

Forest Land Tax Advisory Committee
Stumpage Appraisal Methodology Subcommittee

TASK OUTLINE

9-13-21 – NOTES from Meeting in RED

TASK

- Scope of the subcommittee task
 - Work with DOR to develop an appraisal process for STUMPAGE to be used in Forest Land Valuation. – Generally agreed this is the scope of work. In addition to stumpage, management costs may need to be reviewed. Capitalization rates as well. At this time the focus is on Stumpage.

STEPS – Sequence numbers added in Red where appropriate

- Identify DOR responsible parties who will help support the task and future valuations
 - Responsible parties and key department personnel – Bonnie H for general subcommittee communication, Dylan Cole will take lead on modeling and data processing methodology. Will likely evolve as we develop process and methodology. TPR will assist in research and development of methodology, Property Appraisal will transition into ongoing implementation.
 - Primary contact for continuity
 - Dedicated FTE? Unclear what ongoing staff demands will be yet.
 - Role of FLTAC going ahead. Determine when and how committee will interact with Dept.
- **4:** (May end up being concurrent with technical procedures.) Review the property to be appraised. What do we need to know about what is being appraised?
 - 4- Zones – What differentiates them? Will require some discussion and review of past assumptions
 - Zone map, is it right? Why did it change? What input should DOR and FLTAC have in these decisions?
 - Species, topography, distance to market etc.... Is this info important? Where is it available?
 - Private lands vs public lands – differences? Size, objectives, volume, intensity, etc.... does it affect value?
- **1:** Review stumpage appraisal methodologies
 - Residual Value – Maybe used in evaluation of reasonableness of the Comp Sales driven appraisal results. Is +/- 10% a zone of reasonableness? Maybe this is a FLTAC tool that operates separately from the DOR process?
 - Comparable Sales Ask Dr. Jackson to present past process and methodology. Engage in dialogue to inform potential improvements or changes. How can we expand data set? How can we improve transparency? What assumptions were made in the past, are the accurate and applicable going ahead? What are the important variables? What are

appropriate adjustments? How do we manage workload of maintaining a data driven model? What Data do we need and where do we get it? Paul M will share some data sheets he has used that capture important variables.

- Combination thereof
- Others?
- **2:** Review available data sources
 - What constitutes a verifiable data source? Does the DOR have standards here? Need to define.
 - USFS, DNRC, BLM, BIA timber sale data Need to identify contact personnel. Need to establish the critical data to be collected for each timber sale in addition to the final sold stumpage value.
 - Log price Surveys Need to understand the “zones” of available data and calibrate with the Forest land valuation zones.
 - Cost surveys
- **3:** Develop technical procedures and process for establishing stumpage value.
 - Compile data Standardization of data would be helpful
 - Characterize data Identify pertinent variables that most directly affect valuation.
 - Compare to subject property Quantify average values of variables for subject property, for the zone as a whole, not by individual parcel.
 - Make adjustments
 - Establish stumpage for each zone. – Clarified that the goal is one reasonable stumpage value per zone, based on average characteristics of forest land within that zone. It is not the intent to try to develop a parcel specific stumpage value based on individual parcel characteristics.
 - Rolling average should continue to be part of the process regardless of appraisal cycle. 2yr cycle may be appropriate, but need to consider in context of process and workloads.

Next Steps:

- Bonnie H will coordinate with Dr. Jackson on availability then do a doodle poll with the Sub Com to set next meeting. Preferably prior to the Nov 10 full FLTAC meeting.
- Paul M will provide some information on critical variables and timber sale data necessary for appraisal and comparison.
- Bonnie and Dept will clarify what DNRC has been including in “management cost” data in the past.
- Paul M will work on refining this task outline to use as a guide for subcommittee progress.