

# FOREST & WATER RENEWAL

## Revolving Loan Fund

*Accelerating watershed health and wildfire mitigation is the focus of this new revolving fund program to supply below-market rate bridge loans to communities.*

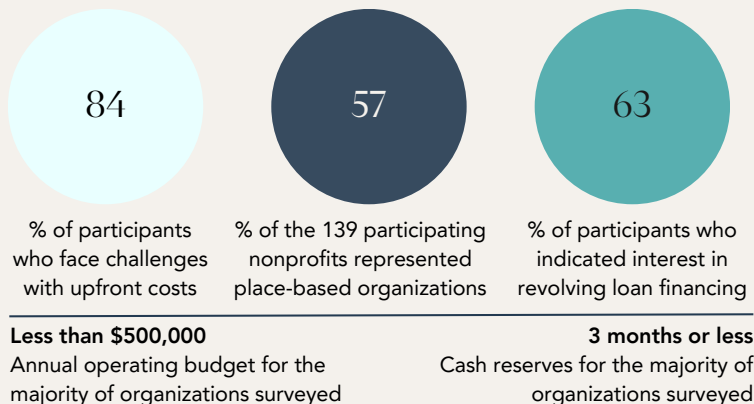
**Overview** | There is a pressing need to increase the pace and scale of wildfire mitigation and climate resilience projects in our communities and landscapes. One proven way to accelerate the implementation of resilience projects is to fix the cash-in-reserve challenges and timing of cash cycles that plague reimbursement-based grants. This bottleneck can be fixed through below-market-rate bridge financing. Coalitions & Collaboratives (COCO) already provides bridge financing to several organizations through our affiliate program. However, more organizations need more funding to address pressing resilience needs.

**Investment Needed** | COCO seeks \$1 million to capitalize a revolving fund pilot in Colorado as well as additional funding to design, manage, and refine the loan platform and governance to support the fund in perpetuity. Capital for the revolving fund itself is being raised through a mix of private foundation program-related investments (PRIs), grants, and corporate grants. Upfront design costs will be covered by grant funding and an Innovative Finance for National Forests (IFNF) grant cooperatively managed by the US Forest Service Conservation Finance Program and the US Endowment for Forestry and Communities has already committed \$300,000 towards pilot program design and management contingent upon the successful completion of our current feasibility study grant.

**The Forest & Water Renewal Revolving Loan Fund** | (Renewal Fund) will supply bridge capital to groups at critical stages of project planning, development, and implementation to help accelerate projects. Organizations that are funded through state and federal grants pay for project equipment, staff time, and contractors, then wait anywhere from 30-90+ days to receive grant reimbursements. This results in a perpetual cycle of cash-in-reserve challenges for these organizations and creates a significant barrier to conservation outcomes.

The Renewal Fund leverages private capital to increase the impact of public investments. Bridge financing expands project scale, increases success, and reduces barriers to entry for those interested in expanding their work with support from federal and state funding.

**Need Assessment** | COCO's research on conservation revolving loan programs (e.g., The Clean Water State Revolving Fund (CWSRF), Water Infrastructure Finance and Innovation Act (WIFIA), Forest Resilience Bonds) has not found a program that directly supports place-based, small to medium sized watershed coalitions, forestry collaboratives, and tribal organizations. However, the projects that these groups implement aggregate to a sizable impact on ecosystem resilience.



To understand the full extent of the need, COCO conducted a national survey in 2024 to determine the scope and scale of bridge financing needs among potential Renewal Fund borrowers. The survey also assessed 1) interest in borrowing from the fund; 2) program design preferences; and 3) perceived barriers to entry. Sampling was done with a partial snowball method.

The survey revealed strong support—and excitement-- for a revolving loan fund. On average, participants expressed interest in borrowing \$146,582 (outliers removed), with a median loan request of \$100,000. The average preferred loan duration was 1.89 years, while the median was 2 years. 70% of respondents requested an interest rate below 3%, and 33% indicated their willingness to pay between 3% and 4.99%

## Quotes from COCO's 2024 National Survey of Potential Borrowers

“ Having to wait months for reimbursements makes managing projects very difficult and creates instability. Our seasonal work(er)s need to know we can commit to pay them for a given number of hours and weeks. We often have to borrow internally from capital funds for cash flow and reimbursements can cross fiscal years, creating an accounting and management nightmare. ”



“ Our cash flow hinders us from engaging in larger projects because we don't want to be in the position of not being able to pay contractors or office expenses. So we haven't experienced any issues yet - however, our cash flow makes us choose not to go for bigger/longer reimbursement grants. ”



“ We use lines of credit with local banks, but those are scary for the banks and expensive for us. We are being asked to do more and more reimbursable grant-funded projects which we would like to do and are qualified to do, but the cash flow demands are tough, as are the added admin costs - which are hard to cover from grants and fundraising. You have identified a very needed solution here. ”



**Renewal Revolving Loan Fund Pilot** | COCO is collaborating with the Colorado State Forest Service, Colorado Water Conservation Board, and the US Forest Service to design a 3-year pilot of the Renewal Fund in Colorado. The pilot fund will provide below-market rate loans to organizations that have reimbursement-based grant funds committed from one of these funders. The Renewal Fund will also provide technical assistance to ensure effective financial management and increased project success.

This pilot fund will test our eligibility criteria, application process, and loan management system, with plans for a full statewide rollout that incorporates additional reimbursement-based grants after 3 years. Fund management will be supported through a partnership with conservation finance experts at LegacyWorks. We plan to demonstrate the success of this fund in Colorado as an innovative solution to a nationwide problem and to build out the fund beyond Colorado.

The design of this Renewal Fund pilot is informed by an in-depth market analysis and feasibility study supported by a 2023 IFNF grant. This grant supported an analysis of program design trade-offs including the development and testing of a financial model, semi-structured interviews with those developing similar conservation finance tools, a national survey of potential borrowers, and the development of an eligibility screener. Legal and conservation finance expertise was contracted through CK Blueshift and Culp & Kelly LLC.

**About COCO** | As a national leader and innovator working directly with communities and place-based conservation organizations, COCO is well-positioned to support and manage the Renewal Fund. Launched in 2014, COCO serves as an incubator to grow place-based collaborative conservation organizations with a focus on forest and watershed health, wildfire mitigation and recovery, and building climate resilience. COCO brings mentorship, expertise, resources, and funding to support the growth of newly forming and growing efforts that follow transparent and collaborative processes to protect our environment, communities, and economic interests.

COCO provides mentorship, training, technical support, and funding to more than 85 organizations that have received COCO Action, Implementation, and Mitigation (AIM) grants. A partnership with the US Forest Service, AIM leveraged \$6.6 million in matching funds for a total \$12.3 million investment in wildfire mitigation over the past 5 years. Additional AIM accomplishments include: 8,249 volunteer hours contributed, 10,224 acres mitigated, 31,519 prescription acres burned, and 117,493 cubic yards of woody material removed. COCO's work to support collaborative conservation also includes numerous other projects and programs that lift up and support place-based organizations including historically underserved communities.