Plus:
Annual cost of $2.00/acre/year
Harvesting tax @ 5%
Capital Gains @ 16%
Ordinary income taxed in 40% bracket
Rotation age of 50 years

*Incurred over 20 years. Does not include site preparation costs which may run as high as $200/acre. Land acquisition costs are run as $2300/acre.

Internal rate of return: 12%, which is above inflation of 2%/year, with inflation at 5%, risk of 2%/year, and real profit at 5%/year.

Next, the yield was reduced by 15% representing optional fall-down, and then ran several present "net-worth" programs.

The present-day costs as above-outlined are inflated based on historical trends to the actual date of the action; these costs were then carried to the end of the rotation and then discounted back to present-day values using a selected rate of harvest.

DNR uses 7% as their rate of investment on School Trust Lands.

The computer program included this run using cost-share assistance available through the ACP Program and FIP Program.

ACP Program: Landowner entitled up to $3500/year with no acre restriction involved

FIP Program: Landowner entitled up to $10,000/year with a 10 or 20 acre minimum.

NOTE: Of the four immediate counties, only one FIP Program is in existence and is on Whidbey Island, that being landowner James Lee, located on Smuggler's Cove Road.

Several options were run - ranging from natural reforestation, planting, 1 commercial thinning, 2 commercial thinnings, with final clear-cut, pre-commercial thinning, no pre-commercial thinning, brush control/no brush control, and combinations thereof, showing landowner's return on investment:

17% for clearcut, commercial thinning & planting
17% for natural regeneration, with pre-commercial thinning, commercial thinning and a clearcut
20½% for natural reforestation, pre-commercial thinning, commercial thinning and a clearcut.

In summary, Mr. Shelton stated that there is no problem showing that the soils are productive and a person can make a good return on the investment; using the cost-share programs which are available, a very good return can be received. He did indicate in response to a question from Tom Roehl that if a person has to purchase the land, he could not afford to manage it for forest -- something he believes is true for farming also. Forestry, like farming, is something people do because they love it and hope that their children will also want to do the same, and many such landowners are setting up trusts; there is no cost comparison between immediate revenue and subdividing the property no matter how productive the site is; adding the land acquisition cost, it is not profitable, i.e., you would not see Scott Paper Company buying a forty acre parcel for trees -- this trend (inflated land values) is one reason Scott Paper Company and Georgia Pacific are looking in the South United States because land values are lower.

Rufus Rose and Emil Gabelein, both of South Whidbey, asked Mr. Shelton specific questions about their own property, and Mr. Shelton pointed out his availability to citizens. One question Mr. Gabelein posed was related to Whidbey Island versus mainland stumpage prices. Mr. Shelton replied that the Island had a restricted market and different logging systems available, and much more trucking involved which is expensive. If a person had export-quality wood, it would be worth more, however. DNR's stumpage prices on their sales on the Island are comparable with sales elsewhere. Again, Mr. Shelton pointed out that the vast majority of soils in the County are productive forest lands, but soil productivity is not a basis to be used to conform to land use; the difference between a site index of 100 and 110 over a fifty year index means that one tree will be 10' taller than the others at the end of fifty years. The highest site index Mr. Shelton is aware of in Island County is 117. The idea of an intensively managed stand is to never put the trees in stress.

Mr. Shelton confirmed that he would rate Island soils with the mainland. More important than price, is attitude, i.e., Island County in the past had a reputation against logging; that attitude is changing.

Harriette Hayes, North Whidbey, stated that if the land is not maintained in forestry/farming and placed in development, noted water problems and natural limitations of an island. She agrees that the people who are doing the farming and forestry love doing that. Mr. Shelton hopes that these matters before the Board go through in Island County because he believes that the County needs good forestry industry. He reminded that these soils are just as productive, and actually more so, on a rotation basis than soils that exist up around Hamilton. Mr. Shelton responsed to further questions from Mr. Rose, Mr. Roehl, Don Jewett and Dan Beardslee.

Keith Dearborn, Planning Consultant for Island County, indicated that from talking with Charles Chambers, understood that a person who buys property would be able to spend more per acre for land that has 10 year trees or 20 year trees, than bare ground in terms of looking at alternatives. Further, from Mr. Chambers' analysis, Mr. Dearborn understood that if a person had a clear bared site, if it were to be sold for $2400 per acre, it would be a trade-off economically to do that or replanted and stayed in forestry. Mr. Chambers had taken the equivalent investment at 12% interst for 50 years, developed the present value for that, compared to the present value of the investment to put the site into forestry. However, if a person had 10 or 20 year trees, that land value would have to increase some additional amount (i.e. $1500/acre additional) sales value in order to justify a sale versus keeping it in forestry.

With respect to discussion pro and con which Mr. Rose recalled as relates to his property, i.e., whether it is better to cart the whole tree out limbs and all, or cut the tops and either rake them together or let them rot. Mr. Shelton's opinion was that it is better to take out the whole tree in these soils than to cut off the tops and let them stand because it does less damage to the soil and allows for less soil preparation. In reply to a question from Mr. Dearborn about being able to tell the quality of a forest by the number of stems per acre, and the practice which would be recommended in Island County as one of having about 300 trees per acre (compared to what Mr. Chambers had seen as typical in forest zones in Island County which range from 700 to 800/acre) Mr. Shelton stated that the productivity of soil would only produce so much good fiber in 1400 stems per acre or 300 stems per acre, and what is seen in the natural stands is 1200 stems per acre which is a lot of wood fiber but no board feet. Therefore, in this type of soil, Mr. Shelton stated that one of the things which must be done is to get in early and keep the trees out of stress. Mr. Shelton pointed out that in looking at the trend of selling off the land and putting the money in the bank, people should be aware of the fact that bare land value also increases.

AGRICULTURE, FOREST MANAGEMENT AND TRANSFER DEVELOPMENT RIGHTS - DESIGNATION CRITERIA - BOARD CONSIDERATION

Consideration presented to the Board this date includes the following documents to be used during the course of the Hearing:

8/6/84 - Suggested Changes, including changes to a variety of sections in the Code, including changes to the Designation Criteria for AG and FM

9/4/84 version is the adopted Code, with underlined sections that were advertised for the hearing, and recommended by the Planning Commission.

8/6/84 document containing a series of changes within the language referred to as "9, 10, 11, 12 and 16".

Mr. Dearborn reviewed the two Designation Criteria sections in each case, and covered the reasons why Mr. Shelton had been invited to the hearing to make the presentation. DNR's information is particularly pertinent to the question of long-term productivity of the lands in question. The County's focus has always been on the question of productive lands.

Next, Mr. Dearborn provided a brief history of the different criteria considered, and described the current criteria and the issues associated. The mapping criteria were first addressed in ordinance form the end of March, proposing that the lands in Agriculture and the lands in Forestry would have to first be those lands that were classified in the tax program. Subsequent to that, were additional criteria for one month, and then based upon testimony, the Planning Commission dropped the tax criteria (relates to all of the deferred tax categories, from open space, to