

PROFILE: FINANCING COMMUNITY-OWNED FORESTS

The Open Space Institute

The Open Space Institute (OSI) is in the process of establishing a regional Community Forest Fund to provide capital and grants to communities in Northern New England that want to acquire, own, and manage forestland as a community asset. OSI is seeking to capitalize the Fund with an initial \$5 million that will include a mix of grant funds and philanthropic program related investments (PRIs). Financing of specific projects by the Fund can work potentially in conjunction with programs such as New Markets Tax Credits and with tax-exempt instruments, including the use of municipal bonding authority. The Fund will be available to community-based organizations, including municipalities, and other non-profits working with such community-based organizations, to provide:

- Loans and matching capital grants for the purchase of conservation easements and fee interests;
- Smaller grants to create or expand stewardship endowments; and,
- Consulting forestry services to community-based organizations.

OSI will establish an Advisory Board composed of members with expertise in community economic development, forest management and conservation. The Advisory Board will establish funding criteria as well as a process for distributing loans and grants.

The establishment of this Fund is an outgrowth of work by the Community Forest Collaborative with community forest projects. Experience from those projects revealed a need for different forms of capital that would address the specific needs of community forest projects. In addition, the Collaborative recognized that the growing interest in the community forest model of forestland ownership would generate increased demand on limited public and private conservation dollars to support acquisition projects. In 2006, the Collaborative engaged OSI to conduct a feasibility study on the potential for a regional community forest fund. In 2007, OSI concluded the study and recommended the establishment of a fund that would facilitate transactions

to create or expand community forests. Findings of the feasibility study include the following:

- Many municipalities are interested in creating community forests or expanding existing town forests. Recent projects in Errol and Randolph, New Hampshire, and the Farm Cove Community Forest in Grand Lake Stream, Maine, have demonstrated the value of community-owned forests in conserving important landscapes. These projects also demonstrated the potential to generate a suite of benefits including revenue from timber harvesting, clean water, recreation, and carbon sequestration.
- There is a “pipeline” of potential projects in Northern New England with a total value estimated at \$12 million and demand for private capital estimated at \$5 million.
- Larger parcels (greater than 1,500 acres) will result in the creation of community forests at a lower per acre cost with the potential to produce greater income from timber harvesting that could reduce grant requirements or reduce debt payments.
- Funding community forest projects will require a mixture of federal, state, and local sources. Because community forest projects are often on forestland with high wildlife values, a community forest fund could help leverage public and private funds for projects on lands identified in the State Wildlife Action Plans (SWAPS).
- There is a significant role for philanthropy, not only to provide grant capital but also low-cost, longer-term loans to catalyze transactions. Philanthropy can help offset lending risk and increase financial flexibility by providing a loan loss reserve, financial guarantees, and interest rate sweeteners.

The study found that such a fund would help catalyze new community forest projects, attract and leverage new sources of funding for conservation, and provide more flexible capital more consistent with the needs of community forest projects.