

MERA Public Meeting 1/29/08
Transcribed by Susan Geer

V. Financing Opportunities
Hanley Jenkins and Tom Tuchman

Hanley: OK, we thought we would talk a little bit about the financing opportunities right now. Acquisition dollars are different than any kind of development dollars that might be available to us. We found basically 2 sources through the Oregon State Parks and Recreation Department and we have explored those sources through prior applications that have not been completed because we have not got to the point we can actually complete those until we get through the Purchase Sales Agreement that we signed with FCP this month.

We will be submitting new grant applications. The first one will be for an ATV grant. Under the ATV grant program the qualifying applicants can be any government agency, local, state, or federal. Those funds have to be used for off-highway vehicle projects. Those dollars require a 20% match unless you can meet specific criteria, and demonstrate you can meet the requirements for a 0% match. This is a new opportunity under the ATV grant program. Bart and I participated in hearing with the Parks and Rec. Commission over a year ago. We were very happy to be successful. The requirements for being an applicant for an ATV grant call for having an appraisal that meets the Uniform Standards for Federal Acquisition. We had an appraisal that was prepared a year ago. It is now dated under these standards and we will have to have a new appraisal performed that meets standards for both land and timber value. We are talking to appraisers. The funding for appraisals in the past has come from Coalition members and individuals. That is the way we will fund the new appraisal. You will see at the bottom of the questionnaire an opportunity to state if you want to help with the funding. The ATV grant requires that we prepare a Feasibility study that identifies development, operations, and management strategies for this piece of property. We did that over a year ago and we will be updating that study. Bart will be talking more about the elements of that study.

What happens is that the grants are submitted by February 22. It goes to an Advisory Committee. They will have us make a presentation, and they will make a recommendation to the Oregon State Parks and Recreation Commission which is meeting in Baker City in July of this year. They will be deciding on our grant request.

The second grant opportunity is through the Local Government Program again through the Oregon Parks and Recreation Department. This is only available to local governments and it used to have a maximum of \$500,000 grant request, but last week the Oregon Parks and Recreation Commission adopted new rules that increased the maximum to 1 million dollars. They also changed the match requirement from 40% to 20%, which makes it easier for acquisition requests that have such large dollar amounts. The local government grants are required to be spent on public outdoor parks. Again the local government grant requires an appraisal be performed that meets the Uniform Appraisal Standards for Federal Land Acquisition. We will get a double bang for our

buck, being able to use the same appraisal for both grant applications. The property will be open to general public and the process requires that we go to an advisory committee. The advisory committee will make a recommendation to the Oregon Park and Recreation Commission, and they will make the final decision.

Tom Tuchman is going to come up and talk about if we are only able to acquire the \$4.65 million from these two grant sources and we still have a gap between the 4.65 and the \$7.9 million. There is an opportunity to pursue outside financing. He is going to tell us what these opportunities are and how they work. Thank you.

Tom: Thanks Hanley. I am Tom Tuchman with US Forest Capitol; no relationship to Forest Capitol Partners. What we do is help sellers and buyers of forest land retain larger scale working forest where timber production, grazing and recreational opportunities are maintained. We have been retained by Forest Capitol Partners to help facilitate this type of transaction for Mt. Emily. I am really pleased to be of assistance. What I am going to talk about briefly is how we can look at external funding. What we are trying to do is figure out ways to finance the timber value using the timber as an asset to borrow against to bridge that gap that Hanley talked about. What was very clear to us is that any borrowing not be on the back of you, the citizen and taxpayer. We are looking at borrowing on the back of the forest itself. (Trouble with PowerPoint) That's alright.

A private borrower might go to the bank and ask to borrow \$3 million. The bank will come back and say, yes, you can borrow \$ 3 million and will charge you a 6% rate of interest. We want to make sure the timber revenues coming off that property will be sufficient to pay that debt. That is one opportunity here, but there is a better opportunity. A series of philanthropic organizations that are interested as part of their charitable purpose in lending to buyer's for purposes of large scale timber land protection and the debt is serviced as a sustainable harvest. Instead of a cost of 6% interest we are looking at 1-3%. Long story short—and hopefully I will be finished by the time you get the slides up—is that we have been in touch with a couple of philanthropic organizations. They are interested if needed in helping with loans to the county, recourse to the asset, not to the taxpayer. I want to emphasize this. The recourse would not be to the citizen taxpayer. It would be to the asset itself. It creates an incentive to keep working forests working and to keep that forest for recreational and other opportunities. In addition to that, if there is still a gap, we would look at other granting opportunities. That is what we are doing in addition to the grant opportunities to buy the land.