



NEW CONSERVATION MODEL IN MAINE

by Walter Graff and Rob Burbank, Appalachian Mountain Club

Structured Financing that Benefits Communities

A new model for conservation in the woods of north-central Maine is contributing to the local economy, the environment, and social equity while supporting forest-products jobs and creating new outdoor recreational opportunities for the public. And as it's being carried out on nearly 70,000 acres of forestland—truly landscape-level conservation.

Threefold Opportunity

In Maine's storied 100-Mile Wilderness region, the Appalachian Mountain Club (AMC) is building its Maine Woods Initiative, a new approach to land conservation that combines outdoor recreation, natural-resource protection, sustainable forestry, and community partnerships to address the region's economic and ecological needs.

The initiative's goals include supporting forest jobs and creating recreational

opportunities to attract new, nature-based tourism. Success is evident in many recent improvements: local logging crews are being employed, paper mills are receiving needed timber, and residents are being employed to run AMC's three traditional sporting camps and maintain roughly 70,000 acres of recently purchased forestland to be kept open for recreational use. Eleven new, full-time, benefited positions have been created so far, in addition to several seasonal jobs.

The nation's oldest conservation and recreation organization, AMC saw in the growing demand for backcountry recreation a chance to build on its experience providing mountain hospitality and hiking-trail stewardship in New Hampshire's White Mountains. It began looking for an area big enough to create a new system of lodges and trails while achieving landscape-level con-

servation. In Maine, large tracts of timberland were coming on the market, and with the economics of the pulp and paper industry changing rapidly, the state presented a golden opportunity.

Since the Maine Woods Initiative kicked off in 2003, AMC has faced new challenges, including the need to maintain more than 150 miles of forest roads on its property, manage camps dating to the 19th century, and build miles of new hiking and skiing trails. At the same time, it has adopted a major focus on sustainable forestry and ecological protection. Roughly half of AMC's Maine Woods property is open to timber harvesting, while more than 20,000 acres of forest preserves have been designated to help protect the headwaters of a fishery for wild brook trout and other sensitive ecological areas.

Partnering Is Key

Partnerships with town and county leaders, local schools, and businesses have been vital from the start and will continue to be because the essence of the project is the marriage of landscape-scale protection with community economic development. In fact, the scale, scope, and pace of the progress to date are attributable in large part to one such partnership and the structured financing it provided.

The nonprofit, Portland-based Coastal Enterprises Inc. (CEI) and its for-profit subsidiary, CEI Capital Management LLC, structured two deals for AMC using New Markets Tax Credits (NMTC, financing tools to help spur economic activity in distressed communities). The tool is attractive to a wide array of investors, who benefit from a 39 percent federal income tax credit.

The CEI arrangements (one providing a \$17 million loan, another providing a \$15 million loan) enabled AMC to make quicker progress toward project goals, including the injection of capital into the local economy. For example, AMC could move faster to purchase construction materials and to hire local contractors for a lodge based on “green” principles.

The lodge, near Greenville in the Moosehead Lake region, is a benefit to one of the poorest counties in Maine, Piscataquis County. Piscataquis had the state’s highest unemployment rate in 2009, at 12.4 percent, and the second-lowest median household income, at \$35,144, according to 2008 statistics.¹ More than 57 percent of the county’s children were eligible for free or reduced-cost school lunches in 2009, the second-highest rate among Maine counties.

Bruce Glabe, AMC’s chief financial officer and vice president for operations, is grateful for CEI’s ability to provide “more favorable financing than we could have obtained through conventional means” and notes that the financing “freed up dollars that [could] go into the project itself.” In 2010 alone AMC spent \$4 million in the region. According to Glabe, CEI is “attuned to economic development projects involving forestland and rural areas” and thus makes an especially good partner.

CEI describes its New Markets Tax Credits underwriting approach as mission-oriented and focused on the “3-E Investing Perspective”—Economics, social Equity, and Environment. According to Chief Executive Officer Charles J. Spies III, CEI Capital Management LLC was enthusiastic about underwriting NMTC transactions

for the AMC project. “We’re the second-largest practitioner in the country of New Markets Tax Credits,” he says. “We have a reputation for working in rural communities to help diversify the economy and support the natural resource base.” Spies adds that as part of a mission devoted to “economically and environmentally healthy communities,” CEI supports forestry and ecotourism—two key components of the Maine Woods Initiative.

The biggest infrastructure endeavor the partners faced was construction of the new LEED-registered (Leadership in Energy and Environmental Design) Gorman Chairback Lodge. More than a dozen local contractors and craftsmen helped build it. Even more workers were added to the payroll to refurbish log cabins at the site, formerly a private Maine sporting camp dating back to the 1800s. January 2011 saw the camp open to the public.

The \$2.3 million Gorman project is the third in a series of Maine wilderness lodges operated for public use by AMC. AMC also operates Little Lyford Lodge and Cabins and Medawisla Wilderness Lodge and Cabins. In winter, it partners with a fourth-generation family-owned camp and offers lodge-to-lodge cross-country skiing opportunities on a 37-mile-long ski trail network connecting the four lodges. Half a million dollars will be spent on trail-system expansion and improvement. And supported by a \$52 million capital campaign, the Maine Woods Initiative will see a \$1 million to \$2 million renovation of Medawisla and establishment of a series of wilderness canoe campsites over the next two years.

The “project is probably one of the biggest investments in that county in a decade,” says Keith Bisson, CEI director of the Northern Heritage Development Fund.

Many Winners

Despite its long history in Maine, some residents questioned AMC’s intentions when it kicked off the Maine Woods Initiative. Knowing that it must provide value to the community, AMC is working to ensure that its efforts generate local benefits.

In one example, AMC contributed its mapmaking expertise to a new recreational map issued by the local economic development council. It has been a sponsor of and partner in the annual 100-Mile Wilderness Sled Dog Race, a major spectator event for the town of Greenville. And it created the Moosehead Area Schools Project, offering free or low-cost outdoor learning experi-

ences to every elementary school, middle school, and high school student in Piscataquis County at least three times over the course of the student’s school career.

Local merchants see AMC’s positive impact in their cash registers, as visitors spend a night in a local inn or motel before picking up provisions or gassing up their vehicles and heading out to the lodges.

Mike Boutin, owner of Northwoods Outfitters in Greenville, is a local business partner. A popular gathering spot for hikers and skiers on their way to the backcountry lodges, Boutin’s shop runs a shuttle for lodge-to-lodge skiers.

“Since the beginning, AMC has always made an effort to have a relationship with us and work with local businesses to help them,” said Boutin in a recent issue of *AMC Outdoors*. “They bring more people to our business and have given us the opportunity to do more guiding for their guests.”

In a landscape nearly one and a half times the size of Acadia National Park, with a strong tradition of jobs tied to forest products and year-round outdoor recreation, the Maine Woods Initiative is raising the profile of the region as a premier, nature-based tourism destination.

Most critical has been the structured financing through New Markets Tax Credits. In the past, notes AMC’s Glabe, “New Markets Tax Credits have been very focused on urban projects, because it is hard to structure an economic win in the backcountry.” Fortunately, AMC’s partner knew how to make them work, and they have made all the difference.

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Endnote

¹ Ann W. Acheson, *Poverty in Maine 2010* (Orono, Maine: University of Maine Margaret Chase Smith Policy Center, 2010), 50. See also www.outdoors.org/mwi.

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