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Bio-Logical Capital: Make more money by helping environment

Denver Business Journal - by [Greg Avery](#)

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A Denver business created by real estate developer Grant McCargo aims to profit from the protection of forests and rivers, and by restoring large, sustainable habitats.

McCargo likens the venture to being a master developer of ecosystems, not unlike his role with the Lower Downtown redevelopment of the Sugar Building and surrounding properties off 15th and Blake streets, and other urban projects.



Annalise Shingler | Business Journal

Real estate developer Grant McCargo is founder and CEO of Bio-Logical Capital.

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“We’re hoping our business model starts a trend of placing a value on the preservation of natural resources,” said McCargo, founder and CEO of **Bio-Logical Capital**. “Let’s take a large landscape and get it to work with nature.”

The company isn’t just pursuing green in environmental terms; it wants to prove large-scale resource protection and sustainable land use can make investors money.

Bio-Logical Capital’s motto is “protect, repair, profit.” Corporate counsel Stina Johnson said the idea is to “do good and do well.” But the idea’s simplicity belies the complexity of the projects McCargo built the company to pursue.

The 12-employee startup looks to buy or lease for the long term, depending on local law, tens of thousands or hundreds of thousands of acres where deforestation, mining or other environmental damage has occurred or is likely.

Bio-Logical Capital would plan to either restore or preserve the forests and rivers on the properties it buys, then add some combination of revenue-generating, environmentally sustainable uses — such as low-impact forestry or farming, solar or biofuel energy production, water treatment, eco-tourism — or residential projects to small portions of it.

“We’ll be in the water business, we’ll be a utility, have farms and, on a small scale, be in real estate,” McCargo said. Bio-Logical Capital plans to contract out the on-the-ground work and serve mainly as the planning, financing and ownership company of the projects.

It should close on two land deals this fall, one involving \$300 million encompassing more than 120,000 acres and a smaller deal worth about \$3 million, McCargo said.

The company is exploring \$1 billion worth of potential projects, he said. Each would draw in different sets of investors.

Bio-Logical Capital has enthusiastic support from private investors patient enough for a 20- or 30-year return on investment that also helps the environment, McCargo said. The company’s also looking to corporations for partnership on specific projects.

McCargo, a former board member of the Colorado chapter of The Nature Conservancy, also is CEO of **Urban Villages Inc.**, a real estate firm focused on high-end, in-fill redevelopment projects.

McCargo's nearly 10-year tenure on The Nature Conservancy board showed him both the value and limits of a nonprofit model for buying and conserving land, he said.

He became convinced a company geared for both profits and land conservation is necessary in order to assemble the capital to buy and rehabilitate large chunks of land.

"It's easier to get money working as an investment than getting a donation," McCargo said.

The business model for Bio-Logical Capital was cemented when McCargo saw vast acreages of Panamanian forest that had been illegally logged. He became convinced replenishing similarly damaged areas would be economically and environmentally beneficial to investors and the surrounding communities.

Bio-Logical Capital primarily targets purchases in Central and South America, where land costs are low and properties are large.

The company's investors get equity in the land and other hard assets, plus a stake in whatever timber, agriculture, water or power operations that Bio-Logical Capital establishes. The actively used part of the land would provide steady revenue and help preserve larger portions of the property or rehabilitate areas harmed by mining, clear cutting or other uses.

That preservation, in some circumstances, would generate tax breaks or other forms of conservation payments, said attorney Johnson.

"When you take a forest restoration project and break it down to the numbers, the return on investment looks pretty good," she said.

Bio-Logical Capital also is in position to make money in emerging credit trading markets, in which organizations that preserve forests, animal species or water, or reduce carbon emissions, sell credits to companies looking to offset their environmental impact.

Specialized companies have for years bought land and created wetland or species "preservation banks" that can sell credits to companies looking to offset the damage they produce elsewhere.

What seems to differentiate Bio-Logical Capital is the range and scale of projects it plans, and the potentially broad portfolio of ecosystem credits it could generate for sale, said Katherine Hamilton, managing director of Ecosystems Marketplace, a Washington, D.C.-based organization that analyzes "ecosystem services" credit markets.

Creating credit markets is an outgrowth of the belief among governments and environmental advocates that attracting private capital is necessary to protect environmental resources.

"To continue to conserve land and continue to have sustainable development, it's going to take getting returns on investment," Hamilton said. "The reason people destroy land is because there's an economic incentive to do it."

Given the uncertainty, Bio-Logical Capital isn't making credit trading an integral part of its business model.

"Bio-Logical Capital is really in the land business," McCargo said. "It'd be one more revenue layer, but it's not necessary."

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