

# Financing Forest Conservation: Public Policies that Conserve Working Forests

ORSAF/WASAF Annual Meeting

May 11, 2011



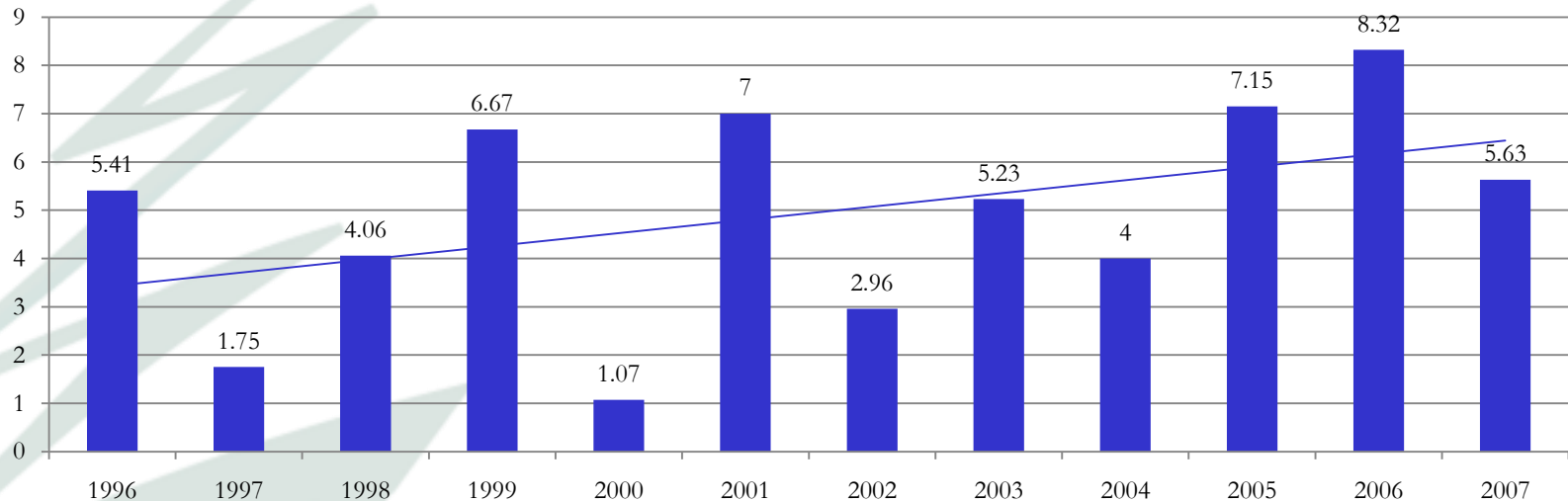
...More than 80% of US industrial  
timberlands have sold since  
1996...



# Acres Transferred/Year (in millions)

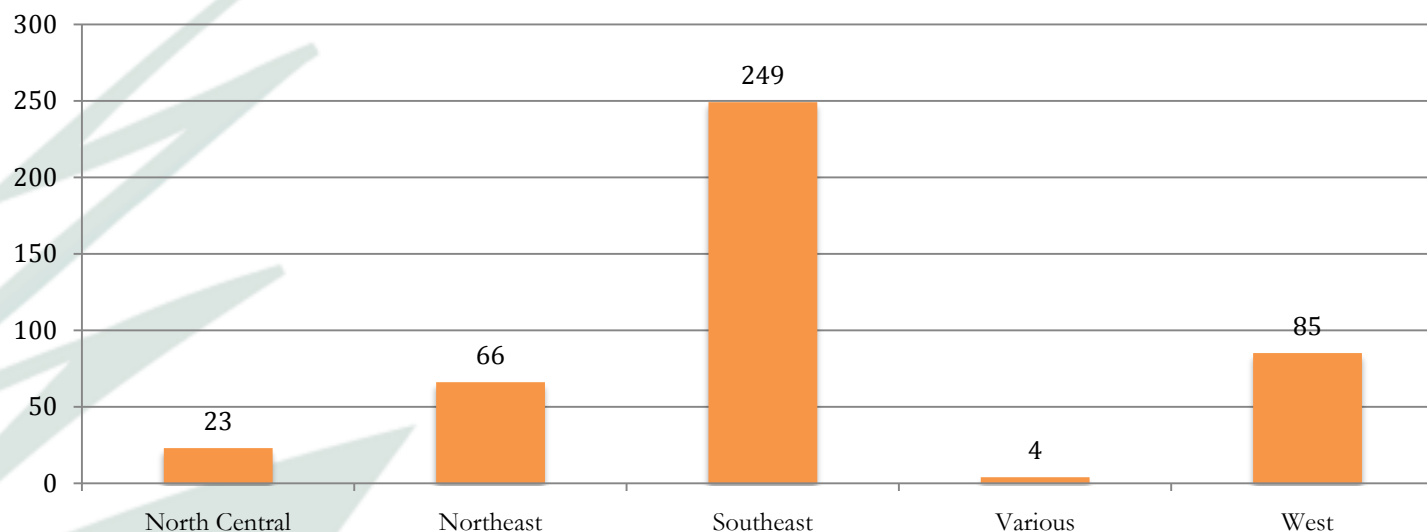
## 1996-2007

**Acres Transferred Per Year (in millions),  
1996 - 2007**



# Total Timber Transactions (1996-2006)

**Total Number of Working Forestland Transactions By Region,  
1996 - 2007**

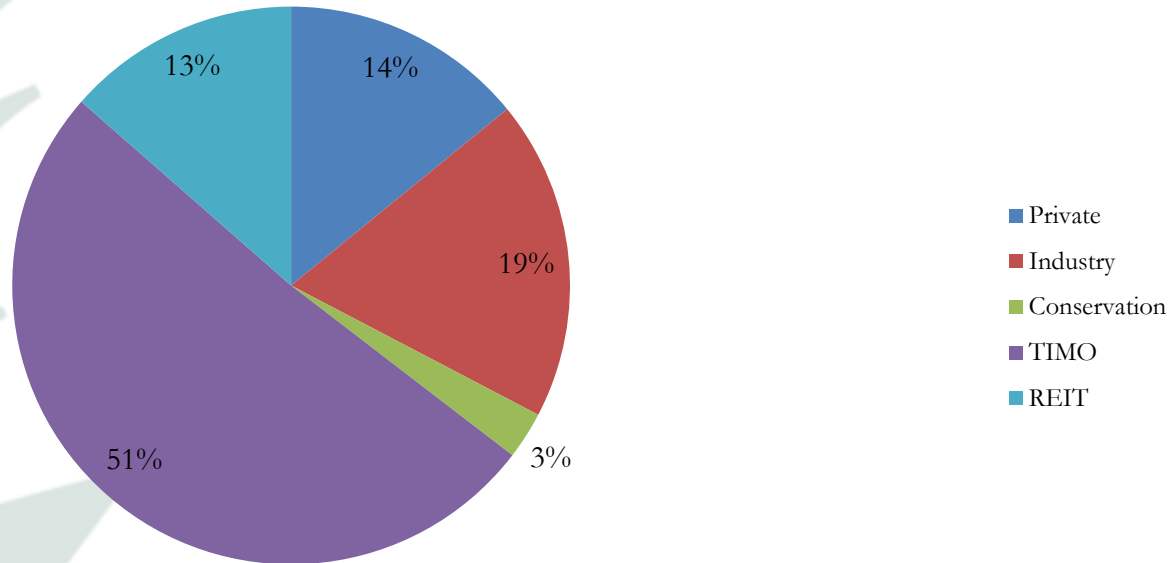


Source: US Forest Capital, LLC



# Transactions by Buyer Type (1996-2006)

**Total Acres by Buyer Type, 1996 - 2007**  
Total Acres = 59 million

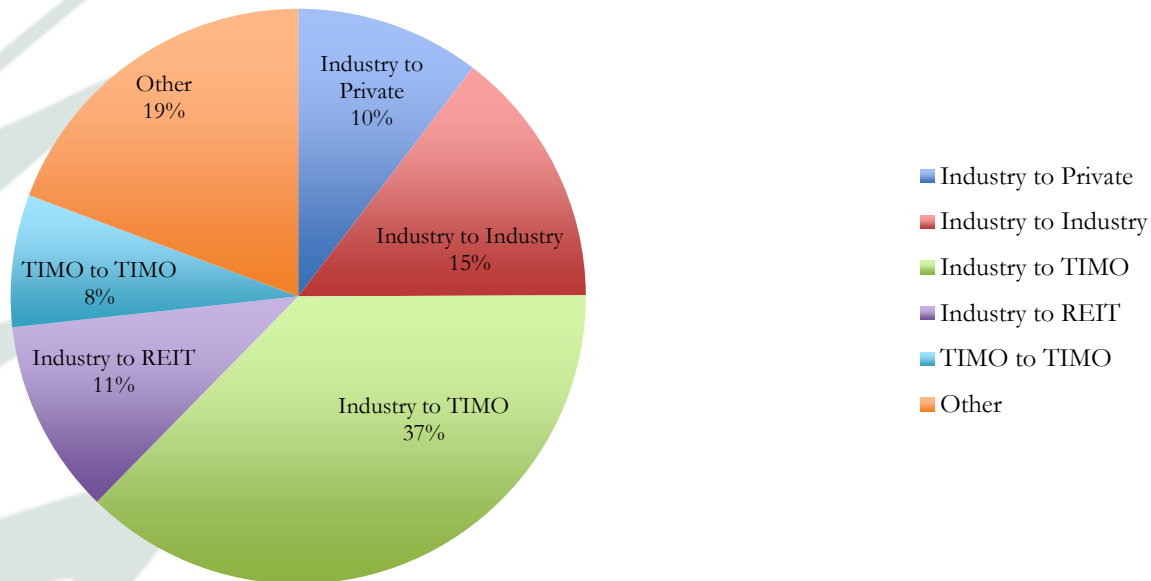


Source: US Forest Capital, LLC



# Type of Transfers (1996-2006)

Types of Transfers by Acreage



Source: US Forest Capital, LLC



# What Did this Mean?

- Until 2008
  - Private investors own asset class vs. supply for mills
  - Discount rates fell from 9%-11% to 5%
  - People talked about a timber bubble
- 2008-2010
  - Auctions failed in 2009 & 2010
  - Timberland prices held relatively steady, number of transactions dropped.
  - Asset performed as projected – storing and growing capital



# What Could this Mean?

- Short/Medium-term (1-3 years)
  - Bubble burst or continue to grow????
  - Niche asset managers????
  - Back to timber or development value as core strategy???
  - 10,000 to 50,000 acre transactions
- Medium/Long-term (3-20 years)
  - Monetize non-traditional forest values
  - Funds exit
  - Wholesale forest fragmentation
  - Offshore ownership
  - Acquisition opportunities





# What to Do About It

- Financing versus regulation
- New Governance
- Private/Public/Non-Governmental partnerships



# Usal Redwood Forest

**Buyer** – Redwood Forest Foundation

**Partner** – The Conservation Fund

**Size** – 50,000 acres

**Price** - \$65 million

**Public Policies** – CA Prop 84 (working forest fund)

**Financing** –

- Commercial debt @ close
- Conservation easement buy down
- Remaining through timber harvest

**Closed** - June 2007

**Usal Redwood Forest Company, LLC.**



# Mt. Emily

**Buyer** – Union County

**Size** – 3,996 acres

**Price** - \$7.9 million

**Public Policies** – County resolution, OR-ORV & Parks

## **Financing** –

- Public Financing for fee & 1/3 timber value
- Seller retained timber deed
- Potential for debt financing on timber

**Closed** -November 2008





# Skyline Forest

**Buyer** – Deschutes Basin  
Land Trust

**Partner** – ODF or  
ODF&G

**Size** – 30,000 acres for  
3,000 acres

**Price** – Timber value(TBD)

**Public Policies** – Leg.  
amendment to land use law,  
zoning approval & Forest  
Legacy Program

**Financing** – Forest Legacy,  
Philanthropic, debt(tbd)



# Evergreen Forest Trust

**Buyer** – Evergreen Forest  
Trust

**Partner** – Cascade Land  
Conservancy

**Size** – 100,000 acres

**Price** - \$185 million

**Public Policies** –

Required legislation to use  
tax-exempt revenue bonds

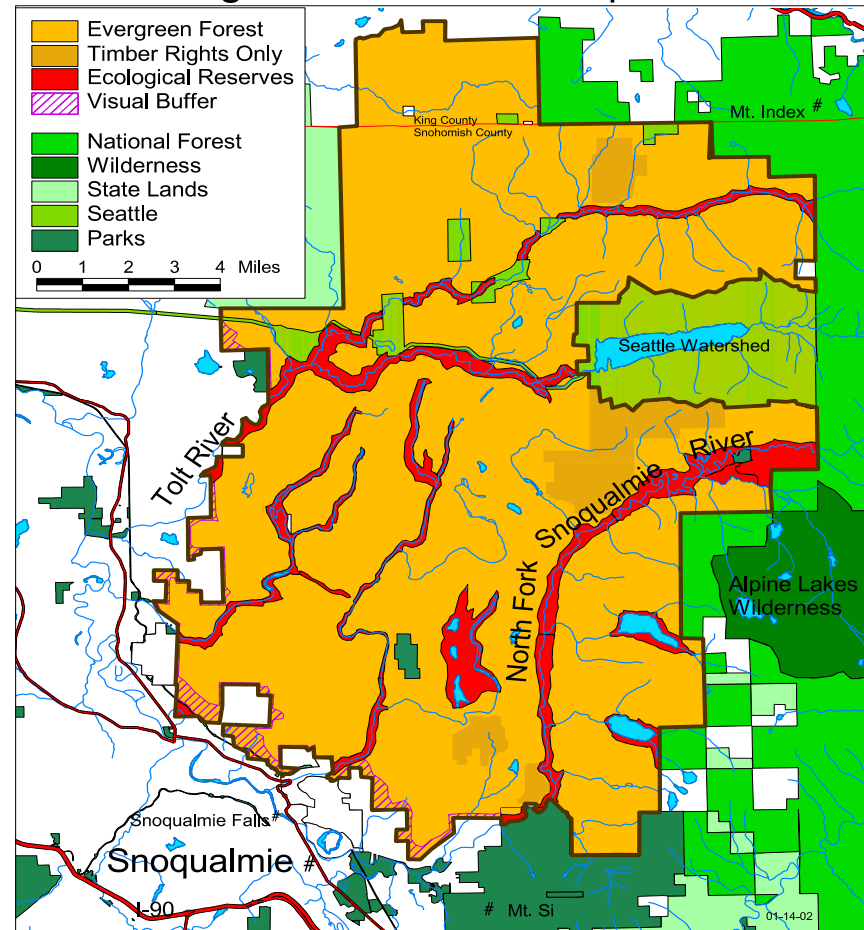
**Financing** –

- 75% Tax-Exempt  
Revenue Bonds
- 25% Private Equity

**Did not close**

Evergreen Forest Trust \* Cascade Land Conservancy

## Evergreen Forest at Snoqualmie



# Public Policy Options

- *Community Forestry Conservation Act* – Amend tax code to allow tax-exempt revenue financing
- Loan Guarantee Program
- Working Forest General Obligation Bond



# About US Forest Capital, LLC

- US Forest Capital:
  - Identifies & manages transactions
  - Arranges financing
  - Creates and improves governance structures
  - Resolves natural resource, policy & communications challenges
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