



Scaling Bold Solutions Through Outcomes-Based Financing

USFS Region 5 Conservation Finance Cadre

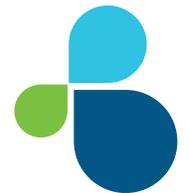
Laura Drescher | September 3, 2020



Quantified Ventures is an outcomes-based capital firm that drives transformational health, social, and environmental impact.

What We Do

We develop projects and structure financing for innovative environmental and health solutions using an outcomes-based or “pay-for-performance” approach that aligns financing with project results



We face some big challenges



1 The challenges are complex: Most challenges involve multiple stakeholders. Both public and private sectors need bold solutions to solve big and complex health, social, and environment challenges.

2 But budgets are strained: Resources are finite and funding for services and infrastructure has been flat or declining for decades. There is a \$1.4 trillion shortfall in infrastructure investment alone through 2025.*

3 Investors are motivated: They are increasingly looking for opportunities to deploy capital to solutions that yield both financial and social returns. Impact capital is estimated at over \$500 billion and growing worldwide.**

* 2017 Infrastructure Report Card, American Society of Civil Engineers

** GIIN

We work with innovators, risk takers, pragmatists, and optimists

Governments



Environmental Organizations



Health and Human Services

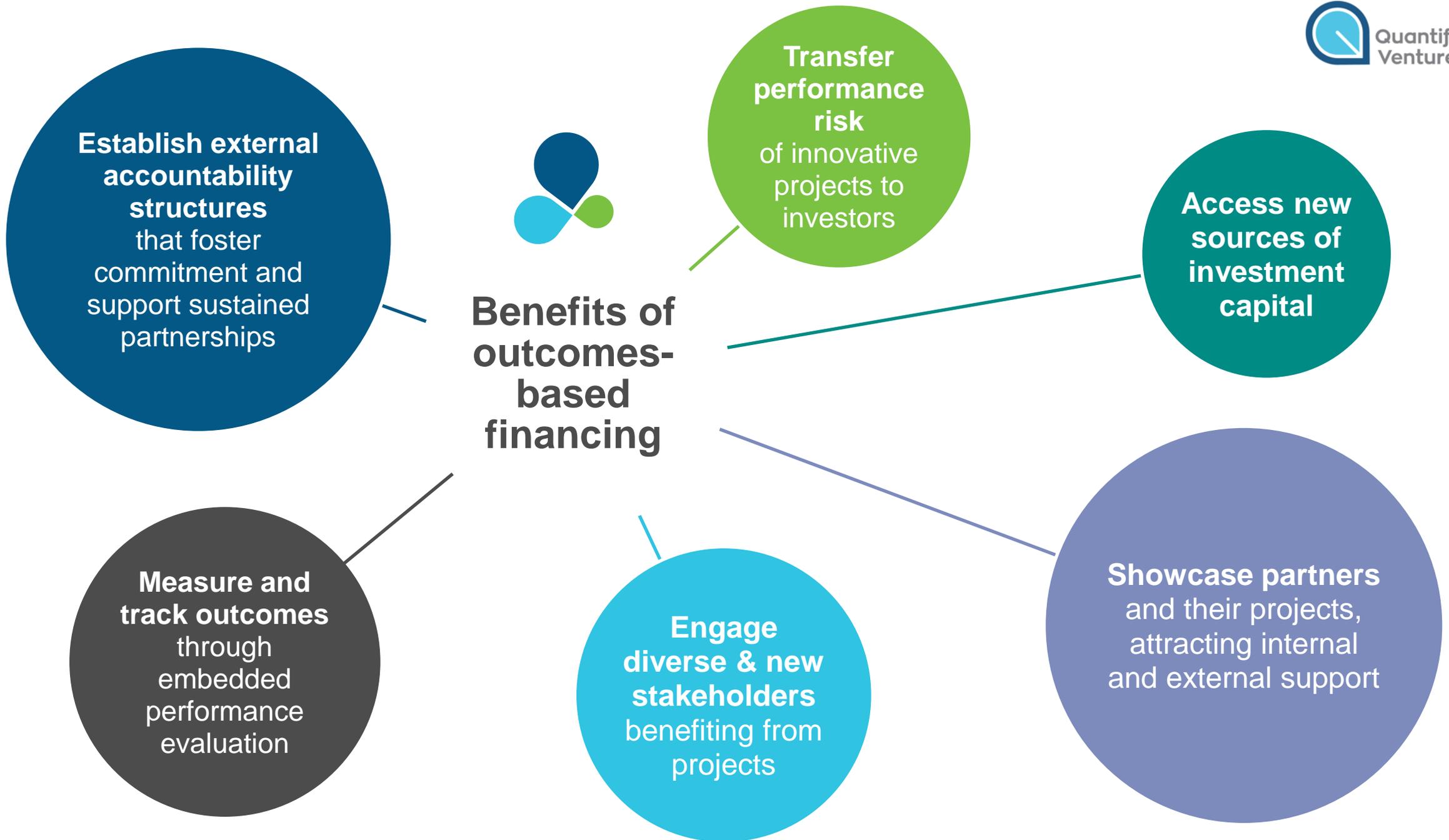


Foundations



Corporate Partners





Practice area

Example projects



Urban and Coastal Resilience

Urban green infrastructure installations to address CSO overflows, flooding, and water quality



Forestry and Land Use

Proactive forest health treatments to reduce risk of wildfires to communities, infrastructure, and businesses, and reclaiming biomass byproducts for commercial use



Agriculture

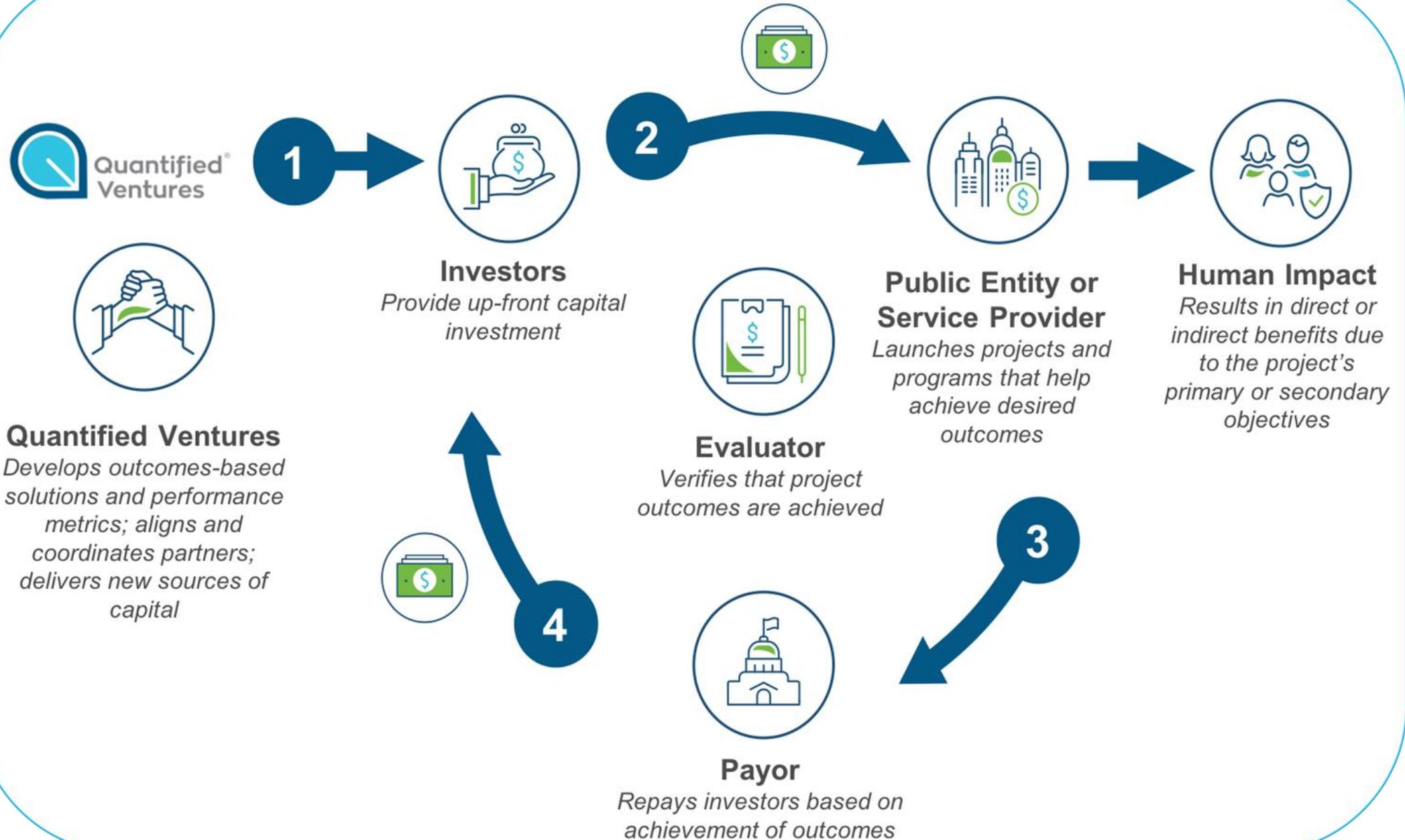
Introduction of sustainable agriculture practices that sequester carbon and reduce nitrogen, phosphorus, and sediment runoff



Health and Human Services

Scaling social determinant of health programs to address the health and community needs of underserved populations

How outcomes-based financing works



Outcomes-Based Financing Process



Project Identification

Identify the scope of the projects to be financed



Outcomes Analysis

What are the outcomes of the project? Are these outcomes measurable?



Stakeholder Mapping

Who are the key players in the project development? Where do the outcomes accrue to?



Cost Benefit Analysis

Do the outcomes accruing to the potential stakeholders outweigh the costs of the project?



Payor Engagement

Does the stakeholder have a “willingness to pay” for the outcomes?

What is the risk of the project? Does the risk outweigh the cost of evaluating the risk?



Forestry and Land Use

Challenges

- The US lost 24 million acres of natural land in the last 17 years, roughly 4,000 acres a day or one football field every 30 seconds
- 12,000 species need efforts to avoid extinction; 60% of the lower 48 is private land
- But only 1% is permanently managed for conservation; 10% is of “high conservation value”

Solutions

- Incorporate additional revenue streams from Ecosystem Services and engage new payors
- Leverage Opportunity Zones and other tax incentives
- Fund all costs, including development costs, up front to lower operational costs
- Incorporate non-traditional models (e.g., agroforestry, elk hunting, silvopasture)
- Increase utilization of state credits



QV has a deep relationship with the USFS and was recently awarded 5 IFNF grants



QV's Relationship with USFS

Formal Partnership

- QV maintains an MOU
- QV shares an employee with the USFS National Partnerships Office

Project History

Region 9

- Baileys Trail System (Wayne NF)

Urban and Community Forestry

- Baltimore Urban Wood Project

Region 5

- HWY 89 Corridor Management Plan (Lake Tahoe Basin Management Unit)

Innovative Financing for National Forests

Innovative Finance for National Forests (IFNF)

Mountain Loop Highway

EIB / EIF feasibility study to finance \$10MM recreation infrastructure project

Colorado Wildfire Mitigation

EIF transaction structuring for phase 2 of fire mitigation project in Colorado

Oregon Coast Salmon

EIB / EIF feasibility study to finance salmon habitat restoration across Oregon

Eastern Sierra

EIB / EIF feasibility study to finance \$70MM multi-site campground project

Coldwater Visitor Center

EIB / EIF feasibility study to finance \$20-30MM Mt. St. Helens visitor center upgrade



CASE STUDY: Campground Improvements on Inyo National Forest

Creating a Business Plan for Inyo National Forest



Conducting profitability study and finance strategy identifies ways to fill capital gaps for needed campground improvements

Project Goals

- Enable campgrounds to meet current needs: layout, capacity, deferred maintenance, and location. Currently, climate change and COVID-19 contribute additional pressures.
- Develop a Business Plan that explores non-federal sources of funding and financing, aligning with permit renewal processes
 - Profitability Study
 - Financing Strategy
 - Implementation Plan

Project just launched Summer 2020!

Potential Outcomes

- Additional revenues
- Contribution to local economy
- More inclusive campgrounds for different needs (families, ADA, etc.)
- Cost savings



CASE STUDY:
SR-89 Recreation
Corridor in Lake Tahoe
Basin Management Unit

Advancing Lake Tahoe's recreation infrastructure



Embedding USFS projects into local planning efforts leads to more sustainable recreation infrastructure

Project Goals

- Investigate feasibility of outcomes-based financing to support sustainable recreation needs on the Lake Tahoe Basin Management Unit
- Integrate USFS projects with ongoing regional planning efforts to increase opportunities for outcomes-based financing and, therefore, implementation of projects
- Leverage a portfolio approach to bring many payors together to achieve shared outcomes

Outcomes

- Environmental (e.g., improved water quality)
- Traffic (e.g., reduced congestion)
- Health & Safety (e.g., faster EMS response times)
- Recreational Economy (e.g., increased access to winter recreation)



CASE STUDY: Baileys Trail System

Developing recreation infrastructure in Ohio



Multi-Payor transaction enables mountain bike trail development

Project Goals

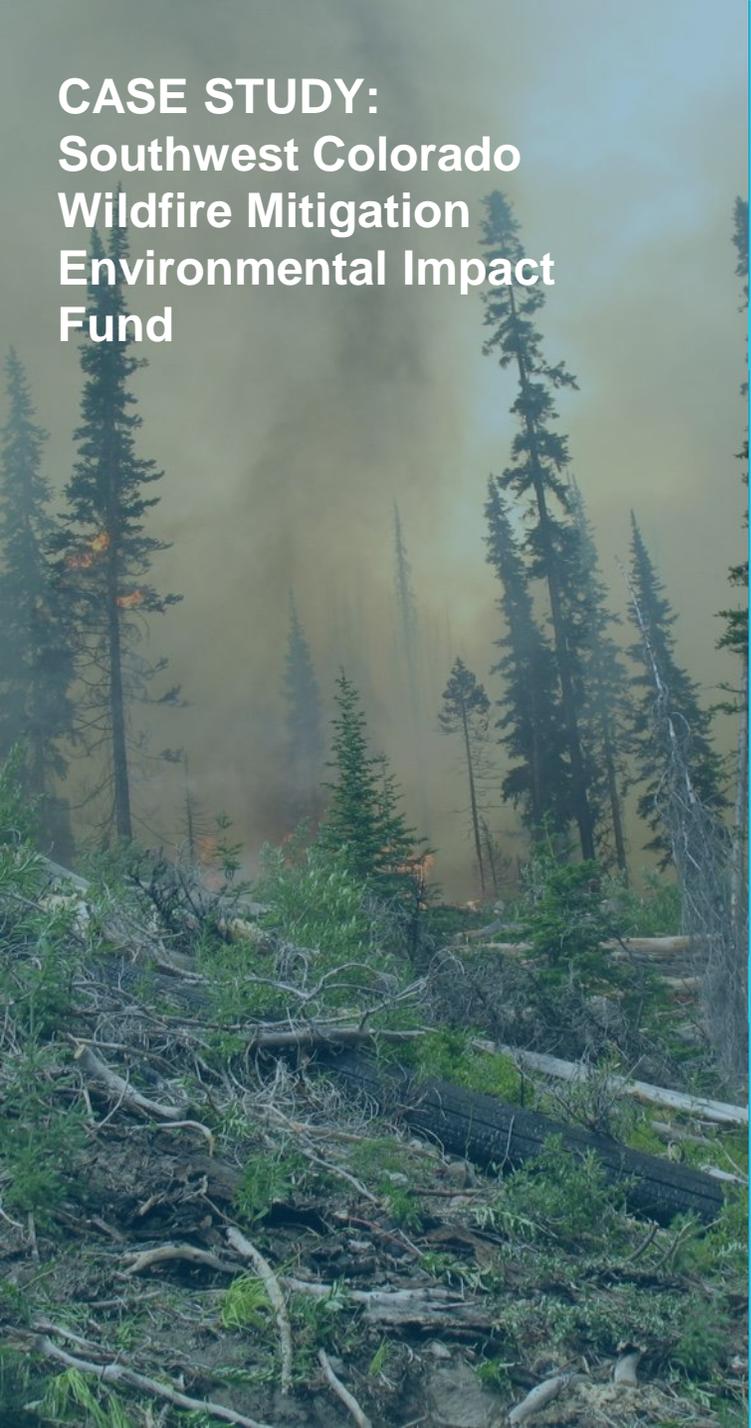
- Provide much-needed up-front capital to construct new community recreation assets (88-mile bike trail system)
- Aggregate payors who benefit from the project to share in financing costs
- Base financing on economic development benefits from tourism to the region

Outcomes

- Economic development (job opportunities + tax revenue)
- Health
- Connectivity
- Environmental restoration

Transaction Structure

Use outcomes-based financing to fill \$3.5 million capital gap. Engage additional payors (city and county) who benefit from the development.



CASE STUDY:
Southwest Colorado
Wildfire Mitigation
Environmental Impact
Fund

Launching an Environmental Impact Fund in SW Colorado



Multi-payor fund enables long-term cross-boundary wildfire risk mitigation

Project Goals

- Increase the scale of interventions around the San Juan National Forest (non-federal land) to reduce wildfire risk
- Stack payors, investors, biomass revenues, and public and philanthropic contributions to minimize funding required of small rural communities while repaying on risk mitigation outcomes
- Support local biomass industry (renewable power, biochar, etc.)
- Use municipal bond issuance to capitalize a revolving fund, enabling treatments to be implemented and self-sustainable over the long term

Outcomes

- Restored forests
- Reduced risk of wildfire
- Protected water resources
- Avoided economic costs
- Resilient communities in wildland-urban interface



Questions and Discussion



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