

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Policy Session Worksheet

Presentation Date: 2/6/2018 **Approx Start Time:** 2:30pm **Approx Length:** 30 min

Presentation Title: County Forest Strategic Timberlands Acquisition Program

Department: Business & Community Services (BCS) - County Parks & Forest

Presenters: Rick Gruen, County Parks & Forest Manager; Andrew Dobmeier, County Forester

Other Invitees: Laura Zentner, BCS Interim Director; Jim Worl, Timberland Real Estate Investor/Broker - Buyer Agent

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Review and approval of potential expansion of the County Forest Strategic Timberlands Acquisition Program

EXECUTIVE SUMMARY:

Clackamas County Parks and Forest currently owns and manages approximately 4,000 acres of forestlands throughout Clackamas County. These 4,000 acres are identified in the draft County Forest Ten Year Forest Management Plan as:

- Category 1 – 950 acres consisting of managed parks and open space/natural areas for outdoor recreation.
- Category 2 – 140 acres of surplus forestlands that no longer meet the needs for forest/timber management or suitable for parks and open space. These assets will be recommended to the BCC for declaration of surplus and sold for reinvestment in better suited lands for forest and park purposes. Until these lands are sold or traded, they may be managed in the same manner as Category 3 lands.
- Category 3 – 3,200 acres of managed forestlands. These lands are managed with the goal of having healthy forests that produce timber on a sustainable level, protect natural resources, and contribute to jobs in rural communities. Timber sales are designed to comply with and in many cases exceed standards required by the Oregon Forest Practices Act. These forestlands are managed for timber production with the revenue generated going to support ongoing park operations and capital repair/replacement needs.

Category 2 and 3 lands are managed to promote forest health and growth which in turn provides benefit for fish and wildlife habitat and the social and economic uses of the forest that are sustainable over time. The primary economic use of these forests is to harvest timber to provide raw materials and jobs to support the local forest products sector and to generate revenue for Clackamas County Parks and Forest.

Concurrent with the management of our County forests, staff from Economic Development, Forest and Ag Economic Development and County Forest are working closely on the Board of County Commissioners' strategic initiative around Cross Laminated Timber (CLT). Efforts are focused on increasing the certainty of supply from federal and state forestlands in Clackamas County in addition to our county owned forestlands.

Given that the legislative, judicial and forest management policies are not in alignment, there are constraints on the quantity (and quality) of logs that can flow into the CLT supply chain to meet the emerging mass timber market. It would be in the best interest of the County to seek additional

forestlands for acquisition to be managed consistent with the County Forester's long term sustainable Forest Management Plan. A strategic timberlands acquisition program has been developed which is described below:

1. Short term acquisition objectives (land/timber neutral):
 - Selling surplus Category 2 lands and reinvesting proceeds in more desirable timberlands within the County.
 - Land exchanges with federal and private industrial forestland owners. These land exchanges provide opportunities for consolidation and increased management efficiencies which help meet bottom line management and sustainability objectives.
2. Long term acquisition objectives (land/timber positive):
 - Staff/Buyer Agent to identify available timberlands for potential purchase (private sale and/or multiple listing).
 - Criteria screening – location, age class, merchantability, cash flow capacity,
 - Purchase of additional timberlands – up to 2,500 acres, more or less; value \$4m to \$5m
 - Commitment to consider various financial options (i.e. revenue bonds, bank financing, etc.) for purchase of land.
 - Requires ability to:
 - Commit Earnest Money deposit or Letter of Interest
 - 30 to 90 day due diligence period
 - Verification of age class, species, volume, access, deed, easements, liabilities, etc.

By using growth forest forecast models that take into consideration variables such as stand age, site index, age class, species values, harvest costs, stand volumes, and potential growth, the County Forester can establish a baseline of what current and newly acquired county timberlands will produce over time.

Rationale:

1. Increased county owned forestlands will help influence supply side certainty and meet emerging demands for investment in mass timber/CLT processing.
2. Implementation of Purpose Driven Harvest Plan on county owned forests.
3. Ability of acquired timberlands that provide cash flow for bond/debt payment requirements while preserving capital reserves for reducing \$4.2 million deferred maintenance needs in County Parks.

FINANCIAL IMPLICATIONS (current year and ongoing):

Current year = Purchase would require debt financing and development of a financially feasible harvest plan to repay the debt over time.

Is this item in your current budget? N/A YES NO

What is the cost? To be determined at the time of the land purchase. What is the funding source? Revenue bonds repaid by timber harvests receipts and backed by full faith and credit of Clackamas County.

STRATEGIC PLAN ALIGNMENT:

- Forest and timberland asset management
- Honor, Utilize, Promote and Invest in our Natural Resources

LEGAL/POLICY REQUIREMENTS:

PUBLIC/GOVERNMENTAL PARTICIPATION:

The expansion of the Strategic Timberlands Acquisition program has been previously discussed with members of the BCC, County Administrator and the Forestry Advisory Board. The Forestry Advisory Board will be meeting February 21, 2018 with action for consideration of approval on its meeting agenda.

OPTIONS:

1. Adopt expansion of County Forest's Strategic Timberlands Acquisition Program as detailed in the Executive Summary. If this option is approved, BCC would authorize BCS to search and potentially acquire up to 2,500 acres of forestland; value of the purchase price (or cumulative purchases) to be between \$4 million and \$ 5 million dollars; acquisition may be in 1 block or multiple blocks as one time or through several purchases. Staff would advise BCC of land purchase specifics and financing plan as property is identified.
2. Adopt County Forest's Strategic Timberlands Acquisition Program as detailed in the Executive Summary but at lower land acreage and purchase limits. If this option is approved, BCC would authorize BCS Interim Director to work with staff to establish lower acreage and purchase value limits for review and reevaluation by the BCC at another time.
3. Take no action at this time.

RECOMMENDATION:

Staff recommends the BCC adopt Option 1 and further directs staff to work with BCS Interim Director to move forward with implementing the expansion of the County Forest's Strategic Timberlands Acquisition Program.

ATTACHMENTS: N/A

SUBMITTED BY:

Division Director/Head Approval _____

Department Director/Head Approval _____

County Administrator Approval _____

For information on this issue or copies of attachments, please contact [Rick Gruen@ x4345](mailto:Rick.Gruen@x4345)