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NATURAL RESOURCES AGENCY
DEPARTMENT OF FISH AND GAME
WILDLIFE CONSERVATION BOARD
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Mr. Sandy Dean, Chairman
Mendocino Redwood Company
One Maritime Plaza, Suite 1400
San Francisco, California 94111

March 31, 2011

Dear Mr. Dean:

I am writing in response to your letter dated March 15, 2011, regarding the use of public funds in the acquisition of interests in real property, especially forestlands along the north coast of California. Your letter includes several suggestions, many of which relate to appraisals and how the appraisal process is used to support the purchase of interests in real property with public funds. Your letter also reiterates a question you have posed since 2007 regarding a perceived lack of ecological goals and objectives for the Forest Conservation Program.

I have enclosed a copy of my August 23, 2007 letter to you concerning the then-proposed Forest Conservation Program requirements and guidelines that clearly outline specific goals consistent with the need to address the ecological merits of working forests, in addition to the stated intent and requirements of Proposition 84. These requirements were adopted by the Wildlife Conservation Board (WCB) on November 15, 2007.

While I acknowledge your items of interest regarding the Big River II appraisal, I stand behind the appraisal and reviews that were approved for this project. There were numerous opportunities for the public to comment on the project before it was taken to the WCB for consideration. In accordance with Public Resources Code Section 5096.511-5096.518, an independent appraisal of the fair market value was prepared by a qualified member of the Appraisal Institute in accordance with the requirements and standards of Uniform Standards of Professional Appraisal Practice.

As you are no doubt aware, the WCB has directed staff to prepare recommendations to assist the Board in evaluating the current appraisal process for large-scale acquisitions including the role of public disclosure in this process. Please be assured we will take your ideas into account as part of this effort.

Thank you for taking the time to share your thoughts with us. Should you wish to discuss the Forest Conservation Program further, please call me at (916) 445-0137.

Sincerely,

A handwritten signature in blue ink that reads 'John P. Donnelly'.

John P. Donnelly
Executive Director

Enclosure

Mr. Sandy Dean, Chairman
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CC: John Laird, Secretary, Natural Resources Agency
John McCamman, Director, Department of Fish and Game
Ana Matosantos, Director, Department of Finance
Jim Kellogg, President, Fish and Game Commission
Karen Finn, Program Budget Manager, Department of Finance
Senator Fran Pavley
Assembly Member Jared Huffman
Assembly Member Richard Gordon
Assembly Member Michael Allen
Marilyn Cundiff, Program Manager, Wildlife Conservation Board
Dave Means, Assistant Executive Director, Wildlife Conservation Board



Mr. Sandy Dean, Chairman
Mendocino Redwood Company
One Maritime Plaza, Suite 1400
San Francisco, California 94111

August 23, 2007

Forest Conservation Program

I am writing in response to the letter we received on August 14, 2007, expressing concerns regarding the use of public funds on forest conservation projects. I appreciate you and your colleagues taking the time to share with us your thoughts regarding forest conservation projects and role of public financing.

The Wildlife Conservation Board (WCB) has a long and successful history of working with private landowners and protecting working landscapes. Integrating and protecting the commercial aspects of working landscapes is something that we strive to achieve in many of our projects. As you are aware, forest projects present unique and challenging issues with respect to integrating viable economic operations designed to also sustain resource values found on the land.

Further complicating this issue, we are bound to develop a program that is responsive to and complies with the mandate of the people of California in passing Proposition 84. Public Resources Code Section 75055 articulates the purpose and goal of the new grant program. How best to design a grant program that meets the intent of the Bond Act and also preserves the ecological integrity and economic stability of the forest is a new and unique challenge to WCB. I welcome the advice and counsel of you and your colleagues in assisting us with this unique opportunity.

In your letter, you raised a concern with regards to land valuation and future land valuation issues. As you know, appraising real property interests is complicated and oftentimes controversial. We are required by law to obtain appraisals that are defensible and are a true representation of the fair market value. All of our appraisals must be conducted by a licensed real estate appraiser, must be in compliance with the Uniform Standards of Professional Appraisal Practice, and ultimately reviewed and approved by the State Department of General Services.

In addition, for acquisitions more than \$25 million, we are required by law to obtain an independent review of the appraisal and the appraiser must be a member of the Appraisal Institute. The independent appraisal review must, at a minimum summarize the appraisal, state the basis on which the value of the land was established, describe the standards used to prepare the appraisal and determine whether or not the appraisal meets the standards established under the Uniform Standards of Professional Appraisal Practice. Recognizing the technical and challenging complexities associated with obtaining a fair market value for acquiring interests in forested lands, I welcome a discussion on how we might improve upon our appraisal process while keeping within the parameters placed upon us by current law.

Mr. Sandy Dean
August 23, 2007
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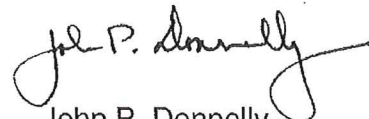
It is my ultimate goal to develop a forest conservation program that is responsive to the people of California and private landowners who own and manage our critical forest lands. To that end, I am including draft program requirements and project selection criteria that I would be interested in discussing with you. This information was developed by a diverse group of individuals and organizations (see attached list) dedicated to the preservation of our working forests.

As you will see in the enclosed materials, the project selection process involves a two phased approach. In Phase I, applicants must demonstrate (1) the ecological integrity and (2) advance the economic stability and economic efficiency of the proposed project. Phase II of the project selection criteria is required pursuant to the Bond Act, Public Resources Code Section 75071. For a project to be considered for funding, both Phase I and Phase II must be addressed. In addition to the project selection criteria, I am also including Forest Conservation Guiding Principles. These principles were developed to assist the project applicant in understanding the intent and goal of the Forest Conservation Program.

In closing, please be assured that it was never my intention to exclude you or your colleagues from participating in the initial development of the voter approved Forest Conservation Program. I sincerely hope that we can meet to discuss in detail more of the concerns outlined in your letter. To this end, I have requested Marilyn Cundiff, my Program Manager to contact you and schedule a meeting. We are also very interested in obtaining a better understanding of your concerns and your thoughts regarding the draft guidelines and selection criteria.

We look forward to sitting down with you and discussing the guidelines and at a later date touring the Mendocino Redwood Company property. Should you have any questions regarding this letter, please do not hesitate to call me at (916) 445-0137, or Marilyn Cundiff at (916) 445-1079, and we will be glad to answer any questions you may have.

Sincerely,



John P. Donnelly
Executive Director

Enclosure

Forest Conservation Program

Program Goal Statement

The goal of the Forest Conservation Program is to promote the ecological integrity and economic stability of California's diverse native forests for all their public benefits through forest conservation, preservation and restoration of productive managed forests lands, forest reserve areas, redwood forests and other forest types, including the conservation of water resources and natural habitats for native fish, wildlife and plants found on these lands.

Forest Conservation Guiding Principles

- ✓ Working forests/productive managed forestlands shall be the primary emphasis of the forest conservation program.
- ✓ Forest reserve areas are an important component of California's diverse native forests and shall be part of the forest conservation program.
- ✓ Each project must promote the restoration and/or the maintenance of the ecological integrity and economic stability of the property in the context of the surrounding landscape and regional economy.
- ✓ Restoration efforts shall contribute toward the ecological integrity and economic stability of the native forest on protected lands.
- ✓ Permanent protection of the forest must be a component of the project.
- ✓ Overall accomplishment of the program goal can best be achieved through projects that provide the greatest economic efficiency by using the best available tool.

Project Eligibility Requirements

1. Acquisition of any interest in real property must be from a willing seller. The interest must be held by an eligible entity.
2. The project must meet the Forest Conservation Program Goal.
3. Restoration projects must be on permanently protected land consistent with the goals and guiding principles of the program.
4. Project protects and/or restores native forests (as defined) on the property

- (d) Properties that provide habitat linkages between two or more major biological regions of the states
- (e) Properties for which there is a non-state matching contribution toward the acquisition, restoration, stewardship, or management costs. Matching contribution can be either monetary or in the form of services, including volunteer services. For purposes of the Forest Conservation Program, this option is supplemental to the economic requirements outlined in the eligibility requirements and the selection criteria.

5. Project may conserve, restore or provide one or more of the following:

- Rare or threatened native fish and wildlife habitat
- Conserve or restore old growth forests
- Protects/restores native forests, including forest producing wood and related forest products that support sustainable native forest ecosystems and local economies.
- Provides public recreation access that is compatible with forest ecosystems and economic uses.

**FOREST CONSERVATION
WORKING GROUP**

<u>NAME</u>	<u>ORGANIZATION</u>	<u>PHONE</u>
1. Michelle Passero	Pacific Forest Trust	(415) 561-0700
2. Ruskin Hartley	Save the Redwoods	(415) 362-2352, ext. 321
3. Chris Kelly	The Conservation Fund	(415) 927-2123
4. Louis Blumberg	The Nature Conservancy	(415) 281-0439
5. Dave Sutton	Trust for Public Lands	(415) 495-5660, ext. 347
6. Rachele Dinno	Trust for Public Lands	(916) 557-1673, ext. 11
7. Laurie Wayburn	Pacific Forest Trust	(415) 561-0700
8. Connie Best	Pacific Forest Trust	(415) 561-0700
9. Wendy Millet	The Nature Conservancy	(415) 281-0448
10. Bill Stewart	UC Cooperative Extension	(510) 643-3130
11. Mark Andree	City of Arcata	(707) 825-2154
12. Jim Branham	Sierra Nevada Conservancy	(530) 823-4670
13. John Battles	UC Berkeley	(510) 643-0684
14. Jim Rinehart	R & A Investment Forest	(415) 561-3301
15. Jim Able	Private Forester/Consultant	(707) 445-4130
16. Marty Berbach	DFG	(916) 327-8839
17. Russ Henly	CDF/FRAPP	(916) 445-4303
18. Bob Heald	UC Berkeley	(530) 227-7092
19. Steve Frisch	Sierra Business Council	(530) 582-4800
20. Betony Jones	Sierra Business Council	(530) 582-4800
21. Pete Colby	Save The Redwoods	(415) 362-2352

22. Crawford Tuttle	CAL FIRE	(916) 653-4175
23. Jeff Calvert	CAL FIRE	(916) 653-8286
24. Darla Guenzler	California Council Land Trusts	(916) 497-0272
25. Brian Cash	Resources Agency	(916) 653-6381
26. Jay Chamberlin	Resources Agency	(916) 651-7587