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FORESTRY notes

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A wise global investment

Favorable factors prompt foreign investment groups to target U.S. timberland

The selling off of U.S. timberland is nothing new, argues Marshall Thomas; for decades outsiders have recognized the value of our agriculture and forest lands. But recently the interest has grown due to a number of factors. Georgia, where Thomas serves as the president of the timber consulting firm F&W Forestry Services, is a good model for what other states are seeing.

According to a report in the Atlanta Business Chronicle, Georgia's foreign controlled agricultural land has jumped by more than 30 percent over the past two years – from 615,000 acres to 810,000. That growth was consistent nationwide, and in six U.S. states more than 1 million acres are foreign owned, the most of which is in Maine (3.3 million acres).

> "As an investment, I do think timber is a whole lot safer than some of the other (options)."
>
> **Bob Izlar**
> *Director for the University of Georgia's Center for Forest Business*

Thomas argues it's not a trend that will necessarily continue, but rather an ownership cycle that is influenced by land values and exchange rates.

This foreign interest in U.S. land has happened before. Back in the late 1970s and early 1980s, he points out, foreigners began to buy up agricultural land (timberland included) that was under-valued. That lasted until the early 1980's when land declined in value and exchange rates changed. Now, thanks to a favorable currency exchange rate, interest has boomed again.

Said Thomas, "Foreign investors are seeing the dollar drop, and what would have cost two Euros five years ago might cost one Euro today. I see it as the same as what happened (30 years ago)."

Another reason for the increased interest: before the land became affordable, it became available, argues Bob Izlar, the director for the University of Georgia's Center for Forest Business. The struggles of the pulp and paper industry, particularly in southern states, resulted in the selling off of timberland. Now, according to Izlar, there is not a single vertically-owned Georgia company that has ownership of timberland.

INSERT: Securing our nation's family woodlands

"There's just not a whole lot of land that's going to come on the market elsewhere," says Izlar. "The land that is available for purchase is less limited here than it is in Europe, or Brazil, or Uruguay, for example."

When that land became available, American pension funds began to gobble chunks of it up, but European pension and hedge funds soon followed. Now it's become a safe and smart investment in perhaps an unstable global economy.

"These guys are looking to invest and have been for some time, particularly the Germans and the Saudis," says Izlar. "With the dollar dropping against foreign currency it became a great hedge."

Izlar also says global environmental regulation has a role in the interest in U.S. timberland. "Green requirements under the Kyoto Treaty have caused an increased in the pellets shipped overseas." That demand will only grow over time, says Izlar, and should help to continue the level of interest being shown from other countries. In fact, Izlar helps to stimulate the interest. He helped to coordinate a 'Forest Investing 101' discussion at an investment conference in Munich earlier this year, and is assisting with another conference to be held in London in November. Izlar adds that foreign representatives often sit in on U.S. conferences, as well.

What does the future hold? No one can be certain, especially not in the current economic climate.

"I can't predict what's going to happen from here," says Izlar, who added "but, as an investment, I do think timber is a whole lot safer than some of the other (options). From that standpoint we might see continued foreign interest in it as an investment."

Next Month

The NACD forestry policy group meets in South Carolina at NWTF headquarters

Major forestry partnership agreement signed

NACD joined with the National Association of State Foresters, the USDA's Forest Service and Natural Resources Conservation Service in signing a joint Memorandum of Understanding (MOU) on September 29 at the state foresters' annual meeting in Hyannis, Mass.

This MOU is intended to strengthen cooperation among these organizations that will improve forestry-related conservation assistance to private landowners that sustains the health, diversity, and productivity of America's private working lands.

The parties had previously identified five barriers to the delivery of forestry-related conservation assistance: 1) The availability of technical expertise and assistance to private non-industrial forest landowners is insufficient to meet the need; 2) The lack of integration between the parties made it difficult for private landowners to participate in forestry and conservation programs; 3) Funding devoted to forestry and agroforestry is inadequate and inconsistent; 4) The parties speak different technical/organizational languages, which suggest a need for improved communication; and 5) Forestry has not become a priority for many state technical committees.

The MOU calls for NACD to encourage conservation districts to: cooperate and coordinate with state forestry agencies in delivering forestry assistance; invite USFS, NRCS, and state forestry agencies to participate in their state, regional and national meetings and conservation initiatives; cooperate with parties to identify the needs for forestry and agroforestry assistance on private lands; provide the locally-led component in landscape or watershed scale planning and implementation; provide opportunities for the parties to interact with NACD leadership, Natural Resources Foundation Committee, and the Forest Resources Policy Group; provide the parties with contacts for landowners/managers whose participation in conservation planning has identified the need for technical or financial assistance; foster and guide the development and implementation of MOU documents between USFS and/or state forestry agencies with state soil and water conservation agencies and individual conservation districts; and encourage conservation district employees to increase their knowledge of USFS and state forestry agency programs through training and education.

Signatories in the photo are, left to right: Kirk Rowdabaugh, President, National Association of State Foresters; Sally Collins, Associate Chief, U.S. Forest Service; Arlen Lancaster, Chief, Natural Resources Conservation Service; John Redding, National Association of Conservation Districts.

Forestry Briefs

Joint Fire Science Program is calling for grant proposals

The Joint Fire Science Program has 10 different task statements focused on wildland fire research with approximately $6-8 million in available funding. The JFSP is interested in the following -- lifecycle fuels treatment, temporal and spatial scaling of fire and aquatic organisms, regional haze - ozone and secondary aerosol formation, smoke dispersion from low intensity fires, trade-off assessments of AMR decisions, fire, insect outbreak, and windstorm effects on fuel profiles and fire behavior, predictive fire severity maps, compatibility of fuel treatments and fire management with conservation of threatened and endangered wildlife species, prevention effectiveness, 2008 wildfires and wildland fire use fires – re-measurement opportunities.

The Joint Fire Science Program has one task statement focused on synthesis of existing knowledge with approximately $1 million in available funding. The JFSP is interested in 3 specific areas -- extreme fire behavior, fire history and climate change, and guides to fuel treatment practices.

Joint Fire Science Program has one task statement focused on a new fire ecology science initiative with approximately $1 million in available funding.

All proposals must be submitted by November 21, 2008 at 11:45 p.m. MST.

For details, visit the JFSP Web site at http://www.firescience.gov, or contact Tim Swedberg at 208/387-5865 or timothy_swedberg@nifc.blm.gov.

$1 million grant for N.H. biomass burner project

Efforts to install a wood-fired biomass burner at the Fraser Papers mill are getting a boost from a group that invests in economic development projects.

The New Hampshire Community Development Finance Authority administers state tax credits and federal grants to support affordable housing and economic development projects. It recently approved a $1 million grant application for the boiler project, but the governor and Executive Council have the final say on the grant awards.

Fraser Papers laid off 80 employees in April after high energy costs have forced it to close one paper machine. It is exploring replacing oil-fired boilers with two biomass boilers as a way to sustain the mill and convert to steam heat rather than remain dependent on oil.

The Gorham planning board has already given the mill site plan review, but more money is needed. The total cost of the boiler project is about $16 million. The company is trying to get some funding through a loan from the New Hampshire Business Finance Authority in hopes of having the boiler up and running in January.

In Maine, Fraser Papers uses a wood-fired biomass boiler at the Katahdin Paper Co. mill it operates in East Millinocket. That mill is staying open, while another company operates in Millinocket using oil for energy is closing.

Great Plains hosts riparian forestry summit

More than 120 attendees gained a better understanding of the history, ecology, invasive species, economic and cultural impacts, and available management techniques for restoring forested riparian areas at the Great Plains Riparian Forest Management Summit. The September event -- the first of its kind in the northern Great Plains -- welcomed professionals from 10 Great Plains states.

University of Arkansas history professor Elliot West provided a stimulating presentation concerning the importance of riparian forests to humans including the resulting impacts, both positive and negative. “During the growth of the ‘horse culture’ the Great Plains experienced decline of riparian forests,” said West, who went on to argue that westward migration of settlers and homesteading accelerated decline of riparian forests.

Share Your Success Stories

Your success can be shared with other districts through NACD’s communication tools. Tell us about your district’s work by sending your story to forestrynotes@email.nacdnet.org today!

Several presenters discussed properly assessing riparian area health, including the impacts of invasive plant, insect and animal species.

During the conference's second day a number of discussions focused on alternative methods and management systems for restoring riparian areas.

Lorne Fitch of the Alberta Riparian Habitat Management Society spoke about how the Cows and Fish Program is attempting to change the world one community at a time. The program focuses on increasing public awareness and understanding about riparian areas and their functions. A watershed approach is used to assess/inventory as well as to educate and build community based action. Included in this approach is a monitoring system which answers “Where Are We? Where Are We Going? And Did We Get There?”

Richard Straight of the USDA Agroforestry Center asked breakout discussion groups to address three topics: Coalitions and funding; hydrology and restoration; and wildlife. Each group reported back to the general session with suggestions for these items. The results will be included in the summit’s final report.

Other presentations spoke to methods for assessing stream corridors; grazing management in riparian buffers; harvesting trees and BMPs for riparian areas; developing biofuels; and carbon credits.

On the final day of the conference attendees toured the Earth Resources Observation Station (EROS) located northeast of Sioux Falls, S.D.

Hawaiian company makes most of its forest practices

Even on the Hawaiian island of Kauai, forestry pioneers can be found creating sustainable methods for wood-based markets.

In 1996, Bill Cowern started Hawaiian Mahogany, Inc. when he learned portions of the island’s agricultural land had become available due to a declining sugar market. Cowern, who was part of the local Farm Bureau at that time, had a sense of how to make the land viable.

“We realized that many of the lands were too wet to do some of the cropping others might consider because you couldn’t control the moisture,” he said. “Other than sugar, the only things that those lands could be used for were cattle and timber.”

Hawaiian Mahogany bought 50 acres to start, and through the help of some investors purchased another 200 acres. Within four years Hawaiian Mahogany had accumulated 4,000 acres of land ready to be developed.

Said Cowern, “First we had to find out how we could do this in a sustainable fashion. We started looking at using nitrogen-fixing trees to be the nursing trees for the other, more valuable trees in order to establish a vast growing, economically viable forestry operation that didn’t require outside input … that’s what we have done.”

What Hawaiian Mahogany found was an albizia species (parasarianthes falcataria) that has proven quite beneficial to the company’s structure. According to Cowern, the albizia provide all of the nutrients that the other trees require, and the company has also made use of its rich waste material.

“The trees have evolved in a very wasteful way,” said Cowern. “If you have an acre of these trees canopied, they’re going to drop approximately 30,000 pounds of leaf and twig material on the ground each year. Much of that is nitrogen – about four percent – so there is an enormous amount of fertilizer potential falling on the ground.”

Twice each year they remove roughly a ton of material per acre which is then packaged to be sold as either fertilizer or high-protein livestock feed. Best yet, said Cowern, the process has little to no impact on the growth of the tree.

For timber, the company relies on mahogany and a eucalyptus species from the Solomon Islands – one of the few eucalyptus species not native to Australia. “It’s much closer to mahogany than it is to a typical eucalyptus,” said Cowern, who raises a number of Australian-native eucalyptus, as well.

Presently, Hawaiian Mahogany is working approximately 1,800 of its acres. “It didn’t make sense to hire 1,000 people to plant a bunch of acreage and wait 15 years and hire them all again.” Now, though, the company is ready to accelerate that growth.

“We plan to add more nitrogen-fixing trees because of the opportunities we see with carbon sequestration,” said Cowern. The company hopes to plant another 2,000 to 3,000 acres in the next 18 months.

Seeing the potential for a new market, Hawaiian Mahogany has entered the final stages of an even more ambitious project. The company has partnered with Green Energy of Hawaii to help service approximately 10 percent of the island’s electricity needs.

“Eventually these Albizia trees get to be too big,” explained Cowern. “When they’re four years old and 12 to 15 inches in diameter we need to get rid of them, or they’ll begin to overshadow all of the rest of what we’re trying to grow.”

The woody material will supply all of Green Energy’s wood chip needs for its proposed 6.5 MW biomass-to-energy gasification plant; in October, financing for the plant was approved, and Cowern expects the partnership to begin to show results by the end of 2009.

For more information, contact Bill Cowern, president of Hawaiian Mahogany, Inc., at 808/332-8570, or email him at treefarm@halekua.com.

Wildfire publications address needs of communities at risk

A consortium of Western-based non-governmental organizations announced the release of publications to address the critical need for protection of communities at risk to wildfire.

These resources -- produced by Resource Innovations (Eugene, Ore.), Sustainable Northwest (Portland, Ore.), the Forest Guild (Santa Fe, N.M.), and the Watershed Research and Training Center (Hayfork, Cali.) -- will help communities reduce fire risk through planning and implementing collaborative forest restoration and fuels reduction projects on public and private lands in the wildland urban interface.

"Communities with sparse resources are often overshadowed by wildfire impacts to wealthier communities. We want to ensure that the under-served are better able to prepare for, respond to, and recover from wildfire events," said Kathy Lynn, associate director of Resource Innovations.

With costs predicted to reach $1.6 billion this year, the federal government has run out of money to fight fires, and money is now being "transferred" from the very hazardous fuels reduction and community assistance programs aimed to reduce wildfire risk. While spending over a billion dollars to suppress fires, federal agencies are spending only $80 million this year helping communities with fire prevention tactics.

Said Michael DeBonis, Southwest Region Director of the Forest Guild, "It's like that old saying -- an ounce of prevention is worth a pound of cure."

Here is a list of the available publications, with brief descriptions:

Engaging Socially Vulnerable Populations in Community Wildfire Protection Plans -This publication addresses the wildfire protection needs of low-income and under-served communities. It focuses on physical and social risks of wildfire in such communities -- loss of jobs, resources and other economic opportunities.

Community Wildfire Protection Plan Evaluation Guide - This hands-on guide helps communities to be accountable for fire safety. It provides a step-by-step process to assist communities in monitoring, evaluating, and updating their fire plans.

Beyond Planning: Stewardship Contracting as a Management Tool for Implementing Community Wildfire Protection Plans – Stewardship contracts are often used to implement fuels reduction projects on public and private land. The paper presents information on the stewardship contracting authorities and case studies detailing how two community fire planning efforts resulted in successful stewardship efforts.

Stewardship Contracting and Collaboration: Best Practices Guidebook (December 2007) - This guide provides information to Forest Service and non-agency participants in stewardship contracting collaborative groups. It includes opportunities for collaboration throughout the stewardship contracting process, suggestions of best practices for each step, and links to a wealth of additional resources.

The publications are available on a U.S. Forest Service Partnership Resource Center page dedicated to CWPP resources, http://www.partnershipresourcecenter.org/cwpp.

Conservation Calendar

- **Nov 12-14** – The Southwest Sustainable Forests Partnership workshop, "Better Practices, Better Forests," Flagstaff, Ariz. Visit: http://www.swsfp.org
- **Nov 18-20** – Partners In Community Forestry Conference, Atlanta Ga., Arbor Day Foundation. Visit: http://www.arborday.org/shopping/conferences/brochures/pcf/2008
- **Nov 20** - Northeast Regional Climate Action Forum: A State and Regional Overview, Boston, Mass. Visit: http://www.approvedevents.com/Event.aspx?EID=1806
- **Dec 8-10** - Biodiversity in a Rapidly Changing World: 9th National Conference on Science, Policy, and the Environment, Washington, DC. Visit: http://ncseonline.org/conference/biodiversity
- **Dec 8-11** - A Conference on Ecosystem Services 2008: Using Science for Decision Making in Dynamic Systems, Naples, Fla. Visit: http://www.conference.ifas.ufl.edu/aces
- **March 25-27, 2009** - Small Log Conference 2009, "Living Locally, Surviving Globally." Coeur d'Alene, Idaho. Visit: http://timberbuysell.com/slc

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Send news items to: Doug Williams, Managing Editor
email: forestrynotes@email.nacdnet.org
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Time to talk: Who will own the family woodlands?

"It concerns me that fewer and fewer families are able to keep their forest lands," said U.S. Forest Service Chief Gail Kimbell. "Private forests provide significant public benefits and family forest owners are the key to maintaining these benefits for future generations."

The subdivision and loss of family forests alarms the National Association of Conservation Districts as well. That's why the timing of this insert for Forestry Notes is no coincidence. Thanksgiving and the winter holidays are family times and we're addressing family matters. We're addressing family woodlands.

NACD and the Forest Service want landowners and those who serve them to be aware of the basic steps to take now to secure family woodlands for generations to come. More often than not, family relationships are also secured in the process.

"All too often we hear about family members who just aren't talking to each other," said Brett Butler, PhD, Forest Service Family Forest Research Center. He's talking about the lack of discussion between owners and heirs about the future of family woodlands.

Others familiar with estate planning for family lands agree: the biggest obstacle to securing family legacies with their woods is communication. People just don't get around to talking because just thinking about life after oneself or a parent is hard to do.

> **"When I think of my net worth, I don't include the forestland because I think of that as belonging to future generations."**
>
> **Steve Graham**
> *New York woodland owner*

Though the consequences of ignoring estate planning will be significant, the consequences aren't necessarily the motivator for getting things done. It's the feeling of knowing they're doing things right by their family and their woods that drives most owners onward. To get started on the journey, they or someone who advised them got things focused on the destination, the legacy of their woods and family name.

There're simple questions to get conversations and planning started: "What will these woods look like in a generation or two? Who will own it? What will they be doing with it?"

Responsible advisors ask landowners these questions when dealing with stewardship and conservation. Landowners can ask these questions themselves. If the answers come easy, the next questions are: "Do the heirs know the plan?" And, "Is it backed up with legal ink?" If the answers come hard, or are unknown, then it's an at-risk woodland being dealt with.

Whether you're an advisor, landowner, or a combination of both, take the time through Thanksgiving and the holidays to ponder the future of family forests.

Checklists

For the forester or advisor

- Study up on estate and succession planning options.
- See what your local SAF chapter, Extension Service, and state forestry division is doing on the planning issue.
- Look for training and workshops for you and your peers. If no workshops exist, make a contact with someone who might organize a session.
- Develop relationships with local experts: extension educators, estate lawyers, tax accountants, facilitators.
- Use websites, email lists, newsletters, and newspapers to rebroadcast the crisis of forest loss. Encourage communication and knowledge around estate planning to slow the problem.
- Begin to council landowners, local conservation boards, and anyone else who might be part of the solution to keeping family lands in family hands.

For the landowner

- Take time alone. Write out goals for the land a generation and more down the road.
- Make a list of heirs, and their heirs.
- Set aside an hour or two, maybe out in your favorite spot in the woods. Share your goals and lists with co-owners. Try to agree on heirs and goals.
- Get informed. Consult with your forester, tax accountant, and estate lawyer about realizing your goals.
- Talk with heirs, to be sure they're ready for the responsibility you'll be asking of them, or sparing them from, if that's the case. They may not want to be spared from the "land burden."
- Finalize with legal documentation. Communicate them so everyone knows.

Securing family legacies on your woodland

An appendix for stewardship plans

The lifespan of a tree is often much longer than our own lifespan. The forest stewardship plan works on this long timeline, as must those aspects of a landowner's estate plan that deal with their woods. Who will fulfill the forest management goals set today for the land? Will the family's estate plan let ownership transition easily, without heavy taxes, family dissension, or other burden?

Though owners must make their own choices about the future of their woods, it all starts with basic questions:

- Who will own it next?
- How will it be managed?
- Can it ever be sub-divided and developed?

Once these basic questions are addressed, there are several options to help landowners get what they want from succession and estate planning. The more common choices identified by the U.S. Forest Service follow. Sometimes, one shoe fits all. Other times, owners and families combine and customize these options to fit their personal goals and situation.

Do nothing: Few advisors, if any, support the do nothing option when it comes to estate planning. While doing nothing spares one's time, expense, and worry in the short term, the long-term implications can be complex for a surviving spouse, or divisive among heirs. The "do-nothing" option is the choice that leaves the estate and the forest most at risk.

Will: A last will and testament is the simplest and least expensive method of active estate planning. While traditional wills divide assets such as stocks and bonds equally among heirs, a forest is a somewhat nontraditional part of an estate. The forest holds an economic function, but also provides environmental benefits, too, such as being a source of clean air, clean water, and wildlife habitat. A subdivided forest loses its value as a functioning ecosystem if the use of smaller, separately owned parcels changes over time. Balancing fairness to heirs with other goals may require a serious discussion.

Sell or give the forest to heirs before death: Some family forest landowners prefer to sell or give portions of their estate to their heirs before death to mitigate estate taxes. A basic principle here is to first develop a shared understanding of how the land will be used. Page 3 has some quick math on gifting.

Family partnerships: Some families choose to put their forests in family partnerships or qualifying conservation trusts. This helps keep the forest together as a functioning ecosystem. How the family land and the partnership are managed can be set by the owner when establishing the partnership, or the decisions can be shared among the owner and heirs.

Limited liability company: Family members can join together to form a Limited Liability Company (LLC) around the family forest. The LLC can be member-managed (all) or manager-managed (for instance, parents make decisions, while children share ownership). All the members of the LLC become "shareholders" in the forest, similar to owning stock in a family corporation. Unlike stocks, however, the shares can't move out of the family. Conservation easement: A conservation easement lets landowners maintain ownership of the land, allowing them to live on it and manage it according to the easement. Typically, what they promise is to keep the land intact by giving up subdivision or development rights. Easements can be permanent or for a specified period of time (15 years, for instance). The easement can be donated, sometimes with property tax offset benefits. Often, easements are bought by another party, providing the landowners some financial security as well as peace of mind regarding the future integrity of their forest.

> **"Good planning to maintain land through many generations requires a long-view that extends far beyond an individual's life."**
>
> **Thom McEvoy**
> *University of Vermont Extension forester and author of Positive Impact Forestry and Legal Aspects of Owning and Managing Woodlands*

Land trust: Land trust organizations exist across the country. They can be found at the national or State level, or may be managed by friends and neighbors in small communities as well. Land trusts often purchase conservation easements on family forests, purchase forest outright, or have forest donated to them from an estate.

Public landholders: A curious fact is that land adjacent to or within the proximity of conserved land is more at risk for development than other rural land. Forest owners abutting or near national forests or other conserved land can consider donating their land, donating with stipulations, or selling their land to the public landholder. This choice has the environmental benefit of keeping large, contiguous forests intact so that they may continue their environmental function.

For all the options out there and others not touched on, there may be an exact fit for you, or room to negotiate an agreeable outcome from a combination of choices. It's important—very important—to remember that the course for the future is charted by today's owner or co-owners. The decisions are theirs to make in order to secure the vision they hold for their land and family legacy.

Detailed explanations of the options listed can be found at: http://www.na.fs.fed.us/stewardship/estate/estate.shtml.

Would you recommend others do forest estate planning?

Bill & Ruth Park (PA): I think it's very important, if you're interested in keeping it undeveloped and keeping it as forestland. In the past we've lost a lot of forestland. With the current development, we're losing more. We need to be responsible stewards of the forests. We can do lots of harm to the land if we're not careful.

Miles Schulze (TX): That's the easiest question. If you don't do it the state will do it for you and it's taken totally out of your hands. When you think of estate planning you think of a formal document. The real work is the planning for what is going to go into that document: what your wishes are, family considerations, what the taxes are, etc.

Ed & Carol Nigl (AZ): I would. I think all parents want to treat their children fairly. You should formulate your will to capture their different personality types and attitudes and values.

Mike Greenheck (MN): Of course I would recommend estate planning. It eliminates the possibility of losing the property or taking it out of the family. A lot of my family members do a lot of work on the forest. For me, the work we're putting in now is going to add additional value down the line. Estate planning is important because you set the future. Forests take a long time. Estate planning enables you to think long term. Forests need long-term processes. Estate planning goes along with that.

For the full interview, "Forest landowners speak out about managing land, estate planning" visit http://www.na.fs.fed.us/nanews/archives/2007/apr/landownerspeak/landownerspeak.html.

Five common mistakes to avoid ...

1

If it's working, don't break it apart
Though it's probably happened, it's hard to imagine a possession like a tractor being willed in parts to four children. One gets the wheels, one the engine, one the seat and transmission, and the fourth gets everything remaining.
Would splitting up woodlands be any smarter? The forest functions as an ecosystem, and for timber management, recreation, and other benefits, intact forests are needed. It's a common mistake though for an owner to look at their woods as they would their savings account, stocks, and bonds—as assets to be divided equally among heirs.
Estate and succession planning strategies that keep land intact protect it best from being lost.

2

"They know I'm giving it to them and they'll do the right thing"
Often, knowledge of a persons estate and succession plans is assumed. If discussions don't happen, disagreements or worse can happen among heirs. The common solution is to convey wishes, allow questions to be asked, but ultimately, for the owner to make decisions and give heirs the chance to understand and respect the owners' choices.

3

"All our children want the same thing"
In interviews with adult children of forests owners, sons and daughters differ in opinion on why they value family woodlands. Their intentions for managing those lands after the property passes on also differ. It's wrong to assume children want the same thing, though it can also be short-sighted to think they'll differ so greatly that a discussion, today, would be impossible. The discussion will happen. It's best to have it when the landowner's guidance and decisions can still be had.

4

If you want it in family, play out all scenarios
This is the cold business side of accumulating and protecting family wealth and land legacies. Heirs are often looked at as sons or daughters and their spouses. Life happens though, and divorce or a "right of survivorship" situation can take land out of family hands. Some strategies see land or land shares revert to blood relatives in the event of an adult child's death. Or ownership passes to the child's children.

5

"I'm worth how much!?"
This is the 'land rich, penny poor' scenario and it happens often. Landowners simply don't figure the value of their forest land into their wealth. Enough acreage with high development potential can mean sizeable estate taxes for heirs. Taxes in the tens or hundreds of thousands of dollars are not uncommon. Sale of land out of family hands is often the solution for covering debt that's left. Get land appraised for its full development value, then run the estate tax calculations. Add probate and legal fees to the tax sum to understand all the financial liabilities the transfer of the estate will incur.

What will Grandma do?

1940 Great Grandma and Great Grandpa own a 100 acre woodlot. They raise Grandma and her three brothers.

1960 Grandma and her three brothers inherit the family land. It's passed on with just a store-bought will and a sketch. The sketch of the woodlot shows the 100 acres divided in four 25-acre parcels, one in each child's name. The children argue that the parcels are not of equal value, but accept the sketch rather than going to court.

1961 Each sibling is approached by developers. Two of grandma's brothers sell their 25-acre parcels. The family home is razed and the sugarbush is paved over, too.

1976 Grandma's third brother splits a two acre lot off for a home. He subdivides and divests of his remaining 23 acres to finance construction.

1992 The third brother sells his home at retirement. Grandma owns the last 25 acres of family land.

2008 Grandma (widowed) is ready to begin estate and succession planning for the last of the family woods. She assumes her two children would rather she sell it and give them the money, though she hasn't asked. She has 6 grandchildren and worries that their life in the suburbs has disconnected them from nature.

What will Grandma decide to do?

Conservation Easement Donations and Federal Income Tax - Donation of a conservation easement on land brings with it real tax benefits. For Federal income tax purposes, qualified landowners who donate easements can deduct the value of the easement from their adjusted gross income. The deduction can be up to 50% of adjusted gross income per year and spread over multiple years. State income tax credits may also apply.

A simple example:
'08 household adjusted gross income - $80,000
Conservation easement value - $40,000
New Federal tax adjusted gross income - $40,000

Gifting and Federal Taxes - A parent can give up to $12,000 per year in tax-exempt gifts. The gift doesn't have to be cash. It can be an undivided interest (shared ownership) in forest land. The following example is highly simplified. Other arrangements can further discount the land, to the benefit of gifting strategies. Discussion needs to be had with a tax consultant, estate lawyer and heirs before doing this, but here's some math for a couple with two children:

- Forest land value - $384,000
- Gift allowance - $12,000/per parent/ per year/per child
- Number of children - 2
- Amount of gift benefit per year ($12,000 X 2 parents X 2 children) - $48,000
- Value of gift after 8 years of husband and wife gifting to 2 children (8 years X $48,000/year) - $384,000.
- Value of land in the parents' estate after 8 years - $0
- Estate tax on forest land - $0

Estate Tax Exemption - The estate tax exemption is a tax schedule passed by Congress. If the total value of your estate assets is less than the exemption amount, no estate tax is charged to your heirs. The estate tax rate climbs to 45% of the value of all assets above the estate tax exemption limit.

Year	Estate Tax Exemption
2006-08	$2 million
2009	$3.5 million
2010	No Federal estate tax
2011-beyond	$1 million

Forest land can be valuable. In the example on gifting, the value of an estate can be reduced by $384,000 by transferring ownership to heirs while alive. If that $384,000 was the total taxable portion of the surviving owner's estate, absent other strategies to remove the forest value, the heirs would face a $116,360 estate tax burden.

Where it's known, it's shown

Family forests do the public good—where that's understood, it's also understood that stemming forest loss involves both individual and public action. Here's a short list of some best practices states, counties, and towns have taken to support working family lands across America:

• **Right to practice forestry** -- All states have some form of Right to Farm laws that protect farming rights. Some counties and towns strengthen these laws for local needs. The laws protect farmers from lawsuits by neighbors for nuisance and from anti-nuisance ordinances and other controls that would harm farming. Forestry operations are akin to farming and many governments have enacted Right to Practice Forestry laws as well. Sometimes, these laws include the requirement for abutters to be notified when purchasing property that they are moving next to managed forest. The notification is signed with the deed papers at closing.

> **"We put a conservation easement on it and then established an LLC. We have four children and gave the LLC to the children. They all now have equal shares and own it collectively. However, they must comply with the easement."**
>
> **Don and Sharon Schiltz**
> *Montana woodland owners*

• **Forests: crop or not?** -- In many states, forest income is taxed at the same rate as more profitable extraction endeavors, like coal, oil, or natural gas mining. Farm income is not taxed at these high rates. Where forest income tax structures mirror or combine with farm income laws, forest owners have fewer financial obstacles to managing and keeping their land. Timber Severance taxes increase the cost of ownership and make it harder for forest owners to effectively manage their forest.

• **Beyond Current Use and other tax abatements** -- In most states, landowners receive a reduced property tax rate for keeping their forest as open space. At least one state took that a step further. Under their laws, forest owners who are managing their land as working forests, with a stewardship plan in place, receive additional property tax reductions beyond the simple, unmanaged current use reduction. This reduces landowner burden, increases stewardship, and increases the likelihood that forests will be maintained as open space.

• **Cost of community services** -- Local governments who figure out the cost of their community services for different land uses tend to support forests ownership in their planning and zoning. Cost of community services typically hover around a 3 to 1 ratio when comparing service costs for residential lots to costs for open forest acreage. As an example, for every dollar West Greenwich, RI received in property tax revenue (1995), the town spent:

- $1.46 in town services per residential acre
- $0.46 in town services per acre of open space.

• **Planning and zoning** -- Master plans and zoning can help towns balance growth and conservation goals. They can redistribute the pattern of development, or specify such things as conservation or cluster development. Transportation, schools, and other considerations may factor in, or compete with, family forest conservation. It's important to understand that each decision has the potential to put development pressure on a forest, or conversely, devalue a landowner's property.

• **Local forestry regulation** -- This last one isn't a best practice at all, it's the opposite. Increasingly, community ordinances regulating forestry operations are appearing. Because federal and state regulations already exist, community ordinances often don't add value. They do cause two problems, however. First, the community needs someone to enforce forestry ordinances. If they don't contract or hire that expertise, the job usually falls to the code enforcement officer, whose knowledge is in building construction, not ecology or forestry. Second, profit margins for landowners are small, yet working forests are often enough to pay the taxes and keep land after retirement. Once land loses value as working forest, it's more likely to be sub-divided and developed.

Programs & Resources

Training, information and local leads

Success in getting families started on estate and succession planning for their forests is equal parts motivation and information. Resources for training, workshops, self-study, and local leads on estate planning follow. These are but a sampling:

• U.S. Forest Service Northeastern Area hosts a web site dedicated to estate planning: http://www.na.fs.fed.us/stewardship/estate/estate.shtml
• The Green Valley Institute hosts a decision tree for the early steps of succession planning: http://www.greenvalleyinstitute.org/landowners_protecting.htm
• Timber tax and estate planning information is available at http://www.timbertax.org/estate/estate.asp#
• Mediation can provide a safe, facilitated family discussion. USDA supported agricultural mediation programs offer free services to farmers, and often woodland owners too. Find local contacts through the Coalition of Agricultural Mediation Programs: http://cahe.nmsu.edu/ces/nmamp/camp.html
• Many Cooperative Extension Services deal with estate planning for farms and forests. The USDA hosts a nationwide directory of Extension sites: http://www.csrees.usda.gov/Extension

• Oregon State University's Ties to the Land offers an estate planning curriculum and workbook. Trained local facilitators offer workshops to landowners: http://www.familybusinessonline.org/resources/ttl/home.htm

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