

Session 1 – Small and Underserved Landowners and Ecosystem Markets

Notes submitted by J. Mason Harris, Duke University

Moderator: Mikki Sager, Food Driven Strategies, LLC

Panelists: Nikola Smith, US Forest Service; John Fenderson, Croatan Institute; Danyelle O’Hara, Center for Heirs Property Preservation

Key Takeaways:

- In the US, many areas with high biodiversity also have small property sizes and poor socioeconomic conditions
- Larger landowners and larger parcels are typically prioritized over smaller parcels for conservation actions. Typically, low-income communities own these smaller parcels, which adds to the imbalance of power and opportunity for underserved groups
- Conservation practitioners need to work more effectively with small landowners to help enable value generation from their properties

Session Summary:

Mikki began the session by describing small and underserved landowners as “often thought about but overlooked.” She showed a map of the US that equally weighted biodiversity, climate, and equity which highlighted overlaps between these factors in the southeast, southwest, and California. Mapping technology has been critical for prioritizing conservation decision-making, but often excludes social and economic conditions.

The reality is that people in these places have been taking care of the land for generations. Mikki posed the question: How can we work more effectively with them to address interconnected social and environmental challenges? The panelists each spoke about their work and programs.

Nikola Smith, USFS: Inflation Reduction Act – Forest Landowner Support Program

The U.S. Forest Service received significant funding from the IRA to help small landowners access ecosystem markets. The team working on the program is about one year old and currently working through what emerging markets for climate mitigation or forest resilience specifically entails. The purpose is to explore emerging private markets as a new revenue source for small landowners and address social and economic challenges for these populations. This program made its first awards in spring, 2024, and is accepting applications through August, 2024.

Specific points about the program include:

- Process still ongoing for defining what is an emerging market for ecosystem services
- Potential opportunity areas include emerging markets related to greenhouse gases, water quality, biodiversity/habitat, watershed and floodplain restoration, non-timber forest products, and agroforestry
- The program is very partnership-based

- Applications are open to addressing barriers to market entry
- 70% of awards will benefit underserved landowners
- There is interest in proposals and strategies that also attract new sources of capital

John Fenderson, Croatan Institute

John Fenderson is a forester with a background in finance. He has previous experience working on the ground, working with Bank of America's timber division and helping people navigate family dynamics around property. His career interests are diverse but what has been consistent is his work as a forester with small rural landowners, primarily in the south. Across his work, he often comes across people who have left their place or origin, but eventually move back and face issues when seeking to find out what they can do with the land in their family. Regardless of the property size, people have questions about what to do with it, especially when multiple owners or family generations are present.

The goal is to turn the land from a liability to an asset. Instead of just paying taxes on it, managers and landowners work together on creative ways to generate revenue streams and plug into the myriad of opportunities related to conservation. A common issue, however, is that larger properties typically get more attention from practitioners.

An example of the challenge from an agency program officer perspective is that to maximize efficiency with the acreage covered and dollars spent, it's easier to work with larger landowners. Working with small landowners creates more contacts and more work. The solution needs to come from policy makers to help enable managers who can redeploy efforts towards smaller landowners.

Danyelle O'Hara, Center for Heirs' Property Preservation

The Center for Heirs' Property Preservation's constituents are 100% underserved landowners. These properties are passed down from generations without a will and the heirs own it together (tenancy in common) with fractional interests involving potentially hundreds of people. This unstable form of land ownership often occurs in poorer, under-represented communities and is highly vulnerable to development pressures. Use of land as an asset is critical to keep properties out of Heirs' property.

Landownership in Black populations over the last century went from 16M acres to 4M acres (leading to a conservative estimated loss of \$326B in wealth). Heirs' property is the leading cause of this land loss.

Why is heirs' property a problem? A lack of clear title can create a cycle that can continue for generations. Lack of title ownership and issues reaching family agreement creates barriers to accessing government programs and general use of the land for economic benefit, leading to partition sales of vulnerable properties.

The Center is essentially a nonprofit legal group that helps address Heirs' property through prevention, resolution, utilization, and amplification. They have partners in six states and are

helping them build direct legal services. Partnerships are essential to preventing Heirs' property situations and developing solutions for these properties.

Forestry has been a key strategy for generating economic benefits from land. The Center created a forestry department in addition to legal and outreach capacity. The Sustainable Forestry & African American Land Retention program, launched in 2013 by the U.S. Endowment for Forestry and Communities, has been essential to addressing Heirs' property issues.

Moderator Question: What are some important roles that small acreage landowners play and what are barriers/challenges they face? Is this evolving in the context of climate change and access to markets?

- John: An example from Tennessee highlights trends in land use change associated with development from the energy transition. There is a proposed battery facility for electric vehicles in the Hatchie River watershed in west Tennessee, which is one of the last untouched rivers in the area. Many counties don't need treatment facilities because of the land uses in the watershed. Now, landowners are receiving letters of interest in their properties. It raises questions around what do you do and do you continue holding your land and paying taxes on it? Many small landowners struggle with these situations caused by tremendous land use change and development. Getting people together around watershed planning, ecological corridors, and social economics is needed and policy makers need to consider the small landowner and ramifications of decisions we make now.

Moderator Question: What are the past successes and current opportunities from conservation finance perspective?

- Danyelle: The Sustainable Forestry & African American Land Retention program has been a successful bridge between landowners and agencies for securing government funding, resolving Heirs' properties issues, getting forest management plans, exploring things like carbon markets, and enhancing education. They are also piloting (with the American Forest Foundation) entry to the family forest carbon program and (with WWF) a pilot program with corporate partners to better engage small landowners for procurement.
- John: Transformational finance is a common thread at Croatan Institute. Place-based finance, meeting people where they are in rural communities, and doing experimental financing approaches, also applies here. Regenerative agriculture has had a multiplier effect for farmers where costs decrease over time and benefits accrue to society as a whole. Engagement of key stakeholders is critical because trust-building is a foundational principle for small landowners, and you need to account for cultural and place-based nuances for relationship development. Participation also has to be easy, or most people won't do it.

Question from the audience: How do you ensure the time commitment involved for the landowner is worth the economic benefit from emerging market ecosystem service opportunities?

- Mikki: Partnering is key. Rural economic development groups such as church groups, senior citizen groups, and others are often more interested than urban groups because they live in these areas.
- John: Regulatory framework is the missing element for voluntary carbon markets and other programs. Without standardization, there's no price discovery in the market. If you want to incentivize people to change behavior, it goes back to true cost accounting. You have to value these things in a way that actually influences decisions. We also need agency collaboration and guidelines because perspective investors need rules, standards, quality.
- Danyelle: It's critical to really think about who you are partnering with.
- Nikola shared an example of a USFS Small Landowners program awardee in Appalachia who is advancing markets for non-timber forest products/agroforestry. They included workforce development and certification training in their application, offering creative ways to mitigate risk and not expose landowners to time-wasting endeavors.

Question from the audience: Do you find with Heirs' property that there are patterns of diversification with land use, particularly into agriculture, or is forestry most common?

- Danyelle: Forestry is most prevalent in SC because many landowners are elderly and there is a robust forestry industry in the area, so forestry works well in these situations. However, partners in other states are taking various approaches with agriculture, non-timber forest products, and other land-based enterprises.