

May 16, 2008

Plum Creek: Farm bill includes land sale provision

By MICHAEL JAMISON of the Missoulian

Montana could purchase vast forested swaths of Plum Creek Timber Co. land, valued at hundreds of millions of dollars, under a little-known provision tucked into the nation's farm bill.

That \$307 billion piece of legislation passed through the Senate on Thursday, after clearing the House a day before.

Congressional critics called the provision "green pork," and complained the program's narrow criteria were met only in Montana, where Plum Creek owns 1.2 million acres.

The provision, pushed by Sen. Max Baucus, D-Mont., would allow states or nonprofit groups to issue \$500 million in federal tax-credit bonds. Money raised would buy up critical forestland now being eyed for real estate development.

"Max doesn't want to see these prime hunting and fishing lands turned into golf courses, condos and strip malls," said Baucus spokesman Barrett Kaiser. "Private timberland is being gobbled up for development, and this provision gives states the tools they need for land conservation."

Local governments like that idea, worried as they are about the public costs of servicing new residential neighborhoods in the woods, and conservationists like it, too, as it ensures recreational access and wildlife security.

Under the provision, the state or a nonprofit would sell up to \$500 million in tax-credit bonds to an investor. In return, the investor would receive a tax credit of somewhat more than the initial \$500 million.

The state or nonprofit then would use a portion of the money to purchase key lands. The remainder would be invested, so that when the bond matured, the issuer could pay back to the federal treasury the \$500 million in deferred taxes.

The provision would cost taxpayers an estimated \$250 million over 10 years - the additional tax credit claimed by the bond buyer, plus the interest lost on tax money not collected.

An alternative allows the state or nonprofit to forego the bonds and simply receive a \$250 million payout from the federal government for purchase of the forest lands.

It is a system modeled after the "Liberty Zone Bond" program, implemented to help rebuild New York after the Sept. 11, 2001, attacks.

To qualify for Baucus' "Forestry Bond" program, the woody parcels must be adjacent to U.S. Forest Service lands, must be at least 40,000 acres in size, and must be covered by a native fish conservation plan approved by the U.S. Fish and Wildlife Service.

(In 2000, Plum Creek signed onto just such a plan for its lands in Montana, ensuring fish would be protected even as logging continued.)

"However green it may seem, this provision is little more than a massive corporate subsidy for a single company," said Rep. Eric Cantor, R-Va.

"That's ridiculous," countered Melanie Parker. "This is about people and places, not corporations and Congress. The benefits all go to communities, not companies."

Parker is director of Condon-based Northwest Connections, working in an area where Plum Creek real estate sales have been notoriously hot, and money for conservation deals has been increasingly scarce.

"What this does," Parker said, "is help communities confront what is the one single issue that has the potential to change the entire face of western Montana."

The problem of timberland real estate sales, she said, is far bigger than the small efforts to make conservation purchases. A problem that size requires a big fix, she said, "and this provision is a heck of a good start in the right direction."

Kaiser called the provision “a nationwide template,” and pointed to at least three more sites in Washington state and two in California that qualify under the program.

“It really is national in scope,” he said.

But critics also called the provision a plum deal for Plum Creek, noting that the company has made significant donations to lawmakers in general, and Baucus in particular.

Kaiser called that suggestion absurd, however, given the far higher prices Plum Creek land would command as residential land, rather than as part of a public conservation deal.

“Our whole congressional delegation was supportive of the program,” Parker said, “because it really is about serving Montana’s taxpayers.”

Currently, Kaiser said, “there is no deal on the table” between the state and the company, although Plum Creek officials and conservationists have said they already attended meetings to discuss what might be available for sale at what price.

Jamie Williams of the Nature Conservancy likewise wouldn’t say if any official negotiations were ongoing, but he did note that “we are among many conservation groups and community members who have been encouraging Sen. Baucus to find new tools to help conserve important forestlands. This farm bill represents a tremendously significant milestone.”

Once purchased through the bonding program, any lands bought must be placed into public ownership, with at least half of the acres given over to the Forest Service.

The provision requiring the acres to be adjacent to existing Forest Service lands, Kaiser said, will save taxpayers countless millions in firefighting costs, as wildfires are many times more expensive to suppress in forests full of homes than in traditional wildlands.

In addition, he said, the 40,000-acre minimum ensures a big ecological bang for the buck.

“This really ups the ante,” Kaiser said, “and provides a valuable new tool for land conservation across the country.”

The measure is particularly important to Montana, of course, where Plum Creek has been selling more and more of its 1.2 million acres.

Since 1999, the company has been organized as a real estate investment trust, and profit margins have relied increasingly upon land sales.

That trend has worried state and county officials, who say fighting fires and providing residential services in far-flung forests places a heavy burden on local taxpayers. For years, conservationists, taxpayer groups and public agencies have worked to purchase Plum Creek lands rather than see them developed, but money for large deals has proved hard to come by.

“This is just one more tool they can use,” Kaiser said.

And it is a tool not yet quite in the toolbox. President Bush has indicated he might veto the massive farm bill, Kaiser said, “but we feel we have veto-proof margins.”

With an 81-15 Senate vote, and a 318-106 House approval, the farm bill appears to have far more than the two-thirds majority support needed to overcome a presidential veto.

“It’s not over yet,” Kaiser said, “but right now we certainly feel we can override a veto.”

Reporter Michael Jamison can be reached at 1-800-366-7186 or at mjamison@missoulain.com