

# Baileys Trail System FAQ

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### 1. What is the Baileys Trail System?

The Baileys Trail System is a proposed 88-mile, premier mountain biking trail (MTB) system in Athens County, Ohio on 9,000 acres of the Wayne National Forest with trailheads planned in the Village of Chauncey, Village of Buchtel, and Doanville in York Township. While designed for mountain biking, hikers, backpackers, trail runners, and nature watchers are welcome to use the trail system.

### 2. What makes this trail special and unique?

It will be:

- **Ambitious in Scale:** One of the longest connected trail systems east of the Mississippi with trails of varying levels of difficulty for all skill levels.
- **Purpose-built:** totally unique for its size, trails will be designed specifically for mountain biking on a “blank canvas” by the top trail design firms. Traditionally, trails have to make do with current assets such as repurposing logging and mining roads. The Baileys is different. Trails will be machine-dug, allowing for higher quality, longer lasting, and more environmentally friendly trails
- **In a prime location:** The trail is within 250 miles of 35 million people – 15% of the US population – including over 1 million mountain bikers. Athens County has unique resources: the Ohio University, breweries, art, culture, and festivals.
- **Receiving national attention:** The Baileys was selected out of all National Forest projects for innovative financing. Never before has a trail been designed or financed in this way.

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### 3. Why does it matter? What is the impact?

The trail system will increase visitation and thereby increase spending in the region. It has the potential to diversify and strengthen SE Ohio's economy. The project will improve the connectivity of small villages to cities in Athens County and will increase access to outdoor recreation, improving health outcomes and communities.

### 4. What is the projected value to Southeast Ohio?

With the trail system estimated to spur visitation to 180,000 visitors per year by year 7, the first decade is projected to generate:

- \$24.8 million in local economic spending
- \$8.6 million in additional wages
- \$6.9 million in increased government revenue and
- 62 jobs created or retained

### 5. Have other areas seen economic development from outdoor recreation investment?

Yes. The economic impact of outdoor recreation is well documented. A few examples include:

- **Crosby, MN:** A former mining town's economy is revitalized due to mountain biking. Crosby, Minnesota, receives 180,000 visitors per year on the Cuyuna Range MTB Trails. Visitation to the park has increased by 60%, resulting in 15 new sustainable jobs and millions in local economic benefits.
- **Oakridge, OR:** A historic timbering town that was faced with economic decline, this rural town reports between \$2.35 and \$4.91 million dollars in annual spending directly related to mountain bike tourism.
- **Columbia River Gorge:** In one year, mountain bikers spend millions in one small town. 230,000 bicycle recreation trips generated over \$21 million in visitor spending in the Columbia River Gorge in 2013. MTB recreation spending supports approximately 270 jobs, with earnings of \$5.7 million, and generating over \$900,000 in state and local tax receipts
- **Arkansas:** A \$38 million investment in NW Arkansas is generating returns with a \$137 million impact annually. 90,000 - 150,000 Mountain Bikers spend \$21 million a year in local businesses. Coupled with the bikeway, the total economic impact is \$137 million dollars, with \$86 million from health benefits. The study also indicated that proximity to the trails increased home values.

### 6. What about benefits beyond the economic development?

- **Health and Wellness:** Local communities will enjoy significantly improved access to outdoor recreation. Trails bring the health benefits of outdoor recreation to communities that otherwise do not have a strong exercise culture.
- **Community Connectivity and Pride:** Trail systems like this one make communities more attractive to newcomers and increase quality of life for locals. Trails bring people together, revitalize communities, and cultivate a sense of place.

- **Business Recruitment:** Increasingly, influential companies cite access to the outdoors when considering where to relocate or expand. By way of example: Osprey Packs opening a facility in Odgen, Utah; Sierra Nevada, Oskar Blues, and Fat Tire all choosing east coast locations near the Pisgah National Forest; and companies like Wunder Capital choosing Boulder, CO as its HQs. The long-term economic impact of outdoor recreation extends beyond visitor spending.

**7. What is the total proposed project cost and funding sources?**

<u>Category</u>	<u>Amount</u>	<u>Source</u>
Previous Grant Funding:	\$0.8 Million	Various Grants/Donations
Future Grant Funding:	\$4.7 Million	Various Grants
New Markets Tax Credit Equity:	\$3.3 Million	Investors
Pay For Success Financing:	\$2.4 Million	Investor/City/County
Total Amount:	\$11.2 Million	

**Note:** These are estimations, not committed or final costs. These numbers are all subject to underwriting and further diligence with tax counsel, the accountants, and the grant sources, and they remain subject to revision. Once finalized, the estimates are contingent on final approval from the funding sources, the local governments, and the Forest Service.

**8. Is the \$11.2 Million just for trail construction? What about support systems?**

No, the total project cost also includes the necessary structures to support the trail system. The total project cost includes improvements to the Village of Chauncey's sidewalks and roads, abandoned mine land remediation in Doanville and Chauncey, the extension of the Hocking Adena Bikeway to the Chauncey Park (trailhead), improvements to the Chauncey Park, funding for operations of the management of the trail system, advertising and marketing budgets, maintenance needs, entrepreneurial support, and job training.

**9. How does the New Markets Tax Credit (NMTC) Program Work?**

The NMTC is a Federal program that incentivizes investment into low-income communities. The program permits corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments into qualifying projects.

**10. What does that mean for the project and the project funding?**

The NMTC provides an opportunity for Athens to get more for less. Investors provide an equity investment into the trail system in exchange for tax credits. The NMTC equity acts as a subsidy to the project and does not need to be repaid by the City or County.

**11. What is Pay For Success (PFS)?**

PFS is a public financing mechanism in which investors provide up-front capital for a project, with repayment tied to the successful achievement of outcomes. In order to validate if a project is successful, it must be evaluated. PFS is a useful tool for aligning

incentives, shifting the risk to the private sector, and building a financing technique around data and validated outcomes. By connecting investor returns to project outcomes, governments “pay for success” on the back end instead of funding projects up front and hoping they succeed without any accountability or validation.

## 12. Why use PFS?

- **Faster Development, Earlier Returns:** Using Pay For Success provides funding to construct the entire trail system up front over a 1 - 2 year timeframe, rather than over a 10 - 15 year timeframe as grants and donations become available. Completing the trail system earlier allows economic benefits to accrue earlier.
- **Share the risk:** by tying the investment cost to the Baileys’ actual economic impact. PFS provides a payment refunded to local governments from investors if the trail system is slow to mature or is under-utilized.
- **Measure the impact:** so that Ohioans know exactly what they paid for. If we are spending public tax dollars, constituents should be able to know whether the project worked.
- **Improve government spending** by making the cost of the trail system varies with the performance. If the trail delivers less economic impact than expected, it will cost the local governments less.
- **Aligning incentives:** Everyone wins since incentives are aligned: taxpayers, governments, investors, and implementation firms.

## 13. How does PFS work?

Private investors fund innovative solutions, in this case the Baileys Trail System, and take the financial risk that the innovative solution will deliver the economic, environmental, or social outcomes at the levels predicted; in this case, the outcome is an increase in new visitor spending.

## 14. How do we prove “Success”?

- **Who:** An independent third party will conduct an evaluation that will determine the level of new visitation to the trail system. This analysis will determine the level of repayment for the debt service.
- **Methods:** A methodology consisting of trail counters, cameras, intercept surveys will determine the number of new visitors, the ratio of day to overnight visitors, and the spending profile of visitors.
- **Outcome:** The amount of spending will be used in an “Input-Output Model” to determine the impact on the local economy and derived impact on local taxes.

## 15. How does “Success” drive repayment?

The city and county will commit to a minimum repayment of interest only payments. This value will stay the same regardless of trail performance. Every two years, correlating with the analysis of the intercept surveys, the new number of visitors on the trail system will be reported. As the benefit of the system exceeds pre-determined thresholds the city and county will increase their repayment.

**16. Will other metrics be measured such as health or property values?**

Yes, the evaluation presents an opportunity to measure the impact of the trail system on ancillary metrics that are important even if those metrics do not drive the repayment amount. Potential metrics include: the number of new businesses in Chauncey, property values near the trail heads, shoulder/summer season hotel occupancy, community health metrics, etc.

**17. Where will repayment come from?**

While the value to the community and local government goes far beyond these sources, repayment sources must be identified. We expect repayment to potentially come from the three most directly attributable and measurable sources.

- **Sales Tax:** Increase in sales leads to increase in the amount of sales tax collected for Athens County due to new spending.
- **Transient Guest Tax:** Increase in overnight stays leads to increase in the amount of Transient Guest Tax collected for the City of Athens from new overnight visitors.
- **Parking revenue: proposed** parking fees charged at the three major trailheads