

SOCIALLY RESPONSIBLE FORESTLAND INVESTING

FOREST LEGACY INVESTMENTS, LLC



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What role does the environmental perspective have to play in improving the investment profile for timberland? How is this perspective informed?

We accomplished this by using a number of tools such as selling and/or donating conservation easements* and developing non-timber revenue from environmental services (e.g., carbon credits). For instance, we may sell or donate a conservation easement that restricts development on a property to a conservation organisation. Another, may be selling a conservation easement that promotes sustainable harvesting or requires a particular forest management regime, not only while we manage it, but as a condition of ownership for future buyers. These approaches are designed to provide our investors with economic advantages such as potential deal sourcing benefits and creating a less volatile investment.

Timberland property values in today's marketplace often reflect a non-timber or higher and better use (HBU) component. The HBU component represents a property's potential for generating value by something other than growing trees. In most cases this value is future conversion to residential or commercial real estate. By selling or donating a conservation easement that conveys future development rights (i.e., restricts or removes development rights) we are able to immediately capture the HBU value of the property and can eliminate the future speculative risk on this value. This approach helps create more of a "pure play" timber investment as opposed to a timberland investment mixed with speculative real estate value.

The environmental perspective is informed through our own knowledge of the general threats to forests, most notably population encroachment on forests, as well as from intelligence gathered from local, regional and national land trusts and conservation organisations as well as governmental entities – whom we partner with.

How do you address the inherent conflicts of achieving attractive investment targets and environmental goals? Do you ever receive conflicting opinions regarding environmental priorities and how do you decide which environmental needs get priority?

The specific conservation strategies of our funds are largely dependent on the individual forestland property, market opportunity, and the fund investors, but all have the long-term health of our forests as an important goal. Hence our conservation plans are conceptualised to span not just the next decade or two, but the next century. Environmental goals that this approach can achieve include (but are not restricted to): FSC certified sustainable harvesting, permanent protection from development, watershed protection, habitat protection, and providing buffer zones to sensitive habitats.

In most cases our assessment of a parcel's environmental threats match conservation groups' assessments. Our intent is to work closely with conservation organizations and environmental consultants on each investment. With challenges such as conversion of forests to development and/or fragmentation, there is widespread agreement to focus efforts on those issues. There may be some variances about third-tier environmental challenges, but those are generally resolved by working with our strategic partners.

What sets Forest Legacy Investments apart from other timberland investment managers?

While the idea of socially/environmentally managed timber investments has been circulating for some time, there are relatively few practitioners. Forest Legacy Investments is a specialty timberland advisory firm with a mission to conserve forestland while earning a healthy return for our investors. These outcomes are compatible as we pair conservation capital with private equity in order to manage the forestland with both investment and ecological concerns in mind.

Along with investment goals, Forest Legacy Investments commits to meet or exceed certain environmental outcomes with each fund.

There is much to know about each region in terms of tree species, soil, growing conditions, products derived from the logs, land owners big and small, market conditions, third party managers and service providers, and mill owners, to name a few. We know the Western US, and foster relationships with the best of breed providers.

(*A conservation easement is a land use restriction. It is a legal agreement between a landowner and a land trust or government agency that permanently limits uses of the land and protects its conservation values)