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# Acquisition Financing

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## 1. Organizing Question

What financial tools might be employed or developed to: fund acquisitions, supply ongoing revenues, restructure distribution of revenues?

## 2. Background and Context

This is an expansive subject area with many possibilities, some of which would require legislative action.

Possibilities include:

**Permanent endowment for trust beneficiaries.** In an endowment, an asset is set aside for specific beneficiaries or purposes. The original trust lands are endowments, and in a sense so are the permanent funds. The permanent funds offer a model for how these endowments might be structured: in the case of a one-time GF-S appropriation, the [WSIB](#) would probably manage the principal and distribute any returns (perhaps net of inflation, to keep the principal whole in real terms) to the beneficiaries. The initial principal could be sized proportionate to estimates of lost revenue from murrelet conservation, but it wouldn't have to be tied explicitly to murrelet set-asides; it could be set up as a more general stabilization fund that provides revenue only when revenues from DNR-managed timber activities drop below set thresholds (among many options).

**Certificates of Participation.** Certificates of Participation (CoP) are a means for Washington State agencies to finance equipment purchases and real estate projects, including property acquisition. Agencies enter into a financing contract (a lease) with the Office of the State Treasurer (OST), which pools the leases across agencies and packages them into a security (the CoP). CoPs are similar to municipal bonds: they are structured with regular principal and interest payments and sold to investors, who are guaranteed an income stream for the life of the certificate. After the lease expires, ownership of the property is retained by the agency; legislative action would probably be necessary to define this relationship. DNR would need to obtain legislative approval in the capital budget for real estate financing leases and the maximum term would be 25 years.

It is unclear how much land could be bought at once, whether it would have to be revenue-producing (to make the principal or interest payments) or what the gap-funding source could be, and whether the land purchased would necessarily fall under DNR's HCP.

**Green bonds.** A green bond is a bond specifically targeted to finance renewable energy, climate, and environmental projects. According to the International Capital Market Association's (ICMA) [Green Bond Principals](#), green bonds can fund, among other investments:

- environmentally sustainable management of living natural resources and land use, including:

- environmentally sustainable agriculture
- environmentally-sustainable forestry, including afforestation or reforestation
- preservation or restoration of natural landscapes
- terrestrial and aquatic biodiversity conservation (including the protection of coastal, marine and watershed environments)

DNR has limited authority to [issue bonds](#) and it's unclear what options OST might have. It's possible that a land trust, probably a non-profit or public-private partnership, could be established to structure these bonds and take management responsibility for the land, or perhaps DNR could manage the land through an agreement with the land trust with forestry help/oversight from the Rural Community Partnership Initiative or DNR's Good Neighbor Authority program.

**WSIB responsible investment.** The WSIB—and perhaps other large public or private fund managers—has a [responsible investment portfolio](#) and might be interested in funding environmentally-sustainable forestry and land acquisitions. As in the case of green bonds, some kind of legal managing entity (a land trust, for example) would need to be established to manage the land, financing, and environmental standards, or DNR would need to be authorized to do so. As with the green bonds, the land would need to generate a financial return.

### 3. Potential Opportunities

The following table summarizes the potential benefits of the core financing ideas described above.

Idea	Benefit	Funding	Legislative Action Required
Permanent endowment	<ul style="list-style-type: none"> <li>● trust/county revenues</li> </ul>	GF-S	yes
Certificates of Participation	<ul style="list-style-type: none"> <li>● trust/county revenues</li> <li>● timber jobs</li> <li>● timber volume</li> </ul>	State bonding	yes, capital budget process
Green bonds	<ul style="list-style-type: none"> <li>● trust/county revenues</li> <li>● timber jobs</li> <li>● timber volume</li> <li>● conservation</li> </ul>	Bond markets	depends
WSIB responsible investment	<ul style="list-style-type: none"> <li>● trust/county revenues</li> <li>● timber jobs</li> <li>● timber volume</li> </ul>	WSIB	depends

### 4. Challenges/Uncertainties

Each of these ideas has parts that are unprecedented in Washington and especially for DNR, so many of the hurdles are conceptual, legal, and legislative.

## 5. Potential Next Steps

### Stakeholder & Community Outreach

**Reach out to Potential Partners and Invite Collaboration.** Meet with WSIB, OST, OAG, etc. to fill in the gaps in our understanding (and perhaps sell them on these ideas) and identify a detailed roadmap for each idea.

### Research & Data Analysis

**Better understand financial rules and trends.** Conduct a more thorough study of current statutes, regulatory authorities, and trends in these financing areas. Review recent private transactions to get a better idea of the scale of funding needed.

### Other Actions

**Advance these ideas through legislation.** Prepare legislative action plan for next session, bill drafts, one-pagers, etc.