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July 29, 2005

TO INTERESTED PARTIES:

TIMBER HARVEST VALUES MANUAL

In Letter To Assessors 2005/024, we disseminated a draft of the *Timber Harvest Values Manual*. Interested parties were invited to provide comments on the proposed manual. Enclosed is a matrix summarizing the comments received.

An interested parties meeting will be held on August 9, 2005 to discuss the comments submitted on the proposed manual. The meeting will begin at 9:30 a.m. at the Board's headquarters in Sacramento, 450 N Street, Room 122. Subsequently, the manual is scheduled for discussion before the Board's Property Tax Committee at the November 15, 2005 meeting.

All documents regarding this project will be posted to the Board's website at www.boe.ca.gov/proptaxes/timharvals05.htm. If you plan to attend the interested parties meeting on August 9, please advise Ms. Sherrie Kinkle at sherrie.kinkle@boe.ca.gov or 916-322-2921. If you are unable to attend the meeting in Sacramento but would like to participate by telephone, you may contact Ms. Kinkle to receive the conference call information.

Sincerely,

/s/ Mickie Stuckey

Mickie Stuckey, Chief
County Property Tax Division

MS:sk
Enclosure

**ALTERNATIVE LANGUAGE
TIMBER HARVEST VALUES MANUAL**

No.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
1	i	2	Roy Richards, Jr. Consulting Forester	Revise sentence: Prior to 1977, each county in California assessed all <u>nonexempt</u> standing timber for ad valorem taxation.	Accept
2	i	2	Eric Schallon, President, CA Licensed Foresters Association	Comment: The history of timber taxation should be expanded to include the ad valorem property taxation method that was in place prior to implementation of the Yield Tax. This language is still on the books and is an important item to consider.	No alternative text provided—An extensive discussion of the prior taxing method is outside the scope of this manual
3	i	20	Roy Richards, Jr. Consulting Forester	Comment: The overall average IHV rose significantly from 1977 to a peak in 1994 but has fallen erratically the past ten years by nearly 40%; unadjusted for inflation.	No alternative text provided
4	i	22	Roy Richards, Jr. Consulting Forester	Comment: I believe the Manual should provide direction to the staff as to the standard procedure to analyze standing timber and delivered log sale data that would be transparent to taxpayers, assessors and interested public.	No alternative text provided—Existing text accurately states purpose of the manual
5	i	22	Roy Richards, Jr. Consulting Forester	Revise sentence: The <i>Timber Harvest Values Manual</i> describes the principles and procedures used by the State Board of Equalization in the valuation of timber <u>to be harvested</u> and provides an overview of the responsibilities of the Timber Advisory Committee.	Accepted
6	1	6	Roy Richards, Jr. Consulting Forester	<p>Comment: Add language that reveals that BOE staff and CDF expenses are first deducted for reimbursement. The phrase "local tax agencies" is superfluous and, I believe, inaccurate.</p> <p>SBE REWRITE: Although the tax is administered and collected by the State Board of Equalization (Board), the revenue, <u>after state administrative costs</u>, is primarily redistributed to the counties and local tax agencies <u>distributed to the counties whereby the county auditor distributes the funds among the jurisdictions within the county</u> to replace the property taxes that had previously been collected.^{F_n}</p> <p>^{F_n} <u>Section 38905.1</u></p>	See SBE Rewrite

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
7	1	9	Roy Richards, Jr. Consulting Forester	<p>Revise sentence: The 1976 legislation also required the Board to appoint a Timber Advisory Committee (TAC) with which to consult prior to adopting administrative regulations governing the assessment of harvested timber and underlying lands bare land zoned Timber Production Zone.</p> <p>SBE REWRITE: The 1976 legislation also required the Board to appoint a Timber Advisory Committee (TAC) with which to consult prior to adopting administrative regulations governing the assessment of harvested timber and underlying lands bare land zoned Timber Production Zone.</p>	See SBE Rewrite
8	1	12	Tim Holcomb, El Dorado County Assessor	<p>Comment: Add definition of "stumpage value."</p> <p>SBE REWRITE: Under the Timber Yield Tax Law, <u>the tax paid is based on values established by the Board for various timber products, as determined by analysis of market transactions in designated timber value areas. The timber owner does not pay the tax based on the amount actually received for a sale of his or her trees or wood products. the A specified tax rate is applied to the value of the net volume of harvested timber calculated at its immediate harvest value, defined as the amount the "timber would sell for on the stump at a voluntary sale made in the ordinary course of business for purposes of immediate harvest."</u>³ <u>Stumpage value is the value of the trees standing in the woods with access and all permits in place.</u> Every six months, the Board is required to estimate the immediate harvest value of each species or subclassification of timber within the various specified timber areas of the state. (See the sections following titled <i>Timber Yield Tax Rate</i> and <i>Timber Value Areas</i> for more in depth discussions.)</p>	See SBE Rewrite

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
9	1	18	Roy Richards, Jr. Consulting Forester	<p>Comment: This paragraph is contradictory. First it states the Board requires reporting, then it states "there are no specific reporting requirements," then assures confidentiality. The statutes clearly provide for the county assessor to examine any records pertaining to that assessor's county; sec 38706. Government sales, e.g., National Forest, BLM or State Forest are open to the public and the seller's appraisal and prices bid are all public information.</p> <p>SBE REWRITE: In order to perform its statutory duty of estimating the immediate harvest values, the Board requires <u>requests</u> the reporting of significant amounts of information from parties participating in timber sales transactions throughout the state. The Board uses its general statutory authority to inspect any books and records of persons required to report to the Board or having knowledge of the affairs of those required to report.⁴ Since there are no specific reporting requirements for data regarding timber sales transactions, in practice, the Board staff requests the necessary harvest information on a voluntary basis, and assures the reporting parties that the specific details regarding the sales will be kept confidential. If necessary, the information can be obtained from the parties through the exercise of the Board's subpoena power.⁵</p> <p>⁴Government Code section 1-15618.</p>	See SBE Rewrite
10	1	30	Tim Holcomb, El Dorado County Assessor	<p>Comment: For the sentence "The 17 counties designated were those counties where property tax revenues on timber represented 2 percent or greater of the county's total property tax revenue. As of when? Is the 2% ever recalculated? How often?"</p> <p>SBE REWRITE (Add footnote): The 17 counties designated were those counties where property tax revenues on timber represented 2 percent or greater of the county's total property tax revenue.^{Fn}</p> <p>^{Fn} <u>The parameters were defined in the original Z'berg-Warren-Keene-Collier Forest Taxation Reform Act of 1976 and the specific counties were codified in section 38105.</u></p>	See SBE Rewrite
11	1	32	Roy Richards, Jr. Consulting Forester	<p>Revise sentence: ... the timber yield tax rate. (See section following <u>section titled on the Timber Yield Tax Rate.</u>)</p> <p>SBE REWRITE: (See <u>the section following titled on the Timber Yield Tax Rate.</u>)</p>	See SBE Rewrite

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
12	2	5	Tim Holcomb, El Dorado County Assessor	<p>Comment: This sentence is awkward.</p> <p>SBE REWRITE: Beginning April 1, 1977, a timber yield tax rate was established to produce₂ for local governments₂ a sum equivalent to ad valorem collections on timber statewide.</p>	See SBE Rewrite
13	2	6	Roy Richards, Jr. Consulting Forester	<p>Revise sentence: ...The timber yield tax rate was initially established at 6 percent <u>(which may be adjusted by deductions)</u> on all harvested timber.</p> <p>Comment: From a historical view, the application of a surcharge was added to create a reserve fund; sec. 38301, repealed in 1982.</p> <p>SBE REWRITE (Add footnote): The timber yield tax rate was initially established at 6 percent on all harvested timber.^{Fn}</p> <p>^{Fn} <u>Section 38115.</u></p>	<p>See SBE Rewrite</p> <p>Comment not accepted— does not add clarity to the existing text</p>
14	2	8	Tim Holcomb, El Dorado County Assessor	<p>Revise paragraph: Annually, the Board reviews data from the rate adjustment counties to determine if an adjustment is necessary to the timber yield tax rate <u>using the rate adjustment counties</u>. The tax rate is adjusted in the same proportion that the average rate of general property taxation₂ in the rate adjustment counties₂ in the current tax year differs from the average rate of general property taxation in the rate adjustment <u>those counties in from</u> the prior year.⁷ <u>Parcel taxes, special assessments, bonds, direct charges are not considered.</u></p> <p>SBE REWRITE: Annually, the Board reviews data from the rate adjustment counties to determine if an adjustment is necessary to the timber yield tax rate. The tax rate is adjusted in the same proportion that the average rate of general property taxation in the rate adjustment counties₂ in the current tax year₂ differs from the average rate of general property taxation in the rate adjustment <u>those counties in the prior year.</u>⁷ <u>Special taxes on intangibles, aircraft, property that is subject to a uniform statewide tax rate, and special assessments are not considered.</u></p>	<p>Accepted—</p> <p>See SBE Rewrite</p>

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
15	2	15	Tim Holcomb, El Dorado County Assessor	<p>Comment: How was the timber yield tax rate determined?</p> <p>SBE REWRITE: ... adjusted to 2.9 percent where it has remained to date. <u>For example, the 2005 timber yield tax rate was calculated by applying the proportional change between 1.040 percent (the 2003-04 average tax rate in the rate adjustment counties) and 1.039 percent (the 2004-05 average tax rate in the rate adjustment counties) to the 2004 timber yield tax rate of 2.9 percent (2.9% x [1.039 ÷ 1.040] = 2.89721). The rate is rounded to the nearest one-tenth of one percent as required by statute.^{Fn} Therefore, the rate remained at 2.9% for 2005.</u></p> <p>^{Fn} <u>Section 38202.</u></p>	Accepted— See SBE Rewrite
16	2	25	Tim Holcomb, El Dorado County Assessor	<p>Comment: Add definitions of "small-scale timber owners" and "large-scale timber owners" to the glossary.</p> <p>SBE REWRITE (Glossary): <u>A small-scale timber owner is an owner of timberland with less than 2,500 acres.</u></p> <p><u>A large-scale timber owner is an owner of timberland with 2,500 acres or more.</u></p>	Accepted— See SBE Rewrite (Definitions are consistent with PRC § 4593.2 definition of <i>nonindustrial tree farmer</i>)
17	2	27	Roy Richards, Jr. Consulting Forester	<p>Revise sentence: As part of its administration of the Timber Yield Tax Law, the Board is required to establish twice yearly a schedule of immediate harvest values for each species or subclassification of timber (<u>groups of similar species</u>) within the various specified timber value areas in the state.</p>	Not accepted—see R&T § 38109
18	2	29	Roy Richards, Jr. Consulting Forester	<p>Comment: For specificity insert a parenthetical (a) following 38204, then the continuation dots at line 8, page 3 can be replaced with a period.</p> <p>SBE REWRITE: ... As provided in section 38204, <u>subdivision (a),</u> the immediate harvest values are to be determined:</p> <p>...market conditions and other relevant factors....</p>	Accepted— See SBE Rewrite
19	3	14	Roy Richards, Jr. Consulting Forester	<p>Revise paragraph: <u>Board staff of the County Property Tax Division, Timber Tax Section, Property and Special Taxes Department, are responsible for analyzing statewide timber sales data and developing suggested immediate harvest values.</u> The statutory duties of the TAC under section 38204 to consult with the Board regarding immediate harvest values are advisory in nature and encompass no administrative responsibilities....</p>	Accepted

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
20	3	14	John Davis, Green Diamond Resource Co.	<p>Comment: We would like to understand how this actually works in practice. Is there a regular submission schedule for the TAC members for providing such information? Is such information actually being requested/received on an ongoing basis currently? If so, how active are the TAC members in providing such information—that is, is there a significant level of contribution or minimal? If such information is being provided, we feel that such information should be disclosed in some manner consistent with other data provided in the biannual harvest value schedules and tables.</p> <p>SBE REWRITE: The statutory duties of the TAC under section 38204 to consult with the Board regarding immediate harvest values are advisory in nature and encompass no administrative responsibilities. The TAC members <u>may</u> perform their consultation function by providing information concerning timber values that each member has compiled from outside sources, and <u>or</u> by applying their expertise to any timber-related questions raised by the Board. <u>The TAC members are always encouraged to share any sales information they may have with Board staff. The TAC members are especially encouraged to participate during the period immediately preceding the review of suggested immediate harvest values. Most often, the TAC members' participation in the value-setting process occurs during the open forum of a TAC meeting.</u></p>	See SBE Rewrite
21	3	19	Roy Richards, Jr. Consulting Forester	<p>Revise paragraph: The Board estimates the immediate harvest values of and adopts schedules for each species or subclassification of timber harvested between January 1 and June 30, and between July 1 and December 31, annually <u>biannually</u>. Board staff of the County Property Tax Division, Timber Tax Section, Property and Special Taxes Department, are responsible for analyzing statewide timber sales data and developing suggested immediate harvest values. (See Chapter 2 for a discussion of how values are established.)</p> <p>SBE REWRITE: <u>Each year, The</u> the Board estimates the immediate harvest values of and adopts schedules for each species or subclassification of timber harvested <u>use</u> between January 1 and June 30, and between July 1 and December 31, annually. <u>for each species or subclassification of timber harvested.</u> (See Chapter 2 for a discussion of how values are established.)</p>	See SBE Rewrite
22	3	25	Roy Richards, Jr. Consulting Forester	<p>Revise sentence: The values are <u>currently</u> arrayed in three tables.</p>	Accepted

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
23	3	30	Roy Richards, Jr. Consulting Forester	Add sentence: Species codes and units of measure are shown in the tables for use by taxpayers in preparation of the Timber Tax Harvest Report. <u>Deductions to the IHV are made for logging method, low volume per acre, small total volume and for specific counties that have special costly rules.</u>	Not accepted—Not every deduction is listed on each table and deductions may change with time
24	3	33	John Davis, Green Diamond Resource Co.	Add sentence: ... The TAC reviews the proposed values, and makes its recommendation, based on a majority vote, to the Board to approve or disapprove the values. The Board considers the staff recommended values and the TAC recommendation in an open session of a meeting of the Board. <u>Interested parties have the opportunity to discuss the timber values and the valuation process at the TAC meetings.</u> SBE REWRITE: ... The TAC reviews the proposed values, and makes its recommendation, based on a majority vote, to the Board to approve or disapprove the values. <u>Interested parties have the opportunity to discuss the timber values and the valuation process at the TAC meetings.</u> The Board considers the staff recommended values and the TAC recommendation in an open session of a meeting of <u>during a public hearing the Board, and interested parties have an opportunity to discuss the timber values with the Board Members.</u>	Accepted— See SBE Rewrite (Information is chronologically in the order of events)
25	4	4	Roy Richards, Jr. Consulting Forester	Comment: This statement needs to be qualified. The cited statutes, 38402 and 38706, clearly allow for assessors to examine the information the staff has. The TAC has 5 assessors as members.	Not accepted—The statement is accurate per AG Opinion CV 78/52. An assessor's access to his/her county's records is covered on page 5 of the manual. Assessors who are also TAC members are not provided information in their role as a TAC member, rather in their role as an assessor.

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
26	4	35	John Davis, Green Diamond Resource Co.	<p>Revise paragraph: Board staff prepares four <u>five</u> summary tables for the TAC to assist the members when analyzing the suggested immediate harvest values developed by Board staff. The four <u>five</u> summary tables do not include raw data but do include the following information:</p> <p>Comment: We believe that this list of tables should be expanded to at least five and should include the log index as the fifth table. The log index tables is a significant part of the ultimate valuation process, and as such, needs to be included in order to properly allow both taxpayers and the TAC to understand and validate the complete valuation process.</p> <p>SBE REWRITE: Board staff prepares four <u>several</u> summary tables for the TAC to assist the members when analyzing the suggested immediate harvest values developed by Board staff. The four summary tables do not include raw data but do include the following information:</p>	<p>Not accepted—The index may not be disclosed. Some information is provided—see page 6, line 35 of the manual.</p> <p>See SBE Rewrite</p>
27	5	3	Roy Richards, Jr. Consulting Forester	<p>Comment: Be more specific in describing the tables. Summary by species codes and log grade size, number of sales analyzed (not a summary of all sales).</p> <p>SBE Rewrite:</p> <ul style="list-style-type: none"> • Number of sales <u>used for current value schedule</u> 	<p>Accepted—</p> <p>See SBE Rewrite</p>
28	5	7	Roy Richards, Jr. Consulting Forester	<p>Revise bullet: • Computed <u>volume</u> weighted average values</p> <p>SBE REWRITE:</p> <ul style="list-style-type: none"> • Computed weighted average values <u>weighted by volume</u> 	<p>Accepted—</p> <p>See SBE Rewrite</p>
29	5	22	John Davis, Green Diamond Resource Co.	<p>Comment: The description of the log index, including components, should be listed here, in the same manner as the other summary tables on Page 5, Lines 3-22.</p>	<p>Not accepted—The log index is not public information. Some information is provided—see page 6, line 35 of the manual.</p>
30	5	30	Roy Richards, Jr. Consulting Forester	<p>Comment: This discussion should be integrated into the discussion on page 4, lines 3 – 6.</p>	<p>Not accepted—See Item No. 25</p>

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
31	6	15	SBE Staff	Revise paragraph: <u>The Board's staff monitors active log markets in all regions of the state to estimate changes in log and stumpage markets. The staff develops two indices of changes in stumpage prices based on changes in the delivered log markets. One index is for the coastal region and one index is for the interior regions.</u> The log index is part of the Board staff's work product developed for use in conjunction with confidential sales information, calculations, and determinations of immediate harvest values....	Accepted
32	6	16	Roy Richards, Jr. Consulting Forester	Revise sentence: The log index is developed by staff to adjust older sales information for time-related changes in the wholesale timber market <u>delivered log freight on board (FOB) prices.</u> Comment: The phrase "wholesale timber market" is troublesome. There is a very active wholesale <u>lumber</u> market with prices reported mid-week, weekly, and averaged monthly, quarterly and annually. No such data base exists in California for delivered logs or stumpage prices, other than the reports and schedules published by BOE. What is meant here is: the range of delivered log FOB prices by species and log size are obtained from purchasers and sellers of logs and these ranges are compared to the previous quoted prices. The differentials are calculated to create the indices that are used to make time adjustments to the older sales.	Accepted
33	6	34	Roy Richards, Jr. Consulting Forester	Revise sentence: To ensure confidentiality of the data used in the compilation of the log index, Board staff prepares a source-neutral summary table for use <u>upon request</u> by the TAC.	Not accepted— information is provided by staff.
34	7	2	Roy Richards, Jr. Consulting Forester	Comment: The staff develops two log indices: a coastal region index and an inland region index. The existence of the two should be mentioned.	Accepted— See Item No. 31
35	7	25	Tim Holcomb, El Dorado County Assessor	Revise sentence: Pursuant to section 201, all property, not exempt under the laws of the United States or of this state <u>State</u> , is subject to taxation.	Accepted
36	9	18	Tim Holcomb, El Dorado County Assessor	Revise sentence: State taxes or regulations that interfere with tribal activities may be preempted, if the tribal activity the state seeks to affect, involves goods produced on the reservation.	Not accepted—not in conformance with Board writing style

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
37	9	21	Tim Holcomb, El Dorado County Assessor	Revise sentence: The court found in <i>Hoopa</i> ¹⁷ that because the timber yield tax does not fund services that directly relate to the harvesting of tribal timber and is otherwise unconnected with tribal timber activities, the timber yield tax should be preempted.	Not accepted—not in conformance with Board writing style
38	9	23	Roy Richards, Jr. Consulting Forester	Revise sentence: ... As a result of this decision, <u>the</u> timber yield tax is not applicable to timber owned by Indian tribes, nor to any purchasers of that timber or logs derived therefrom.	Accepted
39	9	27	SBE Staff	Relocation text: Text from page 9 (line 27) through page 11 (line 28) will be moved to new Chapter 4.	Accepted— See Attachment A
40	11	23	Roy Richards, Jr. Consulting Forester	Comment: Whereas the bare land values of TPZ property is an integral part of the taxing scheme a discussion of these values should be included in this manual. SBE REWRITE: See Attachment A	Accepted— See Attachment A
41	11	24	Tim Holcomb, El Dorado County Assessor	Comment: Add definition of "accessibility to point of conversion" to the glossary. SBE REWRITE (Glossary): <u>Accessibility to point of conversion is access to a processing facility.</u>	Accepted— See SBE Rewrite
42	12	19	Tim Holcomb, El Dorado County Assessor	Revise sentence: <i>Immediate harvest value</i> is the amount of cash or its equivalent for which timber would be transferred <u>sold</u> from a willing and informed seller to a willing and informed buyer, both seeking to maximize their incomes, if the timber could be harvested in the forthcoming year.	Accepted
43	12	23	Tim Holcomb, El Dorado County Assessor	Revise sentence: When developing the immediate harvest values, the Board's staff considers all elements of value, such as volume by species, quality, defect, market conditions, volume per acre, size of timber, <u>method of harvesting</u> , accessibility, topography, logging conditions, and distances from a processing center capable of utilizing the timber. ³⁴	Accepted
44	12	23	Peter F. Ribar, Campbell Timberland Management	Revise sentence: When developing the immediate harvest values, the Board's staff considers all elements of value, such as volume by species, quality, defect, market conditions, volume per acre, size of timber, accessibility, topography, logging conditions, <u>timber harvest plan preparation costs</u> , and distances from a processing center capable of utilizing the timber. ³⁴	Not accepted—Pre-harvest costs are not deductible expenses per legal annotated letter 840.0040

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
45	12	25	Roy Richards, Jr. Consulting Forester	<p>Comment: Another element of value is the age of the sale, i.e., is the sale recent or sold 2 years ago. Also skewed bidding, species mix, minor volumes, indexing of stumpage prices, and minimum acceptable bid by species.</p> <p>SBE REWRITE: When developing the immediate harvest values, the Board's staff considers all elements of value, such as <u>including but not limited to</u>, volume by species, quality, defect, market conditions (<u>including date of sale</u>), volume per acre, size of timber, accessibility, topography, logging conditions, and distances from a processing center capable of utilizing the timber.³⁴</p>	Accepted— See SBE Rewrite
46	13	3	Roy Richards, Jr. Consulting Forester	<p>Comment: A discussion concerning the division of two of the TVAs into sub-parts, viz., TVA 2 N & S and TVA 9 N & S and developing separate IHVs for the sub-parts would be appropriate.</p> <p>SBE REWRITE: For use in the preparation and application of immediate harvest values, the Board <u>originally</u> designated nine timber value areas in the state.³⁵ <u>Subsequently, two timber value areas have been subdivided because of changing market conditions.</u> (See Appendix 2 for a map of the timber value areas.)....</p>	Accepted— See SBE Rewrite
47	13	7	Roy Richards, Jr. Consulting Forester	<p>Comment: Include a statement that the IHVs may be adjusted by specified deductions. Also, the IHVs in Table 1 apply statewide, not by TVA.</p>	Not accepted—Harvest value schedules include deductions
48	13	12	Roy Richards, Jr. Consulting Forester	<p>Revise sentence: ... The primary transactions are typically open market sales of standing timber and sales of delivered logs.</p>	Accepted
49	13	20	John Davis, Green Diamond Resource Co.	<p>Comment: We believe that this discussion should be expanded to specifically address the following issues: 1. What is considered a sufficient amount of sales transactions and data? 2. How is this determined? 3. What criteria are used to determine "sufficient transactions and data" exist? 4. What time period is accepted as being "close to the date"? We believe that this discussion/analysis is necessary in order for taxpayers and TAC members to be able to understand and do a high level validation of the transactional data used in the valuation process.</p>	Not accepted—text reflects standard appraisal practice for all property types. See expanded "Appraisal Process" in Attachment B
50	13	21	John Davis, Green Diamond Resource Co.	<p>Comment: Please expand on this language and provide explanations of what this actually means and how such sales are given "the greatest weight." Please provide examples.</p>	Text reflects standard appraisal practice for all property types. See expanded "Appraisal Process" in Attachment B

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
51	13	22	John Davis, Green Diamond Resource Co.	Comment: We believe that additional detail and discussion regarding this process should be included in the manual. What is considered a "sufficient" amount of sales data and what time period would define "close to the date"? There are a number of concerns regarding the older sales data, such as : What if there are no or limited numbers of older sales? We believe that a detailed, documented process needs to include the alternatives to be considered if there are no older sales, or if such sales are so old as to be irrelevant for valuation purposes. What is the next level of data to be considered or how is the process adjusted should this be the case? This should all be spelled out in the manual.	Text reflects standard appraisal practice for all property types. See expanded "Appraisal Process" in Attachment B
52	13	20	John Davis, Green Diamond Resource Co.	Comment: When there are not enough sales transactions close to the valuation date, the current process calls for using time adjusted older sales from the same TVA. As the number of sales declines over time, older sales from the same TVA may have less and less of a statistically significant relationship to the current immediate harvest value. We believe that consideration should be given to a process which looks not only at the time adjusted older sales in the subject TVA, but also considers more current sales in adjacent TVAs as well. Perhaps a blend or weighted average of these values might be more appropriate and statistically significant. Regardless, we believe that there should be some serious consideration given to approaches other than the indexing of two year old sales. We believe that there should be some specific checklist and order of priority developed, which should be documented in the manual, for using alternative values, such as in the Washington State valuation process. For example, if A is not available, or is statistically invalid, then B should be used in its place. If B is not available or is statistically invalid, then C should be used. And so on.	See expanded "Appraisal Process" in Attachment B
53	13	24	Roy Richards, Jr. Consulting Forester	Revise sentence: ...differences in time. (See section following on titled Time Adjustments Adjustment , page 17.) SBE REWRITE: ...differences in time. (See section following on titled Time Adjustments.)	See SBE Rewrite
54	13	27	Roy Richards, Jr. Consulting Forester	Comment: Include wording recognizing that there are two sub areas. SBE REWRITE: Board staff appraisers maintain databases of timber sales that properly reflect conditions within each of the nine timber value areas of the state.	Accepted— See SBE Rewrite

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
55	13	29	Roy Richards, Jr. Consulting Forester	<p>Comment: A sentence acknowledging that staff depends on CDF to send them notices or copies of all timber harvest documents that are accepted.</p> <p>SBE REWRITE: ...landowners, loggers, and mill operators. <u>Copies of approved harvest permits provided by the California Department of Forestry and Fire are a primary source of potential sales information.</u></p>	Accepted— See SBE Rewrite
56	14	3	Tim Holcomb, El Dorado County Assessor	<p>Comment: What does "finished products" mean?</p> <p>SBE REWRITE: 2. Gross proceeds from sales of logs, or finished products (<u>products in a state ready for normal consumption</u>), adjusted to reflect only the portion of the proceeds attributed to value on the stump immediately prior to harvest.</p>	See SBE Rewrite
57	14	6	John Davis, Green Diamond Resource Co.	<p>Comment: We would suggest that the definition of "accessibility to the point of conversion" be clearly defined in the manual, and examples of comparable and non-comparable accessibility and logging conditions be included in the discussion.</p> <p>SBE REWRITE: Timber designated as a <i>similar location</i> means timber in an area of comparable elevation and topography, and subject to comparable logging conditions and accessibility to the point of conversion (<u>access to a processing facility</u>).</p>	See SBE Rewrite
58	14	9	Roy Richards, Jr. Consulting Forester	<p>Comment: This list of allowances covers the common allowances, but somewhere in this manual there should be a detailed listing of all allowances that are considered and how they are applied.</p>	Not accepted—an exhaustive list of every possible allowance is not feasible
59	14	10	John Davis, Green Diamond Resource Co.	<p>Comment: Not only for information purposes, but also for evaluating the statistical validity of the sales information being collected over time, we would like to suggest that the Board staff track and publish the data sources by area over time. This would allow interested parties as well as TAC members to assess the number of responses by type of source over time. This would provide one more way for assessment of the validity of the data being collected, and could also provide the opportunity for interested parties and TAC members to help in promoting sales information submission to the Board staff. It is important that both TAC members and taxpayers be able to assure themselves that the responses from a particular area are from a representative sampling of sources over time.</p>	Not accepted—This is being provided in the table showing public and private sales for each TVA

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
60	14	11	Roy Richards, Jr. Consulting Forester	Revise bullet: Government agencies, e.g., U. S. Forest Service, <u>State Forests</u> , and the Bureau of Land Management	Accepted
61	14	16	Roy Richards, Jr. Consulting Forester	Add bullet: • <u>Log buyers for sawmills and peeler plants</u> SBE REWRITE: • <u>Log buyers for manufacturing facilities</u>	Accepted— See SBE Rewrite
62	14	17	John Davis, Green Diamond Resource Co.	Comment: We believe that this discussion should be expanded to explain the criteria used to determine arm's-length transactions for specific fact patterns. We also believe that the number of discarded transactions and reasons for discarding should be included somewhere in the published biannual information provided to the TAC and interested parties.	Not accepted—R&T § 110 describes <i>arm's-length transactions</i> . See discussion in manual on page 12, line 19.
63	14	26	John Davis, Green Diamond Resource Co.	Comment: We believe that it is important that this discussion be expanded to include more information on how the determination of when to discard is made. What is the threshold for inclusion or exclusion? How is the target "range" derived? SBE REWRITE: For each species and log class, the staff averages the transaction data and discards any that fall significantly outside the range of all of the other data being compiled. <u>There are no standard appraisal parameters for determining the "range" for transaction data. Good appraisal practice provides that the market being analyzed dictates the average range. For example, assume the appraiser is analyzing the following seven delivered log prices: \$640, \$625, \$685, \$635, \$670, \$800, and \$600. Remembering that Board forest appraisers are very familiar with the TVAs assigned to them, log price number six, \$800, probably would cause the appraiser to closely look at that quote to determine what factors were significant in the quoted, e.g., was the sale consummated by a buyer whose mill was in desperate need of inventory?</u> Then, the averages are. ...	See SBE Rewrite
64	14	28	John Davis, Green Diamond Resource Co.	Comment: We believe that more detail should be included regarding the calculation of log and haul costs. See also additional comments below regarding lot and haul cost considerations. SBE REWRITE: Then, the averages are adjusted by the change, if any, in <u>regional log and haul cost costs</u> during the previous three months, which forms a single index change value for each species and log class....	See SBE Rewrite

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
65	15	1	Roy Richards, Jr. Consulting Forester	<p>Comment: The time adjustment tables I have seen are for monthly changes, not quarterly.</p> <p>SBE REWRITE: ...quarterly value. <u>Quarterly market indicators are interpolated to produce monthly indexes.</u> The values for index numbers do not represent log or stumpage values, but rather a basis for adjustments.</p>	See SBE Rewrite
66	15	2	Roy Richards, Jr. Consulting Forester	<p>Comment: A sample of the table in the appendix and an example of how they are used would be enlightening.</p>	Not accepted—the indexes are not public documents and how they are used are discussed in the manual on page 17
67	15	7	John Davis, Green Diamond Resource Co.	<p>Comment: We would request that this discussion be expanded to explain how a sale is determined to be "market related."</p> <p>SBE REWRITE: Regardless of the nature of the bidding process, if a <u>the species are bid price is at prices proportional to their value based on current log markets market-related, (with each species bid individually),</u> Board staff seldom have to make adjustments to <u>reallocate</u> the bid prices....</p>	See SBE Rewrite
68	15	19	Peter F. Ribar, Campbell Timberland Management	<p>Revise sentence: Costs incurred by the seller to harvest such as for cruising, marketing, developing the timber Harvest Plan, constructing permanent roads, and surveying are not recognized in the sales analysis process by Board staff.</p>	Not accepted—Pre-harvest costs are not deductible expenses per legal annotated letter 840.0040
69	15	31	Roy Richards, Jr. Consulting Forester	<p>Comment: The price paid for delivered logs normally do not have to be adjusted. Although mills that are quoting for delivered logs from a great distance will offer a premium price to compensate for the haul. If those log prices are being used to determine IHVs for the local TVA and not for the TVA where the logs originated, a bias is occurring.</p>	Not accepted—Staff uses sales based on source location not destination

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
70	15	31	Tim Holcomb, El Dorado County Assessor	<p>Comment: What is "biomass components." Should it be in the glossary? Provide an example.</p> <p>SBE REWRITE: Also included in this group are sales with value deficits in which the cost of the required removal of materials exceeds the value of the timber removal of a product costs more than the value of the product, such as sawlog sales with biomass components....</p> <p>SBE REWRITE (Glossary): <u>Biomass components are the wood products obtained from in-woods chipping of all or some portion of trees, including limbs, tops, and unmerchantable stems, usually for energy production.</u></p>	Accepted— See SBE Rewrites
71	16 & 21	-	John Davis, Green Diamond Resource Co.	<p>Comment: We believe that the sections on these pages that deal with logging costs should be more specific, and should include detailed discussions of what costs can be included in logging costs. We also believe that the definitions of the costs, as well as the costs which can be included, should be part of an overall review process which includes Board staff, TAC members, and taxpayers and other interested parties. The logging processes, technology and applications have changed since inception of these rules, and these changes should be reviewed with regard to appropriate inclusion or exclusion in terms of logging costs for timber valuation purposes. In addition, forest practices regulations and applications are constantly changing and are dramatically different than they were at inception, and these too should be reconsidered in a public forum to update the appropriate definitions and use of logging costs in the timber valuation process.</p>	No alternative text provided A Property Tax Rule cannot be amended in a manual. Rules are amended via the Office of Administrative Law official rulemaking procedures.
72	16	3	Roy Richards, Jr. Consulting Forester	<p>Comment: There are forestry and clean-up costs that are required by the laws of this State that are directly associated with the removal of the timber. It is not realistic to include these costs as part of the proceeds paid to the timber owner.</p>	Not accepted—Gross proceeds means with all permits and access in place and the timber ready to be harvested. Clean-up costs are land management costs not directly associated with the harvest per legal annotated letter 840.0040

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
73	16	22	Roy Richards, Jr. Consulting Forester	Comment: The Forest Service contract no longer allows for purchaser credit. Specified road construction costs are now entirely the responsibility of the bidder, therefore are accounted for in the bid at the time of the sale. The specified road costs divided by the estimated sale volume would determine the average cost per Mbf, hence added to the bid price. But adding this fixed amount to the bid for each species could well distort the actual value of the individual species. Analyzing National Forest timber sales is challenging, therefore if the purchaser is not willing to share his/her appraisal with the staff, best the sale not be used as a transaction to determine IHVs.	Not accepted—Rule 1023 and R&T § 38204 provide that an allowance is made for cost of accessibility to point of conversion
74	16	37	Tim Holcomb, El Dorado County Assessor	Add example: <u>Add Bid Price + \$40,000 = \$440,000</u> SBE REWRITE: <u>Add Bid Price + \$40,000 = \$440,000 Adjusted Bid Price</u>	Accepted— See SBE Rewrite
75	17	1	John Davis, Green Diamond Resource Co.	Comment: We feel there should be a thorough discussion on how and why the log index is used for time adjustments.	See expanded "Appraisal Process" in Attachment B
76	17	1	Roy Richards, Jr. Consulting Forester	Revise sentence: Values proposed for each new harvest value schedule must be based upon a sufficiently large group number of sales to provide accurate and reliable value indicators for each species, age, type, and timber value area. Comment: Not sure what is meant by "type." SBE REWRITE: Values proposed for each new harvest value schedule must be based upon a sufficiently large group number of sales to provide accurate and reliable value indicators for each species, age, type <u>size, quality</u> , and timber value area.	Accepted— See SBE Rewrite

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
77	17	2	John Davis, Green Diamond Resource Co.	<p>Comment: We believe that the term "sufficiently large group of sales" needs to be defined and explained in more detail. How many sales? In relation to what?</p> <p>SBE REWRITE: Values proposed for each new harvest value schedule must be based upon a sufficiently large group <u>number</u> of sales to provide accurate and reliable value indicators for each species, age, type <u>size, quality</u>, and timber value area. <u>There are no standard appraisal parameters for determining the number of sales that constitute accurate value indicators. Good appraisal practice provides that the market being analyzed dictates the number of sales required. For example, in some timber value areas or for some species, three or four sales will constitute sufficient data to accurately analyze the market. In other instances, more than 100 sales may be necessary for an accurate analysis.</u> Therefore, sales for a two-year period are considered in each six-month valuation cycle.</p>	See SBE Rewrite
78	17	7	Tim Holcomb, El Dorado County Assessor	<p>Comment: Usually, what is the date that the immediate harvest values are estimated?</p> <p>SBE REWRITE: When using older sales, it may be necessary to adjust sales prices to allow for changes in market conditions from the original sale date to the timber tax appraisal date (the date that the immediate harvest values are estimated—<u>approximately 60 days before the values are effective</u>).</p>	See SBE Rewrite
79	17	11	Roy Richards, Jr. Consulting Forester	<p>Comment: Just how are the older sales weighted; discounted?</p> <p>SBE REWRITE: ... reliable value indicators. If there are significant differences <u>in value after time adjustments are made between the older sales, adjusted for time, and the newer sales, the newer sales are given stronger consideration when estimating, the most recent sales should be given the greatest weight as more accurately reflecting the current marketplace market value.</u>³⁸ <u>Therefore, if sufficient timber sales transactions and data are available close to the date that the harvest values are being determined, those sales transactions should be given the greatest consideration in analyzing the current marketplace.</u></p>	See SBE Rewrite

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
80	17	12	John Davis, Green Diamond Resource Co.	<p>Comment: Please define and explain what the allowable variance is for values to be considered similar. Examples should be included to explain and show the difference between similar and dissimilar values.</p> <p>SBE REWRITE: Sales are summarized by year of sale, and the older sales' summaries are compared to the newer ones. If values are similar, it may be implied that the time adjustments are reasonable, and that the older sales are reliable value indicators. <u>There are no standard appraisal parameters for determining what constitutes "similar value" indicators. Good appraisal practice provides that the market being analyzed dictates what values are considered similar for comparison purposes. If there are....</u></p>	See SBE Rewrite
81	17	13	John Davis, Green Diamond Resource Co.	<p>Comment: What amount is considered significant? How are the most recent sales given the most weight? How old does a sale need to be to have a time adjustment applied?</p>	Not accepted— See expanded "Appraisal Process" in Attachment B
82	17	28	Roy Richards, Jr. Consulting Forester	<p>Comment: The deduction for small total volume is subdivided into 3 categories.</p> <p>SBE REWRITE: ... timber sale took place. The standard deductions are listed on the harvest values schedule and <u>may</u> include:</p> <ul style="list-style-type: none"> • A deduction if the total volume harvested in a quarter is less than 300 MBF. • A deduction for volumes that were yarder, or skyline, or helicopter logged. • A deduction for volumes that were helicopter logged. • <u>A deduction for low volume per acre.</u> • A deduction if harvested in counties 	See SBE Rewrite
83	17	29	Tim Holcomb, El Dorado County Assessor	<p>Comment: Add definition of "yarder" to the glossary.</p> <p>SBE REWRITE (Glossary): <u>A yarder is a system of power-operated winches and a tower used to haul logs from a stump to a landing.</u></p>	Accepted— See SBE Rewrite
84	18	2	Roy Richards, Jr. Consulting Forester	<p>Comment: There is also a deduction on Table G for low volume per acre.</p>	See Item No. 82

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
85	18	13	Mike Jani, Mendocino Redwood Company	<p>Comment: The manual specifically separates helicopter logging costs and provides for their assessment. This is spelled out on page 18, line 24. The same approach should be utilized in assessing cable yarding operations as the differential between cable and tractor have regularly exceeded what adjustments have provided for. The only way to accurately assess this differential is to look at cable operation the same way helicopter operations are addressed.</p> <p>SBE REWRITE: ...The amount of adjustment is based upon the differential in the harvest value schedule between tractor logging and other logging systems, multiplied by the percentage of the sale volume to be logged by the other systems. <u>The differentials are estimated by analyzing contract costs for alternate logging systems and by analyzing sales of timber using predominantly alternate logging systems.</u> Adding this adjustment....</p>	See SBE Rewrite
86	18	25	Eric Schallon, President, CA Licensed Foresters Association	<p>Comment: The deductions allowed for Cable and Helicopter logging are out-dated.</p>	Not accepted—The review of deduction amounts is completed periodically as a separate project.
87	18	26	Tim Holcomb, El Dorado County Assessor	<p>Comment: Add definition of "yarding" to the glossary.</p> <p>SBE REWRITE (Glossary): <u>Yarding is to convey logs or trees to a landing, particularly by cable, balloon, or helicopter logging systems.</u></p>	Accepted— See SBE Rewrite
88	18	28	Roy Richards, Jr. Consulting Forester	<p>Comment: How are these values used? There is no longer a special schedule for helicopter logging.</p> <p>SBE REWRITE: ...A separate run of helicopter sales is often used to calculate helicopter values. <u>The helicopter value runs are used to check against the cost differential approach to estimate the logging cost adjustment for helicopter logging.</u></p>	See SBE Rewrite
89	18	29	Roy Richards, Jr. Consulting Forester	<p>Revise sentence: Helicopter costs vary greatly due to by log size, defect, and elevation, making the determination of statewide averages somewhat subjective.</p>	Accepted
90	18	29	Tim Holcomb, El Dorado County Assessor	<p>Comment: Sentence seems awkward.</p>	See Item No. 89

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
91	19	12	Roy Richards, Jr. Consulting Forester	Revise sentence: The small total volume deduction is intended to reflect the disproportionate impact that fixed costs have on smaller sales, and also to account for the fact that small-volume harvests frequently are unable to obtain favorable <u>competitive</u> prices from prospective purchasers.	Accepted
92	19	27	Roy Richards, Jr. Consulting Forester	Revise sentence: ... They are also frequently less informed about the market, and thus may not receive the maximum payment <u>a competitive price</u> for their product.	Accepted
93	19	35	Roy Richards, Jr. Consulting Forester	Revise sentence: ... Additionally, loading costs can increase if volume is arriving at the landing too slowly to keep up with the logging trucks <u>or requires frequent landing moves and small volumes per landing, especially if logs are being sorted for different destinations.</u> SBE REWRITE: Additionally, loading costs can increase if volume is arriving at the landing too slowly to keep up with the logging trucks <u>or so scattered it requires frequent landing moves and small volumes per landing, or if logs are being sorted for different destinations.</u>	See SBE Rewrite
94	20	18	Tim Holcomb, El Dorado County Assessor	Comment: Add definition of "Scribner Decimal C log rule" to the glossary. SBE REWRITE (Glossary): <u>Scribner Decimal C log rule is a diagram log rule used to estimate the number of board foot measure of logs.</u>	Accepted— See SBE Rewrite
95	20	18	Tim Holcomb, El Dorado County Assessor	Revise sentence: ... Most of the sawmills operating in California use the short log Scribner Decimal C log rule and buy logs based upon log size and/or grade as well as a camp_run price. When gathering log price or log sales information, Board staff analyzes the parameters of log prices to ensure that variances can be adjusted to reflect a camp_run, net short log Scribner price.	Not accepted
96	20	30	Peter F. Ribar, Campbell Timberland Management	Revise sentence: ... These would include permanent road construction, harvest or management plan preparation, timber cruising, and marketing or administrative costs associated with the harvest or timber management plan approval process.	Not accepted—contrary to definition of gross proceeds per legal annotated letter 840.0040

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
97	20	35	Roy Richards, Jr. Consulting Forester	<p>Comment: In the inland area logging costs are usually quoted on a net scale basis. Occasionally hauling is based on gross scale or per hour or per load.</p> <p>SBE REWRITE: Costs are usually <u>may be</u> quoted on a gross <u>or net</u> scale basis. <u>Gross scale basis means based on the total measured volume prior to any deductions for defects in the logs. Net scale basis means based on measured volume after subtracting deductions for defects in the logs. All those used....</u></p>	See SBE Rewrite
98	20	37	Roy Richards, Jr. Consulting Forester	<p>Comment: Whereas logging costs are based on net scale of the delivered logs, it is the amount of defect that is included in the delivered logs that is pertinent. That is very much different than the percent defect of a particular stand. There is a very limited Cull log market that does base payment on adjusted Gross scale, therefore log/haul costs would be based on that scale. This is a Table 1 value and of minimal consequence.</p> <p>SBE REWRITE: ...the gross cost. For example, if the defect of a particular stand of timber harvest has been determined to be 20 percent, the factor would be 1.2 to convert the cost from a gross scale basis to a net scale basis....</p>	See SBE Rewrite
99	20	37	Tim Holcomb, El Dorado County Assessor	<p>Comment: Add definition of "scaling defect" to the glossary.</p> <p>SBE REWRITE (Glossary): <u>Scaling defect is a measurement of the estimated amount of defect material (e.g., knots, crooks, conks, decay, splits, sweep, bad sawing, or injury) subtracted from gross volume to obtain the amount of wood that meets grading standards.</u></p>	Accepted— See SBE Rewrite
100	21	9	Roy Richards, Jr. Consulting Forester	<p>Revise example: <u>Mbf Net Sales Scale</u></p> <p>Comment: I realize this is a simplified hypothetical, but often the log purchaser will require that the different species be sorted and delivered to different destinations. Also a log sort by size may be required. These requirements would greatly effect costs and logging costs and resulting stumpage values determined species by species by log size and destinations. A complex example would be more realistic and enlightening.</p> <p>SBE REWRITE: <u>MBF Net Sales Scale</u></p>	Accepted—the revised text Not accepted—the complex example request. Manual shows a procedure which can be very complex, and no example could accommodate all possible conditions.

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
101	21	10	Roy Richards, Jr. Consulting Forester	<p>Revise column headings: Delivered Average Log Price Tractor Costs Costs</p> <p>Comment: The DFG3 log price of \$700 is not realistic. The title of the example would better describe the exercise if it stated the value is based on the average tractor costs for the TVA. Values determined by this technique would be useful to measure movement in market since the prior valuations but not to determine the actual IHVs.</p> <p><u>SBE REWRITE:</u> <u>Regional</u> <u>TVA</u> Delivered Average Log Prices Tractor Costs Costs</p>	<p>See SBE Rewrite for column headings</p> <p>Not accepted—the number used is irrelevant. Manual is presenting a procedure.</p>
102	21	12	John Davis, Green Diamond Resource Co.	<p>Comment: Over the last decade, we have seen continually declining timber sales. We believe that consideration should be given to adding more emphasis to this approach, and possibly expanding this section with specific procedures and steps which should be followed for lumber conversion. Using this methodology could provide more data for species such as redwood and for TVAs with little or declining sales data. We believe that the time may have come to look at this methodology as well as others in TVAs with few or declining numbers of open market sales.</p>	<p>Not accepted—Our data does not indicate a trend of decreasing number of sales. Additionally, from an appraisal standpoint, a greater number of sales does not necessarily mean better value estimates. Lumber conversions require many more subjective adjustments than timber sales.</p>
103	21	13	Roy Richards, Jr. Consulting Forester	<p>Revise sentence: Although a lumber conversion is a valid method for estimating stumpage value, it is seldom not used by Board staff due to the subjectivity of the various factors required in using this approach to value.</p>	<p>Not accepted—while seldom used, it is a valid approach to value</p>
104	22	2	Roy Richards, Jr. Consulting Forester	<p>Comment: It appears that the Board's timber appraisers are construing the term "specific property" to mean an entire TVA. What is being attempted is to determine a representative average value for a given species and subclassification thereof within a TVA calculated from the values of a number of specific transactions.</p>	<p>Not accepted—no alternative text provided. Definition of <i>appraisal</i> is commonly accepted in the appraisal industry</p>

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
105	22	12	Roy Richards, Jr. Consulting Forester	Comment: This definition is applicable to real properties in total; not for products therefrom. A different more applicable definition needs to be found.	Not accepted— R&T § 401 provides that all property subject to general property taxation shall be assessed at full value. As provided in Property Tax Rule 2, <i>full value, full cash value, cash value, actual value, and fair market value</i> are synonymous terms. The definition of <i>fair market value</i> contained in R&T § 110 is the standard for property tax purposes for all types of property, not just real property.
106	22	25	Roy Richards, Jr. Consulting Forester	Comment: A copy of these reports should be in the appendix.	Not accepted—see Attachment B
107	22	33	John Davis, Green Diamond Resource Co.	Comment: We feel that this section needs to be expanded and clarified. How and in what ways is appraisal judgment applied in real life situations? Specific examples of how appraisal judgment is applied should be included in the manual, as well as explanations, definitions and examples of the situations in which it might be appropriately applied. In addition, we feel that it is necessary that where such appraisal judgments are used in the valuation process, disclosure should be required to the TAC and interested parties at the biannual Board meetings. These disclosures should be specific with regard to facts and the circumstances in which appraisal judgment was utilized, and the consequent effect on the valuation involved. SBE REWRITE: See expanded "Appraisal Process" in Attachment B	See expanded "Appraisal Process" in Attachment B

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
108	22	33	Eric Schallon, President, CA Licensed Foresters Association	Comment: The key portion of the manual, the description of sales analysis, is too general. More detailed and complex examples of sales should be displayed and the processes the staff uses to arrive at accurate values explained.	See expanded "Appraisal Process" in Attachment B
109	23	12	Roy Richards, Jr. Consulting Forester	Comment: The values can be changed at the BOE meeting when the schedules are adopted. SBE REWRITE: ...staff prior to the TAC meeting and discussed at the meeting. <u>Changes may also be made when the Board meets to discuss and adopt the suggested value schedules.</u>	Accepted— See SBE Rewrite
110	24	2	Tim Holcomb, El Dorado County Assessor	Comment: What does "aspect" refer to? SBE REWRITE: ...on information from many sources, including timber sales of varying size, quality, logging conditions, access, aspect (<u>general direction the slope of the site faces</u>), elevation, soils, etc.	See SBE Rewrite
111	25	27	Tim Holcomb, El Dorado County Assessor	Comment: Add definition of "conversion" to the glossary. SBE REWRITE (Glossary): <u>Conversion is a factor applied to measurement of logs by a nonstandard method to convert those measurements to the standard method of measurement.</u>	Accepted— See SBE Rewrite
112	—	—	Mike Mallory, Siskiyou County Assessor Gerald Cochran, Del Norte County Assessor	Comment: I would like the draft manual be revised to include discussion on valuation of property in the TPZ. In addition, I would like to request that the publication include specific examples of how non-renewals and recoupment fees are calculated when a property is pulled out of TPZ.	Accepted— See Attachment A
113	—	—	Eric Schallon, President, CA Licensed Foresters Association	Comment: The values set for Timber Production Zoned land is an obligation of the Board of Equalization and an integral part of the Yield Tax program. A detailed discussion of this topic would certainly illuminate the process.	Accepted— See Attachment A

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
114	—	—	Mike Jani, Mendocino Redwood Company	Comment: References on page 1, lines 12-15, and page 3, lines 7-8, clearly state that values are derived "in the ordinary course of business" which are determined "from the best evidence available, including" "other relevant factors." Despite this mandate, staff repeatedly has indicated that they are NOT bound to acknowledge the costs of the plan preparation though by law, no timber can be sold without an approved plan and any transaction "in the ordinary course of business" for the stumpage rights from any particular tract of timber would have to include the costs of securing the plan. It is time to recognize that issue and direct staff, through this manual to include plan costs in their assessment. Addressing this here will avoid the need to take the issue before the State Board of Equalization.	Not accepted—Pre-harvest costs are not deductible expenses per legal annotated letter 840.0040
115	—	—	Eric Schallon, President, CA Licensed Foresters Association	Comment: Timber Harvest Plan (THP) preparation costs are a very real up front logging expense that should be measured and a deduction allowed to Immediate Harvest Values for harvest from private and state timberland. These costs have risen considerably, and it is not realistic to expect the timber owner to continue to absorb them without tax relief. The THPs are statutorily required, and must therefore be paid just as any other permit needed to harvest. As such, the THP preparation costs are a valid logging expense that should be recognized. The THPs are only valid until harvest is completed or for a maximum of three years, plus two one year extensions. There is no capital improvement nor amenity added to the property that could be recovered.	Not accepted—Pre-harvest costs are not deductible expenses per legal annotated letter 840.0040
116	29	18	Peter F. Ribar, Campbell Timberland Management	Amend Property Tax Rule: ...The appraiser must consider all elements of value, such as volume by species, quality, defect, market conditions, volume per acre, size of timber, accessibility, topography, logging conditions, <u>timber harvest plan preparation costs</u> , and distance from a processing center capable of utilizing the timber.	Not accepted— A Property Tax Rule cannot be amended in a manual. Rules are amended via the Office of Administrative Law official rulemaking procedures.
117	34	11	Tim Holcomb, El Dorado County Assessor	Comment: Add definition of "breast height age" to the glossary. SBE REWRITE (Glossary): <u>Breast height age</u> is the age of a tree at a point 4.5 feet above average ground level.	Accepted— See SBE Rewrite

NO.	PAGE/LINE REFERENCE		SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION
118	34	12	Tim Holcomb, El Dorado County Assessor	<p>Comment: Add definition of "basal area" to the glossary.</p> <p>SBE REWRITE (Glossary): <i>Basal area</i> is the cross-sectional area of a single stem, including the bark, measured at breast height (4.5 feet).</p>	Accepted— See SBE Rewrite
119	36	12	Peter F. Ribar, Campbell Timberland Management	<p>Amend Property Tax Rule: ... Allowance is made for differences in age, size, quality, cost of removal, accessibility to point of conversion, market conditions, <u>timber harvest plan preparation costs</u>, and other relevant factors.</p>	Not accepted— A Property Tax Rule cannot be amended in a manual. Rules are amended via the Office of Administrative Law official rulemaking procedures.
120	44	Table G	Peter F. Ribar, Campbell Timberland Management	<p>Revise adjustments: Deduct \$40 \$65 for volumes which were yarder/skyline logged (Logging Code S)</p>	Not accepted—Table is provided as an example. The amounts are irrelevant.

CHAPTER 4: TIMBERLAND PRODUCTION ZONE LANDS

The purpose of sections 51110 through 51119.5 is to establish timberland production zones¹ to be valued for property taxation on the basis of lands used for growing and harvesting timber only. The original 1977 statutory scheme for zoning property as timberland production was quite extensive:

- The county assessor was required to determine parcels which, as of the lien date in 1976, were assessed for growing and harvesting timber as the highest and best use of the land—referred to as "List A."²
- The county assessor was required to determine parcels which, as of the lien date in 1976, appeared in the assessor's judgment to have constituted timberland, but which were not assessed for growing and harvesting timber as the highest and best use of the land—referred to as "List B."³
- The county or city planning commission was required to hold public hearings on parcels and to make recommendations to the board of supervisors.⁴
- Landowners whose properties were not included on either List A or List B could petition to the board of supervisors to have their properties added to the timberland production zone.⁵
- The board of supervisors was required to hold public hearings on parcels and consider the recommendations of the planning commission prior to having parcels zoned as timberland production.⁶

Despite the desirability and advantages of having land zoned as timberland production, the Legislature was cognizant of the long-standing right of owners of properties to do with their properties what they wish. Therefore, provision was made for owners to demonstrate that it would not be in the public interest for their parcels to be zoned as timberland production.⁷

Today, all parcels zoned as timberland production are zoned as such for an initial term of 10 years. On the first and each subsequent anniversary date of the initial zoning, a year is added to the initial term of 10 years, unless a notice of rezoning is given.⁸ All parcels in a timberland production zone are taxed pursuant to the Timber Yield Tax Law.

¹ Also known as "timberland preserve zones."

² Section 51110.

³ Section 51110.1.

⁴ Section 51110.2.

⁵ Section 51110.3.

⁶ Section 51112.

⁷ Section 51110.

⁸ Section 51114.

COMPATIBLE USES

Timberland means any land that is devoted to and used for growing and harvesting timber and compatible uses.⁹ Compatible use is defined in section 51104 as:

... (h) "Compatible use" is any use which does not significantly detract from the use of the property for, or inhibit, growing and harvesting timber, and shall include, but not be limited to, any of the following, unless in a specific instance such a use would be contrary to the preceding definition of compatible use:

(1) Management for watershed.

(2) Management for fish and wildlife habitat or hunting and fishing.

(3) A use integrally related to the growing, harvesting and processing of forest products, including but not limited to roads, log landings, and log storage areas.

(4) The erection, construction, alteration, or maintenance of gas, electronic, water, or communication transmission facilities.

(5) Grazing.

(6) A residence or other structure necessary for the management of land zoned as timberland production.

The county board of supervisors or city council was mandated in 1976 to adopt a list and detailed description of compatible uses additional to those legislated in section 51104.¹⁰ Subsequently, the board or council continues to make determinations regarding compatible uses within the timberland production zones.

Property restricted to timberland use is excluded from the provisions of Article XIII A (commonly known as Proposition 13) and instead is valued under the Timber Yield Tax Law. However, property not subject to valuation under the Timber Yield Tax Law within a timberland production zone, such as structures, structure sites, and compatible uses, is to be valued according to the provisions of Proposition 13, i.e., valued at their adjusted base year value or at current market value, whichever is less. This would also include possessory interests where appropriate.¹¹

As an exception, the values of **temporary** access roads, culverts, drainage ditches, and other improvements necessary to the growing and harvesting of timber by providing *accessibility to point of conversion*¹² are not valued pursuant to Proposition 13, but are included in the estimates of immediate harvest value for the relevant timber value area. Thus, roads, culverts, drainage ditches, and

⁹ Section 38103.1.

¹⁰ Section 51111.

¹¹ Section 107.

¹² Section 38109.

1 improvements necessary for timber access are not assessable as a compatible, nonexclusive use of
2 timberland, except to the extent that they may exceed what is necessary to provide essential accessibility.

3 **LAND VALUES**

4 Section 434 sets forth instructions for grading timberland into five general site quality classes for each
5 timber region or sub-zone. Each of these site quality classes is the same as adopted by the State Board of
6 Forestry.¹³ There are two timber regions and one sub-zone for timberlands within California:

- 7 • Redwood Region¹⁴
- 8 • Whitewood Subzone of the Redwood Region¹⁵
- 9 • Pine-Mixed Conifer Region¹⁶

10 From the inception of the Timber Yield Tax and timberland production zones (TPZ) until lien date 1984,
11 TPZ lands were valued using the sales comparison and income capitalization approaches to establish bare
12 land values. In 1983, the Legislature replaced the previous land values with a schedule of bare land values
13 that is subject to annual adjustment. Section 434.5 prescribes the method of making annual adjustments to
14 the value per acre of TPZ property for the various site classes and timber regions.

15 **CALCULATION OF TIMBERLAND PRODUCTION ZONE VALUES**

16 A rolling five-year average is used to calculate the percent of change which is applied to the previous land
17 values to compute new land values.¹⁷ Each fiscal year, the total of saw log harvest value and volume is
18 calculated into a single average value for all species reported on a board foot basis. A fiscal year of
19 harvest reports is comprised of the total of the third and fourth quarter of one year, and the first and
20 second quarter of the successive calendar year. Volume is the total of all green timber and salvage timber,
21 and the immediate harvest value total is all green and salvage timber.

22 The annual adjustment is a measurement of percent change between two sets of five-year periodic
23 averages. Each of these sets consists of the average of five annual averages combined for the "five-year
24 periodic immediate harvest value." Using the most current six years of reporting, set one consists of years
25 one through five in chronological order. Set two consists of years two through six. The percent change,
26 rounded to the nearest one-tenth of 1 percent, between these two sets of periodic averages is then divided
27 by two and applied to the previous year's values. The dollar amount is then rounded to the nearest dollar
28 before being added to the previous year's timberland value.

¹³ Section 4528, subdivision (d), and section 4528, Public Resources Code.

¹⁴ Section 434.5, subdivision (a)(1).

¹⁵ Section 434.5, subdivision (a)(2).

¹⁶ Section 434.5, subdivision (a)(3).

¹⁷ Section 434.5.

1 Example of How the Percentage of Change is Calculated

<u>Fiscal Year</u>	<u>Volume Logged</u>	<u>Harvest Value</u>	<u>Average \$/M</u>
(1) 1998 – 1999	2,239,822	\$774,664,690	(1) \$345.86
(2) 1999 – 2000	2,179,497	\$825,642,326	(2) \$378.82
(3) 2000 – 2001	1,848,645	\$845,644,868	(3) \$457.44
(4) 2001 – 2002	1,652,280	\$502,457,129	(4) \$304.10
(5) 2002 – 2003	1,632,072	\$420,989,485	(5) \$257.95
(6) 2003 – 2004	1,816,420	\$493,022,147	(6) \$271.43

2

<u>First 5-Year Periodic Average</u>		<u>Second 5-Year Periodic Average</u>		
(1) \$345.86		(2) \$378.82		
(2) 378.82		(3) 457.44		
(3) 457.44		(4) 304.10		
(4) 304.10		(5) 257.95		
(5) <u>257.95</u>		(6) <u>271.43</u>		
Total \$1,744.17		Total \$1,669.74		Total divided by 5 equals the average
Average <u>\$348.83</u>		Average <u>\$333.95</u>		

3

4
$$(\$333.95 - \$348.83) \div \$348.83 \times 100 = -4.27\% \text{ (-4.3\% rounded)}$$

5
$$-4.3\% \div 2 = \underline{-2.1\%}$$

6 Example of How the Percent of Change is Applied

<u>Redwood Region</u>	<u>2004 Value</u>		<u>% of Change</u>	<u>Change</u>	<u>2005 Value</u>
Site I	\$272	x	-2.1%	\$ -6	\$266
Site II	\$221	x	-2.1%	\$ -5	\$216
Site III	\$193	x	-2.1%	\$ -4	\$189
Site IV	\$168	x	-2.1%	\$ -4	\$164
Site V	\$ 53	x	-2.1%	\$ -1	\$52

7

8 The adjusted values are sent to the Board for approval each year, prior to November 30. After approval,
 9 the Board certifies to county assessors the values to be used in the following calendar year for lands zoned
 10 timberland production.

11 REZONING

12 Sections 51120 through 51146 describe the process of getting TPZ lands rezoned to an alternative use.
 13 The law describes two methods of rezoning TPZ property:¹⁸ rezoning or immediate rezoning. Rezoning
 14 may be initiated by either the owner or by the county board or council and involves the non-renewal of
 15 the 10-year term of the TPZ and a change in zoning after the 10-year contract expires. Immediate
 16 rezoning, as the name implies, may be done immediately when the continued use of the TPZ is neither

¹⁸ Sections 51120, 51121, and 51130 through 51134.

Attachment A

1 necessary nor desirable to accomplish the purposes of section 3(j) of Article XIII of the Constitution.¹⁹
2 Immediate rezoning may only be initiated by the owner.

3 Removal from TPZ over a 10-year period requires the landowner or the county board or council to give
4 written notice at least 90 days prior to the anniversary date of the original zoning date. If no timely
5 written notice is provided, the zoning is automatically deemed extended.

6 The written notice must name the new zoning desired and follow the procedures established in
7 Government Code sections 65854 through 65857. With timely written notice, rezoning proceeds as
8 follows:²⁰

- 9 • Within 120 days of receipt of the written notice of an owner's desire to rezone a parcel, the county
10 board or council, after a public hearing, will rule on the request for rezoning.
- 11 • The county board or council, by a majority vote of the full body, may remove the parcel from the
12 TPZ and must specify a new zone for the parcel.
- 13 • The new zone will become effective 10 years from the date of approval. Upon rezoning, the parcel
14 will be valued pursuant to section 426 in the same manner as if a restriction were terminated.²¹
- 15 • If the county board or council denies the owner's request for rezoning, the owner may petition for a
16 rehearing.

17 If a county board or council desires not to extend the term of a TPZ, then, after a public hearing, the
18 county board or council must give written notice of its intent to change the zoning. Written notice must be
19 given at least 90 days prior to the anniversary date of the zoning, or the zoning will be deemed extended.
20 Once the notice is provided to the landowner, the owner has 30 days to appeal. The county board or
21 council may at any time prior to the anniversary date withdraw the notice of intent to rezone.²²

22 The county board or council must hold a public hearing to reaffirm its intent to change the zoning. A new
23 zone of a parcel will be effective 10 years from the date of the reaffirmation vote. Upon rezoning, the
24 parcel will be valued pursuant to section 426.²³

25 IMMEDIATE REZONING

26 If an application for conversion is required pursuant to section 4621 of the Public Resources Code,
27 rezoning can be approved by a four-fifth vote of the full county board or council and all of the following
28 occur:²⁴

- 29 1. A public hearing with notice to property owners within one mile of the property.

¹⁹ Section 51130.

²⁰ Section 51120.

²¹ Sections 51091 or 51245.

²² Section 51121, subdivisions (a) and (b).

²³ Section 51121, subdivision (d).

²⁴ Section 51133.

1 Example of Calculating a Recoupment Fee

2 A landowner has a 160-acre parcel that has been zoned TPZ for the last 10 years, Site II,
3 Redwood Region.

4 The current tax liability is:

5 160 (acres) x \$221 (Site II, Redwood Region value) = \$35,360 value

6 \$35,360 x .01 (tax rate) = \$353.60 tax

7 After the property undergoes immediate rezoning to RR-10, the tax liability is:

8 Accessed value is set at \$750,000 or \$4,687.50 per acre

9 \$750,000 x .01 (tax rate) = \$7,500 tax

10 The tax recoupment fee is:

11 \$7,500 (new tax) - \$353.60 (prior tax) = \$7,146.40 x 13.97164 (10-year multiple) =

12 \$99,846.93 recoupment fee

13 The recoupment fee is payable to the county in which the rezoning occurs. The fee is enrolled on the
14 county assessment roll and becomes a lien on the property.

15 The landowner can submit a written application to the State Board of Equalization or the county board, if
16 the county has an authorizing resolution, requesting a waiver of the recoupment fee. All or part of the fee
17 can be waived if it is determined to be in the best interest of the public.

APPRAISAL PROCESS

In an economic context, *appraisal* is the process of estimating the value of specific property at a stated time and place. For the Board's timber appraisers, it is the process of estimating the value of each species or subclassification of timber within each timber value area as of the timber appraisal date—the date that the immediate harvest values are determined. The values established represent the amount that each species or subclassification of timber would sell for on the stump at a voluntary sale made in the ordinary course of business with all access and permits in place. These values are a reflection of the marketplace as of the appraisal date (the date that the immediate harvest values are determined); they are not an attempt to predict the future marketplace.

STAGE 1—COLLECTION AND ANALYSIS OF DATA

Data regarding sales are solicited from sources available to Board staff. Those sources include government agencies, landowners, timber owners, registered professional foresters, consultants, log brokers, and licensed timber operators. Data collected include, but are not limited to:

- Sale date
- Volumes
- Volume per log
- Prices
- Acreage
- Logging conditions—for example, how steep is the road?
- Logging system—tractor, cables, helicopter
- Quality of product
- Unusual costs—for example, construction of a house pad, bridge, or other permanent improvement

Each sale is analyzed to determine if the sale was an arm's-length transaction. Factors reviewed include:

- Was the sale an open-market transaction?
- Was either the buyer or seller under duress to achieve the sale?
- Was the buyer and seller aware of the quality of the product?

Only data from sales transactions that meet the definition of fair market value are used in the analysis. Fair market value is defined in section 110 as:

... "full cash value" or "fair market value" means the amount of cash or its equivalent that property would bring if exposed for sale in the open market under conditions in which neither buyer nor seller could take advantage of the exigencies of the other, and both the buyer and the seller have knowledge of all of the uses and purposes to which the property

is adapted and for which it is capable of being used, and of the enforceable restrictions upon those uses and purposes....

If a sale is considered not to be an arm's-length transaction, it is excluded from further analysis and not placed in the sales database. Sales that are judged to be an arm's-length transaction are placed in the sales database and undergo further analysis:

- Is the bid price skewed (for example, lump sum, one price for all species)? If so, the bid price is reallocated based on average log market reduced to stumpage ratios for the date of sale.
- Is the bid price market related—is the species bid at prices proportional to their value based on current log markets? If so, no reallocation of the bid price is necessary.
- Are there contract escalation clauses that should be applied up to the bid date?
- Should miscellaneous fees, deposits, nonmonetary payments, etc., be included in the sale price?
- If the sale is a log sale, should either actual or estimated logging and haul cost be deducted?
- Should the sale be adjusted to tractor cost if an alternative logging system was included in the sale price?

Indicated stumpage prices are calculated as of the date of sale. When the analysis of a sale has been completed, sales are entered into a database for use by Board staff in the harvest value setting process.

STAGE 2—SALES ANALYSIS

Once the sales database is complete, secondary adjustments are applied to the sales prices of each sale in the database from stage 1. These secondary adjustments include time adjustments from the log indices and adjustments for any deductions applicable to each specific sale (low total volume or low volume per acre or county deduction).

Indices are Developed—Coastal and Inland

- Delivered log prices are collected from mills.
- Camp run or diameter log prices are converted to represent size code prices for each mill.
- Current species size code prices for each mill are compared to the previous period prices to compute changes.
- Changes for all mills are averaged to compute average species size code changes.
- Average changes are applied to base numbers to produce species size code indices.

During the value analysis process, adjustments are made to the indicated stumpage price for each species for every sale. Adjustments that may include a change in the index from the bid date to the appraisal date, and any deductions (for example, low volume per acre or low total volume) applicable to the specific sale, are included to compute the adjusted immediate harvest value for each species for every sale. Any appropriate county adjustments are also made at this stage of the appraisal.

Once the completed database has had all adjustments applied, a series of reports are produced which assist Board staff in estimating immediate harvest values for each classification and subclassification of timber in the schedules. These reports summarize the sales data in a number of different ways, including:

- By weighted average prices for each species category by timber value area
- By year of sale
- By groups of sales from multiple years
- By array of sales prices for each species
- By unweighted average price

Value analysis is initiated as follows, and sales are selected from database based on:

Sale dates
Timber value area
Helicopter used (yes or no)
Government or private sale
Log or stumpage sale
Logging system
Total volume parameters
Volume per log parameters
Volume per acre parameters
Other factors as appropriate

The database program then computes a series of average immediate harvest values; some are weighted by volume and some are arithmetic averages. For those sales of more than one year in duration, the species volumes are divided by the number of years and this fractional volume is used as the weighting volume for averages weighted by volume.

SALES ANALYSIS PROCESS

The following table is an example of the averages computed for one species in one timber value area (TVA). The example demonstrates the 64 averages computed for government (G) only, private (P) only, and P&G combined for green timber in one TVA. A similar table of averages is produced for the salvage sales for each species. This gives the appraiser a potential of 128 averages for an individual species (with size codes) in each TVA. These averages are all indicators that the appraiser uses when selecting a proposed immediate harvest value for one species in either the green or salvage table. The actual report would show total volume and number of sales for each of these averages.

Green Pines—TVA 7

SC1	Year 3, P (only)	Year 2, P (only)	Year 1, P (only)	Year 1&2, P (only)	Year 1, 2 & 3, P (only)
	Year 3, G (only)	Year 2, G (only)	Year 1, G (only)	Year 1&2, G (only)	Year 1, 2 & 3, G (only)
	Year 3, G&P	Year 2, G&P	Year 1, G&P	Year 1&2, G&P	Year 1, 2 & 3, G&P
*Without index or deductions					
SC2	Year 3, P (only)	Year 2, P (only)	Year 1, P (only)	Year 1&2, P (only)	Year 1, 2 & 3, P (only)
	Year 3, G (only)	Year 2, G (only)	Year 1, G (only)	Year 1&2, G (only)	Year 1, 2 & 3, G (only)
	Year 3, G&P	Year 2, G&P	Year 1, G&P	Year 1&2, G&P	Year 1, 2 & 3, G&P
*Without index or deductions					
SC3	Year 3, P (only)	Year 2, P (only)	Year 1, P (only)	Year 1&2, P (only)	Year 1, 2 & 3, P (only)
	Year 3, G (only)	Year 2, G (only)	Year 1, G (only)	Year 1&2, G (only)	Year 1, 2 & 3, G (only)
	Year 3, G&P	Year 2, G&P	Year 1, G&P	Year 1&2, G&P	Year 1, 2 & 3, G&P
*Without index or deductions					
All SC	Year 3, P (only)	Year 2, P (only)	Year 1, P (only)	Year 1&2, P (only)	Year 1, 2 & 3, P (only)
	Year 3, G (only)	Year 2, G (only)	Year 1, G (only)	Year 1&2, G (only)	Year 1, 2 & 3, G (only)
	Year 3, G&P	Year 2, G&P	Year 1, G&P	Year 1&2, G&P	Year 1, 2 & 3, G&P
*Without index or deductions (includes sales without size codes)					
* Arithmetic average; not weighted by volume (all others are weighted by volume) Year 1 = current calendar year; Year 2 = previous calendar year; Year 3 = two previous calendar years					

The following are some of the ways that appraisers use the various indicators developed by the above table:

1. The appraiser starts by focusing on the Year 1&2, G&P, average for the dominant size code (the one with the strongest sales information—most sales and volume) for each species. Typically, this is size code 3 in the green table.
2. In the spring, the appraiser focuses on the Year 1&2 average because many times there is a shortage of current year sales since, to date, there have only been one to two months of current year sales activity. In the fall, the appraiser will focus on the Year 1 sales since by then there have been nine months of the current year's sales.
3. The appraiser monitors trends between Year 1, Year 2, and Year 3 as indicators of how well the indices are tracking the market and general market trends.
4. The appraiser looks at the relationship between size codes for each species. Occasionally, the relationship of the sales does not fit with the logical expectations—SC1 being the highest and SC3 being the lowest values.
5. If there are no sales in a particular size code, the appraiser estimates the value based on other size codes for which there are available sales.
6. The appraiser also analyzes key indicator sales. These are recent sales containing a high percentage of the subject species.

7. Once the appraiser finishes the independent analysis of green and salvage for each species, the appraiser compares the green and the salvage preliminary proposals to ensure the changes in one are consistent with the changes in the other.
8. Next, the appraiser plots the preliminary proposed values on the array of all sales.
9. If the plotted proposals are not well distributed within the array, the appraiser will re-examine the process to make sure that nothing has been misapplied during the analysis process.
10. Once the appraiser is satisfied with the proposed values, the values are compared to the previous schedule to determine the amount of change. If the indicated changes are not representative of changes in the log and stumpage markets, the appraiser re-examines the analysis to validate the conclusions.

Board staff appraisers analyze differences that are evident between indicators, and arrive at a reasonable value conclusion for each timber classification. Each indicator is reviewed to ensure that it accurately represents the timber being valued. The impact of distorted bidding and the existence of other considerations in the purchase price are considered.

SUGGESTED VALUES

Board staff analyze the sales data and determine supportable harvest values for inclusion in the suggested harvest value schedules that are submitted to the TAC for discussion and ultimately to the Board for adoption.

As with the appraisal of all types of property, with the variability of indicated values ultimately produced by the information in the database, Board appraisers must apply a degree of appraisal judgment in recommending immediate harvest values for the schedules. Since by definition an appraisal is an "estimate of value," all appraisals involve some degree of appraiser judgment. For instance, a timber appraiser must use judgment in rating the quality of the timber involved in a particular sale when determining whether that sale is comparable to other sales of the same timber species. Likewise, the appraiser must use judgment when comparing sales where the volume sold differs significantly since, generally, volume impacts the sales price.

The process of resolving the differences among value indicators is called *reconciliation*.¹ The result of reconciliation is a meaningful, defensible conclusion concerning the final recommended immediate harvest value.

The final value estimate is not a simple average of the timber sales; one or more sales often have greater significance and are given stronger consideration by the appraiser. Simply calculating an average implies

¹ For a complete discussion of the appraisal reconciliation process, see Assessors' Handbook Section 501, *Basic Appraisal* (January 2002, p. 109), and Assessors' Handbook Section 502, *Advanced Appraisal* (December 1998, p. 108).

that all the value indicators have equal validity. While this may occur in certain instances, it is usually not the case. The final value estimate must reconcile all available indicators in an analytical manner.

Example

The database grouping for determination of the proposed immediate harvest value for July 1 through December 31, 2005 for green Redwood size code 3 in TVA 2N, may provide the following weighted averages:

<i>Species</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2004-2005</i>	<i>2003-2005</i>
RG 3	700	681	590	643	683

The appraiser will analyze the database information to determine a final proposed value. The appraiser will look at each grouping of sales and ask questions such as:

- Are the sales in one grouping more market related than other groupings (is the species bid at prices proportional to their value based on current log markets)?
- Are the sales in one grouping subject to more adjustments than other groupings?
- Are the sales in one grouping comprised of a number of key indicator sales—recent sales containing a high percentage of the subject species?

For the above example, the appraiser may determine through the reconciliation process that the proposed immediate harvest value is, for example, \$640.

REVIEW OF SUGGESTED VALUES

Prior to the recommended harvest value schedules being submitted to the TAC and the Board, the values are reviewed by Timber Tax Section supervisors and the County Property Tax Division chief. Values that appear questionable or conflict with those of surrounding timber value areas are discussed in detail and may be re-evaluated. When the review process is complete, the suggested harvest value schedules are published and distributed to timber county assessors, the TAC members, and other interested parties.

SUBSEQUENT VALUE INDICATORS

New sales information may become available during or after the review process of the suggested harvest value schedules. Each group of new sales is analyzed by Board staff to determine if there is an impact on the original value estimates. If changes are in order, they may be made by Board staff prior to the TAC meeting and discussed at the meeting.

MODIFIED HARVEST VALUES

Occasionally, a catastrophic event, such as a wildfire, will significantly alter the market value of a large volume of timber. When the market value is affected to such an extent that the existing harvest value schedule does not represent that market value, then a modified schedule is considered. Modifications to

the Board-adopted harvest value schedules may be initiated by the Board or in response to a taxpayer's request.²

When a taxpayer requests a modification to the immediate harvest value schedule, the Board may adopt a modified schedule without consulting with the TAC. However, if Board staff proposes to modify the schedule, it shall consult with the TAC.³

If a modification to the harvest value schedule is proposed by Board staff, the resulting proposed modifications to values are subject to TAC review. Modified values are then presented to the Board for adoption prior to being used for reporting by taxpayers. These modified values are established for a specific period of time, condition, and timber value area, and are usually applicable to all similarly affected timber within the same timber value area.

Once modified harvest values have been adopted by the Board, the modified schedules are distributed to the taxpayers in the affected timber value area.

VALUE LIMITATIONS OF HARVEST VALUE SCHEDULES

Although Board staff expends a great deal of time gathering and analyzing sales of logs and standing timber, it should be noted that values in the Board's Harvest Value Schedules do not necessarily represent the value of any individual timber harvest. The schedule values are based on information from many sources, including timber sales of varying size, quality, logging conditions, access, aspect, elevation, soils, etc. What an individual seller may receive for his or her timber will not necessarily be the same as the values in the schedules. Value schedules are not a substitute for a market value appraisal for any particular tract of timber. They are values estimated based on the analysis of many different transactions over a large geographic area.

² Section 38204, subdivision (b).

³ *Ibid.*