

## **Forest Management Plan Approach**

### **Alternative Forest Management Plan**

#### **Stakeholder Group**

**2-5-14**

#### **Title- "Land Sale Alternative"**

#### **Submitted by- Ray Jones, Stimson Lumber**

**General Description-** This alternative approach is suggested in the event that a new, improved management approach cannot be adopted or developed by the Board of Forestry, The Land Board and ODF which increases financial viability and conservation outcomes. In this alternative, all Six Districts (609,452 acres) would be sold in an auction process. A sale of this magnitude can be easily absorbed in the market place by a combination of TIMO, Conservation and Industrial Buyers. The demand for premium forestland in Western Oregon and Washington is very high and preferred by the buying community. The financial ability of buyers to finance and acquire large premium properties is at an all-time high as well. Further, the lands contain more than double the volume (on a per acre basis) than other normal land transactions of this size. This proposal would maximize the asset value through sale and establish a "Perpetual Trust Fund" for the counties. The Trust Fund would increase long term financial viability and predictability for county services. The conservation outcomes would also increase through a land set-aside to conserve High Conservation Values and Special Places. Further, the tax base in the counties represented through the sale of land assets would be greatly increased through privatization of the lands.

#### **Land Management Strategy**

**Scope-** All lands in the Six Districts would be part of the Land Sale Alternative, except for special land set-asides that would be exempt. These lands would represent a maximum of 10% of the lands totaling 60,945 acres. The exempted lands could be retained in management by ODF or alternatively by another appointed agency. Suggestions for land exemptions are as follows:

- 1)** "High Conservation Areas" as identified by ODF and the Board of Forestry;
- 2)** "Special Places" for either recreation or other priority uses also identified by ODF and the Board of Forestry; and
- 3)** Exempted lands shall not exceed more than 10% of the total gross land base of the Six Districts. The lands exempted would total a maximum of 60,945 acres.

#### **Land Protection Set Asides**

The 60,945 acres of exempted lands would be a perpetual set aside for conservation purposes. Management actions on these lands would be for the purposes of enhancing the values determined

when the set- asides were identified. On the remaining property to be sold (548,507 acres), protections would be according to the application of and requirements of the Forest Practices Act standards. Those required set asides would be approximately 15-16% of the gross acres.

**Expected Revenue from the “Land Sale Alternative”**

Recent acquisition of premium properties in Oregon have returned \$4,000 - 4,500 per acre with approximately one half of the standing volume on a per acre basis. Further, the sale of lands would be subject to “Log Export Restrictions.” Using those assumptions, the range of value on a per acre basis could easily be in the range of \$5,000-6,000 per acre due to the standing volume per acre even with log export restrictions. Assuming these range of values, the sale would generate the following Low Side and High Side Revenue Ranges:

**Low Side Revenue**

Total Sales Revenue = 548,507 acres x \$5,000 per acre= \$2,742,535,000

Total Net Revenue= \$2,742,535,000 x .93= \$2,550,557,550 (net of commissions and other expenses)

Est. Annual Trust Fund Revenue= \$2,550,557,550 x 5% average annual rate of return= **\$127,527,877**

**High Side Revenue**

Total Sales Revenue= 548,507 acres x \$6,000 per acre= \$3,291,042,000

Total Net Revenue= \$3,291,042,000 x .93= \$3,060,669,060 (net of commissions and other expenses)

Est. Annual Trust Fund Revenue= \$3,060,669,060 x 5% average annual rate of return= **\$153,033,453**

**Current Planned Harvest Volumes Per Year**

Big 3 182 MMBF

Little 3 38 MMBF

Total 220 MMBF

**Current Revenue per year**

Total 220 MMBF x \$350/MBF= \$77,000,000

| <b>Incremental Annual Revenue Available</b> | <b><u>Low Side</u></b> | <b><u>High Side</u></b> |
|---|------------------------|-------------------------|
| Estimated Annual Trust Fund Revenue Range   | \$127,527,877          | \$153,033,453           |
| Current Annual Revenue                      | <u>\$77,000,000</u>    | <u>\$77,000,000</u>     |
| Incremental Annual Revenue                  | <b>\$50,527,877</b>    | <b>\$76,033,453</b>     |

**Business Model/ Funding Strategy**

Large incremental revenue increases from the Land Sale Alternative in the form of the Perpetual Trust Fund creates a lot of financial opportunity. Currently the formula for revenue distribution is 36.5% to ODF for management expenses and the balance to the counties and others. With the sale of state lands, the formula could be drastically changed since 90% of the lands are sold. ODF however would need to increase staffing to administer the Oregon Forest Practices Act on the increased acreage of private lands created. With a formula change, either a very large share of the proceeds could go to the counties and

or other needs where rural services are needed. There would be ample revenue to fund desired services.

### **Expected Outcomes**

**Ensuring Financial Viability-** The total annual trust fund revenues of \$127.5-153.0 million creates an incremental revenue range of \$50.5-76.0 million annually when compared to the current management plan and respective harvest volumes. This incremental revenue per year is based upon an average annual rate of return of 5%, which is conservative. This approach maximizes the return on asset value while providing a perpetual and predictable trust fund for the counties and other services. Further, the sale of lands to new buyers assures continuation of land management, harvest, support of the forest industry infrastructure, jobs in rural communities and a new source of land tax revenue for the counties. The increased land tax revenue (through sale of lands to private parties) would be substantial to the counties. The increase in revenue could be calculated by the respective agency and is incremental to the other stated revenue increases.

**Improving Conservation Outcomes-** Approximately 10% of the land base (60,945 acres) would be set aside to protect or enhance High Conservation Areas and Special Places. The predominate use for these areas would be conservation; however management actions on these lands would be permitted to further the desired conservation outcomes. The estimated value of this conservation contribution is \$274.2 million depending upon the lands selected for conservation set aside.

**Summary-**This alternative provides a very high level of financial viability and drastically improves the return on asset value per the responsibility of ODF, the Land Board and the Board of Forestry. The alternative also provides incremental Conservation Values through the set aside of lands exempt from the land sale. The sold lands also employ protections provided by the current Forest Practices Act.

**Conclusion-**This proposal increases both financial viability and conservation outcomes. Annual incremental revenue increases of \$50.5-76.0 million and the set aside of 10% of the gross acres in conservation lands meets and exceeds the missions of the Stakeholder's Objectives. Further, the land transfer into private ownership will substantially increase the tax base in rural counties.