



Outcomes-based Contracting for the Baileys Trail System:

Introduction to the Baileys Trail System

Seth Brown | September 9, 2019



Leveraging innovative financing and funding to enable the Baileys Trail System



<https://www.youtube.com/watch?v=RRllp-m1VcA>



Forestry and Land Use Case Study



Multi-payor transaction enables mountain bike trail development in Ohio

- **Outdoor Recreation EIB Goals:**

- Provide much-needed up-front capital to construct new community recreation assets (88 mi bike trail system)
- Engage additional possible payors who benefit from the development

- **Outcomes:** economic development (job opportunities + tax revenue), health, connectivity, environmental restoration

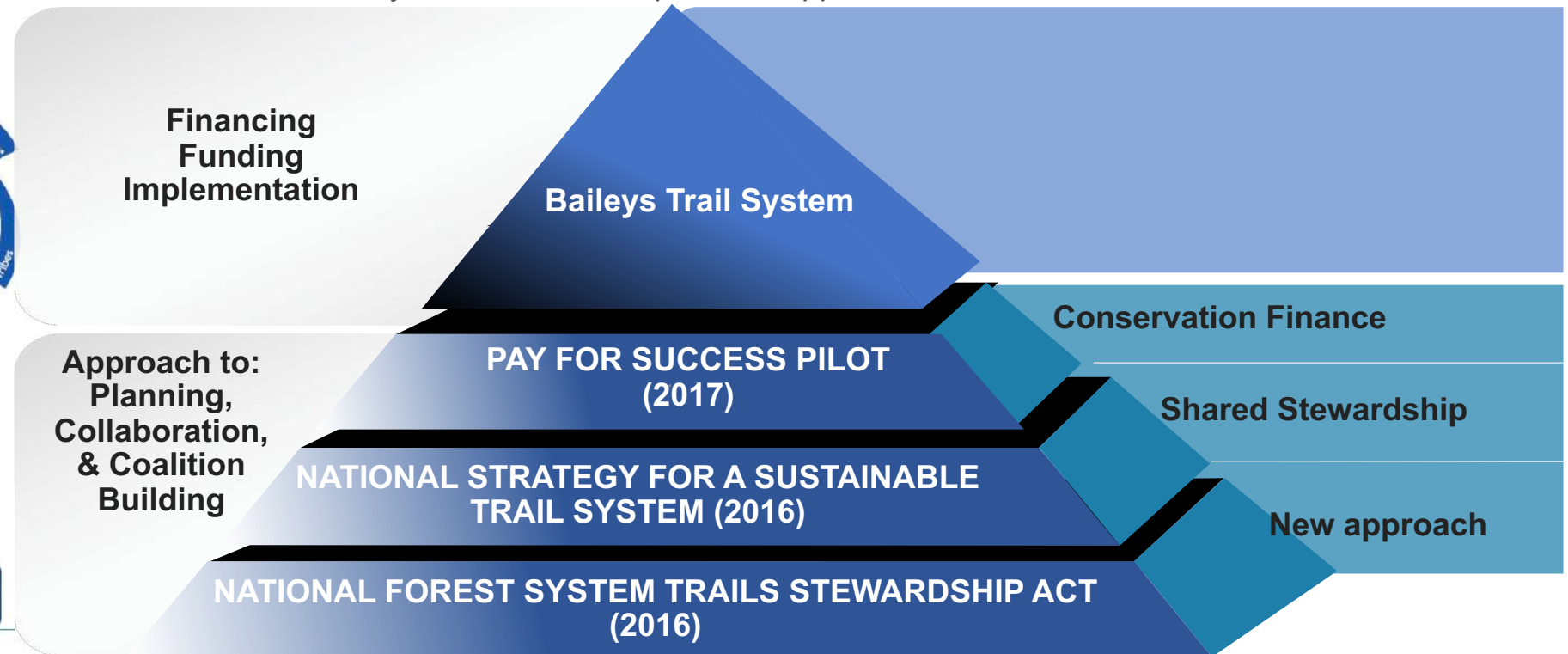


The Shared Stewardship Model has been the foundation for trail development on the Wayne National Forest



Model of Shared Stewardship:

Shifting from the Forest Service attempting to “do it all” to meet the expectations and needs of trail users and stakeholders to a model where the Forest Service trail Users and stakeholders from a collective community of stewards who provide support to and receive shared benefits from trails





The Baileys is a Community-Led Movement with a Long and Growing History of Bringing Together National and Local Leaders

First Idea

- No Traction

Explain Vision, Build Support

- Working Group Formed (Monthly)
- Athens Bicycle Club Agreement with Wayne NF
- Community-led meetings

Sharing the Burden

- | | |
|-------------------------------------|-----------|
| USFS | \$170,000 |
| Biking Industry | \$12,000 |
| County | \$5,000 |
| Ohio Health | \$5,000 |
| Businesses | \$1,000 |
| • <u>Master Trail Plan Complete</u> | |

Selected for Pay for Success Financing Pilot

Removing Barriers

- OU Students completed wildlife, botany, heritage surveys
- NEPA Completed in 6 months
- Decision Memo Signed

Shovel Ready

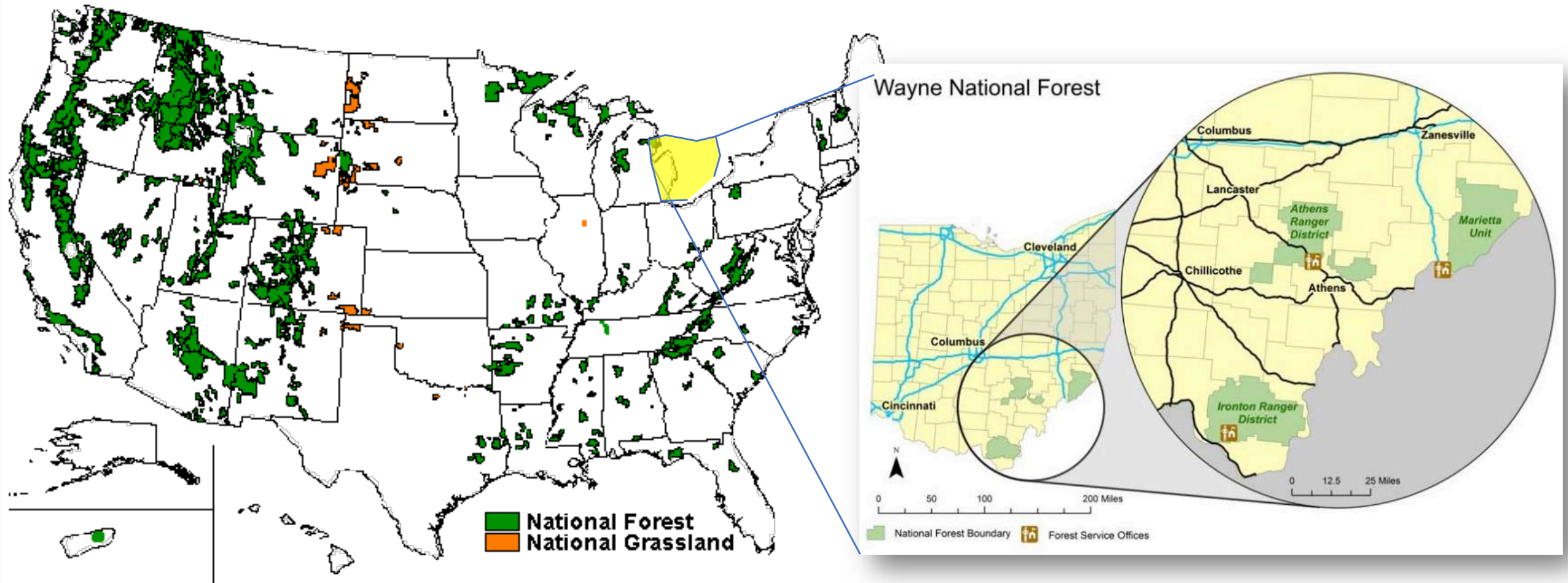
- All miles ground truthed
- Likely, most mileage ever approved under categorical exclusion in Agency History





Introduction to the Wayne NF and Athens, OH

Where? The Wayne National Forest, Ohio's only national forest, is located in the Southeastern part of the state in Appalachia



Athens County has incredible assets that can serve as the foundation to untapped opportunities to capture outdoor recreation enthusiasts

Strong Foundation; Great Potential

- Athens is known throughout the region for it's strong alternative culture that highlights local
 - Beer
 - Music
 - Food
- All of these are the fundamental tenants that tourists value, particularly outdoor recreation enthusiasts

Local Foods



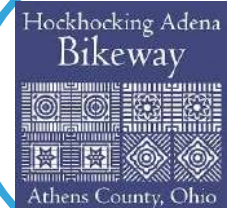
Small Town Charm



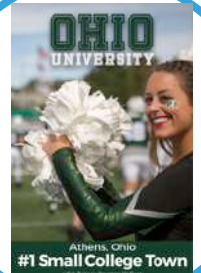
Beer Culture



Bikeway



Universities + CC



Arts & Music



Appalachian Ohio county economic status for 2018



Athens

Three-Year Average
Unemployment Rate: **7.3%**

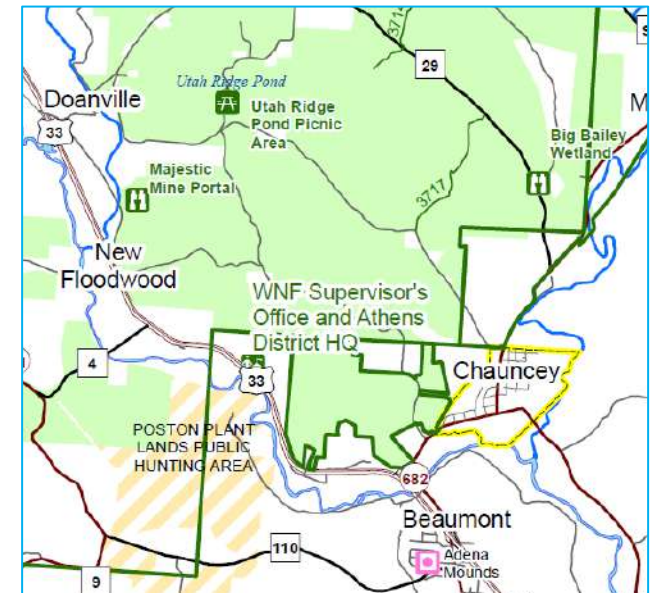
Per Capita Market
Income: **\$23,595**

Poverty Rate: **33%**

Athens County also has small communities with little to no economy, seeking economic development and livability

Forgotten Communities

- No economic development
- Little to no access to safe physical activity
- State highways & railroads bisecting communities

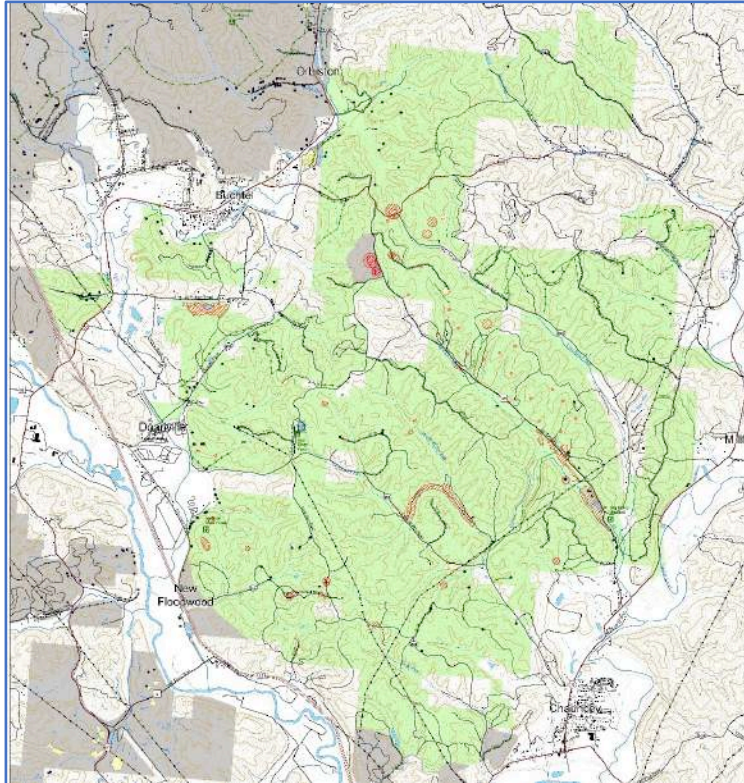




Introduction to the Trail System: Building the Foundation

The Beginning: in January 2016 the team started to re-envision the Baileys parcel, 9000 acres, for the potential of a large scale trail system

A Blank Slate



Initial meeting: January 2016

- 9000 acres
- How to start?
- How many miles to consider?
- What is our vision?
- How will we achieve it?



First Steps

- Two stakeholder meetings in early 2016
 - Determine what is important to communities
- Working group established April 2016
- What do we want in Master Trail Plan?
- Who else should be involved?
- How do we outreach?
- What agreements do we need?
- How do we pay for master trail plan?



The Baileys Trail System Vision: the Baileys will provide SE Ohio with increased health, economic, and social benefits

- Greater spending, leading to increased sales taxes, property values, number of jobs, and earnings
- Economically revitalize the economy and help the region pivot to a sustainable economy
- Trail systems like this one make communities more attractive to newcomers and increase quality of life for locals.
- The Trails bring people together, revitalize communities, and cultivate a sense of place.



- 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.
- Increasingly, influential companies cite access to the outdoors when considering where to relocate or expand

The Goals: the Baileys Working Group had 6 goals to realize this vision



Develop a Trail Master Plan



Complete Environmental Analysis



Fundraise: money from grants, donations, etc. to build trail system



Construct the Trail System



Build Community Capacity



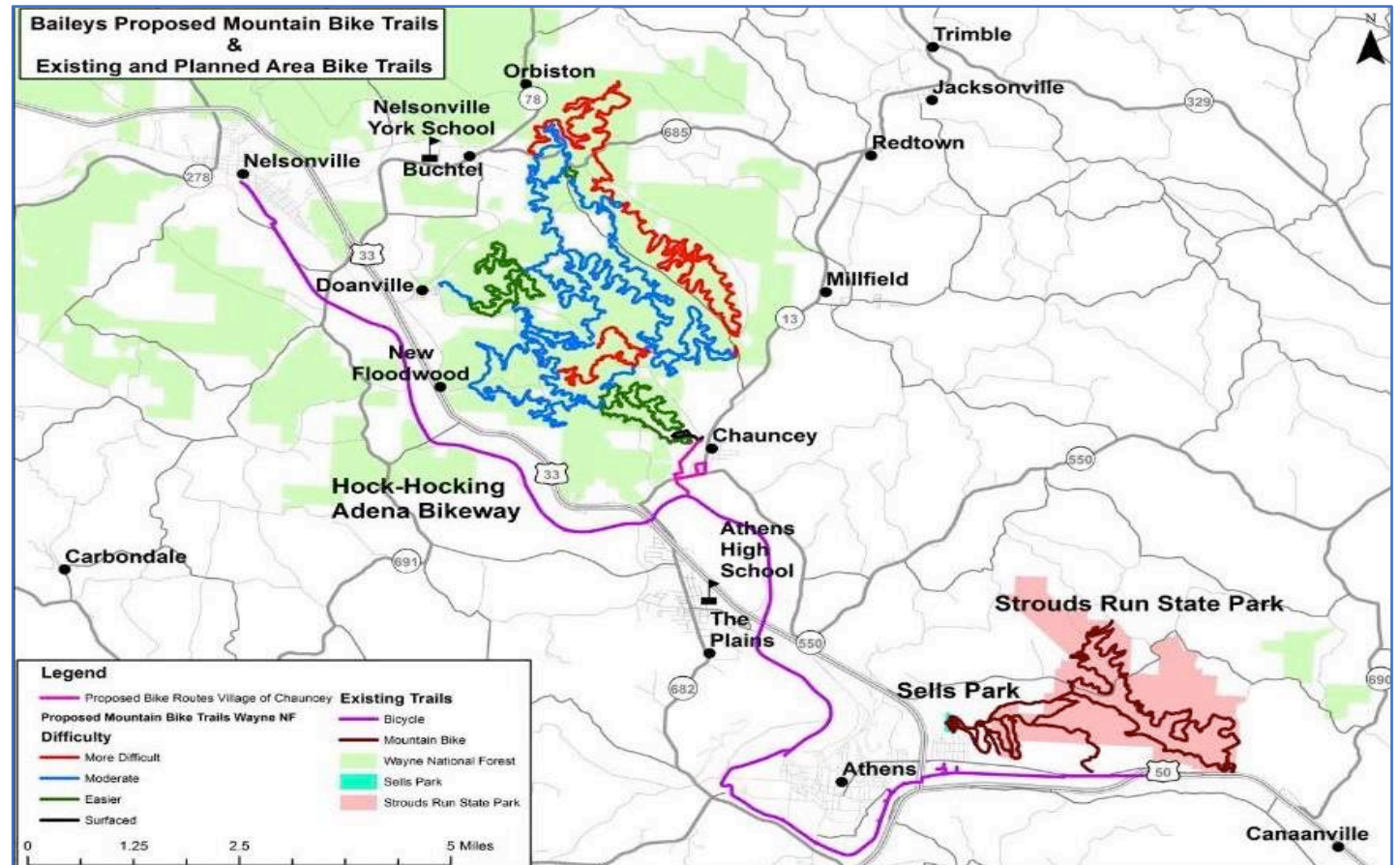
Create Lasting and Sustainable Economic Impact



Goal 1. Master Plan. The 88 mile trail system. designed by Applied Trails Research, will provide access for varied users with trailheads in 3 communities

Total Miles	88
Beginner	18%
intermediate	59%
Advanced	23%

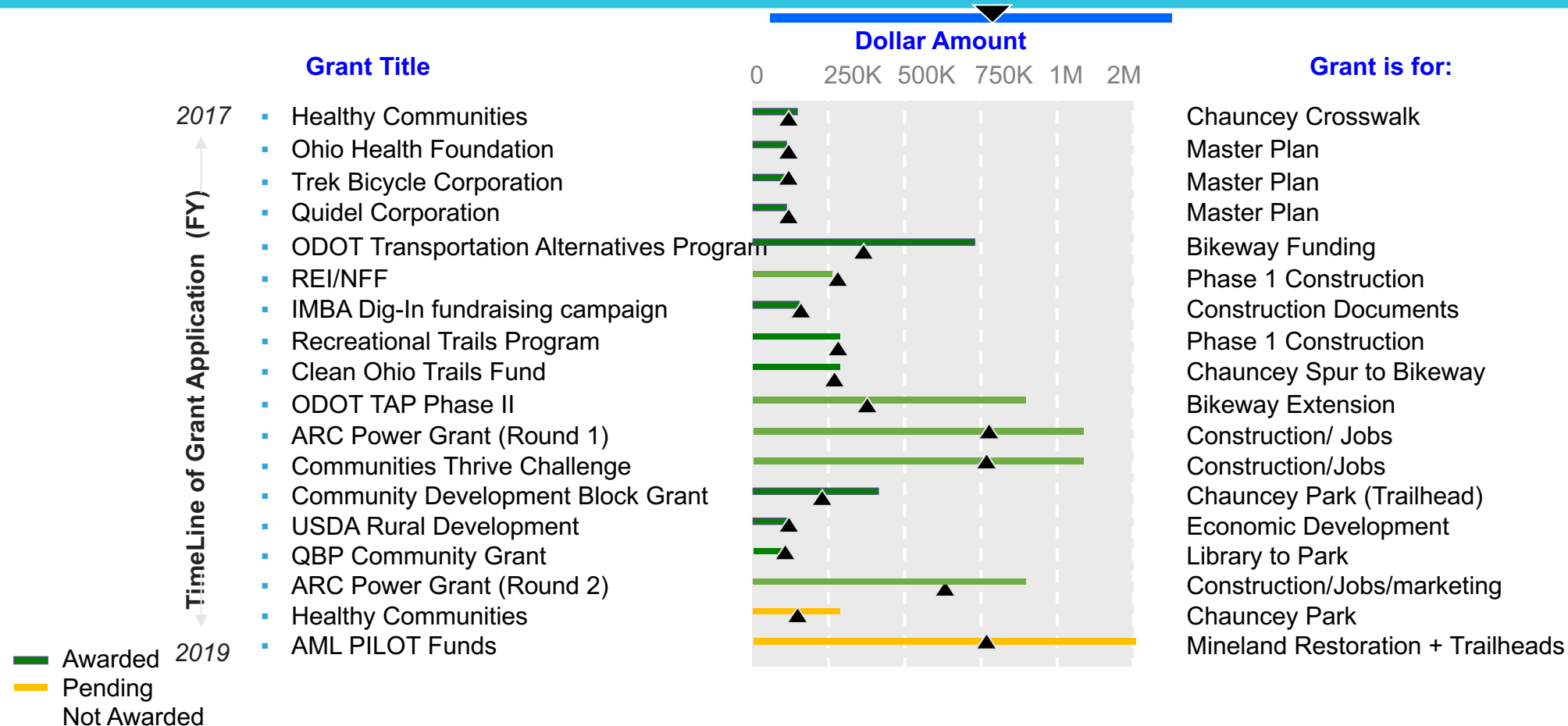
- Trailheads in:
 - Chauncey
 - Doanville
 - Buchtel
- Designed for:
 - MTB optimized
 - Trail Runners
 - Hikers
 - Nature Watchers
 - Backpackers
 - Educational Opportunities





Goal 3. Fundraise

Arrow = Amount of Grant towards the Baileys





Introduction to Quantified Ventures and Pay for Success

The USFS is looking for innovative solutions, including PFS, to solve a vicious cycle of budget constraints, appropriations law, and rising fire costs

Trail Stewardship Act....

Budget Constraints

- The 2019 Budget proposal recommended a 74% reduction in capital towards improvement and maintenance



Anti-Deficiency Act

- Appropriations law requires all funds to be allocated for projects in year zero.
- USFS cannot finance off of the expectation of future appropriations

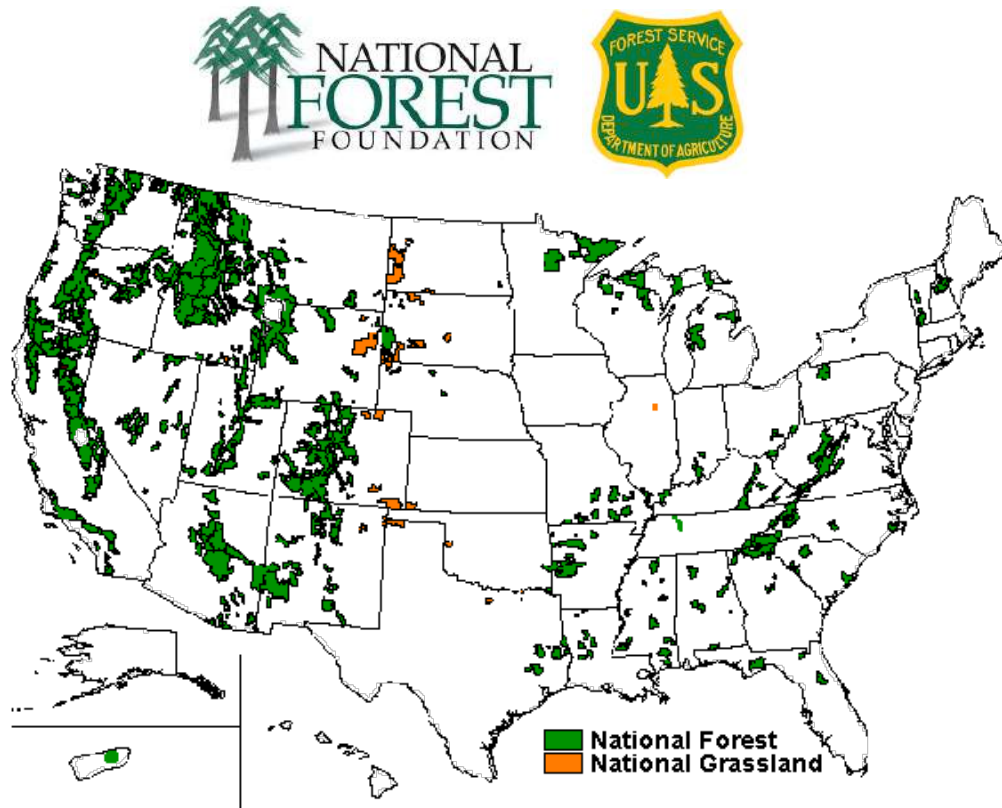
Fire Borrowing

- Cost of Fires has risen and represents more than 50% of the USFS budget as compared to 16% in 1995
- If costs exceed budget, funds are borrowed from other programs, including those that prevent fires, increasing the problem

Resulting in...

- \$5.5 Billion in deferred maintenance
- Current funding is a “drop in the bucket” to address these needs
- Large scale and long term capital projects are difficult to fund
- There is a need for innovative solutions

The National Forest Foundation and the USFS contracted QV to assess if PFS can fund recreational infrastructure; the Wayne NF was selected as the pilot



Competitive process

- 13 National Forests (~10%) applied
- Sites were selected based on:
 - Project impact
 - Planning phase
 - Need
 - Costs
 - Environmental approval
 - Proximity to population centers

Selection of top site

- Wayne National Forest in Athens, OH was selected as the top site out of all applications
- Their recreational infrastructure project is the Baileys Mountain Biking Trail System



Feasibility Report Summary: Economic Impact of Outdoor Recreation



The feasibility begins with the selection of a project and ends when we have engaged a payor whose benefits of the project outweigh the investment

Project Selection

- Project seems to produce strong, impactful outcomes and is within the cost range to justify the transaction costs

Outcome Evaluation

- What are the outcomes of the project?
- Are these outcomes measureable?
- Are these outcomes validated and supported by 3rd party research?

Stakeholder Map

- Who are the key players in the project development?
- Where do the outcomes accrue to?

Cost Benefit

- Do the outcomes accruing to the potential stakeholders outweigh the costs of the project?

Payor Engagement

- Does the stakeholder have a “willingness to pay” for the outcomes?
- What is the risk of the project?
- Does the risk outweigh the cost of evaluating the risk?

Despite numerous non-monetary benefits, our goal is to identify benefits that can be financed; therefore, we focused on economic outcomes

1

Health

2

Environmental

3

Economic Development

4

Intangible

The Baileys trail will be an opportunity for regional economic development.



The Baileys will become a premier mountain biking destination leading to **greater utilization and visitation**



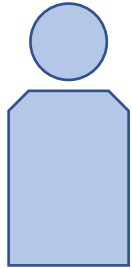
Greater visitation will result in increased spending from across local industries and communities.



Increased spending results in **increased earnings, tax revenue and job opportunities**

Studies show that many mountain bikers are affluent people who are willing to travel to ride their bikes and spend money when they do

Mountain biking is a growing industry



- 40 million people mountain bike per year in the US, growing at 3% per year
- 750K mountain bikers reside within driving distance of the Baileys
- Average group size is 2.5

Mountain bikers travel to ride



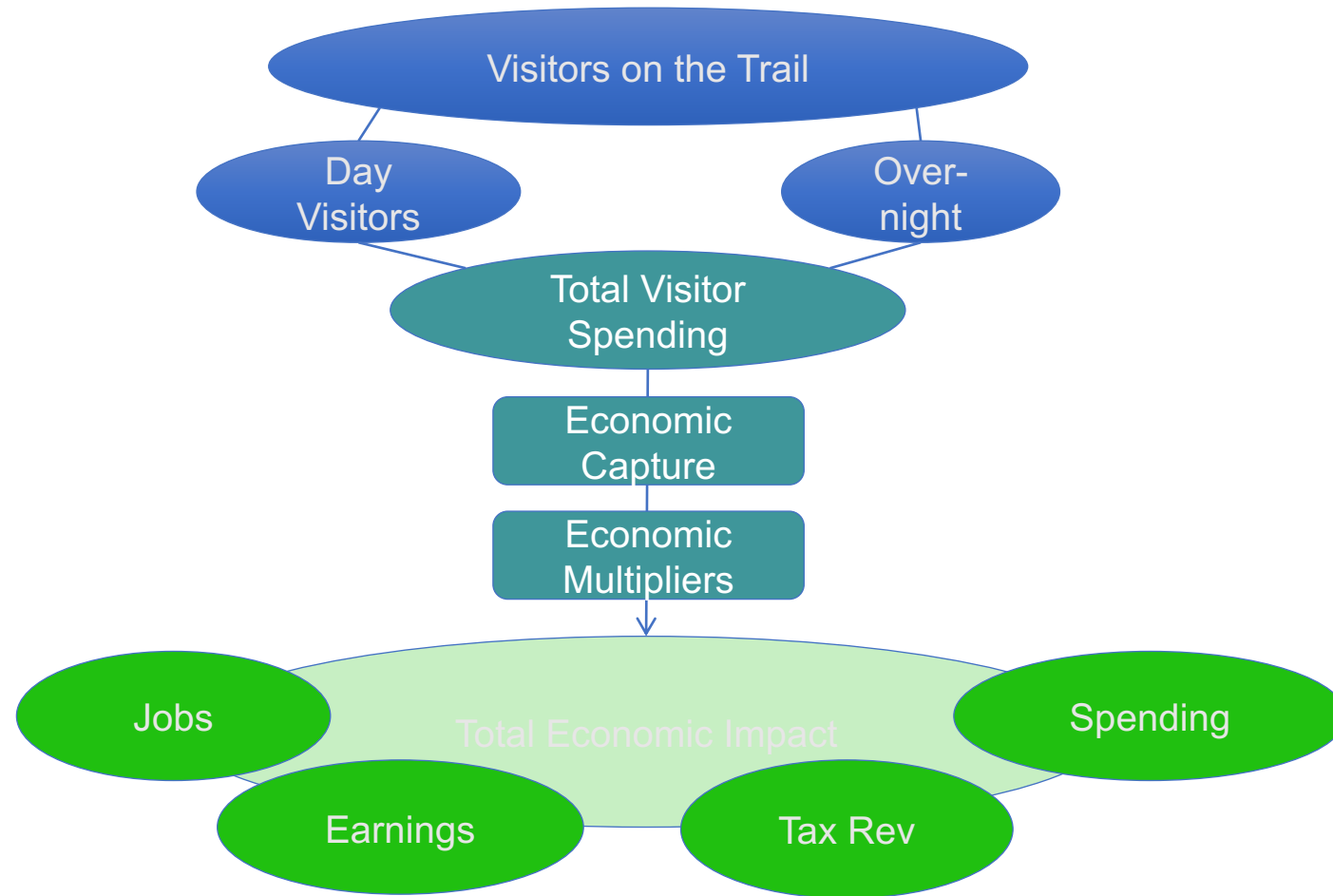
- 62% of mountain bikers travel to ride because they want to ride new trails
- 27% of mountain bike trips are overnight
- Overnight trips last an average of 2.5 days

Mountain bikers spend money on their trips



- 55% have a household income level greater than \$80,000
- Mountain bikers spend \$52 per day trip and \$234 for overnight trips
- Some estimates have averaged \$380 per trip

We can calculate the economic impact from the Baileys across four key outcomes: the increase in jobs, earnings, tax revenues, and spending





The benefits of outdoor recreation infrastructure is increasingly recognized by economic development agencies and economists alike

Appalachian Regional Commission

- In 2017, the ARC awarded \$1MM in grant money to Fayetteville, WV for MTB trails
- Publically stated they believe it will have a 3 to 1 ROI in economic growth from increased visitation
- Listed Social Impact capital in the ARC Power RFP

Iron Range Resources and Rehabilitation Board

- In 2018, the IRRRB awarded \$4.95 million for 92 miles of mountain bike trails in NE Minnesota
- The goal of the trail is to “improve the quality of life for residents, and help attract and retain professionals and families to the region”

Bureau of Economic Analysis

- 2018 Outdoor Recreation Satellite Account
- For the first time in its history the BEA began to assess the impact of outdoor recreation on US GDP

Abandoned Mine Land Pilot Fund

- In 2018, The AML Economic and Community Development Pilot Program awarded \$2.25 Million dollars for the Clear Creek Trail in Whitesville West Virginia

Outdoor Recreation Association

- In 2018, ORA analyzed the economic impact of outdoor recreation in congressional districts nationwide
- Ohio’s outdoor recreation economy generates \$24B in consumer spending, \$4.2B from out of state visitors

Mountain biking trails, in particular, have been studied extensively on their ability to revitalize economies across the US

There are over 50 case studies of US towns being economically stimulated by the \$6B mountain biking industry



Case studies have shown that mountain biking is a catalyst for development

There are over 50 case studies of US towns being economically stimulated by the \$6B mountain biking industry

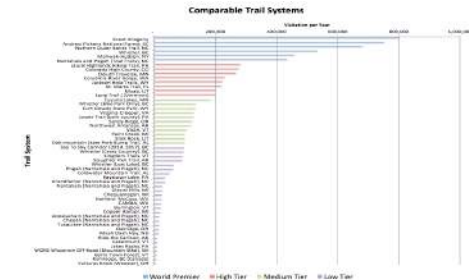


We Estimate the Baileys Will Draw 181,000 Visitors a Year at maturity, this analysis is based on Comparable Trails, Market Size, and Industry Interviews

1

Comparable Trails

- We assessed the visitation of over 50 trails and divided them into 4 tiers: low, medium, high, and world premier
- Conservatively we believe that the Baileys will perform as a medium or high tier trail system, with an average of 181,000 rides a year



2

Market Sizing

- Ohio is within 1 day's drive of 60% of the population. We conservatively estimated the market size of MTB of 15% the US
- We used industry and state data on the number of mountain bikers locally and nationally



3

Interviews with industry

- Interviews with representatives from the mountain biking industry and tourism boards indicated that the Baileys will be a high performing trail



Applied Trails Research
Science-first approach to outdoor recreation

QBP





Market Sizing Indicates That 181,000 Visitors is Feasible With Roughly 1 Million Mountain Bikers Living Within 250 Miles of the Baileys

- Hocking Hills State Park, 30 minutes from the Baileys, draws ~4 million visitors a year, visitation comparable to Yellowstone and Yosemite
- Amazon is investing in distribution centers in Ohio because it is within a day's drive of 50% of the country's population (NPR, Amazon)
- Gov. John Kasich says 60 percent of U.S. population is within 600 miles of Ohio (May 2011), rated "True" by Politifact



POLITIFACT
OHIO

184.9 million U.S. residents live within 600 miles of Ohio
(59.9 percent of the U.S. population of 308.7 million)



Major cities (hours drive)

- | | |
|--------------------|------------------------|
| — Columbus (1.5) | — Indianapolis (4) |
| — Pittsburgh (2.5) | — Detroit (4.5) |
| — Cincinnati (2.5) | — Buffalo (6) |
| — Lexington (3.5) | — Nashville (6.5) |
| — Cleveland (3.5) | — Washington, DC (6.5) |
| — Louisville (4) | — Chicago (6.5) |

	Population	Mountain bikers
75 Miles	3MM	100K
250 Miles	34.6MM	1MM
National	325MM	7.5MM



Industry Interviews Indicated that the Baileys has Already Garnered National Attention

“You don’t understand! This never happens....for the top firms to design trails on a blank canvas...specifically for mountain biking.” – Andy Williamson



“Many of us are **looking to buy property** near the trailheads at Chauncey. Not only as an investment but for our own personal use.” – Dan Fausey



From Fayetteville's report: “They’re staying at the Airbnbs in the downtown. They’re eating in our restaurants. They’re visiting our breweries and going to Crystal Bridges.” – Fayetteville, AR Regional tourism official

“The international mountain bike conference benefited [our business] more in a two-day period than [other festivals that have occurred while] we’ve been here.” – Fayetteville business owner



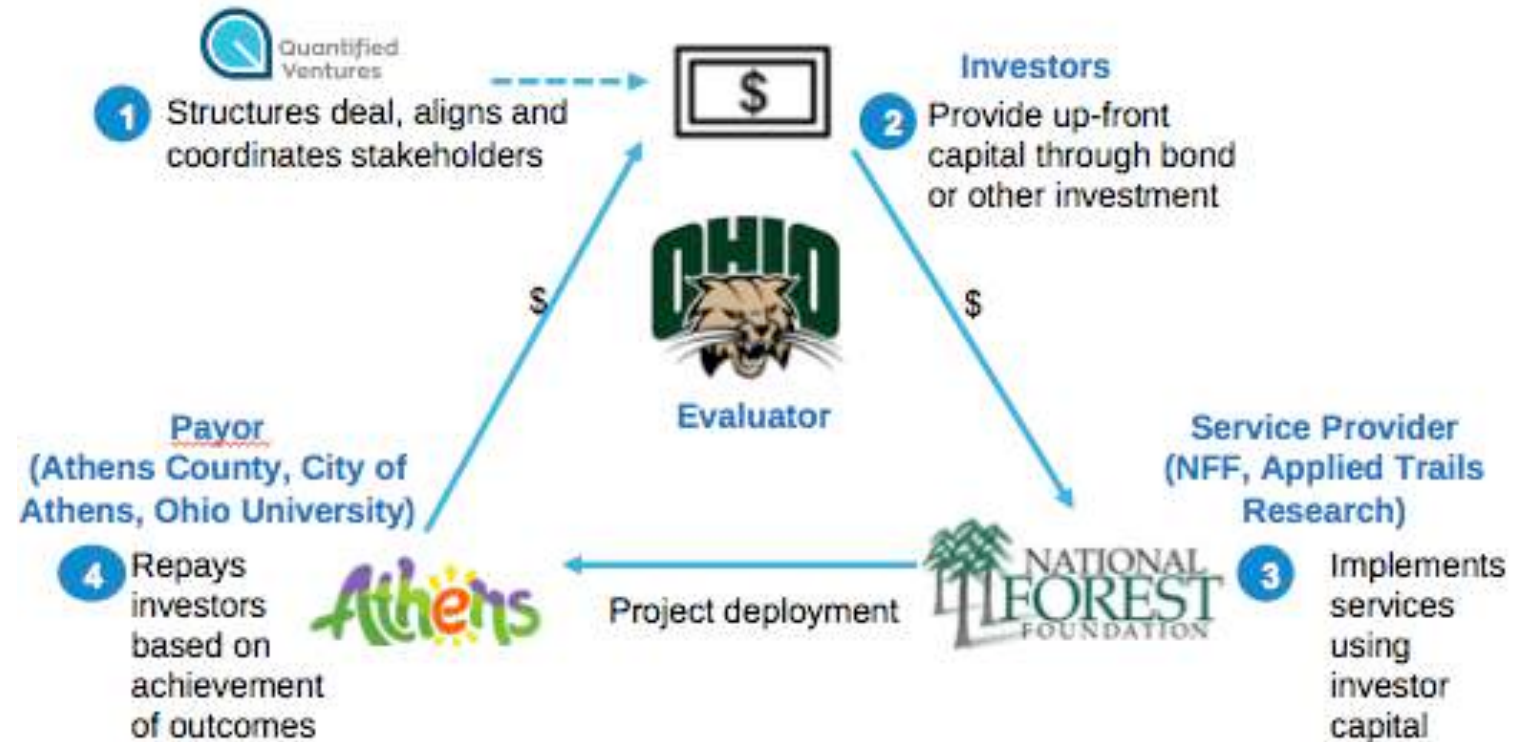
Outdoor trails systems nationally have their eyes all on the Wayne NF. We’ve been asked to speak at the Rural Impacting Investing Conference, Partners Outdoors RECX, the International Trails Symposium, and the International Mountain Biking Trail Lab



In April 2018, QV finished its report and concluded that it is feasible to fund the Baileys Trail System using PFS with three potential payors

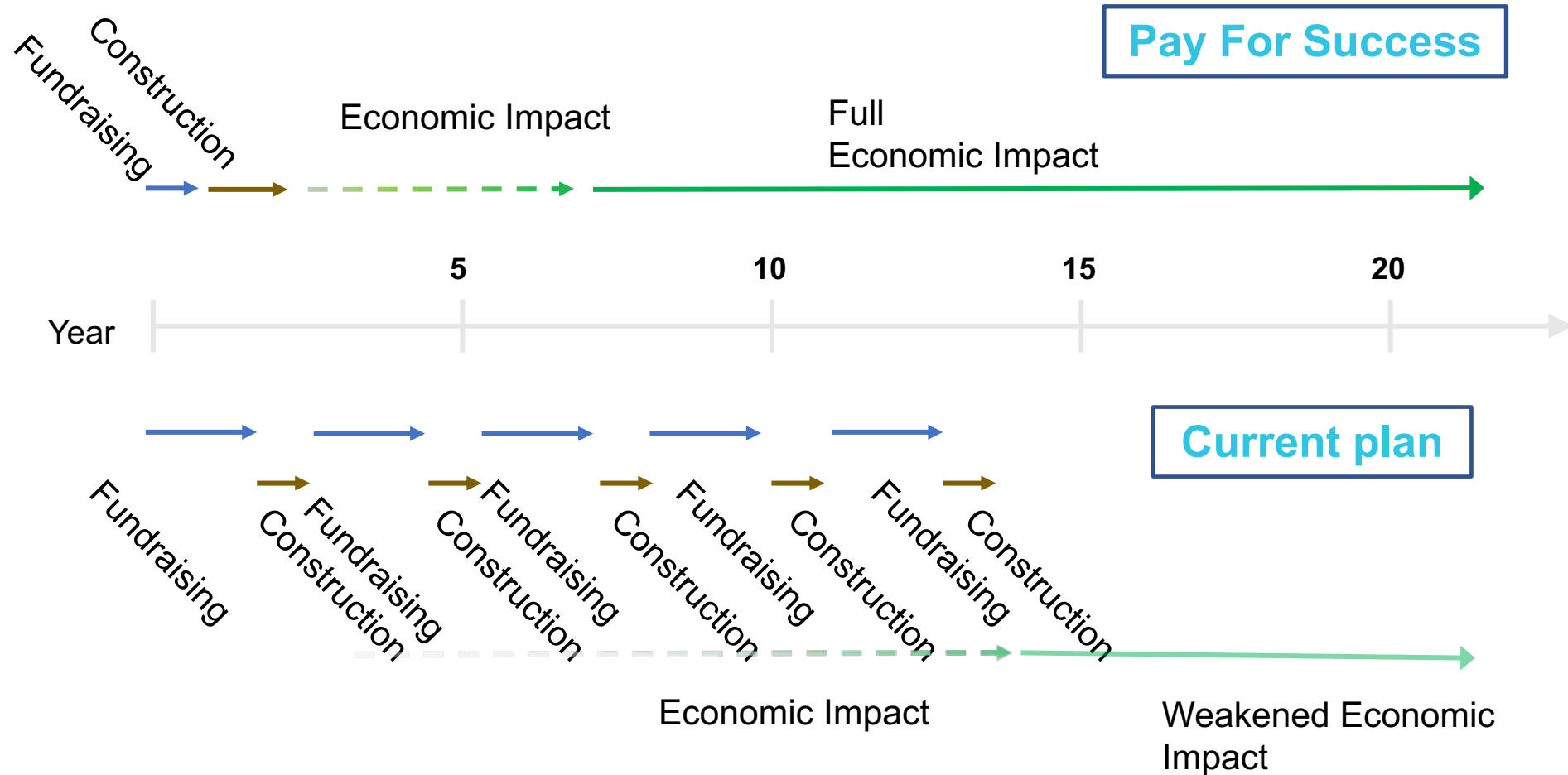
U.S. Forest Service: Sustainable Recreation Infrastructure Pay-for-Success Feasibility Report

PREPARED BY QUANTIFIED VENTURES | APRIL 16TH, 2018





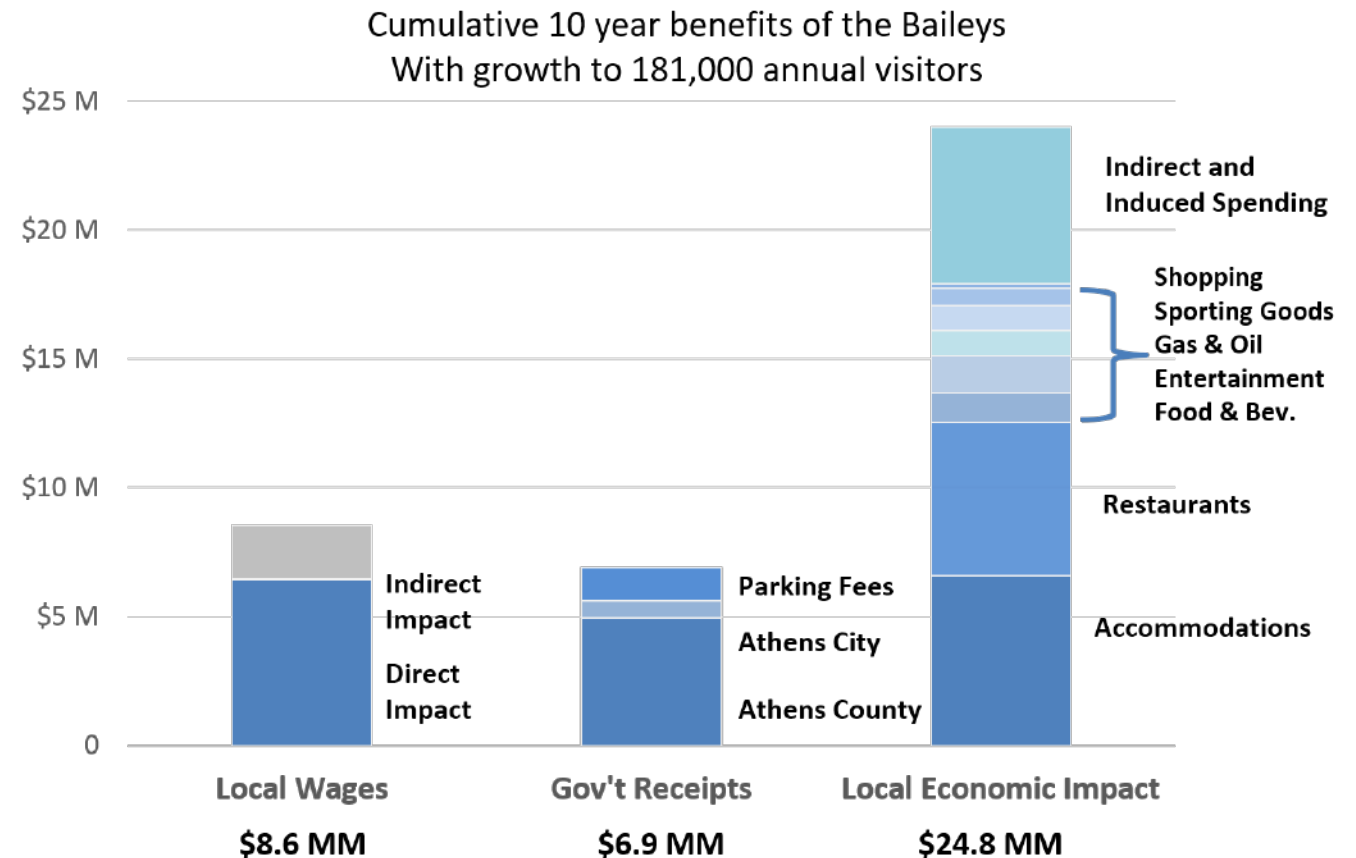
Using Pay-For-Success to put shovels in the ground actualizes economic gains years in advance





The 10 year cumulative benefits indicate the Baileys positively impacts the economy through an increase in earnings, tax revenue, jobs, and spending

- **Increased Local Spending:**
 - ~\$25 MM
- **Additional wages:** \$5.28 MM
- **Gov't revenue:** \$5.5 MM
- **New jobs:**
 - 72





Using Pay for Success to finance the Baileys Trail allows Athens to overcome the four barriers to financing the trail

	Problem	Solution
Availability & Flexibility of Funds	Funding sources, from multiple agencies, are not currently available nor guaranteed in the future	Payment is provided by impact investors and can fund multiple aspects of the track and can be used more freely than grant or public funds including maintenance and marketing
Decreased construction Time	Current plan is to fund the Baileys in 5+ years, each year will require a new funding cycle	Turns a 5-7 year project into a 1.5-2 year project, allowing benefits to accrue immediately and to capture the “excitement” in the mountain biking industry
Mitigating Performance Risk	What if the trail does not bring economic growth? What if this specific trail isn’t visited by bikers?	PFS passes this risk to private investors. Sharing in the upside to mitigate the downside of poor performance
Measuring Impact	No measurement of economic growth or impact	Tying repayment to outcomes increases transparency and allows payors to pay when outcomes are achieved. Moves away from a “faith based” approach of policy making



Building the entire trail system at once accelerates and increases the overall impact

- Local economic impact from greater visitation in first 10 years
 - ~140 new jobs
 - ~\$25m increase in local economic spending
 - ~\$7m increase in local government taxes and parking receipts
- Improved health and well-being
- Increased land stewardship as part of trail development
 - Abandoned Mine land remediation
 - Decreased illegal dumping
 - Compliance with floodplain regulations



The project is enabled through a combination of government funding, philanthropic contributions and innovative financing





Impact Evaluation to Drive Repayment

Impact Evaluation Framework

Evaluation criteria

- What are impacts/outcomes of the project?
- How do we define “success” ?
- What is the performance risk?
- What is impact of the poor performance?
- What is the story that needs to be told?

Why to measure?

Constraints to Implementation

- Payor tolerance?
- Is it feasible?
- Proxies vs. Outcomes?
- Level of attribution?

What to measure?

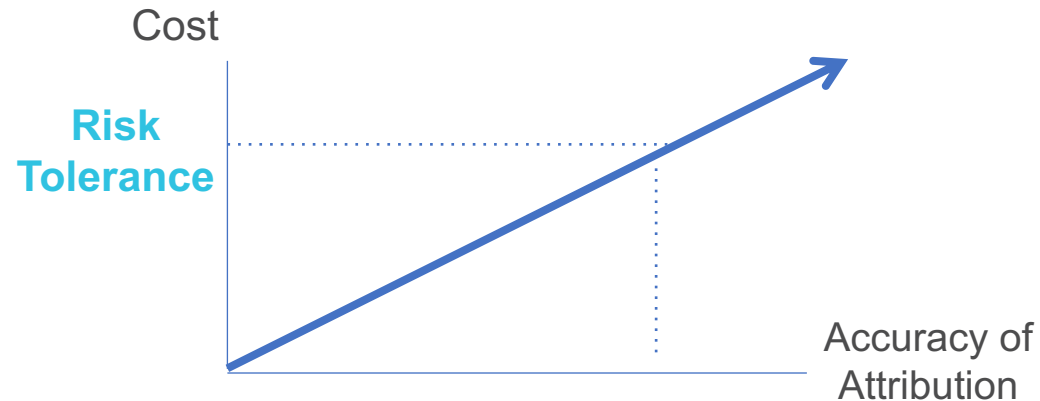
Implementation

Sources,
Methods,
Tools,
Frequency,
Analysis

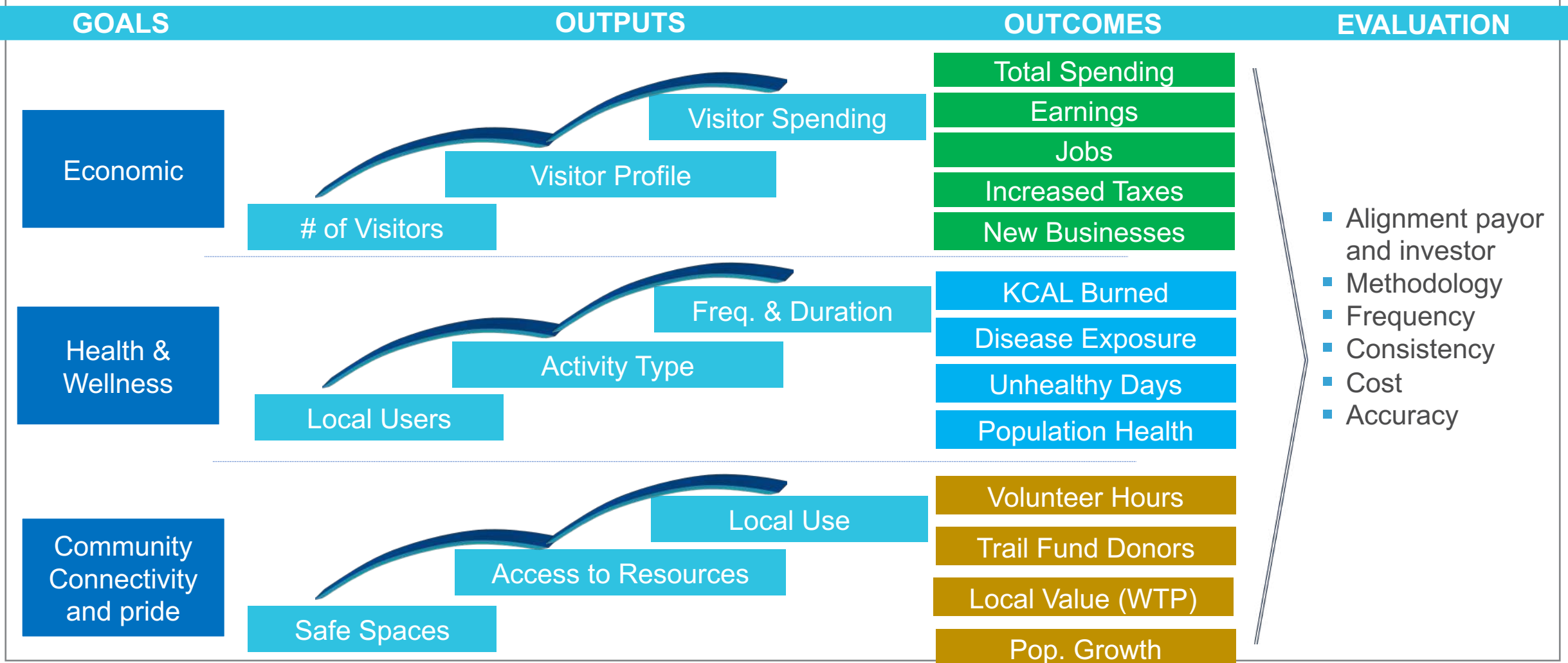
Year 0 → Year 7
Consistency Over Time

Sources,
Methods,
Tools,
Frequency,
Analysis

How to measure?



Evaluating the trails impact and tying performance to repayment

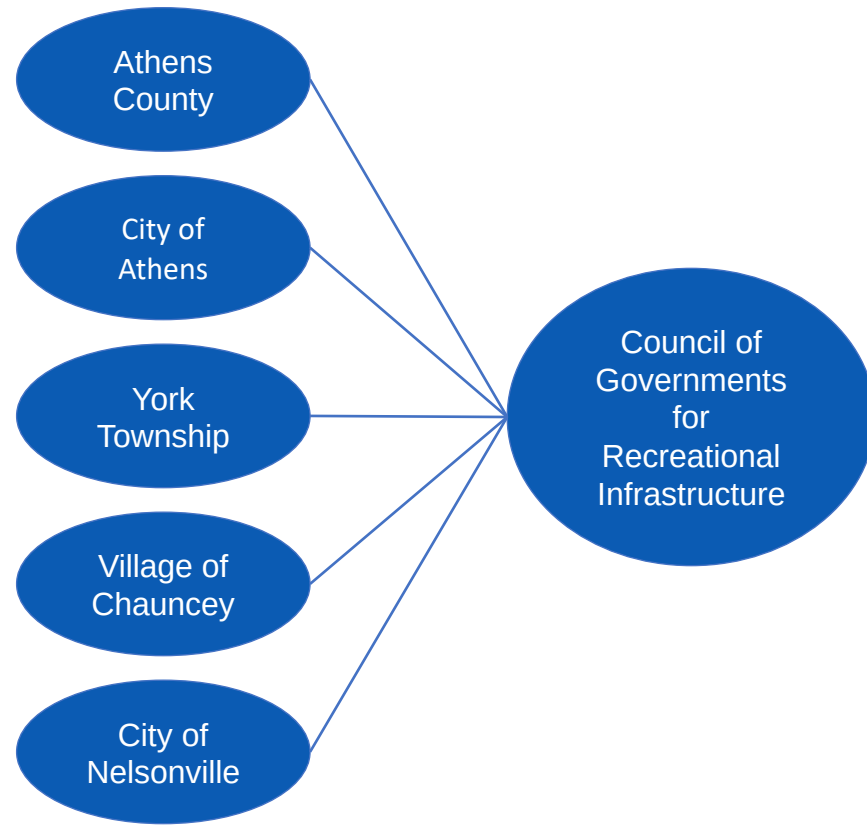




Goal 5: Build Community Capacity



Given that benefits are dispersed among the municipalities and stakeholders of Athens county, a COG allows for a legal framework to maintain and operate trails



Council of Governments

- Forms the necessary structure by which multiple government bodies can come together under one pre-existing entity to make decisions and hold and disperse moneys
- Allows for other parties to also be involved, when necessary, even if they are not putting forth any money for the project
- Is a structure that government bodies are comfortable with, allowing for an easier transition into transaction structuring
- Will be used for future cross-boundary recreational infrastructure projects



Goal 5. Build Community Capacity

Architectural Structure of the Council of Governments (Detailed)

OUTDOOR RECREATION COUNCIL of APPALACHIA (ORCA)

Advise/Inform Policy

Policy Decisions

Implementation

Advisory
Committee

Outdoor Recreation Users

Private Enterprise

Resource Preservation and
Conservation

Education and Workforce

Outdoor Recreation Managers

Economic/Community
Development

Infrastructure and Land Use

Health and Wellness

Caucus
members

Influence/Engage/Hold Accountable

Voters

Members
(Pol. Sub. Div)

Athens
County

Athens (City)

York
Township

Nelsonville

Chauncey

Other/
Future

Legislative
Bodies

Staff
(potential)

Executive
Director

Future
staff

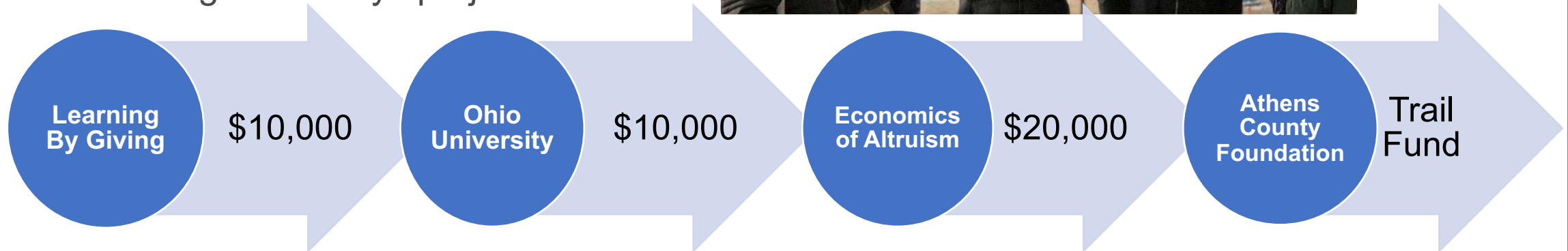
COG
Board



Goal 6. Create Lasting and Sustainable Economic Impact

Economics of Altruism

- Julie Paxton, Professor
- Class studies social value investing; researched 3 local non-profits interested furthering the Baileys project.

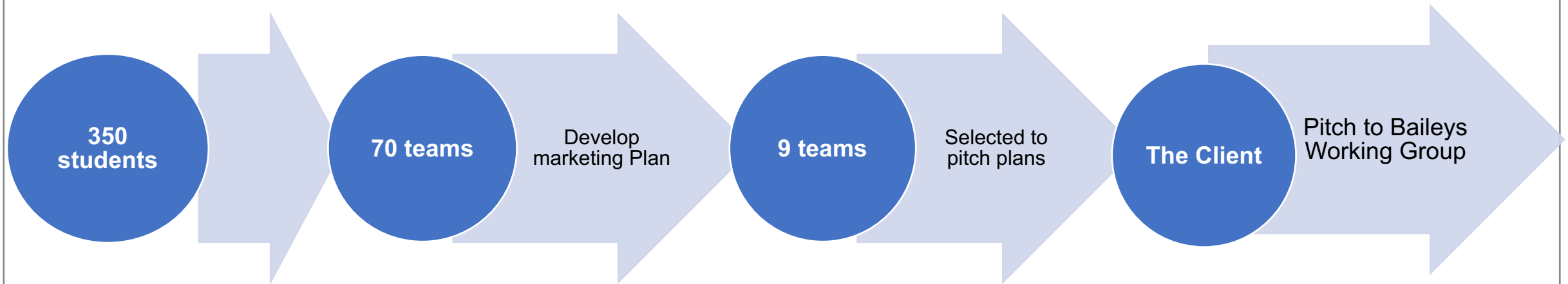


**"Tell me and I forget.
Teach me and I remember.
Involve me and I learn."
- Benjamin Franklin**



Goal 6. Create Lasting and Sustainable Economic Impact

Marketing Cluster: Project: Develop Baileys Trails Marketing Plan





Goal 6. Create Lasting and Sustainable Economic Impact

Building partnerships and community support





While we talk about economic benefits, we cannot forget the bigger picture

“While recreational resources bring tourism revenues, their **greatest value is in enhancing the quality of life of residents**. The existence of parks, trails, nature preserves, and other recreational opportunities make Athens County a desirable place to live, and further development of these resources will help attract future residents.”

(Athens County Comprehensive Plan, p. 99)



Questions and Discussion