

**LONE ROCK TIMBER MANAGEMENT CO.  
LONE ROCK LOGGING CO.**

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MEASURE: SB 320  
EXHIBIT: J  
Joint Committee on Tax Credits 76<sup>th</sup> Session  
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SUBMITTED BY: Jake Gibbs  
via Lin Cannon

**TESTIMONY FOR SB 320  
Relating to Reforestation Tax Credits**

Senator Ginny Burdick, Co-Chair  
Representative Jules Bailey, Co-Chair  
Representative Vicki Berger, Co-Chair  
Joint Committee on Tax Credits  
900 Court Street NE  
Salem, OR 97301

May 3, 2011

Co-Chairs Burdick, Bailey and Berger:

My name is Jake Gibbs. I am forester and member of the management team with Lone Rock Timber Management Company in Roseburg. Lone Rock Timber Management Company (LRT) is a family owned forest management company overseeing 120,000 acres in southwest Oregon. We have 100 employees that conduct all activities relating to managing these lands.

I am here to share with you the success of this program, to show you what the State has received for its investment in reforesting underproductive lands, and encourage you to recommend extending the credit.

Background

The Oregon Forest Practices Act (FPA) requires reforesting after harvest. Re-establishing forests after harvest makes economic and environmental sense. However, there are sites that are capable of growing vigorous forests but for a variety of reasons are growing blackberry, scotchbroom, gorse, and other less than desirable vegetation. These sites are expensive and difficult to convert. It is for these sites that the reforestation tax credit is intended and it has proven to be a valuable incentive to landowners like LRT to invest in reforestation efforts.

Since 1990, LRT has utilized the reforestation tax credit to establish forests on 6,100 acres of previously underproductive lands. Some of these lands were "brush" fields, some were pastures

that had been forested and converted to pastures, and some were lands that had been logged prior to the implementation of the Forest Practices Act and had been overcome by invasive species like blackberry, scotchbroom and gorse. These types of lands are typically more difficult and hence, more expensive to establish. Converting these sites from brush to conifer forest requires technical expertise, financial resources and patience.

Some general costs and influence of the tax credit on conducting these activities are listed below:

	<u>Without tax credit</u>	<u>With tax credit</u>
Establishment cost per acre:	\$700	\$350
Projected value per acre: (35 MBF x \$450/mbf, 45 years)	\$15,750	\$15,750
Internal Rate of Return: (between established costs and projected values)	7.33%	9.04%

As a frame of reference, the stock market over the last 15 years has returned better than 10%. Investing in forest management is conservative by comparison.

### So What?

So what is the benefit to the State of Oregon for providing this tax credit? What can be shown for this investment?

A variety of benefits have been realized:

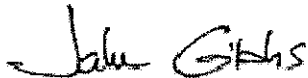
- Our working forests land base has been expanded. The acres we have converted to productive Douglas-fir forests expands our operating land base. The demand for wood products has not declined over the last 20 years while the land base available to meet this increasing demand has contracted. Responsibly managing productive forest land acreage to maximize productivity allows for continued investment in needed infrastructure and services—mills and loggers. In southwest Oregon, these are critical employment opportunities.
- Environmental services are provided. Removing invasive species or converting pastures to establish native conifer forests enhances water quality and wildlife habitat. Virtually every project on which we have utilized with this tax credit has a stream on it or immediately nearby. It is the intent of our management that as these forests mature, they will contribute to fish and wildlife habitat needs.

- Some unintended benefits have been realized. Twenty years ago, private industrial forests were managed almost exclusively for sawlogs. Today, sawlogs remain our primary commercial product but now we account for carbon and biomass in our inventories. While these remain developing markets, the reality is we have increased the ability of our lands to sequester and store carbon. As energy demand continues to rise, the utilization of woody biomass for energy production becomes more likely. Maintaining or even expanding the land base capable of contributing material to this market is a benefit not even thought of 20 years ago.

The reforestation tax credit has proven to be an essential incentive in our land management strategy. It has allowed us to remain competitive with much larger land owners by providing us the modest means to increase productivity from our land base. Without this program, many of our projects would be marginal investment opportunities. The growing recognition of the contributions of working forests to our local and State economies, communities and the environment supports continuing incentives that promote investment in working forests. The reforestation tax credit program is a relatively small program that achieves just that outcome. We encourage the continuation of this program.

Sincerely,

LONE ROCK TIMBER MANAGEMENT COMPANY

A handwritten signature in black ink that reads "Jake Gibbs". The signature is written in a cursive, slightly slanted style.

Jake Gibbs  
Director of External Affairs

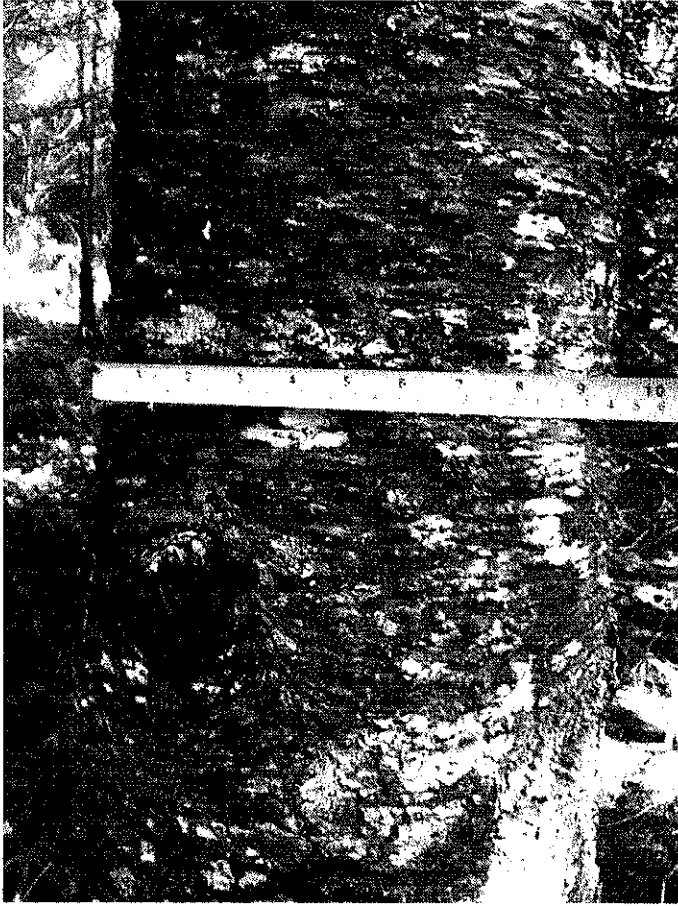
**Pasture to be planted to conifer 2012** (photo taken 2/3/2011)



**1997 Pasture/brushfield conversion** (photo taken 2/3/2011)



1990 Reforestation Tax Credit Douglas-fir (photo taken 2/3/2011)



1990 Reforestation Tax Credit Forest (photo taken 2/3/2011)

