

Funding Mechanisms for Municipal Land Conservation

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Guiding Principles

1. Land conservation requires funding of multiple tasks over time. These can be summarized as:
 - project identification and planning;
 - short-term or bridge financing;
 - long-term or take-out financing;
 - land management and easement monitoring costs.
2. Intelligent funding, therefore, often includes multiple sources of support. It follows that a comprehensive view of funding mechanisms is needed.
3. Current funding levels locally, regionally and globally are well below conservation need. Consequently, legal, administrative and financial expertise is needed to improve funding capacity within the conservation community.

A. Municipal Programs

1. Property Taxes

a. Land Conservation Taxes

- A town can establish a separate property tax dedicated to acquiring conservation land
- The size of the tax can be adjusted annually by the legislative body of the community, depending on conditions
- The most successful example of such taxes occur in New Jersey, where the state guarantees a 50% match for each land acquisition project undertaken by a municipality
- Topsham could adopt a simplified alternative by presenting a separate warrant article annually at town meeting dealing with the amount to be raised for the purchase of conservation land

b. Municipal Bonds

- Municipal bonds provide money for immediate use while spreading the cost to the taxpayers over a number of years
- The cost of bonds to the town is least in those municipalities with a good credit rating, which is based on the town's history of repaying its debts, its current level of debt obligations, and other financial factors

c. Topsham's Quality of Life Fund

- This is a dedicated fund within the budget that deals with quality of life programs, something that must be defined each year when the budget is prepared
- The size of the fund is supposedly determined as 5% of total revenue obtained the previous year from the municipal TIF at the Topsham Fair Mall, but is subject to reduction at Town Meeting

d. Individual Project Requests

- These are one-time funding requests in the budget for a conservation project
- The request allows the voters to decide on the merits of an individual project instead of committing funds to a general conservation fund

2. Development Fees

a. Open Space Set Asides

- An ordinance requiring residential subdivisions to set aside a certain amount of land for recreational use
- The amount of land is usually calculated based on the number of dwelling units in the project
- Most ordinances include an option whereby the developer can pay a fee in lieu of the setting aside the land; in Topsham, these fees are so minimal that they operate like a loophole to bypass the intent of the ordinance -- developers have little incentive to set land aside for recreation and the fees aren't large enough to raise a significant amount of money for land acquisition
- b. Topsham's Proposed Development Transfer Ordinance (DTO)
- An overlay zone within the designated growth area of the community, in which developers are allowed to build more units than allowed by the underlying zoning in exchange for a fee
- Topsham has established the fee as \$12,000 per unit
- The money must be used to purchase buildable land in the designated rural area in order to offset the increased density in the growth area

b. Open Space Impact Fees

- A fee developers must pay based on the number of dwelling units in a residential project or square footage in a commercial project
- The money must be put into a dedicated account and used strictly for compensating for the loss of open space caused by development
- Impact fees are carefully regulated by state law and reflect a history of decisions on land use issues by the US Supreme Court

c. Conservation Subdivisions

- An ordinance requiring subdivisions to set aside permanent conservation land according to priorities and an amount established by ordinance
- A fee in lieu of conservation land is not allowed, but most ordinances that apply this method allow some other options, such as large estate lots, in order to provide flexibility for developers when the size and shape of the parcel is not conducive to a true conservation subdivision

3. Land Management

a. Wood Products

- The sale of wood products, such as saw logs, pulp, firewood, and chips from town-owned forestland can generate periodic income
- Good land management practice dictates that such sales should be conducted only in accordance with a sustained yield forest management plan and should be flexible enough in the timing of the sale to reflect changes in market conditions (e.g. do not sell when stump prices are low)

b. Food and Feed Products

- The leasing of town-owned agricultural land for production of row crops, orchard products, pasture, and hay can provide opportunities for local farmers to increase their production temporarily, or it can be a cost-effective way to farm for families that cannot afford to purchase farmland on their own in the open market
- The income from the lease is usually only sufficient to keep the land in production and to avoid having it return to brushland or forest

c. User Fees

- Income raised by fees charged at town-owned parks and marine facilities, such as picnic areas, beaches, docks and boat ramps, can be used to defray the cost of owning and managing these properties for public use
- Income from renting community garden plots on town-owned land serves the same purpose
- The building of a constituency for conservation through the use of these facilities is perhaps more important than the income the fees provide

4. Revolving Loan Funds

a. Administrative Structure

- Revolving loan funds are common in quasi-public economic development corporations such as TDI
- A similar fund dedicated to land acquisition for conservation purposes seems feasible within the existing structure of TDI, if the political will was present
- An alternative to TDI would be to establish a separate conservation development corporation, which, like TDI, could negotiate with landowners for land acquisition purposes, while maintaining confidentiality; also, like TDI, it would be run by a board of directors and answerable to the selectmen and town meeting
- Revolving loan funds can be either internal or external; internal funds provide support for projects conducted only by the organization itself; external funds provide support for other organizations within a defined geographic area and purpose; which option is better for Topsham would depend on the town's conservation goals, the prospect of establishing a regional conservation development corporation, and the ability of a small community like Topsham to properly capitalize an internal fund on its own

b. Sources of Capitalization

- A revolving loan fund that would provide short-term financing for conservation projects could, presumably, be capitalized from a variety of sources, including appropriations at town meeting, private grants, state and federal grants, and perhaps the sale of town land and other real property
- Public support might be generally favorable for such funding since the money is intended to be repaid each time it is loaned out

c. Geographic Area of Operation

- If the revolving loan fund were operated out of TDI or a conservation corporation similar in structure to TDI, then the limit of its geographic area of operation would logically be Topsham; however, a regional fund could also be developed that operated, for example, within the Merrymeeting Bay region or perhaps the Brunswick-Topsham area; such a larger scope of operations may be desirable if it made possible a larger fund, more skilled leadership and greater loan capacity

5. Limited Development

a. Commercial and Residential Projects

- Developers offer land for conservation in exchange for town support of infrastructure or other benefits
- The agreement can be applied in both a commercial or a residential setting, as well as a combination of the two

b. High-End Residential Projects

- A town finances the purchase of conservation land or easements by selling some of the most developable portion of the property for development
- Projects of this kind are most successful if the lots are expensive and attract high income buyers; that way, the amount of land that is sold for development is less

c. Affordable Housing Projects

- The same principles can be applied to an affordable housing project, when the combination of housing and conservation interests can increase opportunities for funding and garner more public support

6. Conservation Partnerships

a. Two or more Municipalities

- A situation where two or more towns share resources and funding opportunities

b. A Municipality and a Land Trust

- A town and a land trust work in concert to protect land; this is perhaps the most common example of a conservation partnership in Maine
- A typical arrangement is where the town provides planning and matching funds for an acquisition project that involves multiple grants, while the trust provides administrative expertise and the responsibility for holding a conservation easement, along with the long term cost that this responsibility entails
- c. A Municipality and a Water District
 - Water districts can be excellent conservation partners when the town's conservation goals for natural resources and outdoor recreation coincide with a water district's need to protect a watershed
 - The sometimes rocky relationship between the Portland Water District and the towns within the Sebago Lake watershed provide a good example of how such a relationship can work well for conservation purposes, but also how goals for development and conservation at the local level and the regional level can sometimes appear to diverge
- d. A Municipality and a State or Federal Agency
 - A town and a state or federal agency work in concert to protect land, a situation where many combinations of roles are possible
 - The simplest case is when the town takes ownership of a property in fee and the state or federal agency holds the conservation easement, as we did on the Rogers Property
- e. Complex Multiple Partnerships
 - A coalition or alliance of many partners, each of which contributes unique assets and abilities toward a common conservation goal
 - Perhaps the best example in Maine is the Mt. Agamenticus to the Sea Conservation Initiative, which includes ten partners (3 land trusts, a river association, MCHT, TNC, TPL, IF&W, and 2 USFWS wildlife refuges)
 - Complex partnerships can be permanent, like the Mt. Agamenticus to the Sea, or temporary, as in the recent coalition to purchase Head of Tide Park here in Topsham
 - The Sagadahoc Regional Rural Resource Initiative (SRRRI) currently includes only town governments and the state, but perhaps it can lay a foundation for an alliance similar in scope and effectiveness to the Mt. Agamenticus to the Sea Initiative

7. Installment Purchases

- a. Advantages
 - Land and easements can be purchased through an installment plan much like a home mortgage, a method that allows a community to conserve land without a large initial outlay of capital
 - The method is best suited to growing communities where real estate costs are rising rapidly and the conservation need far exceeds the funding available from conventional public and private sources
 - When used to purchase conservation easements, it is an excellent method to provide an income stream for landowners who wish to continue farming or managing forestland instead of developing their property
 - The value of long-term installment purchases of conservation easements to landowners often exceeds the value of selling the property for development, after taking into account interest income and the deferment of capital gains taxes over many years
- b. Structure and Financing of Installment Plans
 - Any purchase of an easement or fee that extends for longer than one tax year is technically an installment purchase; many conservation easements have been structured in this way because of the tax benefits they confer to landowners
 - Installment purchases can be arranged so that payments include principal and interest, or interest only, in various combinations, depending on the need of the project and the conservation partners involved

- Municipalities can engage in simple installment purchases lasting only a few years in tandem with their conservation partners
- c. Installment Purchase Agreements (IPAs) in Maryland
 - The IPAs pioneered by Howard County, Maryland, starting in 1989 provide semi-annual payments of interest only to landowners over a 20-30 year period
 - The principal is paid off at the end of the term; in order to make this balloon payment, the county purchases zero coupon bonds when the agreement is first negotiated (the maturity date of the bonds coincides with the length of the payment plan)
 - Federal zero coupon bonds do not provide income but pay their face value upon the maturity date; like savings bonds, they cost a fraction of their face value and, therefore, greatly reduce the amount of money that needs to be raised for making the purchase
- d. Disadvantages
 - Long term installment purchases can be complicated and expensive to negotiate
 - The unpaid principal on installment purchases adds to the debt of a municipality
 - Interest payments on installment purchase agreements may require a dedicated funding source

B. State Programs

1. Tax Abatement

- a. Tree Growth
 - The state reimburses towns for loss of tax revenues from properties enrolled in a state approved timber management program
 - Generally a minimum of 10 acres of forestland is required
 - Penalties apply if a property is removed for development
 - Taxes are based on the value of the property for timber production rather than the development value
- b. Farm and Open Space
 - A program similar to the above, except that properties as small as five acres are eligible to participate if they produce crops for market

2. Grants

- a. Land Acquisition Grants
 - Like the federal government, various grants come and go over the years
 - Currently, the Land for Maine's Future Program (LMF) provides the bulk of state grants for land conservation; money for LMF is provided by the issuance of state bonds, and so the amount available must be approved periodically by the state's voters at referendum
 - The Maine Outdoor Heritage Fund (MOHF) is funded by the sale of lottery tickets, and, therefore, does not need to be approved by referendum; a seven member board appointed by the governor approves grant requests
 - Most state grants do not pay the full cost of acquiring a parcel of land, and thus additional funds from one or more other sources is usually required;
 - Most state grants are competitive; consequently, the projects that are most likely to be funded are those with high ecological values as well as strong public support
- b. Planning and Study Grants
 - Many state agencies provide grants to plan or study a conservation issue if the project meets state goals
 - A typical example is the Project Canopy Program administered by the Maine Forest Service (MFS)
 - These are usually competitively based, the same as land acquisition grants

3. Mitigation Banking

a. Wetlands

- Municipalities and private landowners can sell compensation credits for wetlands on their property
- The wetlands should be of high value and located within the watershed of a development where compensation is needed
- The rules regarding mitigation for wetland impacts regulated under the Natural Resources Protection Act (NRPA) or the Site Law are determined by DEP
- Compensation is achieved by placing the wetlands and the upland habitat around them under permanent protection
- The ratio of protected wetland acres to acres of wetlands impacted by development is a minimum of 8:1
- Falmouth is actively trying to market wetlands on town land; the market value of the acres used for compensation in Falmouth has been estimated at \$8,000/ac.
- Topsham may own suitable wetlands that could be protected for this purpose; development in the area is needed to generate demand
- Wetland banking programs appear to benefit greatly from an active market in wetland mitigation banking credits, as is the case in Florida

b. Vernal Pools

- DEP seems poised to follow similar policies to help compensate for the loss of vernal pools and their critical upland habitats under their vernal pool mitigation rules

c. Other Opportunities

- Other areas designated under the NRPA as Significant Wildlife Habitat may also be eligible for mitigation banking; if so, this would include deer wintering areas and travel corridors, waterfowl and wading bird habitat, shorebird nesting, roosting and feeding areas, and threatened and endangered species habitat

4. License and Registration Fees

a. Boat Ramps

- Motorboat registration fees help to pay for land acquisition and development costs for state boat ramps

b. ATV and Snowmobile Trails

- Registration fees on ATVs and snowmobiles help to pay for land acquisition, bridge building and trail development on ATV and snowmobile trails

c. Wildlife Refuges and State Game Management Areas

- Hunting and fishing license fees help to pay for waterfowl habitat, fish hatcheries, and restocking programs, as well as habitat for non-game wildlife

5. Transferable State Tax Credits

a. Colorado, Virginia, North Carolina

- Land rich but cash poor landowners donate conservation easements to qualified 503(k) nonprofits; then sell tax credits to wealthy individuals and businesses based on the market value of the easement or other formula described in the authorizing legislation
- The programs are very successful in the states listed above; somewhat more limited programs are in effect in South Carolina, Maryland, Delaware, New Mexico, and California
- Programs tend to benefit from an active market in conservation tax credits; e. g. brokers sell the tax credits just as they market and sell other kinds of real estate

C. Federal Programs

1. Land Conservation Grants

- a. North American Wetlands Conservation Act (NAWCA)
 - Targets waterfowl habitat
 - Authorized in 1989
 - Administered by USFWS
 - Match 1:1
- b. Land and Water Conservation Fund (LWCF)
 - Targets mainly land with high recreation potential
 - Authorized in 1964
 - Administered by NPS
 - Two programs: Federal lands acquisition and state grants
 - State grants must meet state's recreation goals
 - Paid for by royalty payments from offshore oil and gas drilling, but never fully appropriated
- c. Forest Legacy Program (FLP)
 - Targets protection of private forestland of ecological significance, mainly through easements
 - Authorized in 1990
 - Administered by USFS for use by states

2. U.S. Department of Transportation (USDOT)

- a. Walking and Bikeway Grants
 - Matching funds for construction of walking and bikeway paths that are deemed to have transportation value are now commonly available
 - The Androscoggin River Bike Path and the Topsham Coastal Connector Bikeway (still in the planning stage) are good examples
 - Programs and authorization of funding have changed over the years, but the basic intent of these grants has remained the same
- b. Road Mitigation Projects
 - Federal funding is also commonly available for reducing the impact of road construction on wildlife habitat, water quality and other natural resource values
 - Available only when federal matching funds are being used on the project

3. U.S. Army Corps of Engineers (USACE)

- a. Mitigation
 - Funds have recently become available for mitigating the environmental impacts of past Army Corps projects
- b. Green Solutions
 - There has been a recent emphasis on non-structural solutions to solving flood control and habitat degradation problems, and so funding may be available on some Army Corps projects that meet local land conservation objectives

4. U.S. Environmental Protection Agency (USEPA)

- a. Casco Bay Estuary Project
 - Partnership of state government, local government, universities, municipalities, non-profits, and the business community since 1990
 - Provides planning and research aimed at better management of the bay's resources and its watershed
 - Funded by the U.S. EPA National Estuary Program (first authorized in 1987)

5. U.S. Department of Agriculture (USDA)

a. Farm Programs

- Many programs are currently available that support conservation by paying farmers to conserve wildlife habitat and protect other natural resource areas on their property
- Funding levels vary, but there has been a recent tendency to provide subsidies to farmers through conservation projects rather than just paying farmers not to grow crops, as a way to recognize the environmental benefits provided by farmland
- Although these programs cost about 3.5 billion dollars annually, they do not result in permanent protection of natural areas
- Recent programs include: 1) the Environmental Quality Incentive Program (EQIP), designed to protect working farmland, 2) the Conservation Reserve Program (CRP), designed to protect wildlife habitat and water quality by taking land out of production, and 3) the Conservation Security Program (CSP), designed to reward farmers for measurable improvements to environmental quality

6. Bureau of Land Management (BLM)

a. Mitigation Fees from Oil and Gas Drilling

- President Bush's Energy Plan called for greatly increased drilling for oil and gas on federal land; the new oil and gas fields, mainly in the west, have fragmented or destroyed large areas of sagebrush habitat and other semi-arid lands
- Mitigation fees paid by the energy companies to compensate for these impacts, amounting to millions of dollars, have been used mainly to purchase conservation easements on ranch lands in ecologically similar regions
- Local governments and national conservation organizations like TNC have assisted in these mitigation efforts by identifying high value habitat on private land and working with the landowners to develop management plans that protect the key ecological features of the property

7. Community Development Programs

a. New Market Tax Credits (NMTC)

- Federal programs to stimulate community and economic development can sometimes be a way of financing land conservation
- The most dramatic example of this approach in Maine is the Katahdin Project, where Coastal Enterprises Inc. (CEI) and the Nature Conservancy (TNC) joined forces to assist in the redevelopment of the Great Northern Paper mills in Millinocket
- Central to the success of the project were New Market Tax Credits, a program administered by the Department of the Treasury; the program makes investing in economically distressed areas more profitable by offering investors a federal tax credit of up to 39% over a seven year period (5% for three years, 6% for four years); the tax credits are awarded by a certified development entity (CDE) which has successfully applied to participate in the program with the Department of the Treasury; CEI was the designated CDE in the Katahdin Project
- TNC's participation was vital to ensuring the survival of a working forest needed to supply wood for the mills; TNC gave GNP a low cost short term loan to pay off the debt it owed on 300,000 acres of forestland, which had been mortgaged in order to raise cash to keep the company afloat; in exchange, GNP granted TNC the fee on 41,000 acres of ecologically significant forestland and an easement that permanently protected another 200,000 acres for sustainable timber harvesting and outdoor recreation
- GNP eventually went bankrupt, but CEI and the TNC kept the project on track by bringing in Brascan Corporation, a Canadian paper company that took over the ownership and management of the mills and woodlands, ensuring their long term productivity

D. Private Sector Programs

1. Gifts and Donations by Individuals

- a. Land
 - Direct donation of land
- b. Easements
 - Donation of a conservation easement that protects the ecological, aesthetic, recreational or historic values of a property or part of a property
- c. Services
 - Donation of services useful to the community for conservation purposes, including volunteer time by board and committee members, as well as professional services by residents
 - May include use of specialized equipment and other skills that normally would be very expensive to hire
- d. Buildings and Equipment
 - Donation of buildings and equipment that can be sold by the town to raise funds for conservation purposes
- e. Securities
 - Donation of stocks, bonds, and other marketable securities for conservation purposes
- f. Cash
 - Direct donation of funds for a specific land acquisition project or to capitalize a land acquisition program, such as a revolving loan fund

2. Bargain Sales

- a. Land
 - A property is sold to the town for conservation purposes at less than its market value
 - The landowner recoups the difference in the form of reduced taxes or other benefits
- b. Easements
- c. A conservation easement is sold to the town at less than its market value
 - The landowner recoups the difference as above

3. Charitable Foundations

- a. A Diversity of Institutions
 - Charitable gifts from private foundations have long been a mainstay of conservation funding, along with private donations from individuals and state and federal grants
 - Foundations come in all sizes and kinds, with many different interests and geographic area of operation
 - The current pattern of charitable giving in the United States was established a century ago by John D. Rockefeller Jr., who made it a vehicle for transforming society rather than just mitigation of suffering; it is difficult to underestimate the importance of this transformation; the ambition to improve society for all future generations has become so much a part of charitable giving by foundations in this country that people now take this idea almost for granted
- b. Applying for Grants
 - A formal application or a letter of interest are the two main approaches to initiating a funding request, depending on the foundation's preference
 - The key to successful fund raising from foundations is making sure that the project coincides with the mission and quality of project that the foundation wishes to support
 - The quality of a project from a foundation's point of view depends a lot on its prospect of success and how much impact on society it makes; projects sponsored by conservation organizations with a good track record of success and multiple partners will usually have the advantage

- Small projects can be funded by foundations with small endowments, or by foundations with large endowments if the project fits a larger plan for conservation
- Projects that benefit a lot of people or a diversity of people within the community also usually have an advantage
- Small or localized municipal projects can be made into something that can be funded by enlarging their scope to benefit more people, more organizations, and more wildlife; or by focusing on a type of conservation work that no one else is doing but which serves an important regional need

4. Limited Development Projects

a. Conservation Developers

- Land trusts and other non-profits can create subsidiaries or spin-off organizations to handle limited development projects
- The technique has been pioneered by the Lincoln Rural Land Foundation (RLF), a subsidiary of the Lincoln Land Trust in Lincoln, Massachusetts. The RLF generally raises about 65% of the purchase price of new open space through the sale of a few carefully sited upper income house lots; the balance of the funding is usually provided by a combination of private grants and local government support
- The amount of land developed and the number of lots sold to finance land acquisition can be relatively small if the house lots are expensive; conversely, the cheaper the house lots the more land that must be developed to purchase the remaining open space
- Conservation developers can also work with commercial developers and affordable housing advocates

b. Conservation Buyers

- Conservation buyers are essential partners in a limited development program; they are people and organizations who are willing to pay the cost for a quality site and to accept architectural or other development restrictions placed on the property to prevent encroachment on the protected open space

c. Conservation-Minded Landowners

- Landowners who understand and agree with the principles of limited development are often essential; they have the patience and the interest to work out the sometimes complicated arrangements necessary for a successful limited development project; they may also be willing to make the project more affordable through a bargain sale, short-term lease or phased development program

d. Simplified Limited Development Schemes

- Limited development projects can be as simple as selling off parts of a parcel already owned by a conservation agency in order to raise funds for other conservation land
- The recent sale of the seven acres at Crystal Spring Farm by BTLT to Rousseau Management, Inc. is a good example

e. Landscape Scale Limited Development Schemes

- Commercial developers and real estate investment trusts can play a major role in land conservation through landscape scale projects, if sufficient public scrutiny is provided and the non-profits involved have the legal, administrative and organizational expertise to handle negotiations of this magnitude
- The most notable example of this kind of project in Maine is the revised Plum Creek Plan for Moosehead Lake, recently approved by LURC and endorsed by TNC; although the project allows two hundred more residential lots to be developed than would be allowed under existing zoning, the plan provides permanent protection for 64 small ponds and lakes, 419,000 acres of forestland, and 160 miles of trail corridor that would not otherwise have been possible

5. Intermediate Owners

a. Conservation Owners

- Many land acquisition projects can be facilitated by the participation of a temporary owner who has the cash available, often through an internal revolving loan fund, to take immediate possession of the property
- Typical conservation intermediaries of this kind include the Trust for Public Land (TPL) and the Nature Conservancy (TNC)
- The temporary conservation owner holds the property for a year or two until the permanent owner raises the funds necessary for take-out financing

b. Developers

- Developers can play the role of intermediate owners, because they expect to obtain a profit from the developable portion of the property as well as recovering part of their initial purchase price from the sale of the proposed conservation land

6. Revolving Loan Funds

a. Local and Regional Funds

- Private revolving loan funds that provide short-term or bridge financing to facilitate conservation projects are often set up locally or regionally
- The most notable example here in Maine is the Maine Coast Heritage Trust (MCHT) Land Acquisition Revolving Fund
- Private funds of this type may loan money only to projects within the organization or to outside parties; the MCHT Land Acquisition Revolving Fund loans to a wide range of conservation partners in coastal Maine, including municipalities and other land trusts
- It is conceivable that resources are sufficient within this area to establish a private regional revolving loan fund to assist with projects unique to the Brunswick-Topsham area and the Merrymeeting Bay region

b. National Funds

- Private revolving loan funds also operate nationally; the best known examples in this area are those administered by TPL and TNC

7. Conservation Bonds

a. The Nature Conservancy (TNC)

- The capital available for commercial enterprises dwarfs anything available for conservation; to partially redress that inequality, the TNC has pioneered the sale of conservation bonds in the commercial bond market, totaling \$300 million
- The TNC bonds offer a return of about 4% annually, are rated highly by the bond rating agencies, and sell at a premium; this appears to reflect the public's interest in participating in conservation work when there is at least a small economic return for doing so; TNC bonds have been purchased by Vanguard Mutual Funds, among other investors

8. Banks and Other Financial Institutions

a. Commercial Loans

- A commercial loan from a financial institution can be a last resort when no other option is available for a high priority project
- Banks can often act quickly, enabling a municipality or other conservation group to acquire a property when the time frame for raising the purchase price is critically short
- Repayment schedules can be structured so that they coincide closely with fund raising; regular payments might include principal and interest or interest only for as long as needed
- Interest rates will be considerably higher than those offered by conservation revolving loan funds; in addition, a down payment will usually be required as well as collateral; it follows that commercial loans are generally suitable only for bridge financing