



Economic Analysis of Plum Creek's Moosehead Development Proposal

As of January 2006, the Plum Creek Timber Company was reportedly revising its proposal to Maine's Land Use Regulation Commission (LURC) to rezone approximately 426,000 acres of its land around Moosehead Lake in Somerset and Piscataquis Counties. The plan included a mix of residential and commercial development, as well as the sale of conservation lands, permanent conservation easements and 30-year term protection for 382,000 acres of working forest (www.maine.gov/doc/lurc/reference/resourceplans/moosehead). The plan, which is expected to be the subject of formal LURC public hearings in 2006, has raised important public policy issues about conservation, regional planning and rural economic development in Maine's North Woods.

The Open Space Institute, in partnership with the Margaret Chase Smith Center and Industrial Economics, Inc., seeks to inform public dialogue and decision-making by analyzing certain aspects of the economic costs and benefits of the proposed plan. The analysis will consider the *marginal* impacts of the plan, focusing on the financial returns to Plum Creek and the value of the company's conservation commitments under the plan. To address these issues, we will undertake four principal tasks:

1. **Baseline Development White Paper:** We will assess the amount of second home development expected on Plum Creek lands in the absence of a LURC-approved concept plan. This will include an assessment of build-out by Plum Creek under Maine's 2-in-5 subdivision rules and under LURC's small subdivision regulations. These scenarios will identify alternative development outcomes that could occur if Plum Creek does not proceed under a LURC-approved concept plan.
2. **Financial Model White Paper and Workshop:** We are currently building a financial model of the Plum Creek development proposal that will be useful for evaluating the economic returns to the company under its proposed development plans and under alternative scenarios. We plan to draft a white paper describing the model and illustrating its use by applying it to the April 2005 Plum Creek proposal. In addition, in conjunction with the Margaret Chase Smith Center, we are proposing to organize a workshop for invited stakeholders at which we will demonstrate and answer questions about the use of the model.
3. **Conservation Values White Paper:** After completing the baseline and financial model white papers, we will develop an analysis of the economic value of conservation commitments that are or might be part of Plum Creek's Moosehead development proposal. This will consider the economic value of conservation and trail easements, working forest restrictions, and shoreland protection, based on market transactions for comparable conservation commitments. This is designed to provide an indicator of the level of public conservation benefits associated with Plum Creek's proposal.
4. **Analyses of Alternatives:** The final component of our revised strategy is to assist stakeholders with analyses of alternative development proposals using the information and models described above. Results from these analyses will be described as they become available in a series of public working papers.

A team of experts knowledgeable about the development, conservation, and economic issues is conducting the study. Tom Walker and Ann Heller, consultants at Industrial Economics, Inc. in Cambridge, Massachusetts, are coordinating the project. Jerry Bley, a Maine conservation consultant, is assisting with the development planning assumptions, and where appropriate, creative alternatives to Plum Creek's proposal.

The Margaret Chase Smith Policy Center at the University of Maine in Orono is helping to review the project's assumptions and methodology, and helping with the public release of the study's findings through a series of briefings and other outreach, including organizing a colloquium focused on the North Woods in early 2006 and publishing an issue of its journal *Maine Policy Review* devoted to the subject.

¹ See the plan at: <http://www.maine.gov/doc/lurc/reference/resourceplans/moosehead.html>

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