

“CONSERVATION FINANCE SAFETY NET” AT STREETSBORO ECOLOGICAL RESERVE

Executive Summary

The Conservation “Safety-Net Financing” is a proposed loan program structured under existing approved OEPA Division of Environmental and Financial Assistance loan programs. The proposed Streetsboro Ecological Reserve demonstration project will refine the approach to working toward the protection of threatened environmentally sensitive lands and accomplishing protection through partnerships with developers, interested communities, other agencies and individuals. The goal: environmentally sound development in high development pressure areas.

Environmentally sensitive conservation lands provide important ecological, hydrological, water quality and water supply functions and contribute to regional biodiversity, public enjoyment and wildlife benefits. But as important as they are, we watch annually as their ecological health and the acreage of these systems declines. In many areas of Ohio, these important lands are losing their viability through ecosystem fragmentation and becoming impaired by land-use changes such as incompatible sprawling land development, which also has significantly reduced the acreage and quality of these resources.

This program creates a financing strategy called a “Safety Net Loan” to offer immediate protection and enhancement to environmentally sensitive lands through cooperation with private developers and communities, Park Districts, and other partnering organizations and individuals willing to assume specific land protection, restoration and land management responsibilities, along with a commitment to conservation developments on a relatively small percentage of overall protected acreage. The conservation development strategies that must be included are alternative stormwater management strategies and ecological restoration of degraded and restorable lands.

This loan program is linked to conservation development to provide an economic engine to add value through the land entitlement process that can be used to secure and collateralize loans, and to secure perpetual conservation outcomes.

Streetsboro is the fastest growing community in Northeast Ohio with intense development pressure. The Streetsboro Ecological Reserve is the first project with a committed developer willing to accept the financing and conservation commitment terms created by this program. This demonstration project would involve the potential protection of ~770 acres of environmentally sensitive lands, and application and demonstration of conservation development practices on approximately 415 acres for a total project area of ~ 1200 acres of important resources. All lands are contiguous and consequently provide a significant single reserve with the ecological and conservation benefits associated with landscapes of this scale. Conservation development program requirements within the 415 acres of development land will contribute another 20-40% open space where alternative stormwater management (Stormwater Treatment Trains), parks and greenway connections and other cultural and

public realm investments will be created by the developer. The land development areas will not be located in environmentally sensitive areas of the properties.

This program appears to exceed the expectations of the Lake Erie Balanced Growth Watershed Pilot Project aspirations derived from the Lake Erie Protection and Restoration Plan. This may consequently serve as an important model for refining the development and implementation of Watershed Balanced Growth Plans and going through the process of identifying Priority Conservation Areas and Priority Development Areas. This proposal meets other program aspirations by including as a foundation stone the development of partnerships for land conservation and development as economic engines.

Introduction

New models for financing conservation are sorely needed in rapidly developing urban areas. Escalating land values price conservation investments out of the realm of local and even national conservation groups and others that do conservation finance. Even in locations with informed community leaders, policy makers, ordinances, and other legal and regulatory instruments, modest or no success has been achieved in land protection. However, in most communities, the regulatory policy and leadership support is not available, as such most land development includes only a perfunctory dedication of open space, often cleared of forest and used for active play fields. Declining ecological resources get minimal conservation and no stewardship. The result is often a net export of environmental assets to the hinterlands to the detriment of urban and suburban areas and may be contrary to protection of “Existing Uses”. The result is a defacto environmental sacrifice zone in and around urban areas.

Statewide and in the Cuyahoga River valley, important conservation lands and environmentally sensitive resources are in serious decline from intense development pressure. The importance of the Cuyahoga River has been well established as a public and ecologically valuable resource providing rare habitats, high quality water supply and numerous other functions. In particular, maintaining the quality of the Upper Cuyahoga Watershed, currently experiencing rapid sprawling development from the Cleveland and Akron urban areas, is critical to the health of the entire river. The City of Streetsboro, in Portage County, is centrally located in this area of intense land development activity. Recently identified as the fastest growing city in Northeast Ohio, Streetsboro with continued growth will lose most of its environmentally sensitive lands within the next two years to this unplanned sprawling development.

Portage County, unlike the other counties in the Cuyahoga Watershed, does not have a well-funded Park District or any dedicated source of public funding for direct land conservation. Unless an alternative conservation finance and protection model can be put into place that encourages and leverages private investment, opportunities to protect large parcels connected natural areas will be lost. There is urgency and immediacy if there is any hope of protecting resources in this community, and the same story can be told in numerous other locations in Ohio, and across the US. In order to ensure land protection, a conservation finance and loan program must be made available to encourage the development community’s participation in conservation, especially in areas that have little public funding for conservation. This is the principle strategy being employed by this program.

Elements of a Potential New Model: The Conservation Finance Safety Net

The original purpose of the Water Pollution Control Loan Fund (WPCLF) was to finance publicly owned wastewater treatment works to reduce pollution. Since the program began, many of the nation's water quality problems from these sources have been addressed. Now, Ohio is starting to focus more money and effort into reducing nonpoint source pollution (runoff) that jeopardizes the health of Ohio's water resources.

The Water Resource Restoration Sponsor Program (WRRSP) provides an opportunity for WPCLF funding recipients to finance planning and implementation of additional projects that address nonpoint source pollution. Funding and completion of these projects helps to protect or restore water resources. Restoration activities may range from the preservation and protection to intensive repair and recovery of affected stream and aquatic habitats. WPCLF recipients can initiate projects themselves or sponsor approved projects planned by another group, such as a land trust, park district or other entity with the ability to protect and manage such resources.

The Water Pollution Control Loan Fund is meant to provide communities with low-interest loans to finance infrastructure improvements that result in improved water quality and quantity. The flexibility of this loan program for conservation development projects will positively impact the achievement of these goals. In rapidly developing areas such as Streetsboro, we view this loan package, and the developer's associated commitments to conservation development as a "Conservation Finance Safety Net". This safety net could be viewed as a tool that could help provide immediate and initial financing for the protection of environmentally sensitive lands, that otherwise are at risk of being degraded by conventional development. The "Safety Net" would need to include repayment and refinancing strategies with low interest rates that are flexible, with temporally compatible repayment terms and timelines. For example, loan repayment schedules may need to coordinate with a developer's projected cash flow from sales of units in the conservation development, or with take-out strategies by park and conservation partners. The program also requires an assurance that loans are collateralized and that the recipient has the capacity to repay the loan.

The following comprehensive approach to addressing conservation development within the program is proposed as follows:

Task 1: Conduct a natural resources inventory to identify priority conservation areas consisting of the most environmentally sensitive lands and the buffers needed to protect them. Environmentally sensitive lands include:

- Areas that contribute to locally and regionally valuable ground and surface water resources.
- Rare and declining ecological communities such as wetlands, natural riparian corridors, and high quality forests.
- Habitat for rare, threatened and endangered species.
- Steep slopes and eroding soils.
- Areas that provide important connections and wildlife corridors.

This task ends with the identification of the key high-quality parcels, and locations within each parcel that should be protected, as well as areas in need of restoration with high recuperative potential.

Task 2: Identify economically important development lands, where development would have minimal impacts on the ecological conditions, hydrological conditions and other valuable assets and conditions identified in Task 1. This task uses a series of empirical measures to understand the development value and costs, and then prioritizes the developable parcels. A product of this phase is a map that classifies each parcel based on empirical measures and numerical scores, represented by colored computer graphics.

Task 3: Design conservation development strategies and plans to create sound conservation developments with at least 40% open space, as well as financing strategies (for example, through use and real estate transfer fees, assessments and endowments) that will ensure land restoration, management and perpetual stewardship of protected lands.

Task 4: Create binding relationships between committed developers, conservation partners, local communities and funding entities.

Task 5: Create model templates for other Conservation Finance Safety Net Loan projects in Ohio and across the US by documenting program procedures, refining the process, and evaluating its success, then developing a standardized template for replication.

Summary of Conservation Finance “Safety Net” Terms

- **Raw Land Value:** The land value is established based on the number of units approved for the conservation development.
- **Interest Rate:** 2.75% - 3.25% (Determined by the quality and quantity of environmentally protected land in conservation commitment.)
- **Collateral:** Land being purchased is subordinated by OEPA at a loan to value ratio of 100%. (Any excess land value created as a result of the entitlement process can be subdivided and then used for the equity contribution required by a commercial banking institution for construction financing.)
- **Payment Schedule:** First five years of interest is deferred and added to principle loan balance (to allow the conservation project time to start generating an income stream.) Each following year, an interest only payment would be due based on that years current loan balance. Each subdivided parcel of the larger conservation project would then subsequently be released from OEPA subordination with a payment on the principle balance equal to the established per acre value based on the number of units/lots entitled to that parcel

Benefits

Promoting and Supporting Smart Growth

The proposed Safety Net Conservation Financing Program could be a reliable, attractive, and compelling means of changing the status quo of development, and leveraging private investment to encourage conservation of environmentally sensitive lands. This proactive,

cooperative program could provide the necessary incentive (and remove some barriers) for developers to work with the conservation community and local officials in the planning and design phase of developments, instead of the often expensive and adversarial approach of negotiating or litigating zoning variance requests, wetlands impact permits and subdivision requirements due to the constraints of a particular property. This program offers an economic model that enables the developer to reduce the risk of purchasing additional undevelopable land and empowers local communities to collaborate directly in their growth in a positive, efficient and sustainable manner.

Partnerships and Efficient Conservation Funding

A variety of local and national programs aimed at land and water conservation could benefit from utilizing elements of the proposed Safety Net Program. For example, the Western Reserve RC&D's Countryside Program has been very successful in promoting conservation development through education, presentations and the development and evaluation of model regulations. But creating the policy and regulatory framework gets the community only halfway towards conservation development; in order for a private developer to make this unfamiliar concept reality, incentives are necessary. Likewise, issues regarding wetlands mitigation, stormwater management and open space set-aside can be viewed as opportunities for the developer, if adequate up-front support and financing are available. Conservation programs such as the Wetlands Reserve Program, Clean Ohio Fund, 319 grants, Water Resource Restoration Sponsorship Program, local park and conservancy funds and others, are most efficiently utilized when conservation lands are holistically protected and linked before fragmentation and degradation occurs. Considering that developers are the primary land change agents at this time and place, a tool that encourages smart growth and cohesive conservation of large areas will protect public investment along with natural resources.