

Current Use Board
Remote Regular Board Meeting

Approved as written

DATE: September 18, 2020

TIME: 1:00 p.m.

LOCATION: Remote Meeting through WebEx

BOARD MEMBERS:

Senator Ruth Ward
Representative Tim Josephson
Ted Howard, Dean's Designee, UNH College of Life Sciences and Agriculture
Shawn Jasper, Commissioner, NH Department of Agriculture, Markets and Food
Rick Evans, NHDRA Commissioner Designee, NHDRA
Susan Francher, Commissioner Designee, NHDNCR, Division of Forests and Lands
Barbara Richter, NH Conservation Commission
Scott Mason, Commissioner, NH Fish & Game ~ *Excused*
Jonathan Rice, Assessing Official, City
Andrea Lewy, Assessing Official, Population >5,000 ~ *Excused*
Norm Bernaiche, Assessing Official, Population <5,000 ~ *Excused*
Susan Bryant-Kimball, Forest Landowner
Tom Thomson, Public Member
Chuck Souther, Chair, Public Member, Agriculture

MEMBERS of the PUBLIC:

Several members of the public joined or called into the meeting.

Chair Souther convened the regular meeting of the Current Use Board at 9:30 a.m.

Minutes

Ms. Bryant-Kimball ***motioned to accept the minutes of the August 27, 2020, regular board meeting***; Mr. Evans ***seconded the motion***. The time of the meeting was corrected from 10:30 to 9:30; the misspelling of Senator Giuda was corrected. No further discussion. Chair Souther called the motion to accept the minutes of August 27, 2020, as amended.

Vote by Roll Call: Ms. Bryant-Kimball, Aye; Ms. Francher, Aye; Ms. Richter, Aye; Mr. Evans, Yes; Mr. Howard, Yes; Chair Souther, Yes. Commissioner Jasper, Representative Josephson, Mr. Thomson and Mr. Rice and abstained.
Motioned passed with majority vote.

Forestry Subcommittee Update

(Documentation attached following the minutes)

Ms. Francher briefly explained the graphs and information distributed that provided a 7-year comparison of rates; including those approved by the Board in 2020 that, due to scheduling issues caused by COVID, were not approved by JLCAR prior to April 1. The subcommittee voted to recommend the proposed 2021-2022 assessment ranges to the full Board for presentation at the fall public forums.

Discussion followed pertaining to the declining low-grade wood markets and the potential effect it may have on the rates going forward. It was restated that various elements such as stumpage prices and growth rates use a 5-year rolling average to eliminate dramatic spikes up or down but the decline in the low-grade wood markets is anticipated

to have an impact on the current use rates going forward. Mr. Thomson emphasized the importance of keeping an eye on this situation for its impact on the current use range and suggested other organizations such as the Division of Forests and Lands and NHTOA also monitor this situation as it is getting very difficult to get rid of low-grade wood which represents 60-65% of every timber harvest.

Mr. Thomson ***motioned to accept the subcommittee's recommendation to bring the following proposed 2021-2022 rates to the public forums.*** Ms. Francher read the proposed assessment ranges into the record:

Forest Land Category

Forest Land with Documented Stewardship

White Pine \$122 - \$183
Hardwood \$57 - \$86
All other \$40 - \$60

White Pine \$73 - \$110
Hardwood \$38 - \$57
All other \$24 - \$36

Wetland \$24
Unproductive \$24

Commissioner Jasper ***seconded the motion.*** Ms. Susan-Bryant Kimball suggested including the new rate for the wetland and unproductive categories as well. Per statute, those two categories are set at the lowest value, which is \$24 per acre. Chair Souther called the motion to bring the proposed forest land, wetland and unproductive assessment rates to the public forums.

Vote by Roll Call: Chair Souther, Yes; Ms. Francher, Aye; Ms. Bryant-Kimball, Aye; Ms. Richter, Aye; Mr. Rice, Aye; Commissioner Jasper, Aye; Mr. Evans, Yes; Representative Josephson, Aye; Mr. Thomson, Aye; Mr. Howard, Yes. ***Motion passed unanimously.***

Farmland Rates Model

Kenesha Reynolds and Mike Sciabarrasi of UNH were welcomed by Chair Souther. He explained the purpose of this discussion is to understand the process used in the past for developing the farmland rates and to put forth ideas for updating and/or developing a model to use going forward.

Mr. Sciabarrasi explained that around 2000, an approach was used to look at establishing returns to the land for our forage producers, corn silage and haylage since hay and haylage were the producers that represented most of the acreage in New Hampshire (and probably still do). We developed a series of five scenarios based on a survey of 16 corn silage producers and 29 hay/haylage producers including how much crop they had; how they produced the crop and what mix of silage they had, if both. From the five scenarios, rates of return were developed and divided by the capitalization (cap) rate to come up with a value. The cap rate used was a long-term rate published by the Feds. That continued to be some of the reference material the Board used to determine the agricultural rates from about 2007-2017. Once I retired in 2017, there was no one to assist the Board to reestablish those rates.

A survey was completed in 2006 and price indices were used for the following 10 years to adjust costs that represented what was happening on farms based on inputs and information received by surveying producers and industry representatives to get an idea of what the actual value of the hay was in terms of what they were selling to other growers or in the wholesale markets. We started updating those annually in 2010 or 2011 until 2017 and that is the information the Board is currently working with.

Chair Souther asked Ms. Reynolds what her thoughts were moving forward. Ms. Reynolds suggested one option might be to update the 2006 cost of production numbers based on updated prices. However, a lot has changed since 2006 in terms of cost and production practices and those numbers may not be accurate by just updating the price. We would have to consider updating the cost data and to do that another survey would need to be done to capture those rates of production. This would be a time-consuming process requiring participation from farmers and buying from farmers to collect the numbers. If time is a concern; this would not be the best option.

Another option might be to use rental rates published annually by the National Agricultural Statistics Service (NASS). The net return Mr. Sciabarrasi mentioned earlier in this scenario would be represented by the rental rates and using the cap rate the current use values could be calculated. If time is an issue, this would be the easier option. She looked at the numbers published from NASS for NH and they are separated by Grafton County, Merrimack County and all other counties. We would need to consider and discuss how to cope with the combined figures if the Board decides to go in this direction.

Mr. Sciabarrasi stated the Extension calculates the recommendation but does not set the current use values; the Board does that. With regards to using the rental rates, he suggested not altering the procedure currently being used with the interest rates as it is a published, recognized and reasonable accepted rate of return. All of the past rates have incorporated this rate in the calculation and recommended values. He added there are some issues with using rental rates but there are some states that do use them to determine current use values. He and Ms. Reynolds could look at that and provide values based on rental rates if the Board wanted to consider that.

With regards to using cost production approach, there some are issues as well. It is not only looking at price changes; it is also looking at changes in the way people produce their products; significant changes in inputs such as the machinery and equipment compliments used, different methods of production and the size of the enterprises themselves. All of these will influence the value on a per acre basis. If it were just prices, there wouldn't be much of issue making those adjustments but it is the production practices that have likely changed from 2005/2006.

Mr. Thomson stated the farmland rates have been consistent over the past 20 years however whatever the process the Board decides on; it will need to be defensible. Mr. Sciabarrasi felt their work and process of providing estimated values associated with the value of the land to the Board is easily defensible because their research is based on current data and they are happy to continue providing those figures. He suggested the question will be how do the values they provide the Board get converted into the current use values.

There was a consensus of the Board that the process of determining the farmland rates needs to be transparent and defensible to both the public and the legislature. Some concern was expressed about the lack of change and historical information available on the farmland rates in comparison to the forest land rates and that it is important to be able to explain how the current values were determined and why they have not changed in so long. Ms. Bryant-Kimball asked if a 5-year rolling average, similar to the forestry model, could be used to calculate the farmland rates. She added that it is an effective tool that people understand.

Mr. Sciabarrasi explained the last data that was supplied to the Board represented data from 2006-2017 using the five scenarios previously explained that provided the high, low and average values for forage crops. He agreed using a multiple year average makes sense and is easy to justify. Another issue brought forward was how to incorporate the change in acreages from year-to-year. A brief discussion followed about how agricultural land used to be segregated by forage crops, permanent pasture and Christmas trees and how the change occurred years ago to incorporate the use of the soil potential index (SPI). It was suggested the majority of land enrolled in the current farmland category is still forage crops although some land is not being farmed. It was reiterated that current use land is valued by its income-producing capability regardless of what it is or is not producing. Ms. Reynolds stated that she has seen in other states where the SPI is used in the calculation of the current use assessments and inquired whether this was the case in New Hampshire or if it only applies when landowners opt to use it.

The Board agreed that there was not enough time to develop a formula to determine farmland rates for 2021 and it was suggested the current rates be put forth at the public forums. Mr. Thomson suggested that a subcommittee be formed to start working on developing a formula. Ms. Bryant-Kimball asked if was reasonable to plan on the new formula being in place at this time next year. Discussion followed about options and timing. The first option is to complete a survey of farmers. Mr. Sciabarrasi stated in the past the Extension has received a good response rate. The instruments have been brought forth to meetings with forage storers and producers; a brief introduction about the reason for the meeting and then forms are completed. The face-to-face contact helps with getting good results although during the current situation, that option may need to be reconsidered to possibly having an on-line or call-in type survey which may impact the rates.

Other things to consider will be the minimum number of responses that will be sufficient given the number and type of acreages represented. One of the biggest groups that assists the Extension are the dairy producers, which are down considerably, and other livestock groups; those who have forages and hays may not have as good of a connection with the Extension. It will be important to have both a representation of the different production techniques within small, medium and large size producers and a sufficient amount of land. Discussion will be needed to understand what that would mean. The winter is the best time to present this to the farmers and explain what we are trying to accomplish.

Mr. Thomson ***motioned to form a subcommittee to work with Ms. Reynolds and Mr. Sciabarrasi to work towards a farmland model to develop rates for the following year***, Mr. Evans ***seconded the motion***. Mr. Thomson and Mr. Howard volunteered. Chair Souther will reach out to other Board members to participate. No further discussion. Chair Souther called the motion.

Vote by Roll Call: Ms. Bryant-Kimball, Aye; Ms. Francher, Aye; Mr. Thomson, Aye; Mr. Howard, Aye; Mr. Rice, Aye; Ms. Richter, Aye; Representative Josephson, Aye; Mr. Evans, Yes; Chair Souther, Yes; Senator Ward, Yes. ***Motion passed unanimously.***

Ms. Francher ***motioned to present the current Farmland assessment range of \$25-\$425 per acre to the public forums***; Senator Ward ***seconded the motion***. No further discussion.

Vote by Roll Call: Ms. Bryant-Kimball, Yes; Ms. Francher, Yes; Mr. Thomson, Yes; Mr. Howard, Yes; Commissioner Jasper, Yes; Mr. Rice, Yes; Ms. Richter, Yes; Representative Josephson, Yes; Mr. Evans, Yes; Chair Souther, Yes; Senator Ward, Yes. ***Motion passed unanimously.***

Public Forums

Chair Souther made contact with Attorney Lavallee with regards to holding (1) remote public forum and his answer was that a request could be submitted to the Governor. Chair Souther asked the Board if this was something they wanted him to submit and the consensus was yes. Chair Souther will keep the Board apprised of the movements with the goal being to have the assessment ranges in the rulemaking process prior to the end of the year.

Subcommittee Rule Proposals

The subcommittee minutes recommending rule changes were not timely submitted to the Board for review and will be discussed at the next regular Board meeting.

Other Business

There were several comments and questions received from the public during the meeting. The following is a review and response to them (Public Comment (PC)).

PC: Are rental rates unique to New Hampshire land or regional?

A: Chair Souther responded that is one of the issues he had with using the rental rates. While he knows of situations where the city may rent a parcel in return for a service, in general, he does not know. No other comments offered.

PC: Chuck, I think the impact will be what do the landowners want to earn on their land.

A: No comments or responses.

PC: Why would you adjust based on old data?

A: Chair Souther responded that is what we are trying to get around; to use more up-to-date information.

PC: Were the forest rates based on market?

A: Yes

PC: It sounds like the valuation support is based on assuring the landowners are securing a rate of return.

A: No response or comment.

PC: Is forest land assessed at a lower rate versus farmland being assessed at the highest potential rate?

A: That is an apples-to-oranges comparison. Forest land is assessed at its income-producing capability and there are a lot of economic metrics, including stumpage prices, that are included in the model and then for the documented stewardship category, it is a lower rate because of the additional associated management costs. The base forest land rates are based on income-producing capability of the property.

PC: Regarding assessments and surveys; there needs to be continued updates to keep up with changes in the market.

A: I think that is what we are trying to get to.

Public Forum Dates

Tentative dates pending response from request to hold (1) public forum.

Commissioner Jasper ***motioned, in the event the Board receives approval to hold (1) remote public forum, that it be held Tuesday, October 27, 2020; if approval is not received that the additional two forums be held remotely on Wednesday, October 28, 2020 and Thursday, October 29, 2020***; Senator Ward ***seconded the motion***. No further discussion. Chair Souther called the motion.

Vote by Roll Call: Ms. Bryant-Kimball, Aye; Ms. Francher, Aye; Mr. Thomson, Aye; Mr. Howard, Aye; Commissioner Jasper, Aye; Mr. Rice, Aye; Ms. Richter, Aye; Representative Josephson, Aye; Mr. Evans, Aye; Chair Souther, Aye; Senator Ward, Yes. ***Motion passed unanimously.***

Commissioner Jasper ***motioned to adjourn***; Ms. Bryant-Kimball ***seconded the motion***.

Vote by Roll Call: Ms. Bryant-Kimball, Aye; Ms. Francher, Aye; Mr. Thomson, Aye; Mr. Howard, Aye; Commissioner Jasper, Aye; Mr. Rice, Aye; Ms. Richter, Aye; Representative Josephson, Aye; Mr. Evans, Aye; Chair Souther, Aye; Senator Ward, Yes. ***Motion passed unanimously.***

Chair Souther adjourned the meeting at 2:19 p.m.

Respectfully Submitted, Stephanie Derosier

NH Department of Revenue Administration – Municipal and Property Division

Documentation relative to the Current Use Board may be submitted, requested or reviewed by:

Telephone: (603) 230-5096

Facsimile: (603) 230-5947

E-mail: cub@dra.nh.gov

Web: <http://revenue.nh.gov/current-use>

In person at 109 Pleasant Street, Concord

In writing to:

NH Department of Revenue Administration

Current Use Board

PO Box 487

Concord, NH 03302-0487

STATE OF NEW HAMPSHIRE
Department of Natural and Cultural Resources
Division of Forests and Lands

DATE: September 15, 2020

FROM: Susan Francher
Administrator, Planning & Community Forestry

SUBJECT: Current Use Forestry Ranges

TO: Current Use Board

CUB Members

Attached is the model output information prepared by Catherine Capron of DRA for the current use forest land categories. The document sub-titled ***2021-2022 Proposed Forestry Values*** shows the model output for the forestland category and documented stewardship category using expense methodology to calculate the forestland category values and a 40% adjustment to calculate the documented stewardship category values. This methodology has been used for the past seven years. The document also shows the prior year forestry values, and the percent change over last years values.

Also included for your reference is information relative to the Current Use Model inputs including timber volume and pricing information, growth rates and the discount rate. In addition, I have included a sheet showing a comparison of current use rates for forest land categories since tax year 2013-2014. In this last document you will note that the values in tax years 19-20 and 21-22 are highlighted in yellow. Since our proposed rates for last year were not approved by JLCAR we will be going from the 18-19 approved rates to the 21-22 proposed rates.

The CUB Forestry Subcommittee recommends that the Board approve the tax year 2021 – 2022 proposed Forest Land and Forest Land with Documented Stewardship assessment ranges for presentation and comment at the public forums.

**NH Current Use Board
2021-2022 Proposed Forestry Values
(40% Stewardship Technique)**

DRAFT #1 - 8/26/2020

Proposed Forestry Values for Tax Year 2021

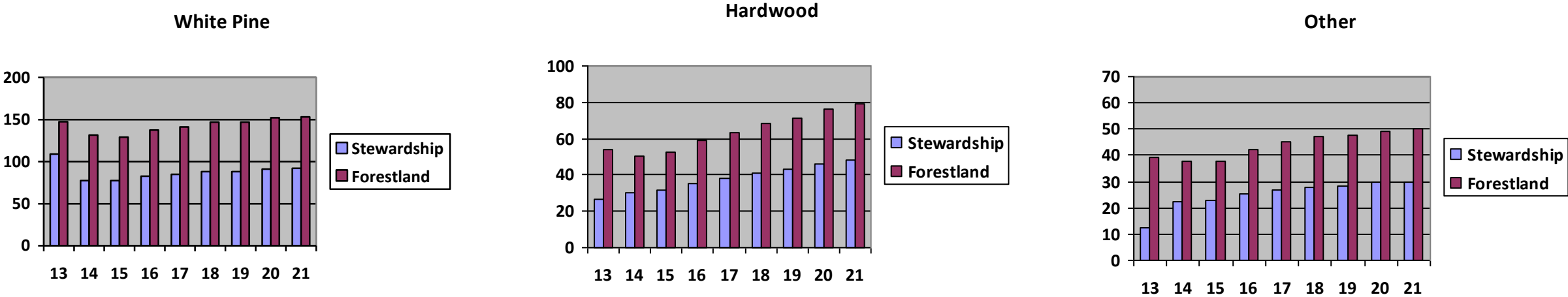
	MIDPOINT				MIDPOINT		
	Doc. Stew.	Low	High		Forestland	Low	High
Wht Pine	\$92	\$73	\$110		\$153	\$122	\$183
Hardwood	\$48	\$38	\$57		\$79	\$63	\$95
All Other	\$30	\$24	\$36		\$50	\$40	\$60

Prior Year Forestry Values for Tax Year 2020

	Doc. Stew.	Low	High		Forestland	Low	High
Wht Pine	\$91	\$73	\$110		\$152	\$122	\$183
Hardwood	\$46	\$36	\$55		\$76	\$61	\$91
All Other	\$30	\$24	\$35		\$49	\$39	\$59

Change Over Prior Year

	Doc. Stew.	Low	High		Forestland	Low	High
Wht Pine	0.2%	0.2%	0.2%		0.2%	0.2%	0.2%
Hardwood	4.4%	4.4%	4.4%		4.4%	4.4%	4.4%
All Other	1.9%	1.9%	1.9%		1.9%	1.9%	1.9%



Current Use Rate Comparison – Forest Land Categories

Category	Tax Year 13-14	Tax Year 14-15	Tax Year 15-16	Tax Year 16-17	Tax Year 17-18 Proposed	Tax Year 18-19	Tax Year 19-20	Tax Year 20-21 Proposed	Tax Year 21-22 Proposed
<i>Forestland</i>									
White Pine	118 - 177	105 - 158	103 - 155	110 - 165	113 - 170	118 - 177	118 - 176	122 - 183	122 - 183
Hardwood	43 - 65	40 - 61	42 - 63	47 - 71	51 - 76	54 - 81	57 - 86	61 - 91	63 - 95
All Other	31 - 47	30 - 45	30 - 45	34 - 51	36 - 54	37 - 56	38 - 57	39 - 59	40 - 60
<i>Documented Stewardship</i>									
White Pine	87 - 131	63 - 95	62 - 93	66 - 99	68 - 102	71 - 106	71 - 106	73-110	73 - 110
Hardwood	21 - 32	24 - 36	25 - 38	28 - 43	31 - 46	33 - 49	34 - 52	36-55	38 - 57
All Other	10 - 15	18 - 27	18 - 27	20 - 30	22 - 32	22 - 34	23 – 34	24-35	24 - 36
<i>Unproductive Land</i>	10	18	18	20	22	22	23	24	24
<i>Wetland</i>	10	18	18	20	22	22	23	24	24

Change Over Prior Year - Forestry Data for Current Use Valuation

Draft report as of 8/26/2020

STUMPAGE PRICES

<u>Sawlogs</u>	<u>2020</u>	<u>% Change From 2019 to 2020</u>	<u>2019</u>	<u>% Change From 2018 to 2019</u>	<u>2018</u>
Aspen	\$29.99	-66.48%	\$89.46	13.86%	\$78.57
Basswood	\$29.99	-66.48%	\$89.46	13.86%	\$78.57
Beech	\$29.99	-66.48%	\$89.46	13.86%	\$78.57
Pallet Grade	\$29.99	4.60%	\$28.67	8.43%	\$26.44
Cedar (hard pine/other soft)	\$29.99	4.60%	\$28.67	8.43%	\$26.44
Fir (&fir)	\$115.16	0.61%	\$114.46	2.95%	\$111.18
Hemlock	\$45.70	2.18%	\$44.72	5.35%	\$42.45
Other Hdwd (Bolt)	\$85.09	2.24%	\$83.23	1.79%	\$81.77
Red Maple	\$99.52	11.24%	\$89.46	13.86%	\$78.57
Red Oak	\$328.28	-0.39%	\$329.57	6.98%	\$308.08
Red Pine (see white pine)	\$48.38				
Spruce (see fir)	\$115.16				
Hard/Sugar Maple	\$272.95	1.31%	\$269.42	5.19%	\$256.12
Tamarack (see cedar)	\$29.99				
White Ash	\$140.00	5.88%	\$132.23	6.63%	\$124.01
White Birch (soft hardwoods)	\$85.09	2.24%	\$83.23	2.30%	\$81.36
White Oak	\$140.00	56.50%	\$89.46	13.86%	\$78.57
White Pine	\$133.89	-0.64%	\$134.75	0.34%	\$134.30
Yellow Birch	\$176.46	1.46%	\$173.92	1.14%	\$171.96
<u>Pulp</u>					
Fir / Spruce	\$4.86	-11.59%	\$5.50	-12.42%	\$6.28
Hardwood	\$10.60	1.59%	\$10.43	-1.79%	\$10.62
Hemlock	\$6.45	-4.36%	\$6.74	-3.44%	\$6.98
Cedar(see other soft)	\$6.45				
Red Pine(see white pine)	\$2.95				
White Pine	\$2.95	18.52%	\$2.49	-10.11%	\$2.77
Tamarack(see other soft)	\$6.45				
Other Softwood	\$6.45	-4.36%	\$6.74	-3.44%	\$6.98

GROWTH RATES

White Pine	0.71	-0.98%	0.7170	0.00%	0.7170
Hardwood	0.365	1.39%	0.3600	0.00%	0.3600
Other	0.35	0.29%	0.3490	0.00%	0.3490

DISCOUNT RATE

6.970%	-1.69%	7.090%	-1.39%	7.190%
--------	--------	--------	--------	--------