



## The Community Forestry Conservation Act of 2011

*Financing the Conservation of America's Working Forests*

### The Setting

The US Forest Service estimates that over one million acres of America's private forests are lost each year to land conversion and development. With economic conditions encouraging forest loss, the long-term viability of rural mills and jobs is threatened, along with public values including habitat, water quality and carbon storage. With 75% of America's industrial forests changing hands in the past 10 years, we are seeing a high level of transaction activity, creating opportunities for large-scale conservation purchases – with funding for such purchases being the limiting factor.

### A New Conservation Tool

Community Forestry Bonds is a new financial tool that conserves working forests while providing jobs and respecting landowner property rights. In short, tax-exempt revenue bonds are issued to allow for the acquisition of forest land by a qualified buyer. The low-cost bonds would be revenue bonds, backed by the revenue stream generated by the sustainable management of the land. The land would be owned in fee by the qualified buyer. This trillion dollar capital market finances public benefits and would allow qualified entities to borrow tens to hundreds of millions of dollars in an efficient and timely way.

### The Concept

A group of conservation, business and other interested parties with a desire to conserve specific land would become a qualified buyer and reach an agreement with a willing seller on what land would be acquired and at what price.

- Discussions with the existing owner would ensue typical of private buy/sell transactions. Subsequent to reaching agreement with the seller, management prescriptions for the new acquisition and a conservation easement would be finalized.
- Pursuant to the agreement, the qualified buyer would have tax-exempt revenue bonds issued to fund the acquisition of the land. The issuance of bonds on behalf of the qualified buyer would be undertaken by an appropriate governmental issuing authority.
- Title to the land would be held by the qualified buyer and the land would be managed to service the tax-exempt debt in a manner that would comply with the management plan. For providing increased public benefit, the qualified buyer would be able to borrow money at a lower cost. Competition with private sector buyers is eliminated by the

increased acquisition cost and limitations on commercial returns associated with the conservation easement.

- When the bonds are paid off, the qualified buyer would retain ownership and would continue to operate as they best see fit – conservation, provide revenues for schools, roads, community projects, etc.

### **Benefits of Community Forestry Bonds**

**Work for Landowners** - All land sales will be voluntary and non-regulatory. Moreover, all transactions will be negotiated with the landowner at fair market value.

**Work for the Environment** - Working forests and open space would be protected and qualified buyer organizations will have greater financial flexibility to apply alternative resource management practices on the land.

**Work for Natural Resource Businesses** - While qualified buyers will own and manage lands, forest products will still be available to businesses for short and long-term manufacturing and employment purposes.

**Work for Governments** - Local governments will continue to receive tax dollars that result from the continued land management. If a municipality participates financially, they could benefit from revenue flow. Finally, public environmental benefits can be achieved across a broader landscape at a much lower financial and political cost.

**Work for Communities** - Qualified buyer organizations will become places where communities can unite and share responsibility for managing their natural resources. As bonds are paid off, communities will benefit from locally owned and managed resource lands.

### **Making Community Forestry Bonds a Reality**

Community Forestry Bonds require legislation that clarifies unique issues associated with a nonprofit's ability to service debt with sustainable timber harvest proceeds. Versions of the *Community Forestry Conservation Act* have passed the House and Senate in various forms over the last 3 Congresses (most recently S. 1952 and HR 3456). The Community Forestry Conservation Act of 2011 was introduced in the House on May 25, 2011 and in the Senate on May 26, 2011. Senators Patty Murray (D-WA), Maria Cantwell (D-WA), Jeff Merkley (D-OR) and Jeanne Shaheen (D-NH) sponsored S. 1105 in the Senate. Representatives Dave Reichert (R-WA) and Mike Thompson (D-WA) sponsored HR 1982 in the House.

### **More Information Contact:**

Tom Tuchmann  
US Forest Capital, LLC  
(503) 220-8103  
tuchmann@usforestcapital.com  
www.usforestcapital.com

Dan Stonington  
Cascade Land Conservancy  
(206) 905-6903  
dans@cascadeland.org  
www.cascadeland.org

Alice Williamson  
US Forest Capital, LLC  
(503) 241-6562  
williamson@usforestcapital.com  
www.usforestcapital.com