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John Donnelly
Executive Director
Wildlife Conservation Board
1807 13th Street, Suite 103
Sacramento, CA 95814

Dear John

Thanks for making available the appraisal review of the proposed Gualala River Forest Property transaction.

As a relatively informed neighboring landowner trying to apply common sense to a large and hard to value asset, we were surprised to see that the appraisal review is limited by -

“no viewing of the subject, no verification of subject facts...no verification of market data or comparable data, all information accepted as true facts”

These limitations would seem to prohibit any independent judgment as a review, and leave the appraisal review to simply function as a checklist. It is hard to see how releasing a check list can provide the public confidence that appropriate judgment is being applied in state purchases of hard to value and non-marketable real estate.

Similar to the recently approved Usal transaction, the appraisal review does provide interesting snippets of information. This piecemeal revelation of facts mostly raises additional questions. Of note -

- 1) Apparently the appraisal that was reviewed started with a fair market value of the land on an as-is basis of \$30 million, and then concludes the easement value is worth \$22.2 million. This contrasts with a DGS approved value of an easement on the land of \$46.8 million, based on the information released in the February 2011 WCB agenda. It would appear that the appraised value of the easement came down by more than 50% in a matter of a few months. What caused such a large change in the appraised value of this asset in so little time?
- 2) The appraisal review references that a component of the value of the land is based on vineyard acreage. The appraisal review then goes on to state that the soil types were not even summarized in the appraisal and no vineyard comparables were used, but rather the appraiser simply relied on published reports that vineyard acreage is worth \$10,000 per acre. It sounds as if the appraiser was allowed to make up a value for the vineyard component of the property. How can the public take assurance from disclosure such as this?
- 3) The appraisal review quotes the appraisal in stating “development and sale of the 73 separate parcels as rural residential homesites...” is the highest and best use of the property. The appraisal review, however, is silent as to whether the appraiser considered the infrastructure

needs, marketing cost and time value of money necessary to develop homesites in a remote part of Mendocino County, and the degree to which homesite values would be affected by the timber rights possibly being reserved in favor of a third party. There is a passing reference to a peak demand for home sites throughout all of Mendocino County (an area totaling roughly 3500 square miles) at 70 lots ... in 2005, with no discussion referenced on the effects of a changed economic environment since then. What justification exists for keeping the heart of the economic analysis of the appraised value a secret?

- 4) The appraisal review cites various shortcomings of the appraisal, and then concludes that the areas were at least minimally addressed. Is minimally addressed the right standard for appraisals justifying the expenditure of \$20 million of state funds?

We understand that there are people who view these ecological purchases as necessary at any public cost. In this case we continue to think that the state is spending precious bond money to address a development threat that simply does not exist. These funds could achieve far more on the north coast by investing in various restoration activities. The WCB needs to set ecological priorities with greater specificity than "ecological integrity and economic stability." With greater clarity of purpose, the benefits of restoration projects would stand out even more.

Regardless of the ecological merits, however, the public deserves full disclosure of the appraisal analysis supporting these multimillion dollar deals before the money has left the state coffers. We urge you and the board to improve this process to maintain integrity and confidence in the WCB by making full appraisals available to the public, in draft form, before the Department of General Services reviews appraisal on hard to value and non-marketable real estate.

Sincerely,



Sandy Dean
Chairman, Mendocino Redwood Company

Cc: Natural Resource Secretary John Laird
John McCamman, Chairman, Wildlife Conservation Board
Ana J. Matosantos, CA Director of Finance
Jim Kellogg, Wildlife Conservation Board
Chuck Bonham, Director, Department of Fish and Game
Karen Finn, Program Budget Manager
Senator Jean Fuller
Senator Fran Pavley
Senator Lois Wolk
Assembly Member Michael Allen
Assembly Member Richard Gordon
Assembly Member Jared Huffman