

Wednesday, September 6, 2023 at 06:15:53 Pacific Daylight Time

**Subject:** FW: Financial Model

**Date:** Tuesday, September 5, 2023 at 3:15:45 PM Pacific Daylight Time

**From:** Karla Chambers

**To:** Karla Chambers

Dear Cal and Jim,

Cal, please look at these numbers carefully and let me know if you disagree with any of these. These numbers are from ODF reports.

- From 2019 – 2023:
  - Total State Lands **revenue has dropped** from \$147.9 million to \$92.9 million, **a 37.2% drop in revenue.**
  - **Revenues to the Counties has declined** 29.7%, or \$25.8 million (from \$86.9 million to \$61.1 million)
  - **ODF revenue has dropped** \$19.2 million, or 35.7%.
  - **ODF Expenses have increased** in State Lands from \$34.7 to \$42.6 million, and NET OPERATING PROFITS have fallen from a profit of \$19.1 million to a loss of -\$8.0 million in '23. At a time when the private sector has seen record profits, ODF is showing two years of negative income at (\$13.5 million), with negative projections going forward. **These losses DO NOT REFLECT an HCP that drops projected harvest by 40-50 MMBF or so.** This would be ANOTHER \$12- \$15 million loss in revenue to ODF.

**My concern: WE DON'T HAVE A FINANCIAL PLAN OR MODEL TO DISCUSS ALONG WITH THIS HCP.**

1. We are showing an actual loss of \$8 million in State Lands for 2023. In '22 & '23 we now have losses of \$13.5 million. State Lands has gone from 6 profitable years between '13 – '19, with \$36 million in net income to three of the last four years showing negatives, for \$9.2 million in losses.
2. ODF owes the E. Board \$50 million, but we have NOT had the cash to repay.
3. FEMA continues to be a slow pay. We have \$52.1 millions of receivables that have been invoiced, and \$40.95 million that NEED INVOICED. These total \$93 million. Slow slow pay.

4. Our three-year fire average is \$111 million. We are not done with the '23 fire season.
5. The Department is recommending an HCP that drops harvest by 40-50 mmbf, another \$12-15 million decline in revenue to ODF.
6. Mitigations and fuels reduction NEEDS to be an income center for ODF.
7. INFLATION has hit us hard like any other natural resource industry. Insurance, labor, aircraft, and fuel costs have grown substantially.

Governor Kotek continues to stress accountability for her State Agencies. The BOF is responsible for the financial oversight of this agency. The board has a fiduciary duty and oversight role, and with these negative trends it is essential this oversight step up. Passing an HCP without a financial model to accompany it would be reckless.



Green Diamond Resource Company

1301 Fifth Avenue Suite 2700  
Seattle, WA 98101

Oregon Board of Forestry  
2600 State Street  
Salem, OR 97301  
September 6, 2023

Re: Forest Legacy Program Conservation Easements in Oregon

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Dear Chair Kelly and Board of Forestry Members:

I represent Green Diamond Resource Company. We are a fifth-generation, family-owned company that owns approximately 650,000 acres of forestland in Klamath and Lake Counties, with additional holdings in Hood River, Wasco, and Umatilla counties. Our Oregon holdings are part of a 2.3-million-acre ownership across nine states. Green Diamond urges the Board of Forestry to take a more proactive approach to engaging with the federal Forest Legacy Program (FLP) and making robust conservation easements on forestland a reality in the state of Oregon. There is significant federal funding available for both state administrative capacity and projects that Oregon, with a small commitment, could use to create material conservation outcomes and protect more working forestlands for generations to come.

The FLP is a federal grant program designed to protect working forests under threat of conversion to non-forest uses, most commonly commercial or residential development. The program is administered by the Forest Service and is operated, in most states, by the state department of forestry or natural resources. In Oregon, the Department of Forestry is the most logical and efficient partner.

In addition to funding fee acquisition projects by state agencies, grants issued under the FLP fund conservation easements that remove the development rights from forestland without limiting its use as commercial timberlands, allowing the landowner to continue long-term forest management on land that might otherwise be sold for development. There are currently two funding sources for the FLP; the annual funding from the Land and Water Conservation Fund (LWCF) and funding that has been made available through the passage of the Inflation Reduction Act (IRA). Since its creation in 1990, the FLP has conserved over 3 million acres of forest land and expanded across the country to 53 states and territories. These working forests protect water quality and provide wildlife habitat, forest products, opportunities for recreation, and other public benefits.

To date, Green Diamond has placed approximately 146,000 acres of our privately owned forestlands under working forest conservation easements. We are currently under option agreements and working towards an additional 222,600 acres. As a company, we have concluded that working forest conservation easements align with our commitment to long-term sustainable harvest and stewardship.

Working forest conservation easements serve to keep working forests on the landscape. The benefit of that outcome is to discourage fragmentation, poorly planned development, rural sprawl, and increased human settlement in the wildland Urban Interface. These easements also support rural economies by securing lands for long-term resource production. Under easement programs, landowners are incentivized to retain working forests rather than disincentivized with increased regulatory burdens. Working forests operate in Oregon under strict harvesting guidelines that prevent large-scale habitat loss for wildlife and provide clean air, water, and open space for all to enjoy. Investments in the FLP will secure these outcomes for Oregon as they have in other states.

Since 2002, the State of Oregon has completed nine FLP projects covering 24,200 acres. This was possible by leveraging almost \$11 million with \$5.68 million in match. By comparison, the state of Washington has completed 55 projects since 1994, totaling 77,549 acres. Funding opportunities and landowner interest exist in Oregon on a similar scale as in Washington. Recent federal funding opportunities can make this happen. The federal funds can be utilized by states for a spectrum of expenditures. These encompass both general program administration aspects such as salaries, expenses, training, and supplies, as well as the facilitation of project development and readiness and due diligence expenses. The financial support is also earmarked for enabling states to extend monetary assistance to local partners. This can encompass activities like landowner outreach, project development, and due diligence in preparation for projects. Moreover, the allocated funds can be directed towards establishing the internal infrastructure requisite for fulfilling stewardship and monitoring obligations in the post-acquisition phase in adherence to established program policies.

Green Diamond is both grateful and excited to learn that our re-submission for FY25 Funding for the Oregon Columbia Gorge Forest has the state's support for National Review. ODF's support of this project will continue to be vital to its success. This project has a unique mix of values and approaches, including a 3,400-acre fee simple acquisition for the city of the Dalles to permanently protect its drinking water supply. The project will also conserve two thousand acres of oak woodland and permanently ensure that 10,653 acres of forestland remain intact for wood supply to mills on both the Oregon and Washington sides of the Columbia River. This will have the added benefit of protecting wildlife habitat and reducing wildfire risk in an area where development pressure is only increasing.

Green Diamond knows the State Department of Forestry has been working hard to keep up with increased demand for wildfire suppression, water quality protection, landowner outreach, and Forest Practice Act compliance. Given the incredible opportunity that Oregon has to utilize a fully funded FLP and special conservation areas, we are asking for strong support. A robust and functioning FLP in Oregon is a key factor in making private forest investments in the state.

Thank you for your efforts to date in staffing the FLP with a full-time employee. That is a vital first step. We encourage you to pursue additional capacity funding as provided by the Inflation Reduction Act as needed. The monitoring obligations for state held conservation easements are not extensive. We have worked with agency partners in both Washington and California to meet the requirements. The responsibility of meeting these obligations can be rolled into other regular monitoring obligations or contracted out to partnering land trusts. The ability of the State of Oregon to hold easements is key to fully utilizing FLP, and without this ability, we lose one of the best tools to protect working forestland.

Thank You,

DocuSigned by:  
  
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Douglas Reed  
President and CEO  
Green Diamond Resource Company



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## **Subject: ODF Testimony on Forest Legacy Program 9-6-2023**

All,

**I wanted to offer some perspective for my thoughts on the Forest Legacy Program, but first a little background for context. 28 years in private timber industry. 16 years experience with the Forest Legacy Program**

- The Forest Legacy Program is a federal grant program designed to protect working forests under threat of conversion to non-forest uses, most commonly for commercial or residential development.
- The program is administered by the USDA Forest Service, and is operated in most states, by the state department of forestry or natural resources.
- Through the Forest Legacy program, federal grant funds pay for both fee land acquisitions as well as conservation easements that remove the development rights from forestland without limiting the use as well managed long term commercial timberlands. This allows the landowner to continue long-term forestry on a property that might otherwise be sold for development.
- There are currently two funding sources for the Forest Legacy Program; the annual funding from the Land and Water Conservation Fund (LWCF) allocated by Congress and funding that has been made available through the passage of the Inflation Reduction Act (IRA).
- Since its creation in 1990, the Forest Legacy Program has conserved over 3 million acres of forest land and expanded across the country to 53 states and territories. These “working forests” protect water quality and provide wildlife habitat, forest products, opportunities for recreation and other public benefits.

- Up to now, ODF has been holding the FLP CEs and monitoring them. We understand that ODF would like the Forest Service to hold and monitor FLP CE's going forward because of the complexity and staffing needs of this task.
- We can appreciate the challenges, but we believe it is in the public's best interest that ODF hold and monitor FLP CEs because ODF is local and understands Oregon's commercial forestry industry and land better than a well-meaning federal agency ever can.
- And we also believe there are methods to reduce the costs of monitoring and managing FLP CEs, such that the burden on staff time is greatly minimized.
- Green Diamond would be happy to have a conversation with ODF to share our experience regarding other ways landowners and easement holders can better cooperate in implementing this program.

**Why does Green Diamond voluntarily place Forest Legacy Easements on it's privately owned timberlands?**

**Forest Legacy Easements are designed to:**

- Support working timberlands by discouraging fragmentation, poorly planned development, rural sprawl, and increased WUI (wildland Urban Interface).
- Support rural economies by securing resource lands for long term resource production.
- Provide an alternative for landowners to continue managing their lands as working forests vs selling them off for their highest-best use, a use which is often development.
- Prevent large scale habitat loss for wildlife since working forests are managed under strict harvesting guidelines.
- Provides clean air, water, and open space for all to enjoy.

**General Facts about Working Forest Easements on GDRCo property.**

- To date we have approximately 146,000 acres (approx. 9%) of our ownership under working forest conservation easement.
- We are currently under contract and working towards an additional 222,600 acres (approx. 14%) in working forest conservation easement.
- Working forest conservation easements align with GDRCo's commitment to long term sustainable harvest and stewardship.

- Working forests conservation easements also align with the public’s interest in protecting ecosystem services.

<b>CLOSED GDRCo Conservation Easement Projects</b>	<b>Close Date</b>	<b>Acres</b>	<b>Division</b>
Thompson-Fisher Forest Legacy	6/15/1995	112,817	MTT
East Mason County Forest Legacy CE Phase 1A	3/9/2015	6,967	NWT
East Mason County Forest Legacy CE Phase 1B	6/14/2019	7,391	NWT
Ryan Creek CE Phase III	6/30/2020	5,967	CAT
East Mason County Forest Legacy CE Phase IC	10/29/2020	6,134	NWT
Lost Trail	12/20/2020	7,245	MTT
Closed Totals		146,521	

<b>PENDING Conservation Easements - Pending</b>	<b>Close Date</b>	<b>Acres</b>	<b>Division</b>
Montana Great Outdoors Project	2024 Pending	85,012	MTT
Lost Trail Expansion	2023 Pending	17,000	MTT
Upper Thompson Connectivity Project	2025 Pending	48,000	MTT
Mount Adams Forest - Washington	2024 Pending	43,842	CBMA
The Cloumbia Gorge Forest	2024 Pending	9,700	CBMA
Hood River	2023 Pending	19,079	CBMA
Pending totals		222,633	

Sincerely

Eric Schallon



**Eric Schallon**  
**Director, Real Asset Sales**  
**Green Diamond Resource Company**

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