



Oregon State University
College of Forestry

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Members of the College of Forestry,

I write to seek your input on our best use of the Blodgett Tract. The Forestry Executive Committee will hold a special meeting to discuss the options below, and I hope you will attend and provide your thoughts:

Tuesday, October 17
10:00-11:00am
Richardson 107

The Oregon State University College Research Forests are a hallmark of the College of Forestry, serving as a living laboratory, working forest, classroom, and reserve for researchers, educators, students, community groups, forest neighbors, and area residents. In a 2017 survey and report by Mason, Bruce, & Girard, the college community confirmed to Oregon State and the college these land assets should be used to enhance education, research and outreach programs to help meet the college's core mission.

Gifted to the college in 1929, the Blodgett is 2,423 acres of good-to-excellent site quality forest in a matrix of industrial forestland. Located in Columbia County, 135 miles from the Corvallis campus, the land has been primarily used as a working forest for the College, with two active research projects currently on-site (see project description attached), and no formal areas for educational, recreational or community use. At the time of the gift, the Blodgett was largely cut over. Currently, it is characterized by a very uneven age distribution.

The Blodgett contains 711 acres of stands are well past financial maturity. Many of the trees are at risk of growing too large for domestic mills within economic hauling distance of the forest. About half of the land contains well-distributed age classes between one and 30-years old, and there is practically no acreage in age stands between 31 and 79 years.

With these factors in mind, the College has taken several steps over the past few years to determine how to manage this industrial tract in the future. The College conducted a third-party inventory and appraisal in 2015, and this year contracted with forestry consultant Ken Hines to provide a report providing a financial assessment of different management scenarios for the Blodgett. This report was developed in consultation with university and private attorneys, along with additional forestry consultants [external consultant group].

The Hines Report was then reviewed and discussed by an internal College of Forestry consultant group in its draft form, and at their request was supplemented with additional financial modeling examining the implications of maintaining the existing research program. We will continue to consider the potential impact of any decision we make on the active research projects.

First and foremost, the Hines Report recommends that the Blodgett be viewed as a financial asset as it does not contribute significantly to the College's educational, research or outreach goals. In this context, the report suggests that the college has a fiduciary duty to maximize the financial support the Blodgett provides in support of those goals. Given the nature of the College's predictable expenses, the need for a steady cash flow from its assets in support of maintaining and growing base operations aligns with this finding.

The Hines Report also highlights that the uneven age class structure of the Blodgett, combined with the significant percentage of acreage exceeding 80 years old, presents a financial hurdle as the College seeks to “even out” the revenue generating capacity of the property over the long term. According to the report, significant harvest of over mature timber stands is recommended in the near term, which will be followed by minimal (or negative) and inconsistent cash flow to the college in the 10 years that follow.

To address these challenges while maximizing the value of the Blodgett as a financial asset to the College, the report offers three options:

1. Retain ownership and accelerate the harvest of mature timber;
2. Retain ownership, but sell a 50-year timber deed (lease) that would provide a lump sum payment while placing long-term management responsibilities in the hands of a third party; or
3. Sell fee simple title to the tract.

I struck a committee of individuals from inside the college (the Internal Review Group¹) to review the report and provide their thoughts. After significant discussion of the report, the Internal Review Group generally agreed with the conclusion that the uneven age class distribution of the forest and legal issues associated with selling a 50-year deed (lease) make that option unacceptable. **This conclusion leaves two possible solutions for discussion by the College and OSU leadership: sell the forest and reinvest the funds, or conduct an accelerated harvest of the timber while continuing to determine if the Blodgett tract is a suitable component of the College’s funding portfolio.**

SELL FEE TITLE TO THE FOREST PROPERTY

A 2015 appraisal estimated the value of the Blodgett at \$23 million. With approximately \$2 million harvested since the initial appraisal and broker fees, the Hines Report estimates the college could net \$19 to \$21 million from a sale. A sale would allow the College to invest a portion of these funds in completion of the Forest Science Complex (approximately \$6 million), and invest the remainder (approximately \$13-17 million) in diversified portfolio of financial assets to create a steady, permanent flow of revenue for College operations with significantly reduced level of risk, and little to no administrative overhead responsibilities associated with harvest and management.

With current timber prices driving high values for forested land such as the Blodgett, all agree that market conditions favor acting now if no other considerations weigh against proceeding. Further, this premium can be realized while simultaneously reducing financial risk and administrative overhead to the College.

ACCELERATED HARVEST OF MATURE TIMBER

A rapid harvest of the timber and sale of stumpage, conducted within the constraints of Oregon forest practices regulations and good stewardship, would provide the college with approximately \$10.5 million in years one and two, followed by \$4.1 million again in years six and seven. The combined amount totaling approximately \$14.3 million (depending on market conditions) would come in two installments over approximately next eight to ten years.

The report developed a stand-by-stand detailed harvest plan with 561 acres harvested in the first two years, followed by a three-year pause for green-up requirements, and completed with 210 acres harvested to maximize value. Under this option, a slightly negative cash flow will exist in the remaining years of the first decade, and then low and variable cash flows for the next 40 years until the uneven age class structure is evened out to produce a sustainable harvest regime and revenue generating capacity into the future.

¹ The Internal Review Group consists of Anthony Davis, Troy Hall, Steve Fitzgerald, Darius Adams, John Sessions, Geoff Huntington, and Michael Collins.

NOTES FROM THE INTERNAL REVIEW GROUP

The Internal Review Group recognized that divesting ownership in this or any forest land by our college (no matter the fiscal rationale) could be construed in different ways by stakeholders to the detriment of the College, and reaffirmed that it is important to solicit potential concerns. The group also acknowledged that the Blodgett, as currently managed, may not be meeting the College's core mission and goals as I noted above. They reacted favorably to preserving the research projects as long as it was rational to achieving the option objectives. The group also encouraged exploration of alternative scenarios that may build on the two feasible options to allow for stable cash flow.

NEXT STEPS

With this charge from the Internal Review Group, I have opened conversations with the University's central administration to determine the feasibility (and revenue implications) of pursuing a financial instrument capable of evening out the long-term cash flow from the property, so it could potentially be retained as a permanent land asset. If options develop, these will be considered along with those presently available to us.

I have directed that ongoing research projects should be protected until a logical concluding point (specifically after the completion of the 25th year of measurements for the Westside Thinning Study), resulting in development of an additional scenario beyond that recommended in the initial report. Preserving the research project areas will reduce the net gain to the College as noted in the enclosed email from Steve Fitzgerald.

For now, I believe there are benefits of proceeding cautiously to test the sale of the Blodgett with different stakeholder groups in order to allow for immediate investment of the full sales price, which is anticipated to be \$2-4 million above the net present value of income from the accelerated harvest modeled in the Hines Report.

I am presenting the options to the College now, and will consult with the College Board of Visitors and other external stakeholders in the next few weeks. I will then bring this collective input to University administration for final discussion and decision. I will relay this decision to the College and charge a working group to recommend best use of the income generated from Blodgett to maximize the benefit to the College's core mission and goals.

I want to hear from you about these options at the Forestry Executive Committee meeting next week. If you cannot attend, I hope you will send your comments to me via email or by proxy to the meeting.

Thanks everyone, I really appreciate your best thinking on this issue.



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Cheryl Ramberg-Ford and Allyn C. Ford Dean
Oregon State University