

BLENDING NATURE WITH DEVELOPMENT

First steps toward an environmental ethos that fits a human-networked world.
by James S. Russell

On a sparkling June day in 2002, Donald Miller took a seat on a battered crate he had put down outside his dilapidated, weather-beaten barn, at the northern end of the Gallatin Valley in the vast, mountainous stretches of western Montana. His calves vanished into lush grass. His upturned face was wreathed in white hair and beard.

He listened to Clark Stevens, 43, an architect from Los Angeles whose baggy gray pants and beige pullover were covered with pockets for fly fishing paraphernalia, a pastime that drew him to Montana. Stevens described how, with careful planning, Miller's 300 acres could nurture trout and attract wildlife while hosting carefully sited homes that would vanish behind a low ridge or be almost invisible behind a line of cottonwoods.

Miller could have sold quickly to developers, since his land edged the growing fringe of Bozeman. But the rancher feared a traditional developer would simply cut the trees, plow under the lush grass, and bulldoze the stream remains into a culvert. He didn't want his land to be the site for a line of houses or a few rows of concrete-block mini-storage sheds on a plaza of asphalt.

Miller had come from a ranching family and had worked these acres for decades. But, approaching his 70s, he was getting too old. He would have preferred to sell his land to another rancher, but cattle ranching on huge tracts as far distant as South America had made operating so little acreage unprofitable. He liked Stevens' idea because it would create affordable housing that would let people appreciate what he's loved about the land all these years.

"Whatever we call it, it will have a sign that reads 'ungated community,'" Miller said.

Stevens, the architect, and Miller, the rancher, are among a new breed that cross the divide between traditional environmentalism and development because they recognize common values.

They're far from alone. An increasing number of public-spirited institutional and private investors seek to marry enterprise and environmentalism, stretching the possibilities of pure preservation.

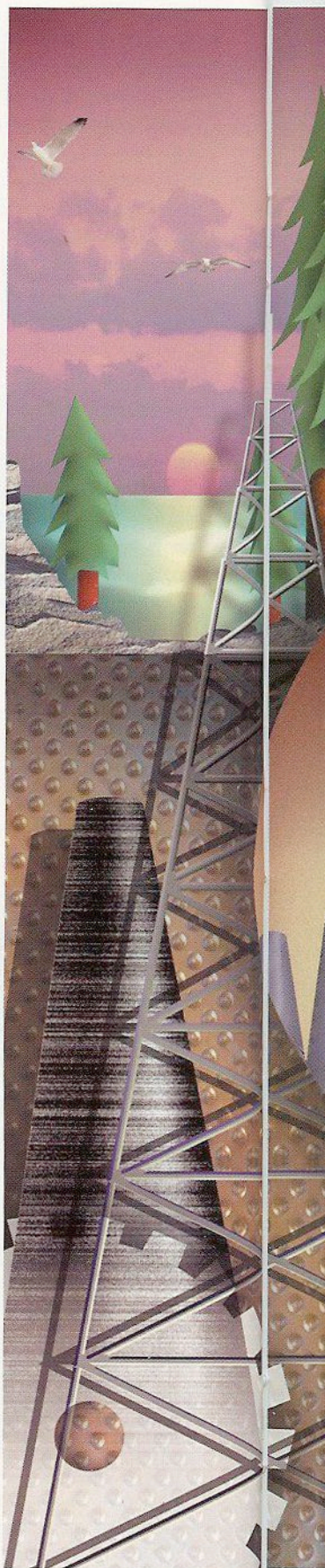
These pioneers are trying out new ways to sensitively nurture a vibrant economy in some of the nation's most naturally gorgeous places. In the process of creating what some call "conservation developments" they are redefining land-use regulations and real-estate finance. And they're broadening the conservation ethos, rethinking the human presence in the natural landscape.

Most conservation developers are small and locally focused, but these investments are drawing attention from the largest financial institutions, like Goldman Sachs, Citibank, and Bank of America, which seek to hedge conventional investments with a variety of forays into the emerging "green" economy.

"Five or six years ago, conservation-development projects were very rare," explains Lawrence Selzer, president of the Conservation Fund. Headquartered in Arlington, Virginia, the non-profit marries conservation and economic development. "It won't knock off subdivision housing, but the demand is rising dramatically."

The main reason demand outruns supply is that it is not easy—yet. Clark Stevens' vision for Donald Miller's land near Bozeman was never realized, even though it is much more in keeping with Bozeman's rustic, back-to-the-land identity than is the shopping strip that hugs the interstate on the other side of town.

From a real-estate development point of view, though, Stevens' plan looked like a leap of faith instead of a deal. To cobble together funds, the developer needed to win a grant from the highway department as part of a complex program that constructs marshes to compensate for those destroyed by road projects. A federal agency would have to decide that the stream restoration



WENDY GROSSMAN/IMAGES.COM



“Between traditional conservation and traditional development there is great potential in blending conservation with development.”

met the legal definition of a “restored wetlands” not a “constructed wetlands.” In addition, the development would have had to leap a variety of regulatory hurdles. A partner with a significant amount of cash would be needed because traditional developers and lenders could not see the project’s potential.

Stevens offered Miller Option B: Raise cash faster if he sold the property with “conservation easements” attached. This voluntary legal restriction—frequently used in state farmland-preservation programs—gives buyers a tax break for foregoing conventional urban development. Or, Option C, Miller could sell to a buyer with a contractual stipulation that Stevens’ plan must be executed.

After years of juggling these options, the Millers, facing declining health and rising doctors’ bills, sold to a developer with a far less adventurous plan than Stevens had proposed. “They left only the wetlands open,” says Stevens. “There was nothing creative in terms of building design or siting. But they got the cash they needed, and I learned a few things.”

Many projects in this nascent movement are small or near-misses, like Miller’s ranch, but lessons learned soon may be applied on much larger landscapes. The growing concern for global warming’s effects—to name the most urgent environmental challenge—doesn’t send just environmental scientists scrambling. It is roiling corporate boardrooms.

Investor and environmental groups are pressing companies to show that they are addressing both the risks and market opportunities presented by climate change, according to a recent story in *The New York Times*.

“Between traditional conservation and traditional development there

is great potential in blending conservation with development,” says Carl Palmer, a cofounder with Robert Keith of Montana’s Beartooth Capital, among the few conservation-oriented real-estate investment funds.

A DIFFERENT DEVELOPMENT IN HAWAII

Stevens has applied what he learned working with Miller on a much larger land deal, called Hokukano Preserve, that’s moving toward construction on the Big Island of Hawaii. If the Pace family, long-time owners, had sought the greatest and quickest economic return, they could have sold off their 11,000 acres into 20-acre “ranchettes.”

Instead, working with Stevens, they’ve agreed to subdivide only 1,000 acres. Sandalwood and ohia forests that stretch from the edge of the town of Kealakekua up the island’s western slopes toward Mauna Loa’s peak will be protected and extended

through reforestation of the parcel’s ranchlands. An 11,000-acre adjacent ranch may be added if OKed by the Federal Forest Legacy Program, which grants cash while legally obliterating development rights.

Stevens has marked out building sites on the lowest elevations, nearest Kealakekua, by pacing the land and finding spots that offer breathtaking views of the ocean or the peak without extending existing ranch roads. On one potential site he repeatedly encountered an angry ‘io, an endangered Hawaiian hawk. “He would scream at me from about 10 feet away,” he recounts, which made him realize that he’d better let the eagle retain his claim to the place.

He’s also tried to recognize ancient island notions of land stewardship. “There are all these layers of history and ways of understanding land,” he explains. The idea of scraping the rocky slopes into a flat platform for a homesite is “blasphemous” locally. (Historically, flattened sites were reserved for religious structures.) “So our architecture will respect the way a building should sit on the landscape while taking advantage of the individuality of each setting.”

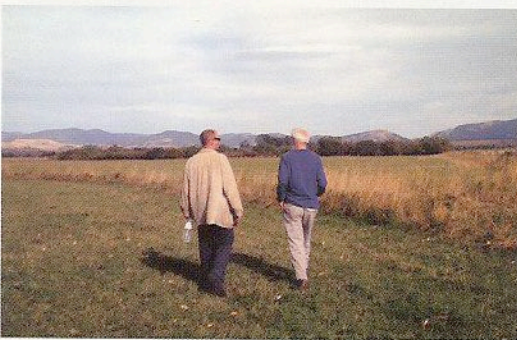
But even wealthy individuals willing to pay \$2 million or more to buy into the preserve will be expected to nurture it. “Residents will have incentives to reforest their land,” Stevens says. At least three-quarters of each 20-acre parcel will stay in agricultural use or conservation. Fences will define wildlife corridors—not property lines—and defend native forest and understorey from non-native wild pigs.

Parts of the vast site, almost as large in area as San Francisco, will continue to support coffee growing (tucked into remnant forests), and bison and cattle ranching (rotated to inspire forest growth but reduce fire-inducing deadwood). Mixing conservation, development, and ranching or forestry represent an evolving notion of the way humans can be present in precious landscapes.

Human activities, clustered or limited, offer income to offset the profits owners forgo when they give up the right to cut forests or build vacation homes. But the reasons run deeper: “Retiring land from human use is more complex than it appears,” says Stevens.

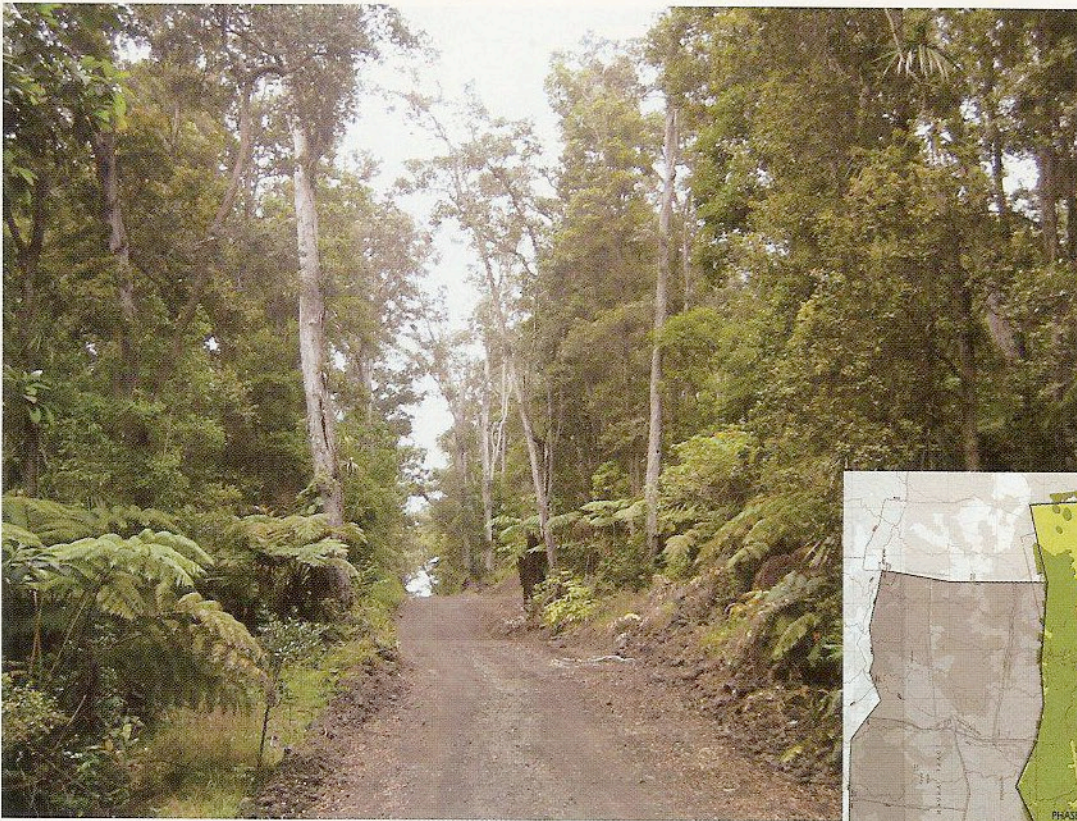
Natural systems, he says, adapt themselves to long-term human use, creating a different kind of environmental diversity than would occur otherwise. Stevens is also concerned that “removing people from the land disengages them from it.” The people who work a forest or farm know it best. When they leave, they take their understanding and emotional connection with them. The idea of conservation development unites those, like Stevens, who says he wants “to move beyond a conventional environmentalism that humans should be separated from the land.”

In the West, it’s possible to assemble huge tracts into the kinds of conservation development Stevens has made his specialty. In other parts of the country, environmental groups find themselves operating on a



COURTESY CLARK STEVENS

Donald Miller and Clark Stevens discuss options for his Montana ranchland.



COURTESY CLARK STEVENS

With careful planning, developers hope to keep the beauty of the Hawaiian scene at left while allowing some



much smaller scale. Scenic Hudson, a nonprofit dedicated to protecting and restoring New York's storied Hudson River, has long focused on land preservation, succeeding in setting aside some 20,000 acres in the last four decades. But in its approach to 23 derelict acres, which once hosted an assortment of industrial facilities, Scenic Hudson hopes to make a much larger impact by bridging the divide that often splits communities from environmentalists.

"Our mission is conservation," explains Ned Sullivan, Scenic Hudson's president. "But we're working with the business community and developers to try and get it right, so that the valley's beauty and quality of life are sustained as key assets." Scenic Hudson has started manning the bulldozers rather than trying to stop them.

SHOWCASING THE HUDSON

In the mill town of Beacon, Scenic Hudson is sponsoring a development called Long Dock at Beacon. Its centerpiece, a narrow hotel and conference center, points toward the river on pilings like a 900-foot-long eel, with a snout that tips downward at the water's edge. It subtly but cost-effectively incorporates many innovative energy-conservation techniques.

A publicly accessible promenade wrapping the hotel will filter light to reduce shading of the river, important for fish. A narrow channel of water sets the building off to the south, naturally filtering runoff from the roof and pavement. The idea is to show people that profit-making development can be more than just technically green; it can express the unique

qualities of an extraordinary stretch of river.

Beyond the hotel, Scenic Hudson will convert the southern two-thirds of the site into a park of wildlife-attracting native-grass meadows. A chain of miniature, naturally functioning marshes and a crescent of gravel beach will open a panorama to the Hudson Highlands. Much

of that has been preserved, thanks to Scenic Hudson.

Though the project was designed to sail through detailed environmental-quality reviews Scenic Hudson had long urged on other developers, public agencies had to make Long Dock jump through the same hoops any developer would. Those approvals have been secured, but attracting private development financing has been a much tougher challenge. Long Dock at Beacon does not fit existing development models, like strip malls do.

"We have had to design the structure of the deal and its financing without being able to work off existing models," explains Steve Rosenberg, Scenic Hudson's senior vice president.

Those rigidly formulaic models rule real-estate finance. Jonathan Rose, a developer of "green" urban-infill projects, put it this way: "A kid out of business school who thinks he knows credit risk" is

development in a project near Mauna Loa on the Big Island of Hawaii.



At right, the master plan for Long Dock at Beacon. The development, in New York's Hudson Valley, will feature a hotel and conference center and incorporate innovative



COURTESY SCENIC HUDSON (2)

energy-conservation techniques. Above, an artist's rendition of the planned promenade.

analyzing your loan proposal, and, in effect, "setting the benchmark for development in America." This is why a highway-strip hotel in Wichita is identical to a highway-strip hotel in Worcester, Massachusetts.

Making Long Dock at Beacon appealing to investors has forced Scenic Hudson to undertake a complex and costly syndicated financial scheme involving private donations, public grants, and two state tax-incentive programs. It has signed up Doral Arrowwood, an experienced hotel operator, which it hopes will build investor confidence.

Making the financial risk to investors understandable will be essential if conservation development is to grow beyond dedicated nonprofits and a few boutique investors, pioneers in the field say.

"For the most part, conservationists don't understand private investment tools, and traditional developers don't have environmental credibility; they don't understand how to work with environmental goals," says Beartooth Capital's Palmer. "We're going to see lot of growth in startups that blend

those skill-sets to fill that gap."

His company, operating out of Bozeman in four western states, uses its expertise to analyze ecological values that can be nurtured while assembling legal and financial devices—like land swaps and tax deductions—that can help conservation-driven development generate returns. Beartooth Capital is building on the example of "brownfield" developers, who pick up polluted industrial sites at low prices and invest in cleanups to make the sites marketable.

"While things may be changing," says the Conservation Fund's Selzer, conservation development "still doesn't fit into cookie cutter models many banks use in evaluating risk."

"Usually, the more you try and be fair and particular to a place, the more expensive it is," explains Greg Hendrickson, manager of the Hokukano Preserve project and a conservation-law attorney with Coblenz, Patch, Duffy, & Bass in San Francisco.

In a few years, a wide variety of green developments may appeal to mainstream investors as tax, regulatory, and land-use policies shift in response to successful conservation developments.

"By design the developments we're involved with often don't comport with existing zoning regulations,"—the kind that usually encourage conventional suburban subdivisions, explains Selzer. "So we work with local regulatory agencies to help them understand the benefits of environmentally friendly design. We've had good success there."

Christopher Leinberger, a real-estate analyst and developer who is now a fellow at the Brookings

Q&A: DON SHAFFER, LOCAL BUSINESS NETWORK PROMOTER

Don Shaffer is the executive director of Business Alliance for Local Living Economies (BALLE), (www.living-economies.org), an association of 51 independently operated local business networks that includes more than 15,000 businesses and community organizations committed to "prosperity through local business ownership, economic justice, cultural diversity, and environmental stewardship." Shaffer also co-owns Comet Skateboards in San Francisco.

Q: AMERICAN FORESTS: BALLE's membership tripled in the last year and a half. Why are you growing so fast?

A: Shaffer: There's a heightening awareness among businesses and consumers that we need to be thinking about all the things that go into having a smaller ecological footprint. Another factor is that local and state government are putting about \$50 billion out there every year in subsidies and tax breaks, but most of it goes to big companies that are not locally owned. We're saying to local and state governments: acknowledge the trends in sustainable agriculture, renewable energy, green building, zero-waste manufacturing—to take just four—and support the growth of those kinds of local businesses.

Q: AMERICAN FORESTS: What is a local living economy?

A: Shaffer: A local living economy is made up of small- and medium-sized businesses that are keenly aware of the footprint they make, the amount of energy they're using, the amount of waste they're creating, and they try to minimize those with an eye toward making the local ecosystem as healthy as possible. There's an agreed commitment to strive to adopt as many sustainable practices as they can.

Q: AMERICAN FORESTS: Give me an example.

A: Shaffer: Let's look at Bellingham, Washington. The group is called Sustainable Connections (www.sconnect.org). It started in a modest way during the holiday season in 2002. Essentially, a dozen business owners got together—bookstore owners, builders, grocers—and said, "How can we work together so our businesses strengthen this community and environment and show the public why they should support our local farmers, manufacturers, and independent retailers?" After launching programs in sustainable agriculture, green building, a "think local first" campaign and more, they have over 500 members. This is a small county of maybe 200,000, and the entire community is a celebration of a local living economy. Residents have started to ask in what other areas they can produce more and consume more using resources within 100 miles. They now have a thriving farmer's market and a thriving energy program. They plan to be one of first municipalities to produce 100 percent of their energy from renewables.

Q: AMERICAN FORESTS: BALLE's literature says that the main reason businesses join is to share information. How can that translate into benefits for the environment?

A: Shaffer: I just worked with a number of wood products/building materials companies in San Benito County in California. They've been trucking their waste to Nevada because they can get paid for the wood chips that they create on the back end of their manufacturing process. Now, instead, they're going to create a biomass facility right there that will convert that waste into energy, save them money, create more jobs locally, and be a substantial benefit to the environment because the stuff won't be trucked hundreds of miles. Two of the half dozen companies we've been talking to are going to convert their operations to solar power because one of the business owners who had already done that educated the rest of the group.

Q: AMERICAN FORESTS: Why is it important for them to be in a network instead of exercising those principles on their own?

A: Shaffer: We believe there's an incredible amount of leverage for positive change in a network that's conscious of itself. The fundamental idea is sharing best practices. That can really only happen if you have some level of trust and some experience of working regularly with a group of people who are committed to the same thing.

Q: AMERICAN FORESTS: Do these local networks ever link together into something greater?

A: Shaffer: That's the stage we're in right now, making an effort to connect the networks. We have an extensive members-only section of the website with all kinds of resources and all the contact information for key leaders so they can get in touch with each other directly. We also have regional trainings and our 5th annual conference coming up in Berkeley, California.

Q: AMERICAN FORESTS: Do the businesses in BALLE feel the effects of larger environmental issues such as erosion and pollution and depletion of resources? Are they conscious of those things?

A: Shaffer: Yes, they absolutely do feel some of the downstream effects of those things. There are two levels to what we're trying to do with these local business networks. One is, what tangible things can these businesses do to lighten their footprint? These are concrete things they can do day-to-day. But at the second level—and this is a benefit of the network structure—we're making people more aware of how these larger environmental issues are affecting their businesses and their communities right now and in the future. Some small business owners are better at thinking on a systems level than others, and are more into the bigger picture. We give them a voice and a forum to learn and to educate others, because we think that the more critical thinking that goes on and the more awareness people have of the broader issues, the bigger the effect of the applied projects.

—by Steve Kemper

Steve Kemper is a Connecticut-based writer.



"The vision is to create a sustainable global economy made up of a network of local living economies."

—Don Shaffer



COURTESY PECONIC LAND TRUST (2)



Forward-thinking conservation development is allowing for building while preserving greenspace and natural areas—like that above in Southold, on Long Island, New York. Conservation development shows how to build bridges that cross human realms with environmental ones in richer ways.

ing effort the most sensitive conservation developments demand. Leinberger divides an investment according to the goals of investors, so that those who can accept a long payback time (institutions, foundations) can reap greater gains by waiting, and those (like typical real-estate investors) can get the quick returns they want, too. That works, he says, because the returns on conservation development can be better than conventional ones, though slower in coming.

"There's lots of data coming in that shows that people will pay as much as a 30 percent premium for green space," says The Conservation Fund's Selzer.

As more people begin to understand the advantages of such "doing good while doing well" investments, more people like Leinberger will devise means to smooth the way. Conservation development shows how to build bridges that cross human realms with environmental ones in much richer ways. The next great challenge is to extend this level of innovation to communities and ecological regions, conservation developers say.

Communities are grappling with that task on the North Fork of Long Island, a 25-mile-long patchwork of farms, vineyards, scrub-oak forests, and picturesque ocean inlets 75 miles from New York City. Voters in 1998 endorsed a conservation program that has underwritten large-scale purchases of land for preserves and purchases development rights to keep farms in agriculture.

"It's been tremendously successful," says Timothy

Institute in Washington, has devised what he calls a "patient equity" financing methodology, which can reward the painstaking

J. Caufield, VP of Peconic Land Trust, which coordinates these programs. "Of unsubdivided land that's gone through either a development or a preservation process, we've been able to preserve 94 percent."

Yet, at the same time, home prices have skyrocketed as growth pressure meets restricted supply, a burden that hits hardest on those who have long lived, and hope to live, in the area. "The problem is that local people make their living in what I call the Main Street economy, but real estate is dominated by people in the Wall Street economy," explains David Kapell, mayor of Greenport, the largest of the North Fork villages. "They are anywhere between 70 and 80 percent of real estate transactions."

Kapell has supported a development of 128 homes intended to be affordable to locals, consistent with a local planning idea that such housing be located in a "halo" of land wrapping each of the Fork's half-dozen villages that can accept denser development. But people who had embraced the idea in the abstract now object to the new houses on small lots that threaten to hem them in.

"Nobody wants it in their backyard," Kapell says.

The villages haven't figured out how to resolve their future yet, in part because they have not fully appreciated how the large-scale forces of the urban network are acting on their tiny farm towns.

Real-estate pressures not only come from nearby Long Island suburbs and Manhattan, but from a second-home market that's gone global. Real-estate agents promise to find newly minted Asian millionaire buyers in hours over the Internet. Buyers from so far away bring an entirely different set of values to a landscape that has evolved for more than 300 years in response to a unique climate and environment.

Failing to understand the larger context in which communities today operate can undermine the best laid, most public-spirited plans, permitting development to trump preservation—through overbuilding; through too many badly designed, eroding roads; through failure to maintain critical habitats.

“Development will occur whether we like it or not,” says Kapell. If the North Fork ignores the problem of housing teachers, nurses, and retail clerks, he says, “Social and market forces will combine to force solutions. That’s the way Long Island has developed over the last 50 years, and it has resulted in the gobbling up of open space.”

For people interested in conservation develop-

ment, “there is an element of generosity and shared focus on future,” explains Stevens, the Hawaii developer. “They will make a good return, but not what they could get if they just wanted to make money.”

Integrating the built and the natural world in a new way cannot be expected to do what national parks and wilderness areas have set out to do. Nor can it reap the profits of bulldozer suburbs. But it may be a means to extend the reach of pure preservation efforts, perhaps vastly. **AF**

James S. Russell is architecture critic for Bloomberg news service. He is completing a book, Mutant Metropolis: Living in the Emerging American City.

Q&A: NICHOLAS EISENBERGER, ECO-ADVISOR TO CORPORATE AMERICA

Nicholas Eisenberger is managing principal at GreenOrder (www.greenorder.com/), an environmental consulting firm in New York City that advises companies such as GE, GM, DuPont, and Pfizer on ways to invest in green practices and products that also boost profits and competitive advantage.

Q: AMERICAN FORESTS: You’ve worked on GE’s “ecomagination” project, and GE has become a leader in green business. When chairman and CEO Jeffrey Immelt introduced ecomagination, he said 80 percent of senior management were against it. You must do a lot of educating even inside companies that want to go green.

A: Eisenberger: Yes. A lot of internal constituencies don’t know how to get there. The environmental safety folks may be wary of trumpeting green because in the past it’s been a liability or a cost issue. The marketing folks may be excited to talk about it but aren’t confident they can talk about it credibly. The line business managers may want to see the value proposition: “Show me the numbers. How is this going to enhance or disrupt my existing line of business? How does my customer feel about it?” We try to address all those issues with three perspectives: a strategic business focus, a technical/analytical focus, and a communications focus. Our tag line is “making progress profitable.” We believe the market is the most powerful force on earth, and that the more that you can demonstrate to the market that there is profit in investing in green, the more positive impact you’ll have on the planet.

Q: AMERICAN FORESTS: Which strategies for being green and profitable seem to work and which don’t?

A: Eisenberger: Notwithstanding the recent popularity of all things green, we don’t believe investing in green for its own sake is sustainable. We focus on how you can use changing needs in the marketplace that relate to the environment to create new products and services your customers will value, and your other stakeholders will value—your investors, employees, the local community, environmental organizations. And how will that translate into higher revenue, lower costs, new customers, more retained customers, enhanced reputation? We don’t believe there’s green under every rock or that there’s always a great marriage between a green investment and a financial return. Like anything else, good data, good research, hard thinking, and creativity normally will enable

you to create something with superior value. We also don’t think consumers are going to buy solely on green. A small percentage will pay a premium for it. We recommend clients think about making green a tipping-point factor, a boost, for a good product with a great value proposition, the right price point, the right design. If so, the greener product now will win more often.

Q: AMERICAN FORESTS: You’re advising companies that an environmentalist couldn’t have imagined working with 10 years ago—GE, GM, DuPont. Was there a point when you decided you needed to work with big corporations to have an environmental effect?

A: Eisenberger: Yes. I was offered a job in the early ‘90s with an environmental law firm that made its name suing companies. I walked away from that interview and thought, “I don’t think I want to sue people, although I’m glad there are people who do. I want to build value through the tools of business as opposed to attacking problems through the tools of law.” These big companies are making a big imprint on the planet. The more influence you can have on improving that environmental footprint, the better off we all are.

Q: AMERICAN FORESTS: Do you think that behemoths like GE and GM can really become sustainable green companies?

A: Eisenberger: Yes, I do. We’d better hope so. We have needs that we want met, desires we want fulfilled, and business has been one of the major tools to satisfy those; that’s going to be continue to be the case. We’re learning about some of the global-scale perils, hopefully with enough time to address them, if we hurry. Business, though it played a role in creating those perils, just reflects us. Businesses are run by people, and we have to hope they realize what’s at stake and use our best human traits—our vision and creativity and innovation—to address these problems.

Q: AMERICAN FORESTS: You’ve worked with GE and GM. Now they’re working together on the Volt electric car, which uses GE’s lightweight green plastics. Do you foresee more green linkages of that kind among big corporations?

A: Eisenberger: Absolutely. We help to facilitate it when we can, and we see a lot of it now. Behind the scenes, a lot of very creative thinking is going on. It’s an exciting time.

—By Steve Kemper



“These big companies are making a big imprint on the planet. The more influence you can have on improving that environmental footprint, the better off we all are.”

—Nicholas Eisenberger