

WORKING FOREST CONSERVATION EASEMENTS

An Introduction

Wisconsin Council on Forestry
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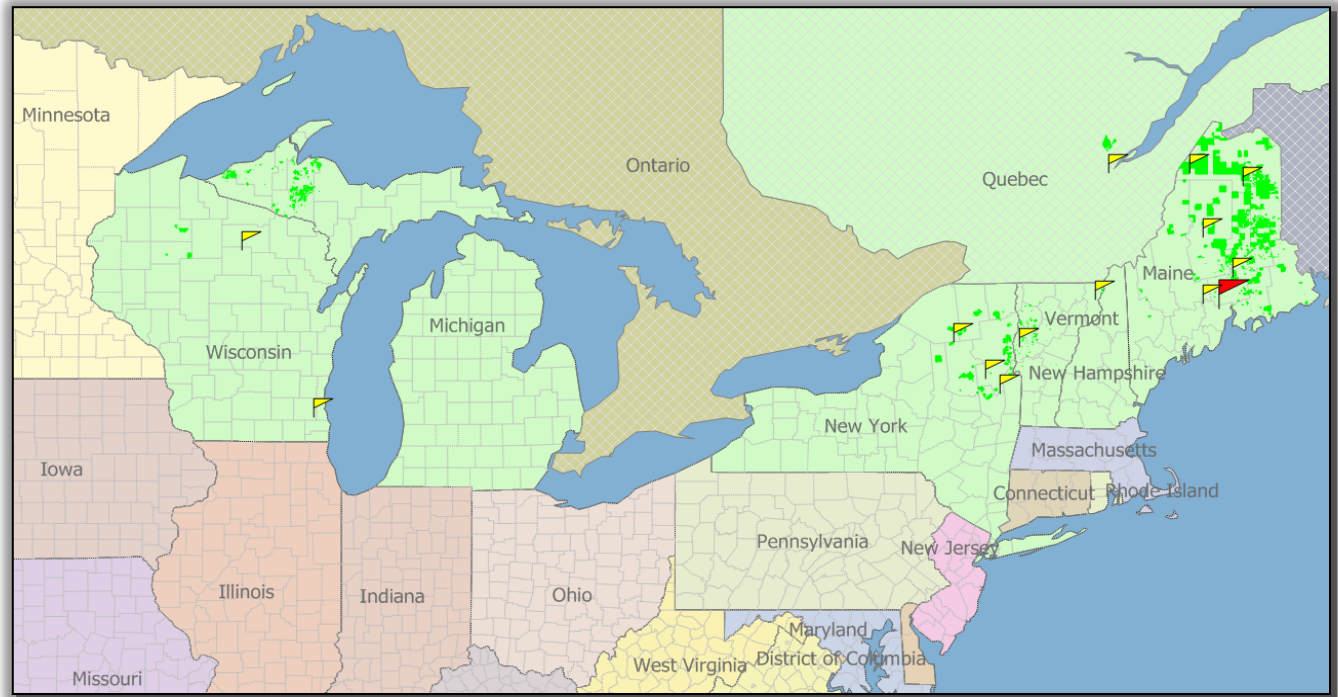


Overview

- Introduction
- What are WFCE's?
- Who is involved?
- How do easements operate?
- When did they become popular?
- Where are they?
- Why do parties buy/sell easements?



Introduction to Prentiss & Carlisle



- 1.5 million acres under management
- consulting / due diligence
- woods operations division
- centralized wood marketing
- company-owned land



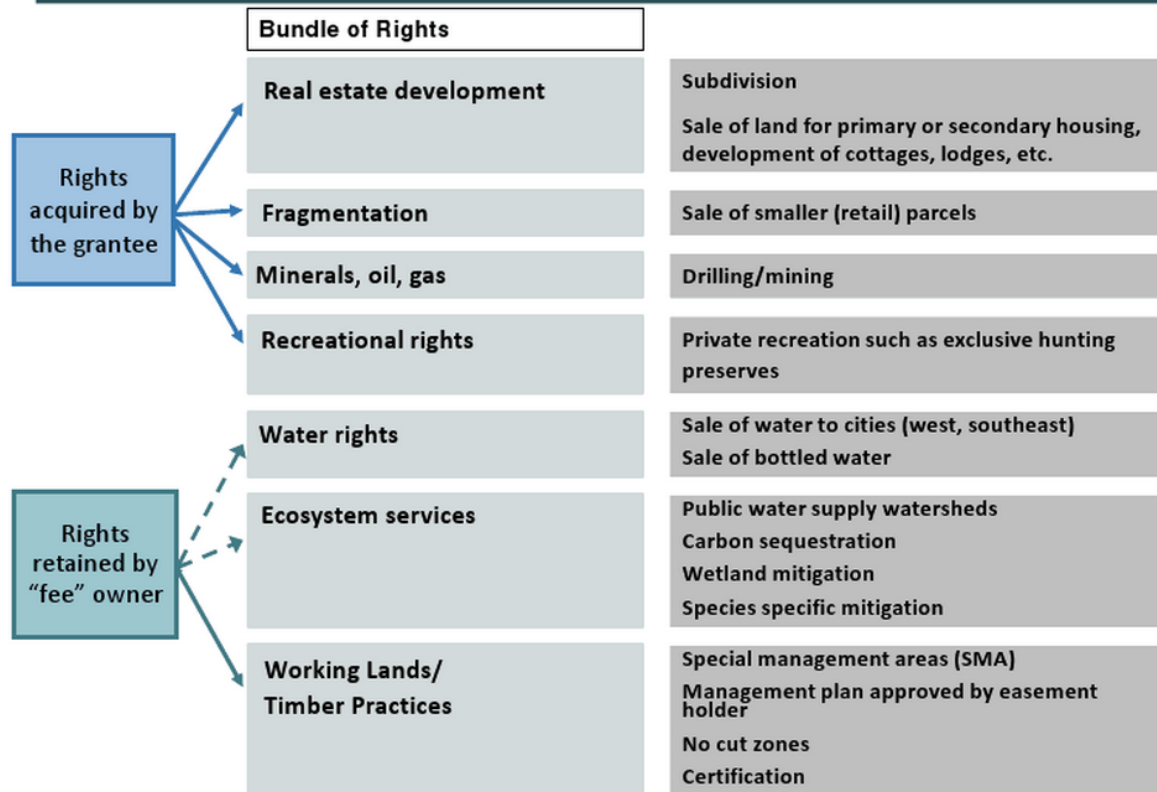
What are WFCE's?

- Voluntary, not eminent domain
- Deeded rights to a property; easement runs with title
- Easement should avoid language that is ambiguous or leaves *“muddled middle ground in which an indecisive judge can wallow”* http://www.perc.org/pdf/land_trusts_02.pdf
- Major focus: restrict development while allowing/encouraging/requiring forestry
- Secondary focus
 - public recreation
 - protection of unique or sensitive features
 - landscape connectivity
 - assure sustained timber supply



The “bundle of rights” concept

Components of Value in a Conservation Easement





Who is involved?

- Sell Side: Grantor
 - large landowner
 - ability to make significant conservation impact
 - realize economies of scale relative to transaction and administrative costs
 - sophisticated
 - legal questions
 - investment analysis
 - forest management
- Buy Side: Grantee
 - often conservation group initiates, finances
 - public agency typically the ultimate easement owner



How do easements operate?

Administrative Features

- baseline report
 - environmental/ecological
 - timber inventory/growth
 - access
- long term plan, periodically updated
- mix of rights/responsibilities/costs
- regular monitoring
- annual meetings
 - compliance review
 - easement revision



How do easements operate?


Regulatory Elements

- subdivision and development
- public access
- non-forestry uses
 - recreation
 - timber production related
 - mining, agriculture
- zoned areas
 - riparian
 - high elevation
 - recreational corridors
- forestry standards



Forestry Standards Vary

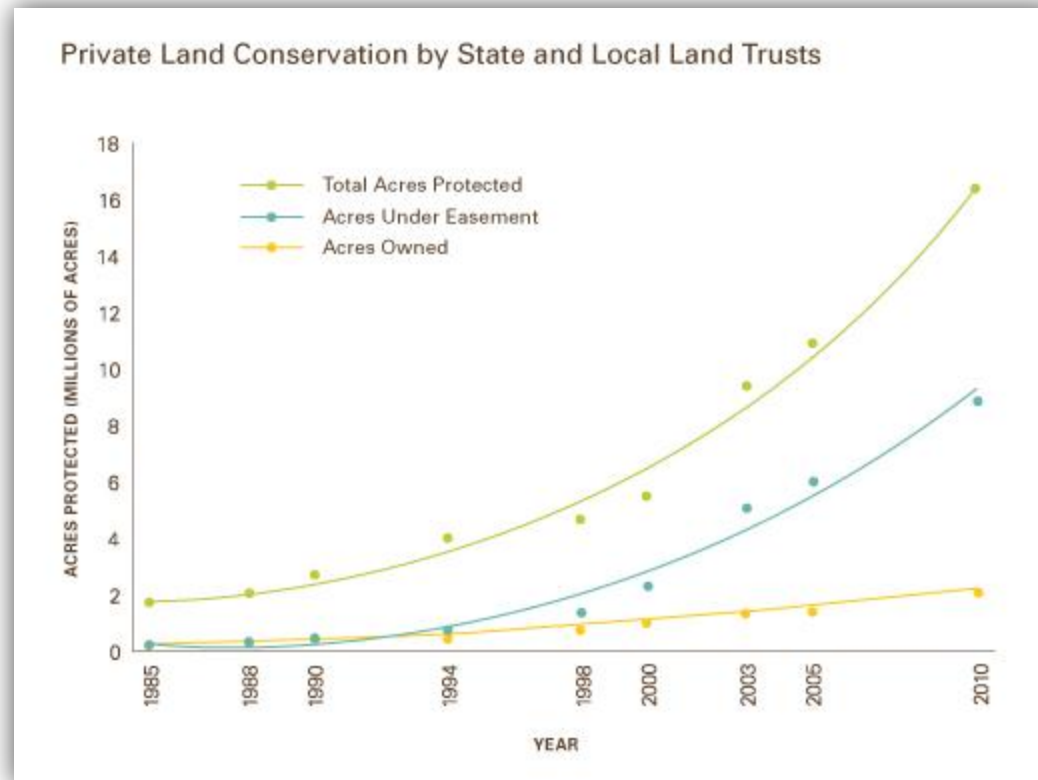
Eleven Design Approaches to Easements that Assure Sustainable, Ecological and Economical Forestry



Level of Assurance	
Level eleven -	Prescribed practices
Level ten -	Defined performance expectations
Level nine -	Defined components of a forest management plan
Level eight -	Defined management goals
Level seven -	Defined management principles
Level six -	Reliance on professional forester associations or certification
Level five -	Reliance on forest management certification systems
Level four -	Reliance on "best management practices"
Level three -	Reliance on state forester licensing programs
Level two -	Reliance on existing definitions of "good forestry"
Level one -	Reliance on state, local, and federal laws



When did they become popular?



<http://www.landtrustalliance.org/land-trusts/land-trust-census/national-land-trust-census-2010/charts-and-graphs>

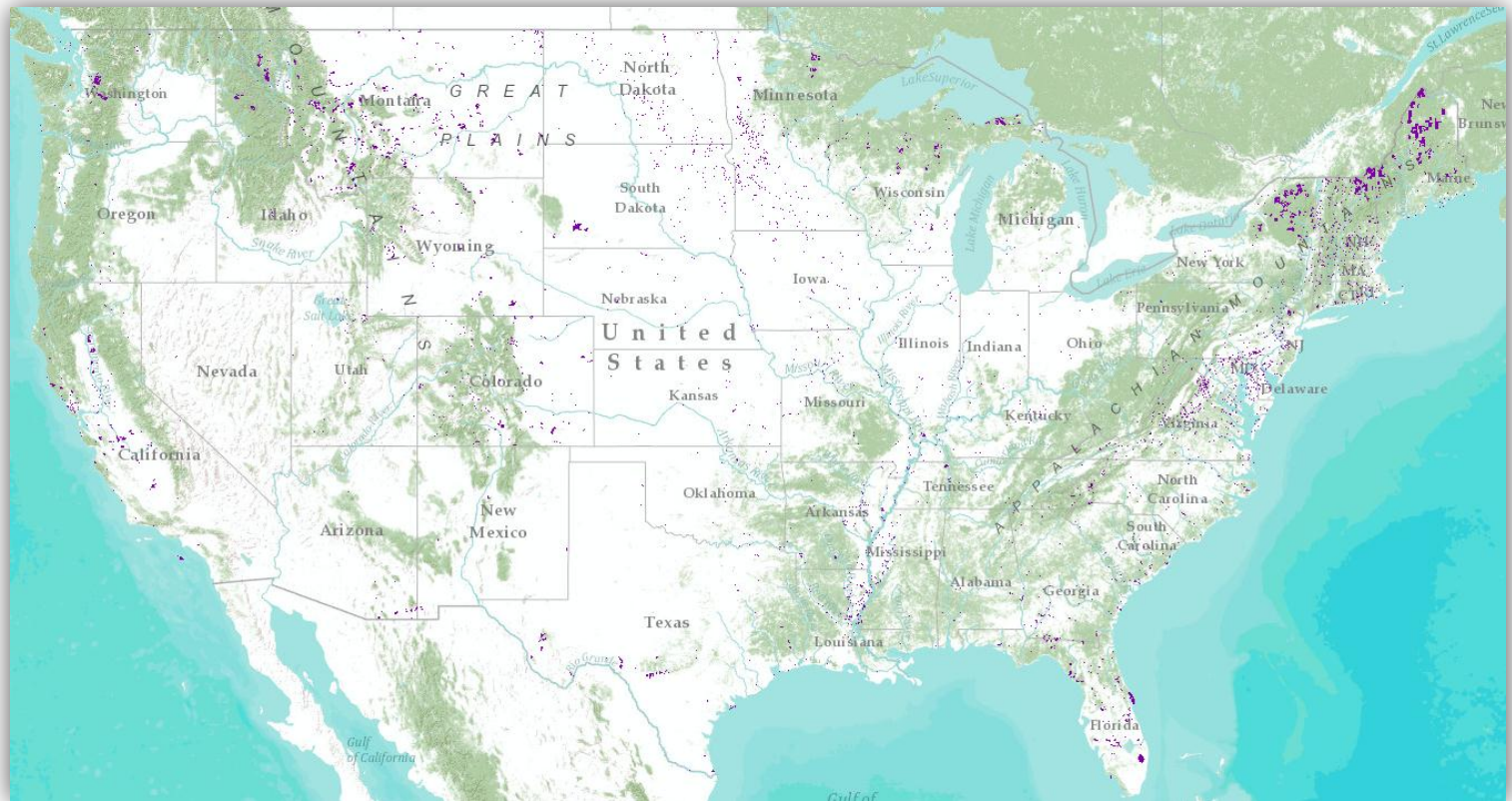


Some Landmark WFCE's in the North

Year	Acres	State	Seller	Buyer
1999	139,000	New York	Champion International	State of NY
2001	762,192	Maine	Pingree Family	New England Forestry Foundation
2002	329,000	Maine	Merriweather, LLC	Forest Society of Maine
2002	146,000	New Hampshire	TPL / Lyme Timber	State of NH
2005	248,000	Michigan	The Forestland Group	TNC / State of MI
2006	59,023	Wisconsin	International Paper	TNC / State of WI
2007	278,000	New York	Lyme Timber	State of NY
2010	187,876	Minnesota	UPM (Blandin)	State of MN
2010	134,378	Minnesota	Forest Capital Partners	TNC / State of MN
2010	89,000	New York	ATP Timberland Invest	TNC / State of NY
2012	363,000	Maine	Plum Creek Timber Co.	Forest Society of Maine
2012	67,347	Wisconsin	Lyme Timber	Conservation Fund / State of WI
	2,802,816			



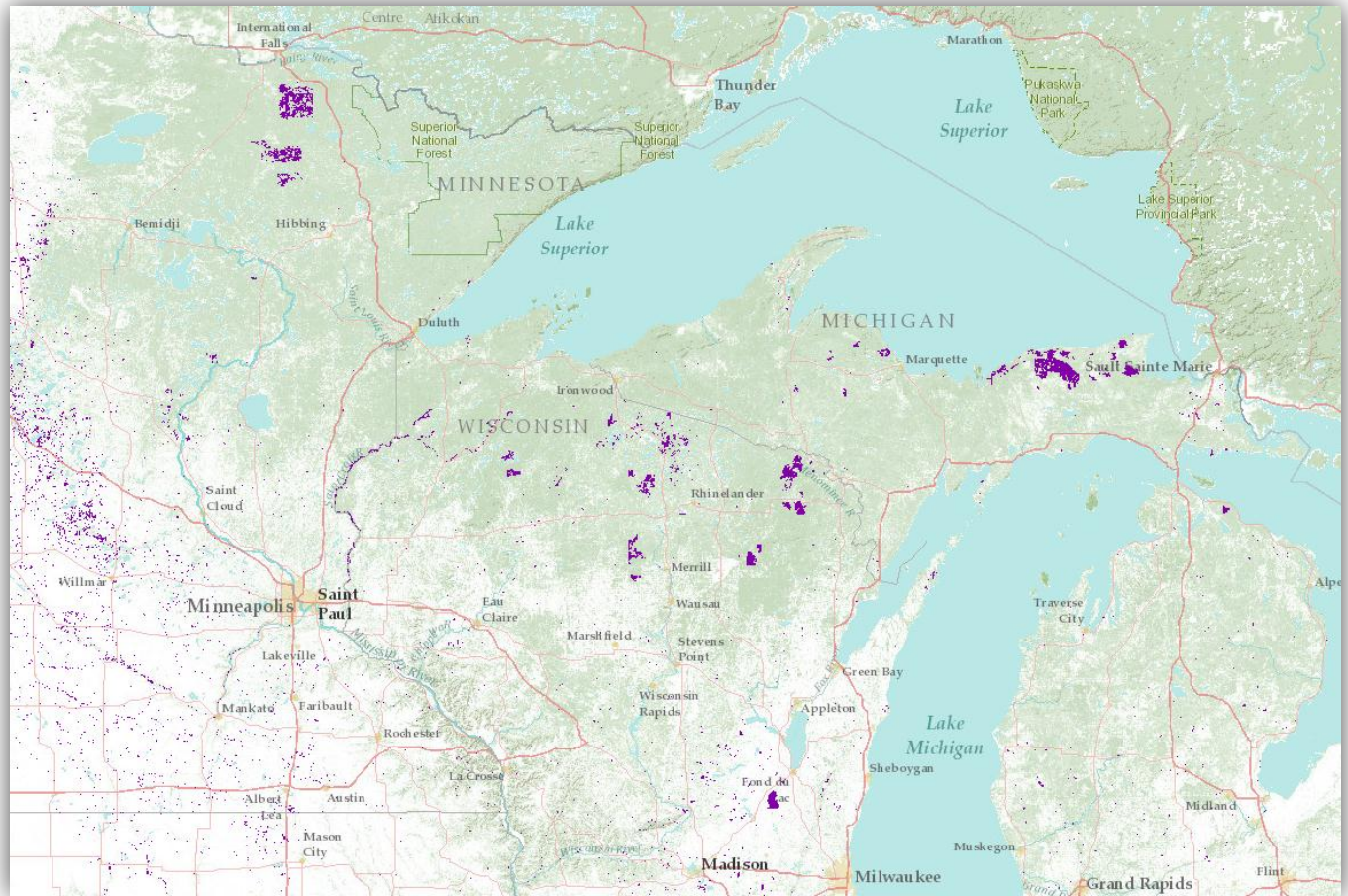
Where are they? National Extent



<http://databasin.org/protected-center/features/NCED>

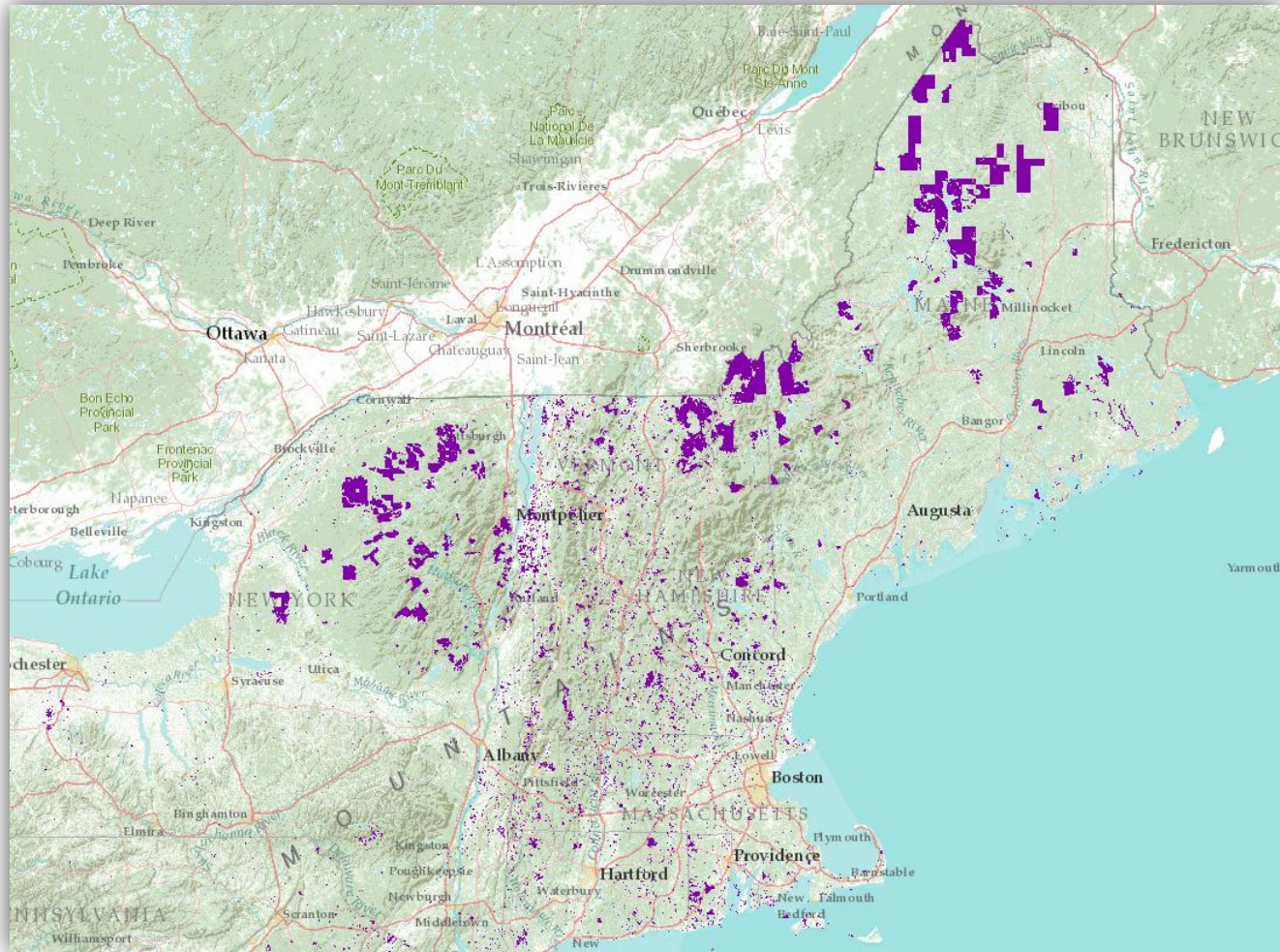


Where are they? Lake States





Where are they? New England





Why do parties buy/sell easements?

- Buyer of easement
 - greater awareness of complementarity between environmental values and (low intensity) working forests
 - directly address forest fragmentation
 - satisfy multiple constituencies
 - more acres per conservation dollar
- Seller of easement
 - return of capital lowers cost basis
 - transformation into “pure timber play”
 - potential to raise value of abutting lands or carve out high-value “kingdom lots”
 - benefits weighed against
 - transaction and administrative costs
 - options foregone
 - regulatory risk



Why do parties buy/sell eased properties? *Is there a market?*

- addresses demand for “pure timber play”
- mature market has minimized regulatory risk
- documented property performance
- may meet social investing criteria
- limited availability of institutional grade properties



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