

Washington Forest Futures: State Granted Lands Return on Investment Study

Establishing the asset value of Washington State Department of Natural Resources (WA DNR) granted lands is a unique effort and requires special attention. Different approaches exist that can measure an asset's income-producing capability. Return on investment (ROI) measures the periodic income that granted lands produce, and there are various assumptions that can be adopted when calculating ROI. There are also alternative methods that can be used to determine asset value. Internal Rate of Return (IRR) can be used to relate a stream of periodic payments or revenues to the initial investment. ROI and IRR are but two financial measures that decision makers consider when evaluating investment options.

Methodology

Data that will be used to conduct the study:

- Revenue stream
 - timber prices
 - timber harvest volumes
 - Other revenue streams
 - recreational
 - non-timber
- Factors affecting revenues
 - export restrictions
 - environmental and regulatory constraints
- Cost stream
 - management costs
 - administrative costs
 - regulatory costs
- Market value assessment data

We will use these data to:

- Produce a review of reports prepared by WA DNR over the past 10 years that describe the investment returns from granted lands.
- Provide a review of the methodologies used by previous analyses and the assumptions regarding land trust investments and return on investments.
- Estimate and discuss the appropriate measures of investment returns from granted lands.

Anticipated Outputs

- We will summarize and evaluate previous WA DNR trust land valuation work. Our summary will include a discussion of the legal requirements for trust land investment and the relationship between state general capital funds and capital funds available for acquisition of trust lands.
- We will assess the expected rate of return from state granted lands. We will describe the methodologies and indicators used to report investment returns, and recommend appropriate measures of investment returns from granted lands.

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