PROFILE: THE WEST GRAND LAKE FOREST PROJECT

Integrating Conservation, Economic Development and Affordable Housing

The West Grand Lake Forest project, in Northern Maine, is an emerging community-based forestry initiative that represents an innovative blend of conservation, economic development, and affordable housing. Community-based organizations actively involved in the project include the Downeast Lakes Land Trust (DLLT) and Grand Lake Stream Plantation (Grand Lake Stream).

In 2005, DLLT established the 27,000-acre Farm Cove Community Forest, located in two unorganized townships just West of Grand Lake Stream. One of the key goals of establishing that community-owned forest was to help preserve the economic way of life of the area, which includes a concentration of local Registered Maine Guides, sporting camps and lodges. The Farm Cove Community Forest borders the Western shoreline of the 14,000-acre West Grand Lake. Grand Lake Stream has a year-round resident population of 150, while the broader Downeast Lakes region that DLLT serves has a population of 10,000.

Grand Lake Stream is located directly East of West Grand Lake. Although there is a relatively small village residential area, most of the land in Grand Lake Stream is forestland owned by a diverse ownership group and managed by Prentiss and Carlisle, a forestland management company. The West Grand Lake Forest contains 22,000 acres of forestland bordering the Eastern shoreline of West Grand Lake. It is a critical area that supports the local Registered Maine Guides, sporting camps and lodges, and has high conservation value.

**DLLT Goals for the West Grand Lake Forest**

The DLLT has a number of important goals in connection with the West Grand Lake Forest, including the following:

- Protect undeveloped shorelines of lakes and streams, as well as scenic views, including but not limited to 12 miles of undeveloped shoreline along West Grand Lake;
- Protect wildlife habitats, including deer, brook trout, birds, and other significant wildlife values;
- Guarantee public access for traditional outdoor recreational uses;
- Provide local guides, sporting camps, and craftsmen an environment that is conducive to their business success;
- Maintain a working forest that provides for a consistent, renewable, and long-term source of forest products, benefits to the local economy, and raw materials to local craftsmen and businesses;
- Recognition of the community interest in, and need for, appropriate growth in Grand Lake Stream; and,
- Expand the existing Farm Cove Community Forest by adding the West Grand Lake Forest.

The West Grand Lake Forest project is currently in development and seeks to provide an opportunity to realize these goals. However, the stakes for the community are high. If the project does not come to fruition, the opportunity to achieve the goals listed above could be permanently lost.

**Proposed Sale of the West Grand Lake Forest**

Recently the current owners decided to sell the West Grand Lake Forest. While they are sensitive to the importance of protecting the conservation values of the property, they are also determined to get a fair market value for the land. The challenge is that the real estate value of the land is quite high in comparison with the land’s timber value. In part, this is due to the 12 miles of undeveloped shoreline along the Eastern side of West Grand Lake and a number of ridges overlooking the lake that provide spectacular scenic views, especially at sunset. The high real estate value makes the property particularly vulnerable to purchase by a timberland liquidator who could buy the property, cut the timber, and then sell the property for luxury real estate development and vacation homes.

The current owners intentionally sought a buyer who would be sensitive to protecting the land’s conservation values, which resulted in the Lyme Timber Company entering into a purchase and sale agreement to buy the West Grand Lake Forest. Given the challenge posed by the high real estate value and the potential value of the property if sold to a timberland liquidator, substantial creativity was required.
by Lyme Timber and others to make an acceptable bid. DLLT signed a letter of agreement with Lyme Timber and is working to finalize an option agreement for the purchase of conservation easements on the property. The purchase of the easements is staged over a seven-year period of time and, ultimately the underlying fee title to the property will be purchased. If all goes as envisioned, the 22,000-acre West Grand Lake Forest will be added to the 27,000 acre Farm Cove property, dramatically expanding the existing community-owned forest.

Lyme Timber is prepared to purchase the property from the current owners if two conditions are satisfied:
1. A loan supported by the federal New Markets Tax Credit (NMTC) must be available to Lyme Timber on terms satisfactory to Lyme; and
2. Lyme Timber and the Downeast Lakes Land Trust must complete and enter into the option agreement.

To make the numbers work in support of Lyme’s aggressive offer to purchase the property, a creative and ambitious use of the federal New Markets Tax Credit (NMTC) is being pursued, which will result in a loan in excess of $13 million on favorable terms, made possible by the NMTC. Sustainable Forest Futures is coordinating the effort to put the NMTC transaction together, in conjunction with its working relationship with Coastal Enterprises, Inc. (CEI). The transaction will use CEI’s NMTC allocation. A bank in Maine is expected to be the NMTC investor. While as of this writing there is no guarantee that the NMTC financing will be completed, the prospects are looking good.

The NMTC financing will require that several mission-related provisions be incorporated into the project. These provisions include the option agreement between Lyme Timber and DLLT, meeting other specific priorities of the Grand Lake Stream Plantation described below, and commitments by Lyme Timber for sustainable forest management, including a commitment to manage the property pursuant to FSC certification standards.

Completion of the option agreement between the Lyme Timber Company and the Downeast Lakes Land Trust for both the purchase of conservation easement and fee title is especially critical. This option agreement needs to satisfy DLLT’s key goals for the property described above and have the ability to be realistically implemented, while also satisfying the business needs of Lyme Timber.

While there is no guarantee of success, the plan as outlined will result in Lyme Timber Company’s purchase of the forestland with NMTC financing early in 2009.

Community Priorities of Grand Lake Stream

The West Grand Lake Community Forest project also provides a unique opportunity to address other long identified needs of Grand Lake Stream. There is a real shortage of affordable housing in the community. There is also need to facilitate some job creation from light industrial activity. As part of the mission-related provisions tied to the NMTC financing, Lyme Timber Company has agreed to donate four parcels of land to the local government. The largest is a 65-acre parcel that is contiguous to the current village area, which will be dedicated to the development of affordable housing. A second parcel contains 55 acres and is located away from the village area, but within the boundaries of Grand Lake Stream Plantation. This parcel will be available to support light industrial activity. And, finally, two smaller parcels, comprising five and seven acres respectively, are adjacent to the existing cemetery and transfer station. The NMTC financing will include a mechanism to ultimately provide further subsidy in support of the affordable housing component.

With the completion of this project and the successful implementation of the option agreement, the great bulk of the lands in Grand Lake Stream Plantation will become part of the Farm Cove Community Forest. Thus, arranging now to set aside land for future residences and job opportunities will help meet a recognized community need for appropriate growth of Grand Lake Stream.