Dear Investors and Donors,

I’m delighted to share our year-end report on the Northern Forest Center’s impact investment funds. This report highlights the progress your investments and contributions are making in Northern Forest communities.

Following the launch of the regional Northern Forest Fund in early 2021, this report outlines all three of the Center’s investment funds and how your capital is at work in Northern Forest communities. If you’ve made a capital investment in one of the funds, your annual interest payment is also enclosed.

Thank you for leading the way. I’m humbled and inspired by the trust you’ve placed in the Center and your shared commitment to our mission.

Please let me know what you think of our progress. Feel free to call me at 603-731-0563 or email at rriley@northernforest.org.

Stay safe and be well this holiday season.

My best,

Rob Riley

President

Redevelopment of the historic Parker J. Noyes building in Lancaster is nearly complete.

Northern Forest Fund
Lancaster Main Street Fund
Millinocket Housing Initiative
Total Investments Under Management: $8.27 Million
Total Gifts and Grants Raised for Community Revitalization: $5.69 Million
Building on the success of our first two investment funds — the Millinocket Housing Initiative and The Lancaster Main Street Fund — in July 2021 we launched the Northern Forest Fund to scale-up our integrated-capital approach to serve more communities. On the map above, the largest circles indicate where we already have placed investments; mid-size circles indicate communities where we’re actively exploring investment opportunities; and the smallest circles indicate communities where we need further exploration to identify appropriate investment opportunities.
New Fund Positions the Center for Regional Impact

Thanks to your early investments and donations, the newly launched Northern Forest Fund has already grown to $9.8 million in combined donations and investments. The primary goal of the Fund is to invest integrated capital in community amenities to retain and attract young families and professionals committed to community involvement, business innovation, and land stewardship.

The Fund scales-up the success of our initial community-focused funds – the Millinocket Housing Initiative and the Lancaster Main Street Fund – to focal communities across the region where we can more effectively raise abundant resources and achieve tangible and measurable impact.

When fully capitalized, the Fund will create an integrated pool of investment capital and philanthropic funding that will be funneled into targeted communities to improve housing, support business innovation, create new Community Forests, build community capacity, expand work in destination development, and increase rural opportunity.

Though we are still in the start-up phase, we have exciting news: In our first 5 months of fund raising, we’ve raised $5.9 million in investor capital and $3.9 million in philanthropic contributions. Combined, these resources ready us to invest in property redevelopment projects, deliver community-based programming, and expand our staff capacity to deliver on our mission.

Program Updates

Center staff are working with partners in communities across the four-state Northern Forest, including Millinocket, Greenville, and Bethel, Maine; Lancaster and Gorham, New Hampshire; St Johnsbury, Vermont; and Elizabethtown, Keene, and Tupper Lake, New York, to identify gaps and put programs in place that create excitement, momentum and pride. Examples include:

Forging New Opportunity in the Adirondacks

Following a broad stakeholder input process to create the Attracting New Residents strategy, we’re convening theme-based conversations on housing issues, downtown revitalization, community marketing, and community-based recreation. Hundreds have attended these virtual gatherings to learn from speakers and each other.

Advancing Community-Based Recreation

With a dedicated group of participants, we’ve been shifting the conversation about recreation from serving visitors to meeting residents’ needs. Through a small grant program, the group has funded mountain bike trail improvement

Photo by Carl Heilman, II

The Center is partnering with Tupper Lake to address the critical issues that will allow it to retain and attract residents.
projects, *Leave No Trace* educational materials, downtown multi-use planning designs, and is helping to secure funding to establish a gear library where residents can check out equipment that they otherwise couldn’t afford.

**Assessing Housing Development Opportunities**
To address the pervasive lack of attainable housing, the Center is in active conversations with property owners for potential new construction and historic redevelopment of mixed-use properties. We’re focusing in hamlets and downtowns to be able to promote walkable communities, adaptive reuse of existing buildings, and compact development.

**Building Opportunity in St. Johnsbury, VT**
In June, the Center Board convened in St. Johnsbury for our brief return to in-person meetings after a year-plus of virtual gatherings. Partners shared their perspectives and pride in the community but also called out the desperate need for quality market-rate rentals to attract hospital workers, teachers, dental hygienists, paralegals, and other key members of the workforce.

**Assessing Housing Development Opportunities**
Building on some recent exciting downtown redevelopment projects and with guidance from a newly formed advisory group, we’re assessing potential property investments to contribute to the positive momentum underway and expand the footprint of renovated properties to catalyze further improvements.

**Supporting Outdoor Recreation Access**
We were pleased to contribute to the conservation of Observatory Knob, a 100-acre property that puts walking trails and breathtaking views within an easy half-mile reach of 450 households. And to further in-town trail development on the town’s community forest, St. Johnsbury secured a $20,000 grant from the Northern Forest Outdoor Recreation program, which the Center manages in partnership with Northeastern Vermont Development Association and the NEK Collaborative, funded by the Northern Border Regional Commission.

**Expanding Broadband Access in Western Maine**
Over the past five years, we’ve dived deeply into regional coordination and capacity building among 12 towns in the Maine West region. With core partners, we’re supporting Bethel, Woodstock, Greenwood, and Newry to work closely together to bring better internet connection to the area. We’ve provided seed funds for community Wi-Fi installations, new library equipment to increase public internet access, and librarian and volunteer training. These towns are now committed to work together to pursue federal and state broadband grants, providing an exciting model for how small towns can collectively achieve the scale and capacity needed to address the complexities of improving rural broadband.

“Thank you for all the great work you are doing coordinating discussions...As a result of the Affinity Group meetings, we are starting to be able to see our way toward structuring a first [housing] project.”

—Adirondack Community Leader

St. Johnsbury is an appealing place to live but faces a serious housing shortage.
LANCASTER MAIN STREET FUND

Parker J. Noyes Building Makes a Statement

The excitement on Main Street is palpable in Lancaster as we near completion of our top-to-bottom redevelopment of the historic Parker J. Noyes building. Six 2-bedroom apartments will be available along with the first-floor commercial space. Before future residents move in, we’re re-installing the hardwood flooring salvaged from the building along with historic wainscotting, tin ceiling, and beadboard wall finishes. The result is a building ready for the next 150 years, with historic features and feel, but with the amenities of contemporary construction.

Lancaster’s Taproot Farm and Environmental Education Center will lease the entire first floor of the building to house the popular Root Seller Marketplace, which sources goods from 80 local and regional providers. The organization also runs New Hampshire Gleans, a program that provides fresh food to people in need. Two of the six apartments have been pre-leased to Weeks Medical Center for incoming medical staff, and we will be extending applications to the waiting list to fill the rest of the apartments, to be completed this winter.

Leveraging Capital
To create a resilient and beautiful building and provide accessible rental rates, we pursued philanthropic gifts, grants, and other sources of capital. More than $1.6 million from New Markets Tax Credits, gifts, grants from foundations and individuals, and public funding sources is minimizing the debt from the property redevelopment.

The Center’s Parker J. Noyes renovation has encouraged people to fix up their own properties and has drawn people to Main Street. We got so much more than we had hoped.”

–Ben Gaetjens-Oleson,
Lancaster Town Manager
Program Updates

Marketing Lancaster
Guided by a local advisory group and with the services of a professional marketing firm, we partnered with the town to develop a consistent, positive message that all parties – the town, local business, and nonprofits – can use to promote the high quality of life that Lancaster offers to residents. “Life As We Make It” came out as the most popular potential new slogan, along with a woodcut of the town’s beloved fox statue. We recently secured a US Department of Agriculture grant to support implementation of the marketing plan, which was stalled due to COVID. Further outreach will begin in January!

Expanding Broadband
We’re taking what we’ve learned about broadband build-out from our work in other places in the Northern Forest and bringing it to Lancaster. The first step is mapping internet service provider coverage and speeds, which vary widely throughout town. Following a mapping project this December, in 2022, we’ll begin drafting a build-out strategy for universal, affordable, reliable, and future-ready internet coverage for the town.

Improving Recreation Access
We have been working with town staff and volunteer leaders to expand in-town recreation opportunities. Potential concepts include designing and constructing new hiking, walking, and biking trails to increase access from downtown to the Israel River and to the 260-acre Lancaster Town Forest, which sits only a mile away.

The Israel River is one of several natural areas in downtown Lancaster that would be easier to access with new trails.
Fund Demonstrates Compounding Effect of Pairing Impact Capital and Philanthropic Support

Four years into our first impact investment fund, the Millinocket Housing Initiative is exceeding our expectations. The combination of quality rental units and our programs in the Katahdin region is making the community more attractive to young people who will help rebuild the workforce and repopulate the town and the schools. Some key successes:

Performing Assets
The business model is performing. Our occupancy rate for the six rental properties is well ahead of our conservative projections at an average of 96% and all tenants are current on their rent despite the economic challenges of COVID-19. Our properties experience high ongoing demand and have helped to increase property values that had been well below those in other communities.

Investing in Property Improvements
We continue to upgrade our properties to help demonstrate change in the community. At 9 Penobscot Avenue, we’re adding new clapboard to improve the aesthetic, helping to make the Veteran’s Park neighborhood more attractive. We’ve also upgraded the driveways at 9 Penobscot Avenue, 56 Congress Street, and 100 Katahdin Avenue to ease snow removal and parking.

Program Updates
Attracting New Resources
Center staff wrote a grant application that netted the town $200,000 in federal funding for improvements to the Millinocket Municipal Airport. We’ve continued our efforts to improve visitor experiences through better branded signage by raising funds to install new wayfinding signs in Millinocket that direct visitors to key businesses and locations. We expect to expand the program to other communities around Katahdin in the coming year.

Enhancing the Recreation Economy
In partnership with local and regional organizations, we secured nearly $200,000 in US Department of Agriculture funds that are enhancing regional coordination and seeding tangible projects to enhance the recreation economy in the area. These funds helped to:

<table>
<thead>
<tr>
<th>Original Projection</th>
<th>Current</th>
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<tr>
<td>Net rental income to date</td>
<td>$120,500</td>
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<tr>
<td>Net rental income in 2022</td>
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<tr>
<td>Occupancy Rate</td>
<td>80%</td>
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<tr>
<td>Net cash after interest payments</td>
<td>$98,500</td>
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While rental income to date is lower than projected due to construction delays, our actual occupancy rate has exceeded base our projections.
Expand fundraising capacity to raise the necessary funds to design and construct the Katahdin Woods and Water National Monument Visitor Center;

Hire Outdoor Sports Institute summer interns to engage kids with outdoor programs and staff the Katahdin Gear Library, an innovative partnership that offers cross country skis, bikes, and other sports gear to area youth;

Construct new mountain bike trails in town through a partnership with Katahdin Area Trails and the International Mountain Biking Association (IMBA);

Conduct a pedestrian safety study on Central Avenue by Thrive Penobscot in preparation to connect the downtown, Michaud Trail, and high school trails for safe travel;

Construct improvements to 230 Penobscot Avenue, the future home of the non-profit Our Katahdin, rental offices, community meeting space, and an in-town visitor center.

Sharing Millinocket’s Success
We were pleased to feature Millinocket leaders in a webinar attended by nearly 200 viewers from the Adirondacks. Community builder Lucy Van Hook, business owner Jessica Masse, and former librarian Matt Delaney shared the many challenges, successes, and perspectives that have helped to move Millinocket forward and create tangible successes in the community. Participants were inspired by the creativity and persistence of these leaders and many remarked, “if Millinocket can do it, so can we!”

Maine Governor Janet Mills congratulates Center President Rob Riley and donor Peter Paine, Jr., on the completed renovation of the Center’s 3-unit rental at 100 Katahdin Ave. The Paine family made a major contribution to complete the renovation in memory of Peter S. Paine, Sr. who had been chairman and CEO of Great Northern Paper mill in Millinocket in the 1960s and ’70s. The building at 100 Katahdin Avenue originally served as a residence for workers from the mill.

Six interns spent the summer in Millinocket, working for nonprofit organizations to increase their capacity, and living in our rental at 100 Katahdin Avenue.