

The Vital Forests/Vital Communities Initiative

A Commentary on Progress

Prepared for the Blandin Foundation by

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November 7, 2006

Introduction

Since its beginnings in 2003 the Blandin Foundation's *Vital Forests / Vital Communities Initiative* has sought to strengthen and diversify Minnesota's forest-based economy and promote the long-term ecological health of the forest resource that supports it. Over the past four years the Initiative has been the vehicle for directing Foundation investments, coordinating investments and projects by other entities including the Minnesota Legislature, and marshalling a network of organizations and individuals to undertake a wide variety of forestry and forest products related activities. This paper offers a perspective on the progress, successes, and failures of the Initiative to date.

The Threats to Minnesota's Forests and Forest Industry

The Vital Forests / Vital Communities Initiative (VFVC) was launched in January 2003 with the release of a case statement issued by the Blandin Foundation that proposed an ambitious program to address a series of challenges facing Minnesota's forests and forest products industry.¹ According to the statement, the challenges were:

- Funding uncertainties and a lack of sustained public and legislative interest are undermining the capacity of the state's natural resource management agencies and the forest policy process infrastructure charged with resource management and conservation.
- The forest policy debate in Minnesota is sharply polarized and burdened by insufficient trust, respect, and cooperation.
- Since pre-settlement times, Minnesota's forests have undergone significant and pervasive changes in species composition and age class distribution, the long-term consequences of which are not adequately understood.
- Minnesota's forests are becoming less competitive as a fiber source in the global market, while markets for other products from Minnesota's forests remain under developed.
- Forestlands are becoming increasingly fragmented through development and parcelization into blocks of smaller and smaller ownership acreages.
- The structure of the state's forest industry is problematic: non-locally-owned primary manufacturing commands up to 70 percent of the state's annual timber harvest, while locally-owned value-added

¹ "A Blandin Foundation Public Policy Initiative: Vital Forests/Vital Communities, New Perspectives and Alliances for Sustaining our Forests and Renewing Local Economies, Case Statement", (revised) January 2003.

secondary manufacturing depends upon non-Minnesota resources; and mergers, acquisitions, and investment decisions by international actors that are unburdened by historical or cultural ties to place have become a major source of uncertainty for local economies.

With its historical roots in the papermaking industry and a mission to strengthen the economic viability of rural Minnesota communities, the Foundation responded to these challenges by undertaking the VFVC Initiative.

The Vital Forest/Vital Communities Response

Goals, Strategies, and Objectives

In its case statement paper the Foundation forwarded the belief that “growing and managing healthy forest ecosystems makes economic *and* environmental sense. The relationship between vital local economies, community well-being, and forest ecosystem health is particularly important in rural communities where economic prosperity is dependent on extracting the resource. Local communities dependent on the wood products industry require an ecologically sustainable resource to thrive. For forest-based communities, in the long run, the environment *is* the economy. At the same time, because economically and socially healthy communities have a greater capacity to make long-term investments in system health, forestry policies and practices that focus exclusively on ecological goals—while ignoring the economic and social needs of forest communities—also jeopardize long-term forest health.”

The goals of the VFVC Initiative were defined as:

- Help create a more diversified forest-based economy that rewards people for being good environmental stewards and increases wealth creation and retention in local communities.
- Promote ecologically-based approaches that take advantage of opportunities to diversify forest management to support a more diversified forest industry.
- Build public support for long-term investments in forests and in natural resource management agencies and programs.
- Improve the effectiveness of public engagement in natural resource management processes.

To achieve these goals the Foundation devised a set of strategies built upon its core competencies of communication, convening, leadership training, and grant making. The VFVC Initiative’s strategies were:

- Foster collaborative approaches to natural resource management issues and build on existing efforts.
- Leverage local assets, expertise, and experience.
- Move research and knowledge into practice through the development and promulgation of tools, resources, information, and incentives.
- Promote public understanding and appreciation of the economic, social, and environmental benefits of commodity and non-commodity values of the forest.

One outcome of the beginning phases of the Initiative was the creation of an Advisory Board to provide guidance and insight to the Foundation. One of its first actions was to adopt a set of measurable objectives as the basis for monitoring the Initiative’s progress.

Vital Forests / Vital Communities Initiative Objectives	
1. Forested Land Base and Resource	1.1 Maintain Minnesota's forest resource base and reduce losses caused by conversion, parcelization, and fragmentation of private lands and disposal of public lands. 1.2 Capture and enhance the productivity of Minnesota's forests for forest products and consumption.
2. Forest Management	2.1 Establish ecologically based forest management as the norm in Minnesota. 2.2 Increase the number of acres of private, non-industrial woodland being actively and sustainably managed. 2.3 Increase public understanding of forest management and practices and the role they play in ensuring resource health, quality, and productivity for vital communities
3. Economic Development	3.1 Create new products and markets for Minnesota's wood products industry. 3.2 Enhance the operating efficiency and economic viability of Minnesota's wood products industry. 3.3 Increase the number of acres of private and public woodland and number of forest products companies under third-party certification 3.4 Increase the capacity of the forest management services sector (ex: logging operators, professional foresters).

Actions, Investments, Partnerships and Leverage

After distributing its case statement paper the Foundation commenced the VFVC Initiative with an orchestrated series of events intended to bring together the disparate interests involved in forest management and forest products industry, foster a sense of common purpose among them, and embark upon a process-driven actions and investments. Key among this initial effort were:

- Call-to-Action Conferences. These were a series of sessions that kicked off the Initiative, brought together hundreds of representatives from the various interests, identified key issues, and strategically put into motion the Action Team process to formulate programs and activities addressing those key issues.
- Action Teams. Emerging from the first Call-to-Action conference was a score of action teams, comprised of blends of interests, each designed to devise strategies for addressing a specific forestry or forest industry issue. Over a period of several months each team met, discussed in great detail their respective issues, and ultimately prepared their strategies. Critical to these strategies were the concepts of leveraging resources, using the unique convening qualities and other resources of the Blandin Foundation, and fostering cooperation. These action programs were shared at a subsequent call-to-action conference and an overall agenda for action emerged.
- Advisory Board. A statewide Vital Forests / Vital Communities Advisory Board of academics, public leaders, and others with forestry expertise was created to provide essential ongoing advice to the Blandin Foundation during the critical first rounds of narrowing the range of proposed actions to meet the funding limits of the Foundation. The Board also acts as a sounding board for new ideas and potential projects.

- **Baseline Information.** The Foundation established a measurable set of criteria by which to monitor the impact of the Vital Forests / Vital Communities Initiative. The baseline information was intended to provide the starting point by which change and impact could be evaluated.²

Upon this substantial footing the Foundation, with guidance from the VFVC Advisory Board, began making investments and supporting efforts taken by others. The level of investment, even within the constraints of overall Foundation policy and financial resources, has been extensive.

- The Blandin Foundation has made 18 major investments to implement VFVC projects. These have ranged from as small as \$5,000 to the massive \$6.25 million contribution for the Forest Legacy Project.
- The total Foundation investment to date has been \$7.933 million.
- The Foundation's investment has leveraged to date \$10.151 million in investments by other entities, most especially the State of Minnesota (ratio of 1:1.3, Foundation to leverage investments). The state has put money into the forest legacy project and, via the Legislative Committee on Minnesota Resources, forestland certification. The Surdna Foundation provided the largest single private donation -- \$1 million -- towards the forest legacy project.
- Upwards of \$20 million in additional Federal, State, and private funds are being sought as specific forest legacy projects come on line.

Recognizing that it had extensive but still limited resources, the Foundation focused its investments into areas where there would be true value-added impacts, where opportunities for leveraging other resources existed, and where collaboration with other entities would broaden and extend the influence of the Initiative's involvement. A detailed listing of all Initiative investments can be downloaded from the Foundation's web site.³ The following identifies the focus of the Initiative's investments:

- Primary attention, in terms of total funds invested, has been given to the preservation of the forested land base. This has involved substantial support for efforts to acquire conservation easements across large contiguous tracts of industrial forestlands. It has also involved a number of actions intended to greatly expand the amount of private, non-industrial forestlands under formal forest stewardship plans and to counter trends toward the parcelization of private forestlands.
- A series of interrelated investments, including extensive leveraging of State funds, has been aimed at increasing the amount of private and public lands under third party certification. Certification is seen as a solid mechanism to enhance marketability of forest products, keep land in a forested condition, and improve land management.
- Targeted investments have been made in the area of economic development including support for niche products and small business development, niche marketing of Minnesota products, collaboration within and enhancement of Minnesota's secondary wood products industry, and upgraded training of loggers and forest management professionals.

Accomplishments and Impacts

Although the quality and amount of effort expended on a program is not a measure of the program's success, it is an indicator of its likely success. That is, a well designed, funded, and executed program has a greater chance of achieving its objectives than one that is not. In 2006 the Blandin Foundation received the national Council on Foundation's Paul Ylvisaker Award for Public Policy Engagement for excellence in undertaking and implementing the Vital Forests / Vital Communities Initiative. Making the

² *Baseline Analysis of Indicators of Progress for the Blandin Foundation's Vital Forests/Vital Communities Initiative*, Applied Insights^{north}, February 8, 2005.

³ Source: *VFVC Project Matrix*, September 2006 update, prepared by Blandin Foundation staff.

award more special was the fact that two of the Initiative's stakeholders had forwarded the Foundation's nomination.

Still, the key questions regarding effectiveness must be addressed. What has been accomplished as a result of this substantial investment of time, energy, and funding? In the few short years of the Initiative's existence has there been noticeable, desirable change in the state's forestlands and associated economic activity? The following attempts to answer these questions by identifying the impact of the VFVC Initiative relative to the challenges facing Minnesota's forests and forest products industry set forth in the 2003 case statement.⁴

- Funding uncertainties and a lack of sustained public and legislative interest are undermining the capacity of the state's natural resource management agencies and the forest policy process infrastructure charged with resource management and conservation.
 - This large and complicated issue remains but VFVC activities are addressing two of its aspects. First, the Foundation funded research into the value of retaining and managing county-administered tax-forfeited lands as multi-use forested lands. The family forest stewardship project is, among other things, seeking ways to revamp the ad valorem property tax system's inherent bias to overtax undeveloped land in comparison to developed land, which disparity most people agree is driving land owners to develop their forest land and contributing to the parcelization of forestlands. These projects are works-in-progress and their impact cannot yet be evaluated.
- The forest policy debate in Minnesota is sharply polarized and burdened by insufficient trust, respect, and cooperation.
 - Without a doubt, the VFVC Initiative has made its greatest impact on this issue. Three successive assessments of the Initiative found that "The Initiative is seen as crucial to Minnesota, its forested landscape, and to the economic vitality of the industries and communities that rely on the forests." Further, "The Blandin Foundation is widely perceived as being a credible, if not *the* credible, entity for undertaking such an effort given the rancor and political dynamics that have accompanied debate around this subject within the state." The assessments noted "the primary factor generating effectiveness for the Initiative was the reputation of the Blandin Foundation. This was enhanced by the Foundation's persistence over time with the effort, a committed staff, and inclusionary collaborative process."
 - The keys to the Foundation's credibility lie with its perceived neutrality, strategic convening capacities, effectiveness in process, location in rural Minnesota, and willingness to support ideas generated by the process.
 - After more than three years into the Initiative it is clear that most people feel the Initiative is worth undertaking and that is generally progressing on the right track. While results are important and desired, people genuinely welcome the fact that the Foundation is tackling a complex set of forestry topics that are critical to the state and rural communities. Attention to the subject, the opportunity to explore challenges and opportunities, and the strategic focus by staff and resources are widely appreciated for their importance to the industry and sustainability of the resource.
 - Finally, people who are concerned about the forest resource for a variety of reasons remain committed to participating in the initiative. They see the process as being critical to the future of Minnesota's forests and forest products industry – furthering education of the general public, informing policy makers about the issues involved, introducing and fostering the application of new concepts in management and manufacturing, bringing people together on a regular basis, and exploring ways to unify the various interests behind a common cause.

⁴ Sources for this summary review include: *Project Objectives and Indicators for the Blandin Foundation's Vital Forests / Vital Communities Initiative*, Applied Insights^{north}, September 2004; *VF / VC Initiative Assessment: 2006*, Applied Insights^{north}, August 8, 2006; *Blandin Foundation Credibility: Phase 1*, Applied Insights^{north}, December 4, 2003. *Blandin Foundation Credibility: Phase 2*, Applied Insights^{north}, November 18, 2004; *2006 Update Indicators of Progress for the Blandin Foundation's Vital Forests / Vital Communities Initiative*, Applied Insights^{north}, August 2006; *2006 Capacity of Minnesota's Wood Products Conference: A Pre-Conference Survey*, Applied Insights^{north}, May 2006.

- Since pre-settlement times, Minnesota's forests have undergone significant and pervasive changes in species composition and age class distribution, the long-term consequences of which are not adequately understood.
 - At least among professional foresters, there have been tremendous gains in understanding and communicating that understanding of Minnesota's forest resources. In good part this has been accomplished by the State's adoption of the Ecological Classification System (ECS) approach as the basis for understanding forests and forest processes. It is conceivable, but not verifiable, that the VFVC Initiative's activities, especially related to funding of ECS training and general advancement of ecologically based forestry, has helped promote this shift in attitude.
 - The VFVC Initiative has undertaken actions that complement and build upon the ECS grounded effort:
 - 60 professional foresters are enhancing their skills by learning how to incorporate ECS into forest planning and field management.
 - Family forest stewardship was bolstered at two conferences, each with roughly 100 participants, where the goal of gaining an additional one million acres of private lands under stewardship plans was promulgated. Complementing these efforts is a VFVC project to create an online private forestlands stewardship portal. The impact of these efforts is at present unknown.
 - Two northern Minnesota community colleges have added capacity to train forest professionals in state-of-the-art forestry concepts, including ECS, and business success strategies. The impact to date of these programs is unknown.
 - The Foundation has supported the recently released video "The Northern Forest", which should help expand the level of general public awareness of forestry issues and opportunities. To date the video has been broadcast on public television in the Twin Cities and north central Minnesota; special showings have been scheduled for the Itasca County area and others are in the works. Once again, measuring the influence of this video on the general public is difficult.
- Minnesota's forests are becoming less competitive as a fiber source in the global market, while markets for other wood products from Minnesota's forests remain under developed.
 - Given the global nature of this issue, it is unreasonable to think that the VFVC Initiative will have significant impacts in bolstering Minnesota's competitive position. In response to the recent OSB plant closures in the region, the Blandin Foundation noted the importance of separating out global issues over which local and regional entities have little influence from those issues that can be influenced. Among the latter are such VFVC actions such as protecting the forest land base, fostering sustainable management for a healthy and diverse resource, and encouraging various endeavors to generate economic activity from that resource.
 - Various VFVC funded efforts to increase the number of private woodland acres under third party certification are making progress. Foundation coordination of project design and application was essential to the LCCMR providing \$350,000 in State funds for certification activities. The new Master Logger Certification program will be a major boost once it comes online; the Foundation funded that effort and will continue to do so in 2007.
 - VFVC helped initiate and then sponsored technical and facilitation assistance to a six-county certification project that will ultimately impact nearly 774,000 acres of tax-forfeited lands. County representatives have said that the Foundation's involvement was critical to bringing them together for this joint project.
 - A series of analytical reports on innovations in products, design and construction, and resource use have been prepared. Several hundred copies of these reports have been downloaded from their principal on-line site but their impact on policies and actions is unknown at this time.
 - VFVC helped finance a feasibility analysis of a centralized clay and pigment handling for northern Minnesota's primary industry. The analysis was completed but implementation is pending private investment. That effort dovetailed with an individual regional industry's proposed expanded use of the Duluth port as an intermodal hub to reduce costs and increase competitiveness.
- Forestlands are becoming increasingly fragmented through development and parcelization into blocks of smaller and smaller ownership acreages.

- The trend towards increased fragmentation continues in Minnesota but the Foundation funded Forest Legacy Partnership is a major step toward halting this trend at least for the extensive industrial forestlands, which have the largest, contiguous blocks of privately owned land in the state.
 - While it may or may not alter county land policy, the VFVC funded analysis of the impact of public tax-forfeited land loss in 15 northern counties will provide county-level decision makers with an improved, data-driven understanding of the impacts of retaining or disposing tax forfeited lands.
 - The Initiative's support of work to identify needed changes in Minnesota's SFIA and associated forestland tax policy may eventually provide a substantial counterweight to the fragmentation trend. Recommendations generated by this effort will be forwarded by the Minnesota Forestry Association to the Minnesota legislature for consideration in the 2007 session.
- The structure of the state's forest industry is problematic: non-locally-owned primary manufacturing commands up to 70 percent of the state's annual timber harvest, while locally-owned value-added secondary manufacturing is much less connected to the local resource; and mergers, acquisitions, and investment decisions by international actors that are unburdened by historical or cultural ties to place have become a major source of uncertainty for local economies.
 - Minnesota's wood products industry, especially at the secondary level, is exceptionally diverse and not prone to recognizing itself as a common sector. Nonetheless, three VFVC sponsored conferences brought together nearly 300 participants and nurtured solid discussions among business representatives. The impact of these sessions is difficult if not impossible to assess, but they clearly served to highlight the general industrial sector, introduce cutting edge information and concepts, and foster innovation and cooperation at the individual industrial sector. Once again, other entities are carrying on with the essential components of this effort – conferences might be continued under the aegis of an organization such as the International Business Forum and the Minnesota Wood Campaign and NRRI will co-sponsor the Wood Products Award project.
 - The Minnesota Wood Campaign, with strong VFVC support, has helped 80 companies to establish a unique brand as a means to create a competitive edge. Initial results are promising but the complex interplay of regional, national and global markets with individual company dynamics make assessment difficult.
 - The Goods from the Woods program has generated positive economic impact albeit at exceptionally small scale of business activity and within an intentionally geographically limited area. Somewhere around 30-40 small, mainly part time niche producers have been assisted by the effort, whose indirect impact includes generating attention on the potential for small scale wood products ventures among regional residents.

The Trail Ahead

As the Blandin Foundation considers the future course of the Vital Forest / Vital Communities Initiative, three major themes have emerged that should help in that discussion.

The first theme is that a wide range of concerned interests view the VFVC Initiative as an exceptionally valuable, valid, and credible undertaking. People understand and approve of the Initiative's mission and suggest that the effort be continued. While there is a tendency by some people to emphasize the economic aspect of its purpose and, among some, to see the Initiative's geographic focus being northern Minnesota and Itasca County in particular, the Initiative is broadly supported, geographically and by interest group. As noted before, people understand that if not for the Foundation's efforts, much of the progress of the past years would not have occurred.

The second theme is that the scope of the Initiative's subject is huge, complex, and difficult to address with limited resources. In that light, most people have rated the Initiative's impact as "some" which probably should be seen as a guarded positive statement. That is, few people are in a position to evaluate the impact but they perceive the effort as being positive. People's caution was also based on the observation that not enough time has elapsed for Initiative-funded projects to produce their intended impacts. This cautionary assessment by people should not be seen as negative assessments of the Initiative, just recognition of the complex reality of the issues being addressed.

The third theme concerns the nature of the decision-making and funding processes of the Initiative itself and, consequently, impacts the future direction of the Initiative. The 2004 program assessment paper noted “The process of making hard decisions, especially to fund projects, creates ‘winners and losers’ and provides fodder for discussions as to the true direction of the Initiative.” A subsequent review found there is not broad, shared in-depth awareness of VFVC supported projects. As the 2004 document discussed, the lowered level of participation by many people is probably a natural result of the Initiative’s narrowing of focus from the initial broad inclusion of all topics to selected, funded projects. In addition, even within the funded areas, if a person does not have a direct role in the project he or she may direct their involvement elsewhere in the future. The key issue regarding this lack of persistent involvement is whether the relative loss of interest is harming the Initiative’s effectiveness. The answer seems to be, no it is not. Whereas in the beginning it was vitally important to involve as many people from as many interest sectors as possible, the very nature of the subsequent process has been to focus limited resources on a narrower suite of issues and activities where the unique qualities of the Foundation and the Initiation can most effectively be brought to bear.

The 2004 assessment concluded that differences of opinion regarding the VFVC’s preferred direction could in good part be “attributed to the core difference of opinion between champions of primary versus secondary wood products industry (note: the Foundation is broadly is recognized as having done much to bridge this chasm, which, although bridged still remains). One example is Goods from the Woods. No one directly criticized the event and many found it laudable and successful. However, several respondents suggested that the event, even if fully successful, would not have measurable impact on either the regional economy or the forest resource. A more fundamental example begins with the assertion by some that appropriate forest management is financially underwritten by industries willing to buy the resource. By this line of thinking, the Initiative should focus on strengthening these industries and their use of Minnesota’s resources.”

At the point the debate shifts to which is more important, primary industry, which by far and away uses the most local resource, or, secondary, which currently doesn’t use much of the resource but could/should/might. Into that debate can be injected the issue of where can limited resources have meaningful influence – in economic sectors that are large but driven by global market forces (e.g., primary industry) or those that are smaller, niche oriented, and may be impacted by small, focused efforts. At any rate, because both sectors are vital to Minnesota’s forests and economic vitality, the Initiative has been wise to persist to establish common ground between them and not pit one against the other.

Future Work Program

Despite the debate noted above, few people have identified any significant opportunities missed by the Initiative. However, the one that has surfaced concerns improving the productivity and utilization of Minnesota’s forest resources within the context of sustainable forest management. Recent discussions by the VFVC Advisory Board have indicated that serious consideration should be given to this topic.

Given that the Blandin Foundation has limited resources and that the commitment to the Forest Legacy Partnership is absorbing a large portion of those resources committed to the Initiative, it would appear that the VFVC Initiative’s future arena of action should be:

- Focus on education and outreach to family forest land owners who own roughly 40% of Minnesota’s forestlands and provide over 50% of the timber harvested.
- Continue to help strategically focus existing funded projects to insure they have the opportunity to realize their promised impacts.
- Continue program and fundraising support for the Forest Legacy Partnership ..
- Explore opportunities to enhance forest productivity in the context of ECS and ecologically-based forestry.