

March 28, 2008

**Notice of Public Hearing on
Proposed Specially Assessed Values for
Oregon Forestland for Tax Year
July 1, 2008 - June 30, 2009**

The Oregon Department of Revenue will hold a public hearing to discuss the proposed specially assessed values of forestland for the 2008-09 tax year.

This hearing will be held at the **Revenue Building, 955 Center Street NE, Salem** on **April 17, 2008**. The hearing will begin at **1:15 p.m.** Any interested persons may attend the hearing and discuss the proposed values.

At the public hearing you will have the opportunity to:

1. Hear an explanation of the valuation process.
2. Provide oral and/or written testimony on the proposed specially assessed values, and
3. Provide any written information you may have regarding recent sales of forestland¹.

We invite you to respond to this notice by submitting written comments to the Department of Revenue **on or before May 1, 2008**. Be sure to include your name, address and a daytime phone number. You may send your response to:

Oregon Department of Revenue
Forestland Values
PO Box 14380
Salem, OR 97309

Visit www.oregon.gov/DOR/Timber/index.shtml for more information about forestland property taxes.

¹Due to the timing of the data gathering process, DOR may not be aware of some sales of highest and best use forestland that have occurred since June 2007. Please include date of sale, county, and legal description where the sale occurred in order for DOR to verify the sales with county records.

Table 1.

PROPOSED
Specially Assessed Values of
Oregon Forestland

JULY 1, 2008 – JUNE 30, 2009

Western Oregon

| Forestland Class | Forestland | | Small Tract Forestland Option | |
|------------------|-------------------------------|------------------------------|-----------------------------------|----------------------------------|
| | 2008 – 2009 MSAV ¹ | 2008 – 2009 SAV ² | 2008 – 2009 20% MSAV ³ | 2008 – 2009 20% SAV ⁴ |
| FA | \$ 521.66 | \$ 780.00 | \$ 103.53 | \$156.00 |
| FB | \$ 413.85 | \$ 618.00 | \$ 82.15 | \$123.60 |
| FC | \$ 346.60 | \$ 519.00 | \$ 68.64 | \$103.80 |
| FD | \$ 294.43 | \$ 442.00 | \$ 58.51 | \$ 88.40 |
| FE | \$ 195.89 | \$ 293.00 | \$ 38.26 | \$ 58.60 |
| FF | \$ 141.40 | \$ 212.00 | \$ 28.12 | \$ 42.40 |
| FG | \$ 59.11 | \$ 90.00 | \$ 11.23 | \$ 18.00 |
| FX | \$ 6.94 | \$ 9.02 | \$ 1.12 | \$ 1.80 |

Eastern Oregon

| Forestland Class | Forestland | | Small Tract Forestland Option | |
|------------------|-------------------------------|------------------------------|-----------------------------------|----------------------------------|
| | 2008 – 2009 MSAV ¹ | 2008 – 2009 SAV ² | 2008 – 2009 20 %MSAV ³ | 2008 – 2009 20% SAV ⁴ |
| Eastern Oregon | \$ 59.11 | \$ 105.00 | \$ 11.23 | \$ 21.00 |

¹MSAV – Maximum Specially Assessed Value (per acre)

²SAV – Specially Assessed Value (per acre)

³20% MSAV – 20% Maximum Specially Assessed Value (per acre) – For use on qualified Small Tract Forestland Option properties

⁴20% SAV – 20% Specially Assessed Value (per acre) – For use on qualified Small Tract Forestland Option properties

Oregon Department of Revenue Forestland Appraisal Process
For Specially Assessed Value
July 1, 2008 to June 30, 2009

Oregon Department of Revenue (DOR) has completed the analysis for the Proposed Specially Assessed Value (SAV) for Oregon forestland. The forestland valuation process (OAR 150-321.207(1)) is a model that uses several sources of data to develop preliminary forestland values: 1) forestland sales data, 2) forestland model, and 3) a straight line trend of the average annual forestland values from 1993 through the current fiscal year.

Western Oregon

Forestland Sale Data. The forestland sales data collected by the DOR (Table 2) for fiscal year (FY) 2007 indicate a value of \$486 per acre for western Oregon forestland sold on the open market with the primary use of growing and harvesting timber. This represents a 5% decrease from the estimate of the FY 2007 sales provided a year ago when, due to the collection of only a partial year, less than one-quarter of the sales were included.

With only a partial year of forestland sales, the FY 2008 preliminary estimate of the forestland sale value is \$555 per acre. This is likely to change in next year's notice when the full year's sales are collected.

Forestland Model. The forestland model that is used to predict the average forestland value for FY 2008 derived a value of \$487 per acre which is virtually the same compared with the FY 2007 forestland sales data. This value was derived by analyzing the factors that best predicted the average forestland value from 1993 to 2007. Over 30 factors associated with the harvest of timber and the forest industry were evaluated including those related directly to timber production such as log prices and harvesting costs; industry-related factors such as producer price indices for commodities and contract logging; and other financial market data such as equity and bond indices and mortgage rates.

The FY 2008 model for western Oregon is a model incorporating three fiscal year average predictors.

1. Producer Price Index for all commodities,
2. Producer Price Index of receipts for contract logging of timber owned by others, lagged by one year, and
3. Moody's BAA-Rated Corporate Bond Yield.

Trend of Average Annual Forestland. In order to decrease the variation in the year-to-year specially assessed values, a straight line trend of the forestland sales' values (1993-2007) and forestland model predicted value (2008) are used to establish an annual average forestland value. The January 1, 2008 value of \$451 per acre is transformed into preliminary specially assessed values (SAV) for western Oregon forestland classes FA - FX (Table 1) using the western forestland class spread formula.

Eastern Oregon

The January 1, 2008 preliminary Eastern Oregon SAV is \$105. That is an increase over the previous year's SAV based on the rate of value change in a straight line trend of Eastern forestland sales from 1993 to 2007. This is the same process that DOR used for the past 3 years.

Table 2. Market Data Summary

| Average Real Market Value (RMV) by Fiscal Year | | | | | | | | | | | | | | | | | | | | |
|--|-----------------|---------|-----------------|---------|-----------------|---------|-----------------|---------|-----------------|---------|-----------------|---------|-----------------|---------|-----------------|---------|------------------------|---------|----------------|---------|
| Timberland Sales Transaction Date | Western Oregon | | | | | | | | | | | | | | | | | | Eastern Oregon | |
| | Forest Class FA | | Forest Class FB | | Forest Class FC | | Forest Class FD | | Forest Class FE | | Forest Class FF | | Forest Class FG | | Forest Class FX | | Average FA-FX (WAVWOR) | | Average | |
| Fiscal Year | Value | # Sales | Value | # Sales | Value | # Sales | Value | # Sales | Value | # Sales | Value | # Sales | Value | # Sales | Value | # Sales | Value | # Sales | Value | # Sales |
| 1993 | \$ 369 | 0 | \$ 275 | 12 | \$ 318 | 5 | \$ 201 | 4 | \$ 183 | 0 | \$ 142 | 0 | \$ 25 | 0 | \$ - | 1 | \$ 241 | 22 | \$ 50 | 1 |
| 1994 | \$ 426 | 1 | \$ 310 | 14 | \$ 302 | 20 | \$ 196 | 10 | \$ 146 | 4 | \$ 158 | 3 | \$ 25 | 0 | \$ - | 9 | \$ 240 | 61 | \$ 66 | 4 |
| 1995 | \$ 312 | 2 | \$ 321 | 7 | \$ 269 | 11 | \$ 290 | 2 | \$ 219 | 0 | \$ 126 | 3 | \$ 25 | 1 | \$ - | 2 | \$ 253 | 28 | \$ 73 | 7 |
| 1996 | \$ 455 | 2 | \$ 396 | 9 | \$ 381 | 6 | \$ 369 | 2 | \$ 292 | 5 | \$ 189 | 0 | \$ 25 | 1 | \$ - | 9 | \$ 337 | 34 | \$ 47 | 6 |
| 1997 | \$ 450 | 1 | \$ 316 | 5 | \$ 293 | 5 | \$ 325 | 2 | \$ 292 | 3 | \$ 253 | 2 | \$ 38 | 0 | \$ 25 | 2 | \$ 293 | 20 | \$ 73 | 5 |
| 1998 | \$ 300 | 1 | \$ 416 | 4 | \$ 371 | 7 | \$ 317 | 6 | \$ 295 | 5 | \$ 171 | 6 | \$ 50 | 1 | \$ - | 2 | \$ 324 | 32 | \$ 83 | 6 |
| 1999 | \$ 425 | 1 | \$ 420 | 8 | \$ 332 | 5 | \$ 396 | 5 | \$ 201 | 4 | \$ 161 | 5 | \$ 96 | 5 | \$ 8 | 8 | \$ 317 | 41 | \$ 83 | 1 |
| 2000 | \$ 518 | 6 | \$ 477 | 15 | \$ 308 | 13 | \$ 270 | 20 | \$ 236 | 10 | \$ 160 | 13 | \$ 164 | 3 | \$ 4 | 12 | \$ 310 | 92 | \$ 66 | 8 |
| 2001 | \$ 619 | 2 | \$ 407 | 11 | \$ 365 | 8 | \$ 232 | 7 | \$ 195 | 12 | \$ 127 | 8 | \$ 142 | 3 | \$ - | 1 | \$ 299 | 52 | \$ 132 | 6 |
| 2002 | \$ 561 | 2 | \$ 354 | 6 | \$ 278 | 13 | \$ 261 | 13 | \$ 171 | 10 | \$ 115 | 10 | \$ 88 | 4 | \$ 3 | 3 | \$ 259 | 61 | \$ 158 | 13 |
| 2003 | \$ 515 | 2 | \$ 496 | 6 | \$ 401 | 9 | \$ 292 | 3 | \$ 210 | 4 | \$ 200 | 1 | \$ 100 | 1 | \$ - | 1 | \$ 344 | 27 | \$ 141 | 8 |
| 2004 | \$ 576 | 2 | \$ 535 | 7 | \$ 414 | 10 | \$ 295 | 5 | \$ 267 | 6 | \$ 253 | 2 | \$ 115 | 2 | \$ 4 | 5 | \$ 372 | 39 | \$ 141 | 14 |
| 2005 | \$ 518 | 3 | \$ 616 | 5 | \$ 535 | 9 | \$ 474 | 10 | \$ 230 | 5 | \$ 235 | 5 | \$ 166 | 1 | \$ - | 4 | \$ 448 | 42 | \$ 181 | 5 |
| 2006 | \$1,062 | 3 | \$ 475 | 3 | \$ 441 | 7 | \$ 464 | 10 | \$ 299 | 3 | \$ 229 | 4 | \$ 103 | 3 | \$ 5 | 1 | \$ 415 | 34 | \$ 176 | 4 |
| 2007 | \$1,064 | 2 | \$ 727 | 7 | \$ 514 | 15 | \$ 470 | 8 | \$ 262 | 7 | \$ 250 | 2 | \$ 113 | 2 | \$ - | 1 | \$ 486 | 44 | \$ 232 | 5 |
| 2008 | \$1,063 | 0 | \$1,000 | 1 | \$ 499 | 5 | \$ 500 | 1 | \$ 325 | 2 | \$ 240 | 0 | \$ 250 | 1 | \$ 3 | 0 | \$ 555 | 10 | \$ 204 | 0 |
| Average RMV | \$ 577 | | \$ 471 | | \$ 376 | | \$ 334 | | \$ 239 | | \$ 188 | | \$ 95 | | \$ 3 | | \$ 343 | | \$ 119 | |
| # of Sales | | 30 | | 120 | | 148 | | 108 | | 80 | | 64 | | 28 | | 61 | | 639 | | 93 |
| % Sales W.OR | | 4.7% | | 18.8% | | 23.2% | | 16.9% | | 12.5% | | 10.0% | | 4.4% | | 9.5% | 100% | 639 | | |
| 2008 Model | | | | | | | | | | | | | | | | | \$487 | | | |
| 2008 Straight line trend | | | | | | | | | | | | | | | | | \$451 | | \$105 | |
| Westside Acreage Weights | 3.2% | | 20.3% | | 30.2% | | 17.1% | | 15.1% | | 10.1% | | 3.5% | | 0.5% | | 100% | | | |

* WAVWOR is the acreage Weighted Average forestland value for Western Oregon