

# REVISED

## ALTERNATIVE LANGUAGE TIMBER HARVEST VALUES MANUAL

No.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
1			Peter F. Ribar, Campbell Timberland Management	<p>I believe it would be beneficial to have a clear delineation of the cost elements that are considered to be "directly attributed to the harvesting of the timber" (i.e., logging/harvesting cost components) so that all parties calculate and report costs in a consistent fashion and that the subsequent valuation process reflects these costs accordingly.</p> <p><b><u>SBE REWRITE:</u></b> (Page 19, Line 1)</p> <p>Since the sales price represents gross proceeds, only <u>typical</u> costs directly attributed to the harvesting of the timber are considered. <u>Excessive costs are those that go beyond the costs required by regulations or permitting agencies, and, therefore, are not allowed. Additionally, costs associated with obtaining permits or the preparation of permits are not allowed....</u></p> <p>(Page 20, Line 13)</p> <p>... Examples of the latter would be slash disposal, clean-up, and post harvest environmental mitigations <u>if the costs are for activities whose scope exceeds the requirements of regulations or permitting agencies.</u></p> <p>(Page 24, Line 9)</p> <p>Deductible <u>operating</u> costs involved in a log conversion are <del>felling, bucking, yarding, loading, hauling, temporary road construction, road maintenance, logging</del> <u>(felling, bucking, yarding, loading, and required slash disposal), hauling, temporary road construction and decommissioning, and road maintenance not included in the logging cost, and right of way fees if they are paid by the seller.</u> Section 38204 and Property Tax Rule 1023 exclude the deduction of all costs incurred by the seller before the harvest. These would include <del>permanent</del> <u>permanent</u> road construction, <u>timber</u> harvest or management plan preparation, timber cruising, and marketing or administrative costs associated with the harvest or timber management plan approval process. Generally speaking, <u>permit preparation</u> costs are not deductible for log conversion analysis if they are for activities that occur prior to the time the <del>faller's saw touches the tree</del> <u>permits are in</u></p>	See SBE Rewrites

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1 Cont			<p>place. Costs attributable to permit preparation (e.g., marking of timber and flagging of streams) are not deductible even when performed after the permit is "in place."...</p> <p><i>Example 1 – Timber Owner Logging Costs</i></p> <table style="margin-left: 40px;"> <tr> <td>Right of way</td> <td style="text-align: right;">\$ 5</td> </tr> <tr> <td>Logging (stump to truck)</td> <td style="text-align: right;">\$ 150</td> </tr> <tr> <td>Haul and road maintenance</td> <td style="text-align: right;">50</td> </tr> <tr> <td>Temporary road construction</td> <td style="text-align: right;"><u>5</u></td> </tr> <tr> <td></td> <td style="text-align: right;">\$ 205 / MBF Net Scale</td> </tr> </table>	Right of way	\$ 5	Logging (stump to truck)	\$ 150	Haul and road maintenance	50	Temporary road construction	<u>5</u>		\$ 205 / MBF Net Scale	
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2	42	11 Gerald Cochran, Del Norte County Assessor  Mike Mallory, Siskiyou County Assessor	<p>Could you add an example of the 10-year rezone process?</p> <p><b>SBE REWRITE:</b> <u>Section 426 contains specific directives concerning the valuation procedure applicable to land subject to a terminating restriction. Such land shall be valued annually by:</u></p> <ol style="list-style-type: none"> <li><u>1. Determining the full cash value of the land according to section 110.1 (factored base year value), or, if the land will not be subject to article XIII A upon the expiration of the contract, according to section 110 or other special restricted assessment provided for in the law;</u></li> <li><u>2. Determining the restricted value of the land by the method specified for Timberland Production Zone land as provided by section 435;</u></li> <li><u>3. Subtracting the restricted value from the value determined in 1 above;</u></li> <li><u>4. Discounting the difference between the restricted value and the value determined in 1 for the number of years remaining until the termination of the enforceable restriction at the interest rate announced by the State Board of Equalization by September 1 pursuant to subdivision (b)(1) of section 423; and</u></li> <li><u>5. Adding this discounted value to the Timberland Production Zone value determined in 2 above.</u></li> </ol> <p><u>Note that the discount rate is only the interest rate announced by the State Board of Equalization and does not contain the risk and tax components that are included in the open-space capitalization rate. The discounting period is the number of years remaining until the termination of the enforceable restriction. Therefore, the first</u></p>	Accepted – See SBE Rewrite										

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2 Cont			<p><u>computation after a notice of nonrenewal will be for a term of nine years (unless a governmental notice is protested by the property owner), and this term will decrease for each succeeding computation.</u></p> <p><u>As an example of this procedure, assume that the factored base year value of a parcel of land that will be subject to article XIII A following termination for nonrenewal if \$5,000 per acre. The restricted value of this land is \$266 per acre, the remaining term of the restriction is nine years, and the open-space rate last announced by the State Board of Equalization is 4.75 percent. The computation of the restricted land value for the first year of nonrenewal would be:</u></p> <table data-bbox="699 586 1398 764"> <tr> <td><u>Per Acre Factored Base Year Value</u></td> <td><u>\$5,000</u></td> </tr> <tr> <td><u>Per Acre Restricted Value</u></td> <td><u>\$266</u></td> </tr> <tr> <td><u>PW 1 Deferred 9 Years @ 4.75%</u></td> <td><u>0.658588</u></td> </tr> <tr> <td><u>0.658588 (\$5,000 - \$266) + \$266</u></td> <td><u>\$3,384 Per Acre</u></td> </tr> </table> <p>If the factored based year value and the restricted value of the land are the same, no discounting is necessary.</p>	<u>Per Acre Factored Base Year Value</u>	<u>\$5,000</u>	<u>Per Acre Restricted Value</u>	<u>\$266</u>	<u>PW 1 Deferred 9 Years @ 4.75%</u>	<u>0.658588</u>	<u>0.658588 (\$5,000 - \$266) + \$266</u>	<u>\$3,384 Per Acre</u>	
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