Best Interests of the Trusts Analysis

Meeting 4.1  |  April 29, 2022
Productivity

• Articulate site index information and pre-valuation numbers
• Identify non-timber land productivity assessment process
• Include analysis on whether other internal DNR programs could be a good fit for parcel rather than TLT

Operability

• Two types of operability assessment (quantitative and qualitative)
• Articulate operability issues and concerns in more detail and break out by quantitative and qualitative
Valuation

• Clarity on pre-valuation process vs. formal appraisal

• Clarity on appraisal considerations defining trust value (revenue potential over time) versus fair market value at a specific moment in time
Draft/Author’s Work/Subject to Change

TLT Work Group Discussion: Process Change Ideas

Quantitative assessment
(Productivity and operability assessment)

• Articulate site index information in more detail (identify soil, tree species, and other features)
• Identify and articulate productivity assessment to be utilized for non-forest lands
• Better articulate operability issues impacting the parcel (in other words, the number of acres in riparian management zones and inoperable areas)
• Provide more detail on “back of the napkin” valuation exercise

Qualitative assessment

• Policy risks/landscape risk
  • Qualify difficulty in harvesting timber
• Environmental Pressure
• Social Pressure
• Governance
• Add Land use analysis – Identify future trends/development pressure

Create a robust and transparent “Best Interests of the Trusts” analysis process that articulates this information
Appraisal procedure

“Market value is the present value of anticipated future benefits”

• Articulate when formal appraisal is completed and who does it

• Articulate appraiser analysis criteria
  
  o Location, asset class, trust, acres, value (land and improvements), projected future cash flow for dispositions and acquisitions

  o Fair market value: Most probable sale price, typical buyer and typical purchaser, knowledgeable, no duress

  o Identify possible obstacles capturing full market value for the trust beneficiary during appraisal (extraordinary assumptions, highest and best use, and so forth)