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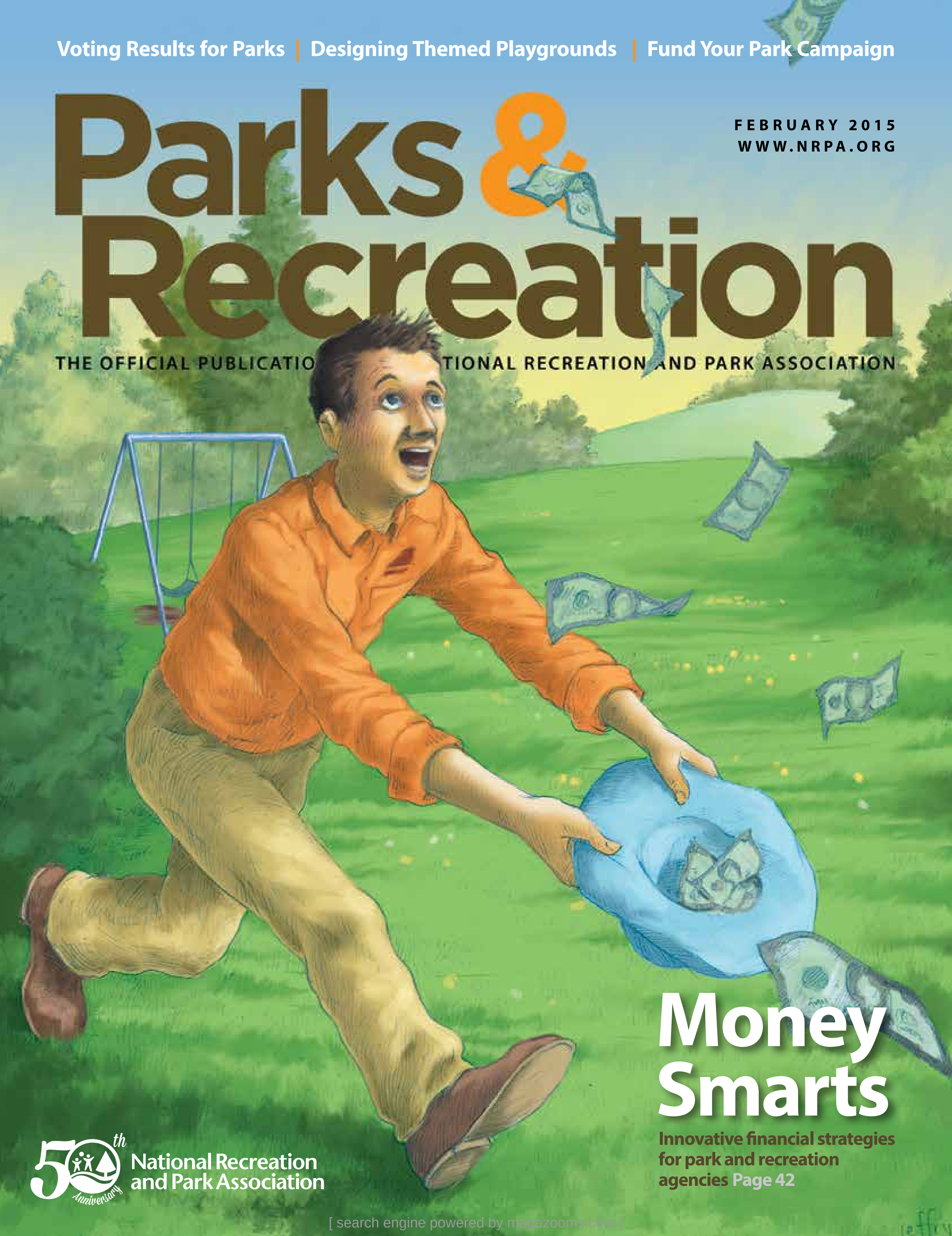

Money Smarts

Innovative financial strategies for park and recreation agencies Page 42

50th Anniversary
National Recreation and Park Association

Tomorrow's Park at Today's Price

Financial loans for land acquisition and facility operations offer oft-overlooked purchasing opportunities for park and recreation agencies

By Reggie Hall

Brrring! Brrring! Phone call. A key tract of land, the one identified in your comprehensive plan and that your department has had its eyes on for years, is now listed with a Realtor and is on the market. What do you do? Slump in your chair and say "Oh well…" and lament that there's no funding for the ballfields, playgrounds or rail-trails that might have been? Or do you spring to action and start trying to figure out how to make an offer and respond to the opportunity? How are you going to pay for tomorrow's park at today's price?

Multiple Benefits for Bozeman

The community of Bozeman, Montana, faced this very dilemma. The 16-acre Bozeman Pond Park is located in a densely populated, rapidly growing part of the city. It's highly popular with residents, who regularly enjoy its trails, beaches, fishing access, dog park and climbing boulders.

When a 12-acre property adjacent to the park came on the market, it seemed like a natural opportunity for a much-needed expansion because it was the only significant open space remaining nearby. It was also an attractive location for future residential development.

Market events move quickly, and the Gallatin Valley Land Trust (GVLT) did not want to see this conservation opportunity slip through their fingers. They had ample concern that the community might not secure funding in time to nearly double the size of Pond Park. The city of Bozeman had recently approved a $15 million bond for the preservation and creation of trails, open space and parks, but the funding would not be available in time to meet the landowner's need for a quick sale.

So, GVLT stepped up to purchase the property in 2013 with a $720,000 loan from the Land Conservation Loan Program (LCLP) of The Conservation Fund. The property, valued at $800,000, was secured with a nine-month loan at 3 percent with the property deed as collateral.

Protection of this land for Bozeman's residents came with additional benefits. GVLT sold three of the newly acquired acres to HAVEN, a domestic violence shelter and advocacy organization, for use as a new shelter site. The remaining land was purchased by the city of Bozeman as an expansion of the park.

"Without help from The Conservation Fund, we would

Illustration by Jeff Byrd

have lost this property to development," says Penelope Pierce, executive director of GVLT, "but the LCLP allowed us to be nimble and responsive to an urgent opportunity."

A Funding Option in Times of Fiscal Restraint

All across the country, as federal, state, county and local government budgets stagnate or shrink, some of the first programs to get cut are acquisition dollars for new parks and playgrounds. The theory may be to solely focus on maintaining existing properties while providing programming to an increasing population. Even though you may have a limited budget for acquisition, what if there was a way for you to spread out your payments for the new park over time? In other words, has your department ever considered taking out a loan?

When most people think of loans, they think about going to their local bank — which is where people should always start. Local banks can generate community support for your project, and depending on your relationship with the bank, you may obtain the right rate and terms to suit your needs. But also consider working with a nontraditional lender, one whose mission is to acquire land for conservation purposes including use and enjoyment by the public. For example, loans from LCLP come with the added benefits of technical assistance and help in navigating complex issues, drawing upon decades of acquisition experience.

Lessons Learned

Over 20 years, LCLP has loaned more than $120 million without a single default, protecting more than 100,000 acres across 33 states. We have learned a number of valuable lessons. It may be best to start by identifying the four basic types of lenders: banks and credit unions, foundations, nonprofits and private individuals. Each type has its own strengths and weaknesses, so how do you determine the right one for you? While the most obvious difference is the interest rate that they charge, other variables are often more subtle. You may want to consider these questions (even if you don't need a loan yet, you'll have them for possible future use):

- How quickly can the lender originate a loan?
- How do they secure their loan to you?
- What types of collateral will the lender accept?
- How flexible are they with a loan repayment schedule?
- If the worst should happen, what's their course of action?

The Conservation Fund provided Amigos de los Rios, a restoration nonprofit in Los Angeles, with bridge financing that allowed them sustained income while waiting for public reimbursement payments for its work.

Cameron McIntyre

Tips to Consider

Start early. Sit down with your local bank. Meet with the local foundation. Call up a conservation lender. Have a conversation. Tell them about your project or a hypothetical one. Ask them questions so you know what you need to look for when evaluating whether you could or should borrow money to acquire the land.

Who do you know? Who's in your fan club? Do you have a friends group or nonprofit partner that could possibly step in and help? They may be aware of available grants or could borrow the money to become the patient seller, which can give you more time to set aside the money to buy the property. What about individual supporters? Could they lend the money or perhaps provide a personal guarantee as collateral for a loan?

Can a loan kickstart a larger fundraising campaign? Almost everyone has borrowed money for something, whether it is their home mortgage or their credit card. People know what it means to repay a loan. Can you harness this energy and use it to start a larger fundraising effort? You need money to acquire the property, but what about infrastructure, maintenance or perhaps a stewardship endowment?

Can you get creative with collateral? Not all groups have cash in the bank to secure a loan. What other collateral is available to your group? An individual donor or group of donors who can personally guarantee or back your loan? Revenue from product sales?

What's Plan B or even Plan C? We all

think that our primary strategy for completing a project and repaying a loan is going to work, but what if it doesn't? What's your backup plan? What's the business plan behind your project? Have you completed a risk assessment/likelihood of receiving the grants or dollars you need?

Tell your story. Be proactive: Borrowing money to acquire a key tract and then repaying the loan is a great story. Tell it! You'd be surprised how it might elevate community support. It really helps with fundraising, too!

Rudolf Balasko

The River Revitalization Foundation's goal is to recreate Milwaukee's urban landscape using the river as a focal point.

Tales of Two Cities

Two major American cities used loans to achieve very ambitious aims without the delays that can encumber momentum. Their stories, in brief:

Los Angeles, California

Los Angeles is one of America's largest metropolitan areas, but unlike other cities of its size, only 36 percent of children live within one-quarter mile of a park (compared to 91 percent in New York and 85 percent in San Francisco).

Borrowing money to acquire a key tract and then repaying the loan is a great story. Tell it!

The nonprofit Amigos de los Rios (Amigos) aimed to change that disparity by designing sustainable open spaces along river corridors to create vibrant communities and bring renewed life to neglected urban neighborhoods.

Amigos created a countywide vision that includes nature trails, playgrounds and green spaces. All are designed to enhance public life and health through a network of parks and public spaces that connect the San Gabriel Forest to the Pacific Ocean — an Emerald Necklace for the Los Angeles Basin.

Relying on public reimbursement grants for project design and development, Amigos often had to wait months for approved funding to be distributed, which slowed their momentum.

"All of our projects are based on reimbursement, and that makes it difficult to manage cash flow," says Claire Robinson, executive director of Amigos. "We were unable to get financing from three different banks, despite having $7 million in contracts."

A $1 million loan from LCLP enabled Amigos to continue their work on dozens of projects, working with 62 cities in the region. The comprehensive "Expanded Vision" plan was announced in August 2014 with strong support to re-create L.A. County as a leader in green infrastructure and an overall better place to live, work and play.

Milwaukee, Wisconsin

In Milwaukee, three rivers — the Milwaukee, Menomonee and Kinnickinnic — define the vitality of the region in more ways than one.

To help make this vibrant city an even more attractive place to live, the River Revitalization Foundation established a parkway bordering the three waterways for public access, walkways, recreation and education, as well as to use the rivers to revitalize surrounding neighborhoods and improve water quality.

When key riverfront properties were listed for sale, the Foundation knew it wouldn't be able to obtain a loan from their local bank fast enough to secure the properties for a new arboretum. "There's not much undeveloped land available along the river corridor anymore, and we cherish those small pieces," says Executive Director Kimberly Gleffe.

With a loan from the LCLP in 2012, the Foundation acquired a 40-acre network of river bluffs, trails and parkland for the Milwaukee Rotary Centennial Arboretum. Today, the land is an ideal outdoor classroom, research laboratory and public sanctuary that is free for the public to enjoy.

All of us have big plans, and too often there's no money available, or it's provisional or unclear when it will materialize. Consider how alternate financing can move your big-picture thinking to tangible public benefit.

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