

1.4 CONVERSION OF TIMBERLAND

Timberland conversion, the transfer of timberland to other uses, occurs as a result of General Plan amendments and new subdivisions, as well as through the Certificate of Compliance process, which involves recognition of historic parcels that may be substandard to minimum parcel sizes and densities established by the General Plan. One quarter of all the Certificate of Compliance applications submitted since 1985 have been on agricultural properties and timberlands, affecting more than 18,000 acres. Since 2000, over 67% of all Certificate of Compliance/Determination of Status applications received by the County has been on agricultural and timberlands, affecting over 53,000 acres. Also, more than one half (53 percent) of all the lot line adjustment applications since 1985 have been on agricultural and timberlands, affecting more than 16,000 acres.

These changes are primarily reflective of the breakup of old family ranches. Timber production on these areas may still be viable; and it is unclear what specific effects this trend has had on the timber economy. However, forest management practices are generally not enhanced with smaller parcel sizes. Land ownership patterns, for example, are likely to become more complicated with smaller parcel sizes, which may inhibit resource production.

Direct land use conversions by rezone out of TPZ (Timber Production Zone) have been more limited, on the order of 1,000 acres over the last 25 years, 910 acres of which were part of the County's Eureka Community Plan in 1995.

An additional conversion issue that has long been a topic of debate is conversion by public acquisition, highlighted most recently by the Headwaters Forest Reserve acquisition, which removed 7,500 acres from timber production. While such conversions maintain the open space values of the lands, they are lost to the economic sector.

Finally, another process by which timberland conversion occurs is through the "Less than 3 acre Conversion Exemptions" which allow for the ministerial approval of conversion of less than 3 acres for other permitted land uses such as residential development.

1.4.1. NATIONAL TRENDS IN TIMBERLAND CONVERSION

Forest Ownerships are Fragmenting. On a national and global scale there has been several recent trends that have impacted forestland ownership and could potentially be factors in timberland conversions in Humboldt County. On a national level it has been shown that forest ownerships are fragmenting. Statistics presented by Best and Wayburn (2001) demonstrate a continuing shift to smaller, more residential ownerships and the concurrent reduction in the mid-sized, mostly non-industrial ownerships. There are growing numbers of individual ownerships with an increasing number of parcels along the urban-rural interface and in the accessible rural areas, especially along rivers and lakes. Given these trends, it is likely that today more forestland is owned by individuals and families who are less interested in timber harvesting as an important revenue source than was the case in the past. In Humboldt County this trend is manifested in the breakup of family ranches and other large tracts under individual ownership. Often times the breakup may not be by direct subdivision, but could occur through the

Determination of Status/Certificate of Compliance process where there are underlying patent parcels.

Individual Landowners are Aging. Another trend in forestland ownership is that individual landowners are aging. As of 1994, an estimated 2.5 million individual forest owners nationwide were 65 years or older and hold 23.5% of the total privately owned forests. An additional 2 million owners were estimated to be between 55 and 64. Many of these individual ownerships will go through some sort of intergenerational transfer in the next 20 years. Often times with such property transfers, tracts can be broken up and parcel sizes reduced. For some of these property transfers, unfunded estate taxes could force some degree of subdivision or unplanned timber harvest in the 1,000 acre plus size class. Additionally, owners in the 500 to 999 acre size class could be affected, depending on timber stocking and value. At current levels of estate tax, single owners of more than 500 acres begin to incur tax liability, exclusive of residential value or other assets and assuming no estate plan is in place. As can be seen in Tables 5 and 6, Humboldt County has numerous property owners in this category, thus representing a situation where further estate breakup and parcel size reductions can be expected of the next 20 years for non-industrial private timberland property owners.

Forest Industry is Restructuring. Again, as reported by Best and Wayburn (2001) much of the 1990s can be characterized as a period during which the forest industry is restructuring. Industry was marginally covering its cost of capital and generating little if any free cash flow; and pulp prices were wildly volatile. The result has been an acceleration in industry consolidation and turnover in U.S. industrial forestland and processing facilities, in an effort to improve stakeholder returns and compete successfully in an increasingly globalized business sector. To compete with low cost producers in Asia and South America, U.S. companies have been upgrading the efficiencies of their processing facilities, and, in the course, many mills have been closed or changed ownership. This has been particularly apparent in Humboldt County, which has seen the closure or sale of numerous major forest product mill facilities: L-P lumber mills (Samoa and Big Lagoon), L-P Samoa Pulp Mill, Eel River Sawmills, Simpson Samoa Pulp Mill, Palco Mills A and B in Scotia, etc. Companies are also seeking out the highest-yielding soils and species worldwide to grow fiber as fast as possible.

Larger companies have taken the course of industrial consolidation to gain efficiencies and greater control over the resource and markets, and a wave of mergers has swept this sector in the last five years. To unlock the increased market value of their forests, many large industrial companies are divesting themselves of these lands or restructuring the ownership in such a way as to gain greater investor value. Virtually all major forest products companies have sold major tracts in recent years. Pulp and paper companies have been net sellers. The majority of lands have been acquired by other industrial timber owners, as well as institutional investors. For example, over three years Georgia-Pacific sold its timberlands completely, with its California holdings bought by a TIMO on behalf of a pension fund, while Louisiana-Pacific has sold all of its California holdings, with much of this property being acquired by Simpson Timber Company. It is unknown at this time what the long term effects of this widespread restructuring might be on timberland conversion. There is a potential that changing ownerships and decreased interest in maintaining less productive soils and species could ultimately result in some conversions.

Financial Ownership of Forestland Is on the Rise. Another trend in forest ownership apparent in the 1990s is that financial ownership of forestland is on the rise. Forestland is evolving into a financial asset, owned for its value as a portion of a diversified investment portfolio. This type of ownership is increasing as investors seek greater tax efficiency and liquidity of their holdings. Another reason behind this trend is due to investment by pension funds, which are tax-exempt investors. Pension funds are the largest financial owners of forest lands in the United States. With the growing investment by pension funds, it is likely that financial ownership of private forests in the U.S. will accelerate. Many of the forest lands from which industrial corporations have divested themselves have gone into financial ownerships. There is no guarantee that the demands of the capital markets for return from these forests will be any different than the demands experienced by the forest industry. Hence, these owners would have similar management perspectives to other large forest owners such as forest products companies. In reviewing the 40 largest landowners in Humboldt County, it is evident that the largest forest land ownerships remain in the hands of industrial timber operators, Tribes, family ranches or individual ownerships.

1.4.2. STATE TRENDS IN TIMBERLAND CONVERSION

A recent study of Timberland Conversions in California from 1969 to 1998 was completed by Tian-Ting Shih (2002) of the California Department of Forestry (Technical Working Paper 1-01-02). Based on a 1994 U. S. Forest Service Inventory and Analysis estimate, approximately 7.4 million acres of timberland statewide are in private ownership and about 5.5 million acres of that total is zoned for timber production (TPZ). The remaining 2.9 million acres are not zoned TPZ but are treated as Timberland for purposes of forest practice regulation requiring conversion permits. Figure 8 shows the approximate location of private timberlands and TPZ lands in Humboldt County.

Under CDF's regulations, "conversion" from timber growing to other land uses may occur on land that is zoned for timber production or land that is still timberland but which is not zoned for timber production. Within non-TPZ timberlands, under Section 1100(g) of the California Code of Regulations (CCR), timberland conversion means transforming timberland to a non-timber growing use through timber operations where: future timber harvesting will be prevented; stocking requirements will not be met within five years; or there is a clear intent to divide timberland into ownerships of less than three acres (requires a timberland conversion permit).

Shih's analysis divides the state into three regions, with Humboldt County in the Coast region consisting of the Northern and central coast counties of Alameda, Colusa, Contra Costa, Del Norte, Humboldt, Lake, Marin, Mendocino, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma, Yolo, and western Trinity County. Over the past 30 years (1969-1998), 45,345 acres or 40 percent of timberlands converted in California were in the Coast region with an average of 259 acres per conversion. More recently (last two decades) the average acreage of timberland conversion permits issued was around 50 acres each year for the Coast region. During the first decade (1968-1977) 96 percent of the conversions were for grazing lands. More recently, conversions for subdivision development shifted from four percent during the first decade to 24 percent for the last decade. By acreage, more than half of timberland conversion statewide was used for subdivision development during the last two decades.

Another large factor in conversion of timberland in the region has been for the purpose of conversion to vineyards. Between 1991 and 1998, a total of 1,186 acres were converted to vineyards, with the bulk of these conversions in Medocino (32%), Sonoma (30%) and Napa (17%) counties. Timberland conversion to vineyards in Humboldt County, however, has been minimal so far, as most vineyard development here has been on non-timbered lands and there are fewer locations (notably Willow Creek, Briceland, and Myers Flat) in the county suitable for commercial production.

Statewide, from 1979 to 1998 only 36 out of 344 timberland conversions (direct rezone out of TPZ) were conducted on TPZ zoned land, and accounted for only 20 percent of the total timberland conversion acreage. Within these rezoning acreages, 7 percent were converted for subdivision development, 8 percent for recreation, and the remaining 85 percent for other land uses. This is in contrast to the picture for Humboldt County, where direct land use conversions by rezone out of TPZ have been more limited, on the order of 1,000 acres over the last 25 years, 910 acres of which were part of the County's Eureka Community Plan in 1995 to provide for more residential development.

Since most timberland conversions are conducted on non-industrial private land, timberland converted at historic rates has not significantly impacted California's timber supply, but has caused concerns when timberland conversions occurred around urban areas for subdivision and vineyard development. As reported by Shih, with California's large population and economic growth and public policies on land use unchanged, the overall trend is expected to rise for the next decade.

1.4.3 HUMBOLDT COUNTY TRENDS IN TIMBERLAND CONVERSION

When the Timber Production Zone potential was initially applied in Humboldt County in 1977, a total of 1,103,842 acres were identified as possible for TPZ zoning. During the TPZ zoning program, landowners had the opportunity to "contest" the zoning into TPZ by filing a written affidavit that a parcel had a "higher and better use" which was not included as a compatible use in the County's TPZ Ordinance or that the parcel was not physically suited for timber production. In response to these affidavits, 42,053 acres were not zoned into TPZ. Additionally, as a consequence of Redwood National Park expansion in 1978, an additional 51,115 acres were considered but not zoned into TPZ. Subtracting the opt-out acreage leaves 1,061,789 acres in TPZ.

As of the year 2000-2001, total acreage of TPZ was 983,173 (see Table 2), indicating a loss of 78,616 acres since 1977. A significant change occurred with the expansion of Redwood National Park in 1978 which involved approximately 50,000 acres. As stated above, only approximately 1,000 acres of this has been as a consequence of direct rezones out of TPZ applied for and approved by the Planning Commission and Board of Supervisors. Approximately 910 acres of this were part of the County's Eureka Community Plan in 1995.

Several other factors have played a role in direct conversion out of TPZ in Humboldt County: public acquisition by State or Federal agencies, land trusts established for conservation purposes, and private (non-profit interest group) acquisitions for purposes of donation to public entities for preservation. The latter category includes groups such as Save-the-Redwoods League, Ancient

Forest International, and The Nature Conservancy. Most notable among recent federal acquisitions is that of the Headwaters Forest which resulted in a 7,472 acre preserve managed by the Bureau of Land Management. Additionally, there were additions to Grizzly Creek State Park amounting to 761 acres in 1999 and 691 acres in 2003. A recent U. S. General Accounting Office report entitled *Federal Land Acquisitions in California Since January 1994* (GAO. 2000. GAO/RCED-00-239), identified acreage reportedly acquired by all Federal agencies during the previous seven year period. For Humboldt County the full ownership acreage reported during this seven year period was 5,210 acres. This figure does not include acreage that may have been acquired by third parties and donated to a federal agency or the more recent Headwaters Forest and Grizzly Creek transactions.

Other significant timberland conversions occurred as a consequence of the “Redwoods to Sea” and similar programs. In one transaction, this program of the Save-the-Redwoods League and Ancient Forest International resulted in the buyout of 3,800 acres of timberland from the Eel River Sawmills and transfer of ownership to the Bureau of Land Management. There are numerous other smaller purchases by these and other interest groups that have resulted in conversion and transfer to public entities. In 1998, the Save-the-Redwood League purchased a total of 690 acres, including the Hartsook Inn property in Garberville, and, in 2000, the League purchased over 4,785 acres of land statewide. The League’s Master Plan calls for numerous future additions to existing State and Federal redwood forest land holdings throughout Humboldt County though no specific acreages are identified. Efforts of Ancient Forest International are also ongoing for additional purchases, such as the 705 acre “Hole in the Headwaters.”

Continued timber land conversion from TPZ through acquisition by non-profit organizations and donation to public agencies is likely. Unlike direct purchase by State or Federal agencies, which include compensation such as the Headwaters Fund to offset impacts to local government, there is no compensation from these non-profit acquisitions. The acreage involved can be significant and a greater factor in timberland conversion than either direct subdivision or rezoning.

Certificates of Compliance/Determinations of Status. In addition to conventional methods of creating legal parcels (i.e., through subdivisions pursuant to the Subdivision Map Act), certificate of compliance/determination of status projects have sometimes been used to establish new parcels. A Certificate of Compliance is a legal document, which certifies that a parcel of land complies with the Subdivision Map Act. In other words, it is a document that states that a particular parcel of real property has been legally created.

There are a number of different ways to subdivide real property. The most common way is by tract map or parcel map. These processes are recognized by the State of California and by Humboldt County as being legal means of subdividing. However, many parcels were created long before these processes became widely accepted. Generally, if a parcel was created without using a process established by the Subdivision Map Act, yet was created prior to a specific date, then it is considered to be legally created.

The issuance of a Certificate of Compliance simply means that the parcel complies with the Subdivision Map Act. It does not mean that it complies with the Zoning Ordinance, Building Code, General Plan, or any other law or ordinance. Additionally, the issuance of a Certificate of Compliance does not necessarily mean that the lot has an approved means of access. Zoning, building codes, and access are not criteria used to determine the issuance of a Certificate of Compliance. It is feasible that a Certificate of Compliance can be issued for a parcel that is

otherwise "unbuildable" or not suitable in terms of minimum size for the applicable zoning, such as TPZ.

Table 8 gives the acreage of TPZ zoned lands involved in Determinations of Status/Certificates of Compliance (DS/CC) for the seven year period 1995 to 2001. Not all of the acreage involved represents timberland or timberland conversions. Many of the large ranch parcels in the county have split zoning with a mix of Agriculture Exclusive and TPZ lands. As some of these ranches change hands, recognition of historic property boundaries occurs. In some cases, this may precede breakup of some large ranch holdings or it may be for purposes of establishing more logical management units. For example, the 1998 acreage includes a 934 acre estate of AE/TPZ land which applied to be broken up by a combination of DS/CC and Lot Line Adjustment to result in partially TPZ zoned parcels of 576 acres, 210 acres and 147 acres (this application was subsequently rescinded due to a agricultural preserve contract). In addition, some industrial timber land owners sometimes use the DS/CC and LLA processes to establish timber management units or for tax structuring.

Year	1995	1996	1997	1998	1999	2000	2001
Acres	1,453	1,980	297	16 (934)	366	1,617	1,083
No. Parcels	11	24	11	5 (3)	20	57	28

**Includes parcels with split zoning of AE/TPZ and some pending applications.*

As indicated by Table 8A, the number of applications received by the County for Determination of Status/Certificates of Compliance for TPZ lands has increased substantially for the four year period between 2001 to June, 2005. One quarter of all the Certificate of Compliance applications submitted from 1985 - 2000 was on agricultural properties and timberlands, affecting more than 18,000 acres. Since 2000, over 67% of all Certificate of Compliance/ Determination of Status applications received by the County has been on agricultural and timberlands, affecting over 53,000 acres. Two large industrial timber companies, Eel River Sawmills and Barnum Timber have submitted applications for DS/CC on over 30,000 acres of TPZ land in the past 4 years.

Year	01-02	02-03	03-04	04-05*
Acres	14,861	6,605	12,809	22,230
No. Parcels	61	27	152	167

*Through June, 2005

Lot Line Adjustments. A lot line adjustment is typically a minor movement of a property line(s) between two or more adjacent parcels. Lot line adjustments are used to correct minor trespasses or to add acreage to a parcel for the owners convenience. In addition, lot line adjustments have been used in combination with the DS/CC process to recognize and totally reconfigure a number of large acreage resource parcels. Lot line adjustments may affect TPZ zoned land in several ways. In some cases the adjustment may result in parcels smaller than 160 acres and require approval of a joint timber management plan. The Subdivision Map Act was revised in 2002 to require that LLA's involving more than four parcels must now be processed as a subdivision. This has effectively reduced the number of reconfigurations of resource lands by LLA into residential subdivisions.

Table 9 gives the acreage of TPZ zoned lands involved in Lot Line Adjustments (LLAs) for the seven year period 1995 to 2001.

Table 9. Lot Line Adjustments of TPZ zoned lands or partially TPZ zoned lands.							
Year	1995	1996	1997	1998	1999	2000	2001
Acres adjusted between parcels < 160 acres	101	279	1,244	170	73	137	55
Acres adjusted from > 160 to <160 acre parcel size	0	0	189	337	257	80	0
Acres adjusted between parcels > 160 acres	478	478	894	3,154	435	1,367	0

For the most part, lot line adjustments have either been minor adjustments between substandard sized parcels (less than 160 acres) or have been reconfiguration of larger resource parcels. In five cases during this seven year period parcels smaller than 160 acres were allowed by lot line adjustment with the preparation and approval of Joint Timber Management Plans. Since 2001, TPZ parcels as small as one and five acres have been approved with Joint Timber Management Plans by the Forestry Review Committee.

Subdivisions. Between 1995 and 2001 there have been only 5 subdivisions that have involved significant areas of TPZ lands. These include: 1) a lot split involving 20 acres of TPZ; 2) five one-acre RS lots split off from 30 acres of TPZ; 3) reconfiguration of AE/TPZ lands from 327 acres to 160 and 167 acres; 4) 14 acres of TPZ split into two lots; and 5) division of a 662 TPZ parcel into parcels of 160 and 402 acres. From 2001 to June, 2005 there have been 8 subdivision applications received that have involved TPZ lands. These included 1) 5 parcels on 42 acres of TPZ/AE; 2) 2 parcels on 77 acres of TPZ; 3) 3 parcels on 75 acres of TPZ/AE; 4) 3 parcels on 309 acres of TPZ/AE; 5) 2 parcels on 173 acres of TPZ; 6) 3 parcels on 118 acres of TPZ/AE; 7) 3 parcels on 25 acres on TPZ land; and 2 parcels on 128 acres on TPZ/AE.

TPZ Zone Reclassifications. There has not been a lot of requests processed to rezone properties in the County out of Timber Production Zone. In the past seven years there has only been 9 direct rezones affecting TPZ lands, and of these, 7 were rezones from other zones into TPZ. The two rezones out of TPZ during this seven year period involved 10-year phase out of TPZ for a 30

acre parcel and a 20 acre parcel. As noted previously, direct land use conversions by rezone out of TPZ (Timber Production Zone) have been rather limited, on the order of 1,000 acres over the last 25 years, 910 acres of which were part of the County's Eureka Community Plan in 1995.

Less than 3 Acre Conversion Exemptions. Finally, another process by which timberland conversion occurs is through the "Less than 3 acre Conversion Exemptions" which allow for the ministerial approval of conversion of less than 3 acres for other permitted land uses such as residential development.