

APPENDIX H

Ways to Keep Forestry Viable in King County

Ways to Preserve Forestland in King County

Ways To Keep Forestry Viable In King County

The following suggestions come from a variety of sources including 1) *Building Forest Wealth* by Kirk Johnson at the Northwest Policy Center at the University of Washington, 2) Comments submitted to King County in 1994 by the Washington Forest Protection Association, the Washington Farm Forestry Association, Indian Tribes, Individual Small Landowners, member of the Environmental Community, and County agencies, and 3) several conversations with individuals studying similar incentives around the country. To be sure that we are beginning our discussion with the broadest possible range of strategies, these ideas are being provided for review and comment by the Forest Advisory Committee.

REGULATIONS AND LABOR

Objectives:

1. Encourage the conservation of biodiversity on forest lands, including the diversity of native species.
2. Maintain the capacity of forest lands to produce economic and ecological benefits over the long term.
3. Amend county regulations to encourage continued use of rural land for resource management.
4. Amend state laws and regulations and establish new programs to encourage resource use in rural areas.
5. Instill a resource stewardship ethic through programs designed to increase habitat-friendly decision-making in public and private institutions.
6. Establish economic incentives tailored to forest lands, rural lands, and urban areas to encourage and facilitate maintenance and enhancement of fish and wildlife habitat.
7. Take advantage of opportunities to streamline bureaucracy and waste in the area of natural resource management.
8. Instead of spouting public benefits in general, give commendation to those who have provided a public benefit and use the positive publicity to explain how and what the benefits were.

Suggested Strategies:

Regulatory Stability

9. Issue long term management permits to provide regulatory stability for landowners. Agreement between the landowner and regulators on a landscape scale for land management for 10 to 15 years would insulate the landowner from any new regulations promulgated during the lifetime of the agreement. (This concept is similar to the recent 100 year agreement between Toby Murray of the Murray Pacific Corporation and the US Fish and Wildlife Service which protects certain portions of endangered species habitat on Murray Pacific lands in exchange for relief from certain provisions of the Federal Endangered Species Act on the remainder of the company's land.)
10. Establish a tiered permitting process with diminishing landowner and regulator commitments over time. Similar to #1, except certain elements of the agreement allow regulators flexibility in areas where scientific uncertainty remains very high. Landowners would commit to a level of stewardship activities that reflect the length of time they are exempt from the regulations.
11. Combine financial incentives with regulatory guarantees to promote management for biodiversity and high quality wood. A core premise of this concept is that the development of high quality timber through thinning and longer rotations is at least partially complementary to enhancing biodiversity. By combining a market goal (timber production) with a non-market goal (biodiversity), the later can be achieved at lower cost than if both strategies were pursued separately.

While some of these steps, such as commercial thinning, are in the direct economic interest of landowners, others are not. Therefore, financial incentives would be necessary. Contracts could be offered between the state and private landowners for the treatment of a designated number of acres in priority areas. The contracts would be offered on a competitive bid basis to obtain the desired goals at the lowest cost, and to reflect the current market value of the timber produced. Contracts might include legal guarantees on the part of the landowner to produce the type of forest structure stated in the agreement.

Commissions or Organizations

12. Consider creating a commission to help small landowners address the scientific and economic challenges of sustainable forestry. A commission composed of and directed by small landowners could help make existing initiatives more responsive, while identifying areas where needs are not being met. With revenue raised from an assessment on all small landowners in the state, the commission could provide - and serve as a clearing house for - education, information, and technical assistance to landowners on the

scientific, management, regulatory, marketing, tax and financial aspects of sustainable forestry.

13. Establish a Washington Forest Stewardship Initiative to streamline and coordinate Federal and State incentives programs, in order to reduce confusion and increase the dissemination of information.
14. Encourage the creation of "wetland banks" in which a proposed development is allowed to modify wetlands in an urban area in return for the creation of new or enhanced (i.e. replacement) wetlands in rural areas. Rural forestland owners could provide areas for creation/enhancement of wetlands on their rural parcels for a fee. Urban developers could develop low-value urban wetlands in return for creating high value rural wetlands and payment of a fee to the rural owner willing to provide land for a new or enhanced replacement wetland.

Legal

15. Provide notices on the title of adjacent property owners of nearby resource uses to prevent or minimize nuisance complaints.
16. Implement a "Right to Practice Forestry" ordinance, modeled after Snohomish County's ordinance.
17. Change the requirement that all parcels short platted after 1960 require a Class IV conversion permit.
18. Redefine state forest practice regulations as "maximum" requirements and do not allow county regulations to demand additional requirements of landowners.
19. Support legislative liability relief for land owners that charge recreational access fees.
20. Enforce economic sanctions for poor harvesting methods.
21. Certified foresters and certified loggers should be required for all harvesting operations.

Zoning and Land Use

22. Allow rural forestland owners to create "family compounds" of clustered housing for family members on rural forestlands. This provision could be a companion or alternative to the TDR program. In a larger sense, rural forestland owners should be provided incentives and opportunities for rural home site clustering, utilizing a variety of techniques such as TDR's, zoning tools, cluster density bonuses, reduced road and

development standard requirements, small group water systems, small group sewage systems, etc.

23. Require subdivisions to utilize design concepts which minimize conflicts with nearby forestry activities.
24. Amend zoning ordinances to allow rural forest owners the opportunity to provide other revenue producing uses of their land that are compatible with forestry such as small hydro- electric plants, small destination recreation/conference centers, oil and gas drilling and production, telecommunications antennae, etc.
25. Zone 50 acre buffers at low residential density adjacent to large forest land ownership.
26. Allow and encourage more intensive uses of powerline and pipeline utility right-of-way or easement corridors that cross rural forest tracts. When consistent with protection of the buried or above ground utility, these cleared right-of-ways often make ideal areas for trail easements, Christmas tree farming, specialty forest product cultivation, livestock pastures and grazing areas, sites for wetland creation or enhancement, etc. Higher and better uses of these cleared utility corridors can provide additional revenue opportunities which benefit rural forestland owners.

Streamline Bureaucracy

27. Simplify county regulations to allow and encourage rural forestland owners to enter into cost or low cost land trades, lot line adjustment, and other modification or consolidation of property lines. The intent is to create new property lines that follow the centerline of streams, roads, ridge lines, or other natural topographic features. Land trades or property line adjustments can often improve access, use, manageability, or reduce the need for stream crossings for both owners following the trade. Currently, subdivision, segregation, and lot line adjustment requirements are complex, costly, and an impediment to cost effective land trades and lot line adjustments. The County should take the opposite position and encourage and support such actions by eliminating or vastly reducing permit and application fees and other bureaucratic hassles.
28. Develop expedited review processes for non-Forest Practice Permit activities, such as enhancement activities which involve land stewardship, habitat restoration or enhancement, recreational access improvement, and/or other resource management activities. Refund all permits and fees charged to owners who successfully complete proposed practices. Cooperate with state agencies and tribes to expedite regulatory review and technical assistance to cooperating landowners.

Eliminate Health Department requirements such as perc tests when converting land back into forestry. These can be done when/if a building is proposed for a given site.

MARKETING

Objectives:

30. Encourage the growth of, and expand markets for, high quality wood and diverse forest products to supply the value added forest products industry.
31. Forge closer ties between landowners and value added manufacturers.

Suggested Strategies:

Information Based Incentives/Information Exchange

32. Encourage green marketing initiatives (such as labeling products constructed from timber managed in a sustainable way) to provide market-based rewards to landowners who practice sustainable forestry.
33. Use public recognition to encourage and reward forest stewardship.
34. Support the creation and expansion of networks such as WoodNet and the Woodcraft Network to encourage value added marketing, research and manufacturing.

Legal

35. Provide landowners who cooperate to achieve ecosystem management goals protection from prosecution under federal antitrust laws.

Market Creation/Expansion

36. Expand markets for, and development of, specialty forest products and services.
37. Provide continued financial assistance to promote Washington exports of value added forest products.
38. Encourage small value added manufacturers to form cooperatives to obtain Japanese Agricultural Standard (JAS) certification.
39. Promote economies of scale through cooperative resource management and marketing for small landowners.

FINANCE

Objectives:

40. Enhance landowner profitability.

Suggested Strategies:

Existing Programs

41. Forestry Incentives Program (FIP) - provides cost sharing to eligible non-industrial landowners for the costs of planting trees on suitable open land or cutover areas and for stand improvement activities. Cost shared up to 65% or \$10,000 per person. Eligible areas identified by the DNR and must be between 10 and 1000 acres. Waivers available for tracts up to 5000 acres if public benefit is deemed significant.
42. Washington State Stewardship Incentive Program (SIP) - provides cost sharing for several stewardship activities ranging from afforestation to forest recreation enhancement. Eligibility requirements include: 1) landowner must have and conform to an "Approved Forest Stewardship Plan", 2) must request payment of at least \$300 in cost-sharing, 3) maintain practices for 10 years. SIP payments are limited to \$10,000 per landowner per federal fiscal year.

Reform of Existing Programs

43. Reform allocation formulas to ensure that Washington receives its fair share of federal incentive dollars. Federal programs are based on three assumptions: 1) forests are managed in a non-regulatory environment, 2) forest lands have low value; and 3) landowners have few other economic options with their land. These are not accurate for Washington and therefore provide disproportionate benefit to other regions of the country.
44. Expand and improve the Stewardship Incentive Program (SIP). This is a cost-sharing and technical assistance program that experiences much greater demand than funds can accommodate. Federal funds for this program should be increased.
45. Eliminate FIP and SIP funding for landowners who stand to make significant capital gains from their timber business. Financially successful forestry operations should invest their own capital in their operations as any other business would.
46. Create a credible and standardized inventory, reporting, and appraisal procedure that would make investors more confident in reported biological and financial data and therefore more likely to invest in forest lands.

47. Eliminate below-cost timber sales on public lands. The use of public resources should be priced in a free market, not subsidized. The added revenues can be used for fee simple or easement purchases.

New Sources Of Revenue

48. Create a revolving loan fund to improve liquidity for non- industrial forest landowners while fostering older-age forests. Such a fund operated by the state or a private nonprofit could help to increase liquidity for small, non- industrial landowners while extending age classes. Landowners can currently borrow against the value of their mature timber through banks and other commercial lenders. However, high interest rates and short loan terms may force landowners to cut their trees prematurely to repay the loan. Banks are also leery of lending against the value of immature timber. Together these conditions encourage early harvests and act against establishing older age trees on the landscape. By comparison, a revolving loan fund could provide longer-term loans at below-market rates of interest, in order to provide some liquidity without promoting near-term harvest.
49. Establish a "County Rural Land Conservation" fund for purposes of encouraging continued resource and non-commodity use on rural lands. These funds could be used for:
 - a) acquisition of various easements with a focus on continued use of the affected property for forestry purposes consistent with the easement acquired
 - b) purchase development rights from rural forestland owners
 - c) fund surface water management improvement/enhancement projects such as the creation of combination retention/detention wet ponds, lakes and wetlands, etc.
 - d) develop a "non-conversion" annual payment to non- industrial, rural forestland owners who voluntarily do not convert their property yet actively manage it for forestry since the general public receives benefits from such a choice by rural forestland owners.
 - e) establish real and valuable incentives (such as TDR's, cash payments, cluster zoning, etc.) to owners willing to voluntarily consolidate nonconforming and/or nonbuildable lots into larger lots and manage the larger parcels for resource uses.
 - f) Coordinate and cost share cleanup of hazardous wastes on forestlands waste.
50. Establish a set of fees charged for various development or recreational activities, the revenues from which could be used for adopted incentive programs. These fees might

include: Fees charged to property owners for connection to a municipal utility, increased fees for building permits, recreational fees such as camping, and impact fees charged to new users of government services such as natural resource use (Loveland Colorado has a broad impact fee program).

51. Develop state low interest loan programs for small forestry operations, similar to the Washington Public Works Trust Fund program.
52. Use the revenues from back taxes and the penalties received from property withdrawals from current use taxation programs in order to fund incentives.

Research and Development

53. Increase research and development funding for wood technology to encourage the growth and substitution of wood for nonrenewable resources.
54. Develop an infrastructure (such as specialty mills, etc.) to encourage thinning, pruning, and other management prescriptions to produce high-quality wood and enhance biodiversity by increasing small diameter mill capacity to utilize thinnings and prunings, developing ecologically appropriate thinning and pruning technologies, a trained workforce, expansion of markets from products from thinning and pruning, and continued scientific research on the effects of thinning and pruning on biological diversity.

TECHNICAL ASSISTANCE AND EDUCATION

Objectives:

55. Encourage landowners to engage in cooperative planning and ecosystem management activities.
56. Establish incentives for consolidation of non-conforming and buildable lots.
57. Promote forestry practices which do not jeopardize sensitive areas of their natural systems.
58. Provide technical and financial assistance through education and other programs.
59. Local, state and federal agencies should increase landowner awareness of programs which support management for both commodity and non-commodity uses.

Suggested Strategies:

Land Management/Planning

60. Assist landowners in regulatory understanding and compliance. Outreach to landowners subject to new regulations could enhance the goal of protecting public resources and set a better tone for landowner-agency-public cooperation.
61. Provide assistance to encourage landowners to form voluntary watershed or ecosystem management cooperatives.
62. Develop computer software to help landowners more efficiently produce ecosystem plans.
63. Provide information to landowners on the values, to themselves and others, of biodiversity and methods for maintaining it.
64. Provide public education for urban and rural neighbors that explains how rural forestry contributes to fish, wildlife, water quality, recreation and our northwest lifestyle.
65. The Montana Forest Stewardship Program offers a \$45 course for forest landowners at the University of Montana. It is ten weeks in length, meeting one evening per week for three hours plus one full day in the field. The course provides instruction in management practices consistent with individual landowner goals. The work product from the course is a management plan written by the landowner which is subsequently reviewed by State Foresters. The focus is to inform landowners about best management practices so they do not fall prey to disreputable logging/management groups who are not interested in the individual's goals for his or her land.
66. The course is taught by a team of foresters, wildlife biologists, etc. and has been quite popular with landowners. In 4 years, they have instructed over 1,000 landowners and developed 500 certified stewardship plans (all eligible for the Federal SIP and FIP programs) covering 300,000 acres of forestland. Additional courses are taught in riparian area management and selective harvesting techniques. They also have a logger's education course, which covers largely the same material over a 5 day period at a cost of \$500. Over 120 loggers have participated to this point.
67. Lastly, this program offers similar courses for non-resident landowners - a 6 day course which spends three days in the field on management techniques and then a three day follow-up after they have written their management plan. 70-80 non-resident owners have gone through the program.
68. The Missoula County government is very pleased with the results of this program and is providing additional funding (beyond what they have obtained from granting institutions) to enhance/expand their courses.

69. Provide environmental education programs that solicit public support for ecosystem preservation/enhancement through pledges of funding, volunteer labor and/or materials for donation of development rights and secure funding for these programs.

New Technologies/Market Values/Lending Institutions

70. Provide continuing education to speed the transfer of research and technology into practice.
71. Expand information on opportunities for the sustainable production and marketing of alternative wood species and non-timber forest products.
72. Educate landowners to understand the value of their standing timber. By knowing what a well managed stand of timber is worth, landowners can not be taken by disreputable logging operations. Most landowners should know there is no better collateral than well managed standing timber. There should be daily reports on timber prices similar to those for other commodities (grains, etc.)
73. Provide information to forest landowners on lending facilities designed to assist small landowners or cooperatives in the business of forestry. Examples include the Farm Credit Bank in Spokane and the National Bank for Cooperatives in Denver, Colorado. To qualify at the National Bank for Cooperatives, the members must each own the standing timber on their land.

WAYS TO PRESERVE FORESTLAND IN KING COUNTY

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FINANCE

Objectives:

1. Maintain the rural forest land base.

Suggested Strategies:

Acquisitions

2. Fee purchase of properties. Because most other programs are voluntary, this is the only way to assure the conservation of forested lands.
3. Use conservation easements as incentives to encourage long-term stewardship plans while providing regulatory stability.
4. Develop funding sources for cash acquisition of conservation easements or development rights.
5. Utilize conservation easements as management tools rather than as land set-asides. Purchase easements in exchange for specified management practices.
6. Fund a King County Land Bank to purchase forest lands with real estate transfer taxes on every sale of property in the county.

New Markets

7. Allow the transfer or marketing of development rights in exchange for protection of forest lands. This would allow landowners to develop their lands more densely or in a clustered fashion that would normally be disallowed under local zoning codes.

8. Establish a carbon-exchange program whereby large producers of carbon dioxide purchase conservation easements on forested lands which will sequester comparable amounts of carbon dioxide.

TAXATION

Objectives:

9. Implement adjustments to tax policy and laws to reduce the cost of maintaining resource land.
10. Work with the assessor's office to lower taxes.
11. Provide tax incentives for preserving and enhancing natural resource protection.

Suggested Strategies:

Washington State Timber Excise Tax

12. Reduce or eliminate the State Timber Excise Tax for landowners who adopt desired management practices. This tax of 5% of the value of timber at the time of harvest could be reduced or credited to landowners. Four-fifths of these tax revenues go to local jurisdictions while the remainder goes to the state general fund. Reductions or credits should be given in a manner that assures local jurisdictions do not lose revenues.
13. Use the state portion of the timber excise tax to fund other forest stewardship activities such as education programs or planning assistance to small landowners.

Property/Real Estate

14. Continue and facilitate the use of preferential "open space - timber" taxation to encourage reforestation and maintenance of the forest land base. King County can so designate parcels of land from 5 to 20 acres in size which are managed for timber production. Fees for applicants to this program should be reduced.
15. In exchange for an approved management plan, local and state property taxes paid on lands maintained in the rural forest land base would be offset by an annual tax credit. In lands which currently supply wildlife habitat maintenance, these taxes are already deductible from federal income tax, but a tax credit would amplify the benefit and would completely exempt these lands from property taxes.

16. Provide relief and/or exclusion from all special levies, special taxation districts, assessments, local improvement district fees, surface water management fees, and other charges included in real estate tax statements.
17. Rural areas impacted by the Sensitive Area Ordinances should have a consistent and simple tax assessment standard to eliminate the need for property owners to challenge the assessed value of SAO affected property before the Board of Equalization year after year. Currently, there is no consistent method to permanently register SAO and other development restrictions on assessor's information data base for a specific parcel. Subsequently, property owners must often challenge tax valuation assessments annually.
18. Assist landowners in securing a refund of Forest Fire Protection (FFP) Assessments. Counties should actively provide information, including a certified list of tax accounts for which FFP Assessments have been paid, and a form to apply for the refund from the Department of Natural Resources.
19. Give property tax credits to landowners committing to long-term habitat maintenance plans.
20. Wisconsin's Managed Forest Law is an incentive strategy to maintain both industrial and private forestlands. Its highlights and requirements are as follows:
 - a) Landowners must have 10 contiguous acres of forest land. A minimum of 80% of the land must be in forest cover and capable of producing merchantable timber.
 - b) To be designated as a managed forest, the landowner must agree to a 25 or 50 year management plan, which contains a schedule of forest management practices which the landowner will be required to carry out during the life of the agreement. The plan may also include approved but not mandatory practices related to forestry, wildlife, watershed and aesthetic practices. Failure to implement the plan is grounds for disqualification from the associated tax benefits. The application fee is \$20. The plan remains in effect for the entire term, regardless of changes in ownership.
 - c) Various classifications exist for the level of public access allowed by the landowner. Lands open for public uses (defined as hunting, fishing, hiking, sightseeing and cross-country skiing) are taxed at \$0.85 per acre. The landowner may choose to close sections of his or her land to public access (total must be less than 80 acres), and these areas are taxed at \$2.00 per acre. Landowners are responsible for marking areas which they choose to keep closed to public access.

- d) Out buildings and hunting and vacation cabins are allowed on the areas designated as Managed Forest Land. Places of permanent residence are not allowed. Except for vegetation manipulation for fire-prone property, land adjacent to buildings may not be landscaped or have ornamental plantings.
- e) Landowners pay the equivalent of the Washington Timber Excise Tax on harvested timber. Thirty days prior to cutting, the DNR must be notified of the cut and thirty days after harvest, a cutting report must be filed. Harvests are subject to inspection for compliance with the management plan.
- f) Petitions for designation are reviewed on an annual basis.
- g) Early withdrawal from the program is grounds for a penalty similar to that imposed by early withdrawal from the Washington Open Space Program.

Federal Tax Credits/Deductions

- 21. Offer tax incentives for capital investments in forest stewardship, similar to existing incentives for capital investments in manufacturing. Tax deferrals are available for capital investments in manufacturing in "timber-impacted" areas. This incentive should be broadened to include capital investments in equipment used in forest stewardship activities.
- 22. Increase federal reforestation income tax credits.
- 23. Federal tax credits should be allowed for all expenses incurred in improving degraded woodlands or creating new habitats.
- 24. Federal tax credits should be allowed for a percentage of the expenses incurred by small landowners complying with the Federal Endangered Species Act. Such expenses would include biological studies or field surveys, labor devoted to compliance, purchase of special equipment, and fees paid by private landowners to participate in the Habitat Conservation Planning process.
- 25. Income tax deductions should be allowed for revenues from lands managed in a sustainable way, or to protect wildlife habitat.
- 26. A federal tax penalty, or severance tax, should be levied on lands converted to uses not compatible with the maintenance of the forest land base or the support of wildlife habitat.
- 27. Create a tax deductible program for donating land to an organization or land trust with the stipulation that it remains in forestry.

28. Allow quicker recovery of costs for desired forest management stewardship activities. This can be done by allowing the expensing and amortization of costs which currently must be capitalized for tax purposes.

Capital Gains Tax

29. Provide a capital gains exclusion for land transfers that facilitate conservation. A significant percentage of any long-term capital gain resulting from granting land or restricting land use for conservation should be excluded from income. This would give landowners who have held land for long periods of time, and who would realize a large gain upon selling their land, a strong incentive to provide the land for conservation in exchange for cash.
30. Provide for deferred recognition of gain from land transfers that facilitate conservation. A landowner who receives compensation for selling land or restricting land use for conservation purposes should be allowed to reinvest the proceeds of the sale in a new real estate investment, and defer recognition of a taxable gain until the sale of the new investment under the "involuntary conversion" provisions of the IRS code.
31. Reduce federal capital gains taxes, or index them for inflation, to encourage investments in forest lands and promote longer rotations.

Estate Tax

1. Reduce the estate tax burden (see #33 below) to reduce the liquidation, sale, and conversion of family-owned forest lands, or allow the deferment of payment until the time of harvest rather than within nine months of the owner's death.
2. For purposes of the estate tax, allow undeveloped forest land to be assessed at the current use levels, rather than the highest and best use standard in exchange for a guarantee by the heirs to keep the land in its current use for 25 years. (Special-use valuation is already allowed in some instances for estate valuation - see page 12 of publication 448.)

APPENDIX I

**Targeted Strategies that Can Be Offered District-Wide until
the Forestry Commitment Is Available and Marketed**

Targeted Strategies That Can Be Offered District Wide Until The Forestry Commitment Is Available And Marketed

The following strategies are recommended to be limited to properties on which there is a signed forestry commitment. Until the Forestry Commitment Agreement is developed and marketed to rural forest landowners, these strategies could be made available district wide in order to immediately provide strategies to retain these lands in forestry.

- Friend of the Forest Program
- Technical Training
- Optimal Management Units

