DATE: January 29, 2014

TO: Colleagues, Alternative Forest Management Stakeholder Group

FROM: Dave Ivanoff

To add clarity and more specificity to the "70/30" proposal, I have prepared the attached description in the format I understand would be most helpful for our next meeting.

"70/30" Forest Management Strategy

General Description:

This alternative is a further refinement of the alternative management approach I suggested in early 2010 while serving on the Greatest Permanent Value Public Advisory Committee. In its simplest description, my concept is a zoned approach, where 30% of the total acres are dedicated to values other than timber production, and the remaining 70% of the land base is dedicated to the sustainable production of timber under the provisions of the Oregon Forest Practices Act (FPA).

Land Management Strategy (Timber Production and Conservation Zones):

To best illustrate this 70/30 proposal, the summary of acres available for timber production on the Astoria, Forest Grove and Tillamook Districts under the regulatory provisions of the FPA is as presented in Forest Analytics' November 8, 2013 submission to the Stakeholder Group:

		Net Acres		
	Gross	Off Base*	Available for	% Net
<u>District</u>	<u>Acres</u>	<u>Acres</u>	Timber Production	<u>Acres</u>
Astoria	137,004	13,153	123,851	90.4%
Forest Grove	115,003	18,592	96,411	83.8%
<u>Tillamook</u>	<u>252,345</u>	53,391	<u>198,954</u>	<u>78.8%</u>
"Big 3" Total	504,352	85,136	419,216	83.1%

^{*} Includes areas set aside for riparian protection, road rights-of-way, non loggable acres, administratively removed sites, Spotted owl core areas, FPA wildlife sites and High Hazard Landslide Areas.

Under the regulatory framework of the FPA, just over 85,000 acres, or about 17% of the land base are currently managed for objectives relating specifically for the conservation values of water quality and fish & wildlife habitat as well as for public safety, access and other values, including recreation. Under this proposal, an additional 13% or about 66,000 acres would be managed for similar values. To put this in perspective, the additional set-aside of 66,000 acres of high value forestland easily represents a present-value opportunity cost of \$300 million to \$400 million for this purpose, based on current forestland values. For clarity, all of the specific areas set aside for the high value conservation zones would be those as determined by the professional foresters within the Department of Forestry (DOF).

As it relates to forest management on the "Big 3" districts, the attached spreadsheet illustrates how the lands would be managed under the FPA. Coupled with a younger age class commercial thinning program and a sixty (60) year final harvest strategy, the Astoria, Forest Grove and Tillamook Districts will sustainably produce approximately 262 MMBF per year. Current age class distribution is such that final harvest would be initially targeted for the oldest age classes to facilitate movement to a regulated forest managed on a sixty (60) year rotation. Compliance under the ESA would be a "Take Avoidance" strategy as required for any other non-federal landowner. Conversion of older age class timber would only occur on those zoned lands to be managed for timber production. To the extent older timber exists, or will develop on areas dedicated for conservation and other values, the 70/30 proposal does not envision timber harvest occurring in those areas unless consistent with achievement of the desired conservation value for which the land was originally set aside.

Business Model and Conservation Funding Mechanism:

If the 70/30 proposal was implemented, Item E on the attachment illustrates an annual and sustainable increase in revenue of approximately \$26.7 million would occur every year, using the DOF's FY2013 actual stumpage rate. Under the current revenue distribution formula, annual revenue increases would be approximately \$9.7 million for the DOF and \$17 million would go to the trust counties. This scenario would clearly achieve the goal of improving the financial viability of the DOF and enhance the economic and social viability of communities within Tillamook County and other trust counties. To the extent additional funding could enhance local trust county school budgets, schools throughout Oregon would also benefit under the state-wide equalization funding formula.

As I mentioned in our November 11, 2013 Stakeholder meeting, if the 70/30 proposal was adopted, I suggested a portion of the revenue resulting from the <u>incremental</u> harvest above current activity levels could be dedicated specifically for conservation and recreation purposes. In the example of the "Big 3" districts, approximately 80 MMBF more timber would be harvested under the 70/30 proposal. If the conservation community, trust counties,

timber industry and the DOF testified in favor of dedicating \$10/M to \$15/M (or some other higher amount) from the revenue on the incremental volume for this purpose, I believe the legislature and Governor Kitzhaber would enthusiastically support this concept. On the "Big 3" districts alone, this would represent an annual contribution to this fund of \$800,000 to \$1.2 million. If all areas under DOF control were managed in this same fashion, the conservation fund would be incrementally higher.

Dollars created as a result of the conservation fund would not necessarily need to be spent on specific projects on state lands. For example, I believe efforts to improve salmonid habitat on Oregon's forestlands would be minimally necessary given the riparian protection measures under the FPA and the work that has been done by Oregon's landowners under the Oregon Salmon Plan. However, significant opportunities to improve habitat may exist in some of Oregon's agricultural and metropolitan areas, and I believe dollars from this fund could be targeted in those areas throughout Oregon. Specific research and monitoring of habitat improvement efforts could also be an outcome of the fund's creation. Control of, and funding decisions would be made under the management framework established when this legislative concept is passed into law.

Summary:

Our mission in the Stakeholder Group process is to simultaneously achieve improved financial viability for the DOF and improved conservation outcomes under a possible revision to the Forest Management Plan. I believe the 70/30 approach will do that. The specific dedication of 30% of the land for values other than timber production and creation of the conservation fund described above achieves the improved conservation goal, as it will be additive to the current strategy. (From my experience in forestland management, simultaneous contribution to conservation values and active forest management is an ongoing process, and I believe those contributions under the FPA are dramatically under-estimated by some.) Management of the 70% of the land for timber production as I have described will allow the trust counties to receive an acceptable portion of the benefits promised when the lands were deeded by the counties to the state of Oregon. As previously mentioned, the additional revenue under the 70/30 proposal will provide the desired improvement in the financial viability needed by the DOF.

In our previous discussions, I have emphasized simultaneous achievement of abundant timber outputs and protection of conservation values is not mutually exclusive. We have clearly demonstrated that fact on recent BOF tours on our Big Creek timberlands near Astoria. In addition to ongoing riparian protection for the benefit of fish, there will be a significant contribution to wildlife habitat, both for species dependent on older forests and for those that depend on younger age classes with the 70/30 proposal. In terms of visual impact,

only 1.2% (1/60*.70) of the entire landscape would be clear-cut annually under the 70/30 strategy using the suggested 60 year rotation outlined in my proposal. I submit that if given the opportunity, the professional land managers in the DOF will be able to minimize the visual impact of timber harvest activity by appropriate harvest unit dispersal across the landscape. The eventual distribution of age classes created through this forest management strategy, along with the presence of the conservation zones, will create an unbelievable "moving mosaic" of habitat diversity across the landscape.

To the extent a disproportionate amount of the conservation zones are allocated to one county over that of the others as a result of this 70/30 proposal, then a revision to the county revenue distribution formula may be required as outlined by Mike Bordelon at our last meeting. With Governor Kitzhaber's support, I am confident an equitable distribution of future county receipts can be achieved in order that all counties are "winners" if the BOF decides to move forward with this 70/30 proposal.

In the final analysis, continuation of the status quo will not be economically, socially or environmentally sustainable. I am convinced the litigation targeted at the DOF on the Elliott State Forest will eventually find its way to the north coast if the creation of older age classes through Structure Based Management (SBM) continues. The current SBM strategy has clearly not met the intended outcomes of the GPV rule. In my view, it has severely compromised forest productivity through its heavy thinning regime where residual stand densities have been reduced to less than ideal levels, and it has not generated the revenue needed for the DOF's financial viability concerns. Moreover, a number of the trust counties continue to struggle with inadequate revenue needed to maintain the "social fabric" of their small communities. Without substantive change in the land management strategy, I believe the DOF will eventually become insolvent and the trust counties will undertake legal action or pursue other remedies to prevent any deterioration of the asset value like that which has occurred on the Elliott. I believe the 70/30 proposal could be the "and-and" solution we are trying to find. I thank you in advance for your further consideration of this concept, and I look forward to our meeting on 2/10/2014.

Attachment