

U.S. Forest Service:
Sustainable Recreation Infrastructure
Pay-for-Success Feasibility Report



Executive Summary

In September of 2017, the National Forest Foundation (NFF) contracted Quantified Ventures to assess the feasibility of Pay for Success (PFS) financing to fund recreational infrastructure needs on U.S. Forest Service (USFS) land. Through a competitive process, the Baileys Mountain Biking Trail System (Baileys Trail System) on the Wayne National Forest in Athens, Ohio was selected as the first use case. After seven months of analysis, in-depth conversations with community and national stakeholders, and multiple site-visits to Ohio, Quantified Ventures concludes that it is feasible to fund the Baileys Trail System through a PFS financing approach.

PFS is a financing mechanism in which investors provide up-front capital for an intervention, with repayment tied to the successful achievement of outcomes. It is a useful tool for aligning incentives, shifting the risk to the private sector, and building a financing technique around data and validated outcomes.

USFS is working with Quantified Ventures to pilot PFS financing to finance sustainable recreational infrastructure projects on national forest land. USFS is assessing the viability of using innovative finance techniques to address its \$5 billion in deferred maintenance needs (Vincent 2017). The project with the Baileys Trail System will serve as a case study for the USFS to address deferred maintenance needs and to fund new infrastructure projects.

In collaboration with USFS, NFF, and Quantified Ventures, the Baileys Trail System, a mountain biking trail on the Wayne National Forest, was selected through a competitive process as the pilot project for assessing the viability of using PFS financing for national forest projects.

The Baileys Trail System is on a 9,000 acre parcel of land on the Wayne National Forest in Athens county, Ohio. This land is ringed by miles of abandoned coal mines. Twenty-four years ago, stakeholders for the Wayne National Forest assessed the land and re-envisioned the mining scars as unique terrain for trail riding. Currently, it does not have a trail system, allowing for a blank canvas for the top trail designers in the industry to create the ideal trail system for not only mountain bikers, but hikers and other bike riders. Within driving distance of ~15% of the US population, The Baileys Trail System will be an 88-mile, premier mountain biking destination east of the Mississippi.

The Baileys Trail System presents the opportunity to revitalize one of the poorest and most underserved counties in Ohio. Mountain biking trails have been proven to produce health, environmental, financial, and social benefits for the communities in which they are built. Through a thorough market analysis and

qualitative and quantitative research, Quantified Ventures assessed that The Baileys Trail System will attract over 181,000 visitors per year. In 10 years, these visitors will result in \$6.9MM in higher wages, \$7.3MM in increased tax revenue, \$20.1MM in increased spending, and 66 new jobs in Athens county. Because of the Baileys Trail System, Athens county and the surrounding cities and villages will have the ability to substantially diversify their economy through enhanced outdoor recreation and tourism opportunities.

Funding the Baileys Trail System through an outcomes-based financing approach will represent the first PFS investment into a recreational infrastructure project. The Wayne National Forest will have the ability to be thought leaders in the field of recreational infrastructure and innovative financing techniques. Furthermore, PFS allows for an increase in availability and flexibility of funding, a decrease in the time to build the trail from five to two years, and a more robust data source around economic outcomes.

For this transaction, private investment will provide the upfront cost of building the Baileys Trail System, estimated to be \$5.4MM. Investor repayment will be tied to the economic development outcomes produced from the influx of new visitors to the Baileys Trail System. Athens county, the City of Athens, the City of Nelsonville, the Village of Buchtel, and the Village of Chauncey will form a Council of Governments to serve as the payor, repaying the investors based on the successful achievement of the economic outcomes. The local university, Ohio University (OU), will serve as the evaluator in order to validate these outcomes, allowing for greater transparency around outcomes data, government spending, and national forest and recreational infrastructure usage.

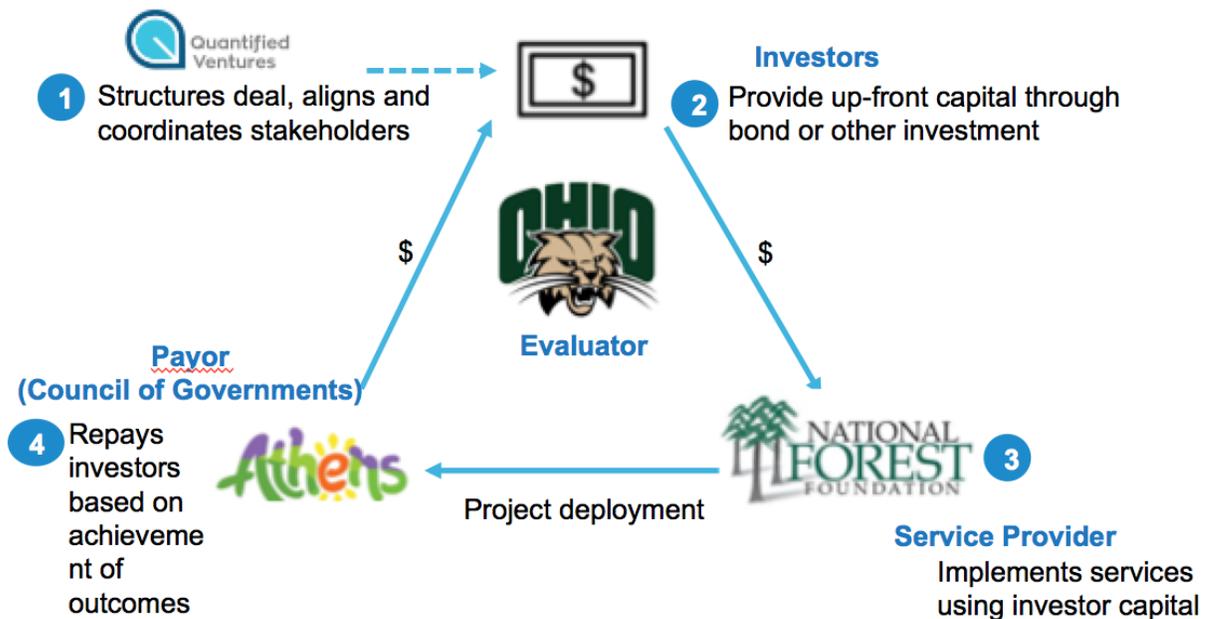


Image 1, Proposed Transaction Model, Quantified Ventures 2018

This Feasibility Analysis outlines the collaborative efforts of Quantified Ventures, the National Forest Foundation, U.S. Forest Service, the Wayne National Forest, Athens county community, and the national mountain biking community. The proposed transaction, as outlined in **Image 2** below, will result in the economic revitalization of Athens, Ohio and will serve as a case study for future PFS transactions on national forest land.

Transaction overview

Project:	88-mile mountain biking trail on the Wayne National Forest
Geography:	Athens and Hocking County in SE Ohio
Target population:	Mountain Bikers coming to ride on the Baileys Mountain Biking Trail
Service providers:	Wayne National Forest, Athens Bicycle Club, Applied Trails Research
Payors:	Council of Governments, including: Athens County, City of Athens, City of Nelsonville, Village of <u>Buchtel</u> , Village of Chauncey
Transaction Term:	5 years
Transaction Size:	\$5.4MM (est.)
Performance metric(s):	<ul style="list-style-type: none"> ▪ Number of mountain bikers ▪ Number of non local visitors ▪ Tax revenue increase ▪ Increase in number of registered businesses

Image 2, Proposed Project Model, Quantified Ventures