



COUNTY FOREST ADVISORY BOARD
February 21, 2018
Development Services Building
Room 119

Members Present: Brent Keller, Bill Street, Murray Johnson, Dan Green

Phone-In Members: Mark Willhite, Steve Wilent

Member Absent: Jim Rice

Staff Present: Andrew Dobmeier, Sena Chase, David Chase, Rick Gruen, Laura Zentner, Chris Dannenbring

Brent Keller called the meeting to order at 6:20 pm.

Minutes Review & Approval

Minutes from the May 8, 2017 meeting were reviewed. Dan moved to approve, Bill seconded and the motion carried.

1. Port Blakely Land Trade

Port Blakely has 52 acres that is adjacent to our Family Camp property. Our pieces are 10 acres of Hillockburn and our 40 acre Bittner Creek parcel. We did appraisals of all parcels and found that there is more timber value on the Port Blakely parcel so we are now paying the difference in timber value. The deal is now signed and approved by the BCC and we are moving to closing. We will harvest the Port Blakely timber in approximately 3 years and the money from the harvest will go back to the forest funds to reimburse for the cost of the land. This will give us about 160 acre block of land all connected.

2. Emmigrant Trail Land Sale

Rick Gruen lead off the discussion indicating that on March of 2017, the Board of County Commissioners declared Emmigrant Trail surplus property, which put us in the position to sell. We discussed the sale of Emmigrant Trail at the May 2017 FAB meeting, and in the summer we pitched the property to Western Rivers and they declined to purchase. In the fall of 2017 things started falling in place to move forward on the sale. Presale work was done by Andrew, Sena and Dave to get current cruise data for the property. We put a contract together with a realtor, Jim Worl, to market the property. Jim Worl had Jerry Whitler complete an independent cruise to verify presale cruise data completed by staff. We also worked with County Planning to determine if a portion of the property could be used for a home site. With the cruise data and the feasibility information Jim Worl was able to produce a property analysis that was reviewed by Andrew and Rick. We put the property on the market at \$1.1 million with a short turnaround because Jim Worl had information indicating the timber/land market values may come down in the short-term. All offers were due on February 20, @ 5pm and we allowed contingency offers. We had 3 offers submitted. We had one offer that was low, one that was in the mid-range, and one that was right at the price point we were looking for with a 30 day due diligence period and cash at closing. We believe that buyer will be an owner occupier. Andrew, Rick and Laura reviewed the offers, and the plan is to take the sale proceeds to buy more Category III lands.

There was a lot of discussion with points bulleted below:

- Steve expressed concerns and was very upset about the lack of communication to the FAB about the cruise, the property analysis, and the listing. Members were not provided the opportunity to provide advice in any way and yet that is our role. Steve noted at the February 6, 2018 work session with the BCC that when he listened to the audio of the meeting Rick had told the BCC there wasn't time to have a meeting with the FAB. Steve believes there should have been at least a phone conference to discuss all these details and allow the FAB to weigh-in. Steve added that this is a controversial property and felt communication should have been provided to the FAB members before moving forward. Rick and Andrew both apologized for their lack of communication.
- Steve noted that the FAB wasn't consulted on the contract with Jim Worl either. Steve said it was also stated by Rick at the February 6, meeting with the BCC that the county has a timber investment contract with Jim Worl. Steve said in all the years he's served on the FAB he doesn't recall a contract of this sort. Steve asked about the contract with James Worl to sell the property and what that entailed. Rick said he may have misspoke at the February 6, meeting because the contract is a simple contract for realtor services. Rick explained it has been routine for us to bring on realtors to sell tax foreclosed properties in the past so we enlisted Jim's help to sell this timber property. Jim is a realtor of forest properties and has knowledge of these kinds of properties. The contract with Worl has a 5% commission and is capped at \$50,000. Steve expressed concern over the \$50,000 or 5% fee to sell this property. Steve thinks it's a pretty high fee and that this practice has not been used in the past with other forest assets.
- Steve asked why there was such a short window to receive offers on the property, and asked what influenced that decision. Rick said it was a decision off of information that the market may see a downturn. Steve asked if Jim Worl had buyers lined up for the property and if he had approached us, or if the county had sought out Jim's services. Rick said he had sought out Jim Worl due to his relevant knowledge, and noted staff had taken several weeks prior to listing to perform due diligence on the property. Steve said all information he has seen says nothing about a downturn in the market but indicates markets will remain strong.
- Dan Green asked if Jim Worl was hired in a competitive process. Rick said no, because our procurement rules allow direct procurement up to a \$50,000 amount. Rick added Jim had done a great job for us on locating the Weyerhaeuser property and he said there was no reason not to bring him back again for this sale.
- Mark weighed in and said the 20 page market valuation could have been shared with the FAB for review – it's what many of them do in their professional lives and staff could have gained a lot of valuable input. Mark asked why the bids could not be shared, as he feels some of them may know the potential buyers and be able to offer some insight to staff about them. Mark also added he does know Jim Worl and first met him about 30 years ago and knows that 20 years ago Jim was the premier forest land broker in Oregon and he knows he has a lot of experience and feels he knows the business. Laura said under Oregon Revised Statute real estate transactions are subject to the confidentiality and can only be discussed in what is called Executive Session and cannot be shared with the public. Mark asked for clarification on whether the FAB is considered public or whether there are any special privileges granted to them as board members. Laura confirmed that is the case.

- Brent asked Mark what an average or desired time is when he is marketing and selling a parcel. Mark said you take a look at the HTU and a sealed bid is best for timber. If you're shooting for HTU values and you are targeting people who are willing to live on the property those folks are not comfortable with a sealed bid process. Mark would send to a list of 2,000 people and put it on the multiple listing. Mark said with this property you are targeting professionals and it seems reasonable to list 30 days to receive the best offers.
- Rick noted the goal was to try and get owner occupancy, so the strategy was to list on MLS as land & timber. The decision would have been made to extend the listing time if no good offers had come in but we received an offer right in the sweet spot of the price we were hoping for.
- Dan asked if Jerry Whitler did a valuation or just a cruise? Andrew said it was just a cruise. Rick added Jerry's work confirmed the cruise and the grades. Dan asked what our valuation of the standing timber was. Andrew said it was between \$900,000 and \$1million.
- Steve conveyed the Hoodland community has been interested in several timber harvests in the area recently and that is why the interest in Emmigrant Trail is fairly high right now. Some of the recent property sales in the area have resulted in clear cuts which can be seen from Highway 26, and are hard on public relations. Steve asked if with the sale to the high bidder were there any terms laid out that prevent a buyer from harvesting the timber right away and then moving on? Andrew said there were no terms like that within the sale. Rick responded that whoever buys would have to provide a notice to ODF and seek approval for a harvest.
- Steve said in the past had talked with the FAB and suggested harvesting this parcel using ecological forestry principles which would let us harvest a good chunk of the property and leave a large piece standing. He felt by publicizing this in the community it would provide us the chance to show the County is willing to consider different management prescriptions and that this parcel in particular would benefit the community and wildlife if we'd had done it that way. Steve wished there was more time to discuss options for the property and he thought that at the May 2017 FAB meeting the members had directed staff to explore ideas for selling Emmigrant Trail not just forge forward to sell.
- Bill added it would have been good to have the community concerns brought to the table that don't get picked up in valuations. Having heard that going forward staff will not just proceed in this manner in the future, he was satisfied.
- Dan Green said historically the FAB has advised on forestry issues, not on broader issues. Dan said at this point if the FAB were to be asked to weigh in on the appraisal they could do that but it would take some time to review. Everything else seems to be done at this point and there is nothing the FAB can weigh in on after the fact.
- Brent added that the speculation on price dropping was the same last year and they never saw this happen. Brent said typically they hear that prices will go down in the winter and you may see a slight drop by March. Last year that didn't happen and prices actually went up in July & August and the price kept going up in December, but there are no indicators he's seen that is the case. Brent added he hoped nothing was sacrificed just to get this property out to bid because the County felt there was a race against time to do so.

3. Review Harvest Options & Projected Program Revenue

Andrew talked about handouts he provided for Forest harvest revenues. Laura provided information to Andrew & Rick on what Stone Creek Golf Club is able to provide. With a 55 year rotation this pushes us out 20 years before we have a shortfall of timber. At that time we will have about a four year gap before the younger stands meet the 55 year age class. With this option of harvesting 1.4mbf/yr this gives us a revenue of \$572,073 a year. We know the Forest program averages about \$300,000 a year to operate depending upon what activities are taking place in each budget year. With that said this option gives us about \$272,000 being allocated to the Parks budget for expenditures on an annual basis. We are looking to Stone Creek to generate the other \$300,000 to contribute to Parks operations. Option #7 line #2 in green is the sweet spot and it minimizes the gap in harvests. We also plan to work on other aspects for funding such as unloading Category II properties to generate land sale proceed revenues.

Steve asked if the \$572,073 per year does anything to address the backlog of maintenance parks has?

Rick said we have been making progress and named several projects we have been checking off the list; such as the Dorman Center deconstruction, playground structures in all the day-use and camping parks, and now the restrooms at Feyrer, Barton & Metzler. We replaced the Hebb docks last year, and we've been making a dent in the deferred maintenance list. Our limitation in getting things done is staffing constraints to take on the project management part of these jobs but we are hiring the new Parks Ops Supervisor which will help us with project management.

Steve mentioned he had heard there was a scheduled project to pave the Barlow Wayside parking and said he'd hiked through Barlow a couple of weeks ago and Mitch Williams has done a great job keeping the trails maintained and the park looking good.

Brent asked about the prices at the top part of the spreadsheet Andrew handed out and if they were current. Andrew said he had left prices on the spreadsheet he had from last year, and they will be constantly changing anyhow.

Brent asked if it made sense to have a rolling volume? If it makes sense when we are harvesting to take a particular section but it puts us over the volume, do we harvest the addition section or leave it? Can the targeted revenue amount be flexible as well? Laura said yes as long as the 10 year average adds up to the total targeted amount. We also have reserves we can use if we need to hold off on a harvest due to pricing. Rick indicated as long as we have the 1.4 mbf on the 5-10 year average we will be fine. Andrew added that we want to also work on buying more land and execute some land exchanges, along with the on the ground forest management in order to make our program sustainable over the long run and be flexible and make harvest decisions based on the market.

Laura added that Stone Creek had a bad revenue year last year due to weather so we need to have flexibility with this plan from both sides of the equation. Our reserves are critical for both operations.

4. Forest Management Plan

Andrew walked through the plan noting the only change was an update to pages 11 to 12 just before the Timber Sale Planning Process section. Additions start on page 11 with “County Forester has modeled over fifty....”, and includes that paragraph through page 12 and ends with “The County Forester will also periodically review current timberland holdings and determine if there are opportunities to sell or trade isolated parcels or lower value sites for better growing sites and consolidation opportunities.”

Dan asked if we have a 1.4 mbf/yr with a 55 year rotation is there a targeted number of acres we plan to harvest each year? Andrew said there really isn't a target acres or area. We are looking at volume controlled harvests. If revenues are lower than the \$572k/yr what is the plan. Will the volume go up or how do we adjust? Rick said we will try to forecast volume and if we can maintain the \$272k to Parks we can maintain our goal. Dan asked if we don't get the \$572,000 out of the \$1.4 mbf will the annual cut get adjusted? Rick said that staff would come to the FAB to talk about an adjustment at that point. Andrew also noted Stone Creek is flexible and variable so there could be years when more revenues come from the golf course if the Forest Program can't produce the revenues needed.

Dan said he thinks it's risky to manage to a financial goal. Financial goals are movable and have no fidelity. Volume, acres those kinds of things have fidelity. What the land can produce is what we have to make do with. Laura added we are managing to the \$572k but it is flexible to a degree and she expects those numbers will be adjusting continually, and there is a lot of flexibility to make decisions about capital asset replacements that will also help us make up revenue shortfalls if and when they occur.

Sena added that fire can be devastating to change these plans and that we got lucky last year and didn't lose any trees to fires on our lands.

Bill asked about the county expanding and if we are planning on adding additional parks. Rick said there are no plans to bring additional parks into the system. We are looking at Barton Park master planning but that is going to be a phased expenditure. We have some park designated properties that we may need to look at selling because we don't have the capacity to develop and manage them.

Bill moved to approve the Forest Mgt plan & Murray seconded. The motion carried. Staff will take the Forest Mgt Plan to the BCC as the next step in the approval process. Rick said there is a Policy Session scheduled where they will present the plan and he invited FAB to attend.

5. Future Land Purchases

Rick started off with discussing the Linn County and State Forest Lands lawsuit and said the position of Clackamas County is that we want the land back in order to settle. Rick said there was an additional piece of land adjacent to the lands involved in the lawsuit. Andrew gave prospectus to Laura on tract. Rick said he has also been leading the charge for the County on the CLT market with Economic Development and Planning and has been working with Commissioner Humbertston to develop a position for the County on CLT. BCC and Rick were at a conference in Portland last year and there was a spontaneous discussion regarding getting back the State lands and then purchasing the adjacent 2,500 acres. Added to the 3,000 we currently have it would mean we'd be in control of about 13,000 acres of county timber lands. The Commissioners supported the concept.

Andrew said he and Dave and Sena went to look at the 2,500 acres and determined it to be a good buy, but there was no way for us to quickly put an offer in on the property with the current process we have in place, whereby we have to go to the BCC and present any purchases to them for approval before we can buy which typically takes months for us to get through before we are in a position to offer. With all of that said, we got beat out of the opportunity. So we met with the BCC to discuss ideas that can put us in a position to buy when we find parcels that suit our needs. Commissioners said they supported us in buying more acres. Anything we acquire would have to pay for itself. Rick said the ability to generate revenue from any parcel would have to pay for the debt payments on the parcels we buy. Laura said we would have to harvest in the first five years to pay the debt service on the purchase in order for this to work for us. Laura would be able to defer the debt service for each property so that we could pay just interest if needed, or put our first payments 5 years, or 10 years out depending on how soon we would harvest the property. Commissioner Bernard didn't want us to tap into our reserves to pay the debt. We have a green-light from the BCC on this concept. We are looking for the blessing of the FAB so that we can go out and start shopping for land. Our goal is to find a near term, and longer term properties so we have harvest in the next 5 years, possibly one in the next 10 and one out further so that the harvests pay the debt service. This would be the long-term plan.

The short term plan would be to sell the Category II lands and buy Category III so we can build our portfolio.

Laura said we have been given the ok to locate up to 2,500 acres but if we find more the BCC was ok with it.

Steve asked why the FAB again had not been consulted at all about this? He's always been a proponent of growing the Forest program to support parks and yet there has been no communication about plans to move in this direction. Steve said he'd had enough at this point and gave his resignation from the FAB. He expressed that he didn't feel like the FAB was needed any longer with the way staff is making decisions and operating outside the past protocol. Staff has taken 3 important decisions affecting the program and there was no consultation with the FAB, no emails, no meetings, nothing. Steve said he feels staff is informing the FAB no longer consulting the FAB. Steve thanked staff and Molly as well for all of her dedication through the years, and then ended his conference call.

Brent asked if there is a structured process for looking at properties. Laura said she'd check with our County Counsel on the Executive Session rules and if the FAB can take part and be more involved in the decisions being made.

Mark said he was steamed over what has happened as well. Can't believe that months went by with no communication about all that was taking place. Mark said he was also going to put thought into his future serving on the FAB. After 20 plus years on this board he's never experienced this.

Dan noted there are relatively few people who can sell us this kind of land. He feels it's our Foresters job to go make contact with those land owners, and that we shouldn't be spending money paying a consultant to do that for us. Murray said we should develop a strategy for making contact with those landowners. Dan said if we sit back and wait for them to come to us we are already at a disadvantage. Using an outside consultant to do that work just costs the county years of salaries that could be paid to staff who are entirely capable of making contact with the big timber owners in our area like Weyerhaeuser, Port Blakely, and Olympic Resources.

Brent wanted clarification on whether property we seek has to be with in Clackamas County. Andrew said the BCC was ok if it was outside the county. Andrew said this does bring jobs and money into this county if we can find lands within the county.

Dan asked about the concept of selling logs directly to the mills, and advised we should check in to this further and run it past County Counsel to make sure there are no legislative problems. Dan said at one time under the State purchasing laws we were required to have open bids and have a competitive process for our log sales.

Bill believes the ORS's allow flexibility but we have to have a policy in place to be able to do it. Bill also noted there is a Cap & Trade Bill going through the legislation process right now and if it gets past we will want to look at the Bill and the effect on our Category II lands.

Meeting was adjourned at 7:42pm

Annual cut options for Clackamas County Parks and Forests

Constant variable through all options - Estimated Average Timber Prices: DF \$600/mbf WH \$450/mbf WRC \$1,150/mbf HW \$575/mbf

Options by Age rotation/site index

Variable Rotation Ages	#1 - 1,500 - 1,000mbf/yr		#2 - 1,500 - 1,000mbf/yr		#3 - 1,500 - 1,000mbf/yr		#4 - 1,500 - 1,000mbf/yr	
	Site Index	Rotation Age	Site Index	Rotation Age	Site Index	Rotation Age	Site Index	Rotation Age
	85	85	85	80	85	75	\$ 85	65
	95	85	95	75	95	70	\$ 95	65
	105	80	105	70	105	65	\$ 105	55
	115	70	115	65	115	60	\$ 115	55
	125	70	125	60	125	55	\$ 125	55

Uniform Rotation Age	#5 - 1,500 - 1,000mbf/yr		#6 - 1,500 - 1,000mbf/yr		#7 - 1,500 - 1,000mbf/yr		#8 - 1,500 - 1,000mbf/yr		#9 - 1,500 - 1,000mbf/yr	
	Site Index	Rotation Age	Site Index	Rotation Age	Site Index	Rotation Age	Site Index	Rotation Age	Site Index	Rotation Age
	85	65	85	60	85	55	85	50	85	45
	95	65	95	60	95	55	95	50	95	45
	105	65	105	60	105	55	105	50	105	45
	115	65	115	60	115	55	115	50	115	45
	125	65	125	60	125	55	125	50	125	45

Option	MBF/YR	First 30 years		# years before gap	# yrs until gap is crossed	Net \$ generated/yr (ave up to 20 years)
		Ave mbf/ac	Ave ac/yr			
Option 1	1,500	45	33	13	25	\$ 617,379
	1,400	46	30	16	19	\$ 565,830
	1,300	46	28	18	18	\$ 526,612
	1,200	47	26	20	8	\$ 489,398
	1,100	47	24	25	5	\$ 448,931
	1,000	47	22	28	2	\$ 408,356
Option 2	1,500	46	33	15	19	\$ 616,436
	1,400	46	31	17	16	\$ 573,145
	1,300	46	28	18	12	\$ 528,758
	1,200	47	26	20	8	\$ 497,914
	1,100	47	24	30	5	\$ 468,363
	1,000	47	20	no gap	no gap	\$ 408,203
Option 3	1,500	46	33	17	16	\$ 613,929
	1,400	46	31	19	12	\$ 589,848
	1,300	46	29	21	8	\$ 546,634
	1,200	47	25	26	5	\$ 506,311
	1,100	46	26	no gap	no gap	\$ 457,256
	1,000	47	22	no gap	no gap	\$ 412,476
Option 4	1,500	46	33	18	9	\$ 605,598
	1,400	46	31	20	7	\$ 591,826
	1,300	47	27	39	3	\$ 537,294
	1,200	47	25	no gap	no gap	\$ 507,732
	1,100	48	23	no gap	no gap	\$ 464,472
	1,000	48	21	no gap	no gap	\$ 422,421
Option 5	1,500	46	33	17	16	\$ 613,929
	1,400	46	31	18	13	\$ 583,748
	1,300	47	28	19	10	\$ 546,629
	1,200	48	25	26	5	\$ 506,311
	1,100	49	23	28	1	\$ 462,119
	1,000	50	21	no gap	no gap	\$ 425,531
Option 6	1,500	46	33	18	12	\$ 601,650
	1,400	46	31	20	9	\$ 572,073
	1,300	47	28	21	7	\$ 541,160
	1,200	48	25	23	3	\$ 501,267
	1,100	49	23	no gap	no gap	\$ 457,498
	1,000	50	21	no gap	no gap	\$ 421,275
Option 7	1,500	46	33	18	7	\$ 601,650
	1,400	46	31	20	4	\$ 572,073
	1,300	47	28	no gap	no gap	\$ 538,696
	1,200	48	25	no gap	no gap	\$ 469,204
	1,100	49	23	no gap	no gap	\$ 452,879
	1,000	50	21	no gap	no gap	\$ 417,020
Option 8	1,500	46	33	28	7	\$ 592,954
	1,400	46	31	32	3	\$ 563,463
	1,300	47	28	no gap	no gap	\$ 532,963
	1,200	48	25	no gap	no gap	\$ 493,672
	1,100	49	23	no gap	no gap	\$ 450,566
	1,000	50	21	no gap	no gap	\$ 414,892
Option 9	1,500	46	33	28	4	\$ 592,954
	1,400	46	31	32	1	\$ 563,463
	1,300	47	28	no gap	no gap	\$ 532,963
	1,200	48	25	no gap	no gap	\$ 493,672
	1,100	49	23	no gap	no gap	\$ 450,566
	1,000	50	21	no gap	no gap	\$ 414,892

Recommended Harvest for the next ten years

February 14, 2018

To: Forest Advisory Board
From: Rick Gruen, County Parks & Forest Manager
Andrew Dobmeier, County Forester
Re: Forest Activities Briefing

1. 2017 Draft Ten Year Forest Management Plan:

County Forester has modeled over fifty different harvest options comparing site indexes, rotation ages and annual harvest volumes encompassing the entire Category 3 forestland base. The model also assumed a certain set of revenue and expenditure forecasts for delivered market prices, logging costs, etc.

The preferred sustainable harvest option was identified as being an even-age management schedule of 55 years over all site indexes and an average volume of 1.4 mmbf per year. The model forecasts an annual return of approximately \$572,000 in gross revenue to the Forest program. Accounting for the average annual operating expense of the Forest program at \$300,000 per year, County Parks would realize revenue from Forest in the amount of \$272,000 per year. Together with Stone Creek GC net revenue projections between \$300,000-\$500,000 annually, County Parks would realize annual revenue generation between \$572,000 and \$772,000. This level of sustainable revenue sufficiently meets the funding requirements to support County Park operations.

The preferred harvest option also provides the most optimal solution to an anticipated harvest gap in terms of out years to the gap (20 years) and gap period (4 years) where there will not be any trees to harvest. In order to “bridge” or “fill” this gap, the County Forester will look for opportunities to sell surplus Category 2 lands as opportunities and markets are favorable. Proceeds will be reinvested in more suitable forest lands to fill the harvest/revenue gap and ensure funds are available for County parks operations each year into the future.

2. Near Term Management Strategy -

Sell surplus assets, consolidate holdings through land exchanges

a. Emigrant Trail Sale/ land and timber

This Category 2 asset was declared as surplus and approved for sale by the Board of County Commissioners in March 2017. County Forester cruised the property to get an estimate of

volume/value. Staff subsequently contracted with a realtor to list and market the property. To increase value and also make the property more suitable for a non-commercial buyer, staff worked with County Planning to obtain a building site via a template test. The property was also independently cruised.

b. Port Blakey Land Exchange

County Forest and Port Blakey are soon closing on the transfer of 50 acres each. Port Blakey will acquire Bittner Creek (40acres) and Hilockburn N (10acres) along with compensation; County Forest will receive 52 acres adjacent to Family Camp

3. Long Term Management Strategy

a. Strategic acquisition program. County Forest discussed with Board of Commissioners the expansion of its forestland holdings. Benefits include meeting County's CLT initiative by providing greater certainty of logs for CLT supply chain, generate additional revenue for Parks, and create more flexibility for implementing "Purpose Driven" Harvest Plans. This concept will give County Forester more tools for designing timber sales that are market driven, not volume driven. County Forester will have options to offer specialty sales based on species/grade, market directly to mills, contract with logger, etc.

Recent discussions with County Commissioners focused on increasing the amount of acres owned and managed by County Forester. At a recent policy session with the Board, the Board approved staff recommendation to acquire up to 2,500 acres of additional forestland in the county. These lands would be considered based on age class distribution, species, site index, cash flow capability, ability to offset harvest gap, etc. Capital reserves would not be encumbered.