TCCI) in 2016 to address the challenges associated with competitive Deepwater Horizon mitigation funding being disbursed incrementally through 2031. TCCI generates awareness of Texas' land conservation initiatives and the role of private investment and nonprofit partnerships in maximizing this funding. Through TCCI, TPWF ascertained the need to create the Gulf Coast Conservation Loan Fund to provide cost-efficient interim financing for approved Deepwater Horizon land conservation projects. The Loan Fund will be capitalized using zero-percent interest program-related investments (PRIs) from foundations and zero-percent or low-interest loans from private investors and will give priority to time-sensitive, capital-intensive projects. When projects need to happen quickly, the availability of these PRIs could be the difference between conservation and loss of critical Texas landscapes and wildlife habitats. PRIs are a practical and innovative solution to a significant financial burden facing Texas over the next 15 years. In addition, the Loan Fund will serve as a model that can be applied by other Gulf states seeking to maximize Deepwater Horizon funding through 2031, as well as future mitigation funding opportunities.



## Deliverables:

The Loan Fund will 1) strengthen the position of Texas' projects for competitive Gulf-wide mitigation funding; 2) enable critical, time-sensitive projects to move forward regardless of Deepwater Horizon funding disbursement schedules; 3) reduce interest costs for interim financing; and 4) create the multi-year/multi-layer funding strategies necessary to accomplish transformational conservation at this unique moment in history. The Loan Fund will seek to benefit the greatest number of possible projects. As loans are repaid, new eligible projects will be reviewed.

Impact for TCCI and the Loan Fund will be evaluated using five metrics: 1) the number of dollars received in PRIs and private loans; 2) the number of dollars loaned out to eligible projects; 3) the number of projects supported through the Loan Fund; 4) the number of dollars saved by zero-percent or below market-rate loans through the Loan Fund; and 5) the number of acres conserved along the Texas Gulf Coast using the Loan Fund. The Loan Fund will positively impact EQIP-eligible producers, conservation NGOs, the private investment community, and private landowners by advancing conservation goals of soil and rangeland health, nutrient management, and improved air and water quality for coastal working lands. Each loan will make a direct impact through assistance in time-sensitive land acquisition and conservation easement projects on the Texas Gulf Coast and an indirect impact through improved ecosystem services on conserved lands that will extend much farther than property boundaries or mile markers.

## How We Are Advancing Conservation Finance:

While the concept of a PRI-supported loan fund managed by a conservation finance intermediary is not new, three major factors make the Gulf Coast Conservation Loan Fund stand out: the goal of capitalizing the fund through zero-interest or low-cost PRIs, the fund's availability to all eligible conservation projects sponsored by various nonprofit conservation partners, and the strategic focus on maximizing the outcome of this historic settlement, presenting a unique opportunity for private stakeholders.

TCCI's Loan Fund stands out as a strong model for innovative financing in six key ways:

1. There is very high confidence of reimbursement of PRIs, as Gulf Coast mitigation programs are obligated to support these types of projects and loans will only be extended to approved funding projects.
2. The Loan Fund will offer zero-percent or low-interest rate loans, reducing project costs and maximizing any available mitigation or private funding for additional projects.
3. Private investors with specific conservation or geographic interests may retain the right to select individual projects that will benefit from their loan commitment amount.
4. Private investors can positively impact more than one conservation project within the period of their loan commitment and can easily extend upon loan maturity.
5. Organizational capacity of NGO sponsors ensures projects are done professionally and effectively.
6. TPWF's role serves as an efficient "one-stop-shop" for interested stakeholders and projects in need of support, increasing the likelihood of investor participation.



# NRCS 2017 Conservation Innovation Grants

## Project Fact Sheet

**Lead Organization Name:** Trout Unlimited

**Contact Name and Email:** Laura Ziemer; lziemer@tu.org

**Website Address:** n/a

**Duration of Project:** One year

### **Project Title:**

The Liquid Assets Project: Mobilizing Impact Investment Capital for Agricultural Water Sustainability

### **Project in a Sentence:**

The Liquid Assets Project will support the origination, design, review and financing of investments in sustainable agricultural and ranching operations that will deliver financial, social and environmental returns for producers and investors through the creation of an Agricultural and Ranchland Investment Fund.

### **Project Elevator Pitch:**

The goal of the Liquid Assets Project is to identify, develop and finance a pipeline of pilot sustainable agricultural and ranchland investments that will demonstrate how private investment capital can be used to generate a combination of environmental, social and investment returns. Through this project, Trout Unlimited and its project partners will provide investment capital through the creation of an Agricultural and Ranchland Investment Fund for ranchers to convert to sustainable ranching practices and for farmers to improve water use through crop switching or irrigation system improvements. The projects will target both water savings and increased agricultural profitability that can enable farmers and ranchers to stay on the land with a higher rate of return for their operations, provide financial returns to investors, improve stream flows, and enhance grassland conditions and ecosystem health.



## **Deliverables:**

1. Within the first six months of the grant, complete desktop diligence on 31 potential agricultural or ranchland investment opportunities, and field-level analysis on 11 potential investment opportunities.
2. Within the first six months of the grant, hold meetings with at least 5 potential anchor investors for an Agricultural and Ranchland Investment Fund.
3. By the end of the grant, complete desktop diligence on an additional 31 potential agricultural or ranchland investment opportunities and field-level analysis on an additional 11 potential investment opportunities.
4. By the end of the grant, hold meetings with an additional 5 potential anchor investors for an Agricultural and Ranchland Investment Fund.
5. Close on at least one investigated investment opportunity before the end of the grant period.
6. By the end of the grant, complete a public report discussing the Liquid Assets Project's experience in developing water-focused impact investment.

## **How We Are Advancing Conservation Finance:**

The Liquid Assets Project is developing a partnership among agricultural producers, non-profit conservation organizations, and impact investors to create a new Agricultural and Ranchland Investment Fund. We will be designing and piloting approaches to using private impact-focused finance to help farmers maintain profitability and stay on the land while saving water and providing other environmental benefits. By demonstrating and promoting replication of these approaches, the Liquid Assets Project will help advance conservation finance tools that expand sustainable agriculture and water solutions across the country.

