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Dear Board Members

I am sending this to again make the case for transparency and integrity for WCB purchases of size. I urge you to read the contents of this letter, along with my letter from April 10th so that you can have a reasonable understanding of our position.

It is important to say one more time that we support the mission of the WCB, and more broadly we support conservation of California's natural resources. We have and continue to think that the WCB has an opportunity to achieve greater benefits for the environment with the money it invests, by merely making simple changes to the process by which large transactions are completed.

We view the WCB processes, in part, through the lens of a series of forest conservation deals that have been completed in Mendocino County dating back to 2004. As the largest private forest landowner in Mendocino County for almost 14 years, we have a pretty informed understanding of land values, forest economics, and the costs and benefits of various conservation strategies. The three most recent California funded deals in Mendocino County (Big River II, Usal and Gualala) total almost \$90 million of purchase price – pretty big dollars for the State given current fiscal pressures. Even after the valuation analyses for these three deals were subjected to existing strong qualitative guidelines and multiple levels of review, the State still invested many tens of millions of dollars based on double counting, stale comparables and development assumptions, none of which would ever be relied upon by a private market buyer.

The new appraisal proposal being advocated by staff, which will apply to a limited number of transactions per year, has a number of shortcomings:

- 1) the proposed process is cumbersome (adding three to four months to the already lengthy existing process);
- 2) the proposed process is expensive (require the WCB to incur ongoing annual expenses estimated to be between \$40,000 and \$400,000 per year);

- 3) the proposed appraisal review process is entirely confined to new qualitative guidelines for appraisal reviews; and
- 4) the proposal fails to provide any increase in transparency.

We advocate for transparency because it is efficient, inexpensive, and the best way to get appraisers and decision makers to fully consider the nature of analysis used and decisions made. Transparency is also consistent with the values of the government of California and even the recently articulated California Fish & Wildlife Strategic Vision process.

From page 11 of the California Fish & Wildlife Strategic Vision document statements were made about Foundational Strategies for California Fish and Wildlife:

“... 5 themes stood out as fundamental to the practices or strategies that DFG and FF&GC leadership and staff should use in their work...”

DFG/F&GC engage in broadly-informed and transparent decision-making. In all aspects of their work they engage in transparent decision-making procedures and outcomes that inspire public confidence. When decisions rely on scientific or technical findings or conclusions, that information should be made available during public decision-making processes.”

Parsing the transparency foundational strategy described above is worth one minute of contemplation:

“in all aspects of their work...”

“engage in transparent decision making procedures...”

“that inspire public confidence...”

“information should be made available during public decision-making processes.”

At least three arguments have been made against transparency.

- 5) Everyone else is allowed to buy properties without sharing their information and so should the WCB. The beginning of the staff write up on this topic emphasizes how lots of other agencies employ processes that lack transparency. Of course, as every parent knows, just because everyone else is doing it does not make it right. Moreover, the WCB is in a different position from many government buyers. At least as it relates to conservation easements, the WCB is often the *only* qualified buyer with money making such purchases. How can it be good public policy to have a market with a single buyer making purchases on a negotiated basis while keeping the analysis supporting the purchases secret until after the transactions have closed?
- 6) Sellers won't sell because the process will be just too difficult. Of course the process is already difficult, and the WCB manages to deploy large amounts of State funds (\$1.5 billion in the last 12 years according to staff reports). The transparency process we have suggested would surely be less cumbersome than the convoluted appraisal review process suggested by staff, since our suggestion is to add a mere 30 days, require no additional outside consultants, apply to only a limited number of deals per year, and would result mostly in information about third party comparable transactions being made public a little bit sooner than they already are today. Moreover, if sellers of hard to value assets do not want a negotiated sale to be completed in the

light of day, perhaps the State should consider dealing with other sellers who are more open to a process with integrity.

- 3) To quote Jack Nicholson from A Few Good Men – “You can’t handle the truth.” If the stakes were not so high, this would be comic. Surprisingly, this is what an appraiser participant in the WCB working group offered as to why transparency cannot work. It was stated that the public is not qualified or capable of actually reading and understanding what appraisers write and therefore this information should be withheld from the public. Such a position is entirely counter to the functioning of California, and ignores the fact that the day after the WCB closes on a deal all the information is available to the public. The WCB is better than a position that assumes the public “can’t handle the truth.”

The staff advocated proposal is being billed as the product of a multi stakeholder working group that represents some combination of a compromise and consensus. Most of the participants in the working group have or expect to engage in commercial and profit making transactions with the WCB. Do self interested and profit seeking stakeholders get to trump California citizens’ ability to review the critical analysis for multimillion dollar negotiated transactions where frequently the state is the only purchaser at the table?

The WCB has a noble mission and reflects the strong environmental ethic of California’s voters. Help bring its operations up to the same high standard as its mission, by making appraisals for significant transactions public before money leaves the state coffers, as opposed to after transactions are completed.

Best Regards



Sandy Dean
Chairman

Cc: John Laird, Secretary of Resources
Karen Finn, Programs Budget Manager - Department of Finance
John Donnelly, Executive Director - Wildlife Conservation Board