

Real Estate Investment Trusts (REIT) as a Long-term Conservation Tool

Working toward larger-scale landscape conservation goals in Florida has been, and continues, to be an important land planning effort. With the economy sluggish and all levels of government monetary support for land conservation diminished, it is important to evaluate the tools at hand and sure-up those that may allow continued wildlife, habitat and natural greenway conservation efforts to proceed. One fact to keep in mind is that timber companies structured as Real Estate Investment Trusts (REITs) have significant large scale land holdings in Florida.

REITs are companies that own and manage income producing real estate. They were authorized by Congress in 1960 and later through the 1986 Tax Reform Act to open commercial real estate investing to smaller investors or groups of likeminded investors. Initially, REITs focused on buying and managing commercial and residential rental property, such as shopping malls, apartment complexes and office buildings. Since the 1990s, REITs have also been used to purchase and manage income producing timberland [examples of timberland-owning REITs – Potlatch (PCH), Plum Creek (PCL), Rayonier (RYN) and Weyerhaeuser (WY)].

The main benefit of a REIT is that it is a pass-through entity for U.S. corporate income tax and taxes are mainly applied at the shareholder level. Thus, REITs generally do not pay federal and state corporate income taxes. To do this they must distribute at least 90 percent of their income to shareholders as dividends, and the shareholder is subject to tax on the dividends received from the REIT. REITs must also have at least 75 percent of their assets in real estate, and at least 75 percent of their gross income must be from operation of real estate. In general, other types of income or assets are managed through taxable REIT subsidiaries which pay regular corporate income tax on their income.

Dividends paid by a REIT are deductible from corporate taxable income. That is the means by which a REIT pays little or no corporate income tax. Timber REITs have an additional advantage over other REITs - the bulk of most other REITs' dividends are taxed as ordinary income, but timber REITs' dividends qualify for the lower capital-gains rate which can be appealing to investors.

From a Florida land conservation perspective, REITs tend to hold on to timberland as sustaining investments and thus may foster long-term interest in keeping the most productive timberlands from development or from falling into the hands of competitors or developers. Further, the long-term focus supports adoption by the REITs of sustainable forestry practices ([SFI Principles](#)) and conservation tools such as enduring conservation sales, easements and land exchanges. Each of these practices can further investment objectives to extract value out of the land but also serve land conservation objectives. Adding to income-producing aspects, REIT forestland can be offered to lease for families and recreational groups wanting to hunt. Thus, a REIT can develop sustained value for investors by creation and multiple uses of forest-based products, ecosystem services and environments while providing good land stewardship of forests, rural areas and the natural Florida habitats.

As an example of REITs operating in Florida, Plum Creek Timber Company manages forest on nearly 600,000 acres in 22 counties across Florida. As noted by writer Cynthia Barnett, “As such, it (Plum Creek) crowns *Florida Trend's* list of the top 10 private landowners in Florida.” Its Florida operations are generally in: the St. Johns Forest, Gulf Hammock Forest, Lake Butler Forest, and the Wire Grass Forest in Northwest Florida. Since 2001, Plum Creek has participated in conservation transactions on more than 60,000 acres in Florida making more than 90,000 acres in easements statewide.

From a stewardship perspective, Plum Creek’s Florida forestlands have been “third-party certified” to the **Sustainable Forestry Initiative®** (SFI®) standard which combines the perpetual growing and harvesting of trees with the long-term protection of wildlife, plants, soil and water quality. They received the Florida Audubon Society’s Sustainable Forestry Award in 2007.

Further, certain of their lands are involved in **Habitat Conservation Plans** (HCPs - mostly in other states see chart) and specific conservation agreements that provide for the long-term management and protection of endangered wildlife.

Plum Creek Habitat Conservation		
Plan	Location	Plum Creek Acreage
Native Fish Habitat Conservation Plan	Montana	900,000
Red-Cockaded Woodpecker Habitat Conservation Plan	Arkansas, Louisiana	300,000
Central Cascades Habitat Conservation Plan	Washington	100,000
Karner Blue Butterfly Habitat Conservation Plan	Wisconsin	200,000

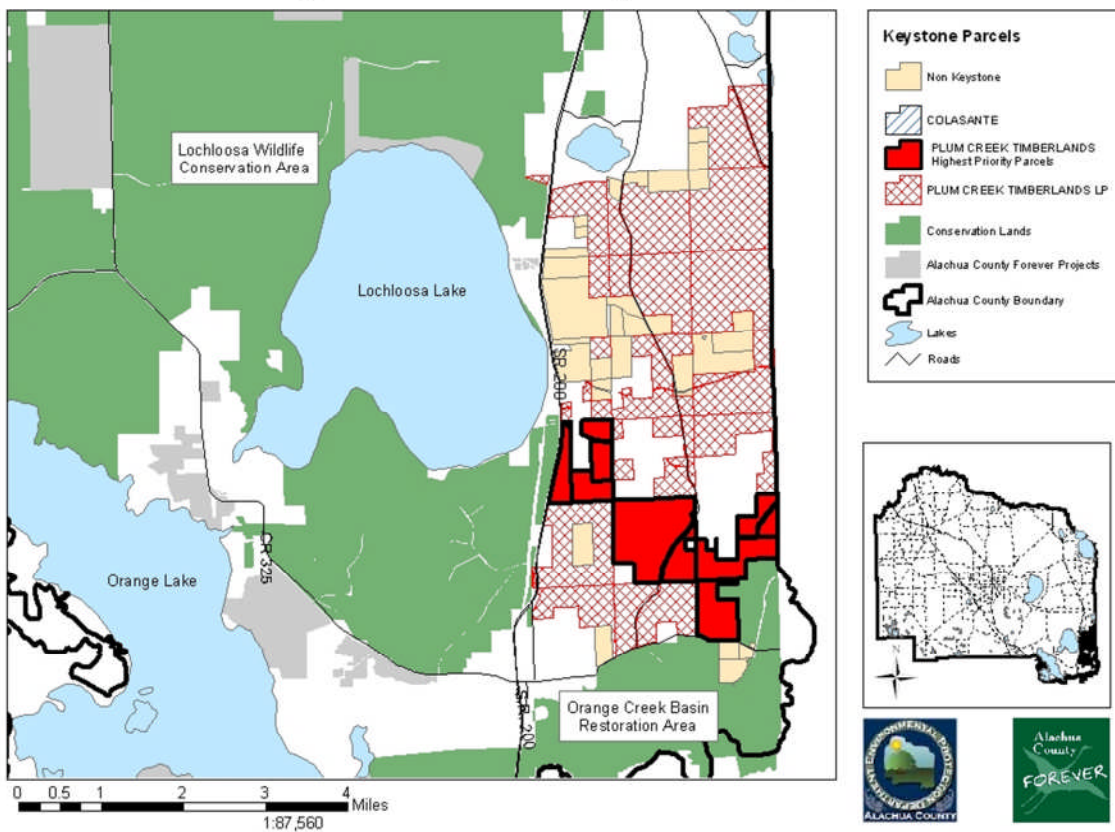
See: <http://www.plumcreek.com/Environment/nbspsustainableforestrySFI/nbspsFIImplementation/HabitatConservationPlans/tabid/153/Default.aspx>

Plum Creek managers note, “Through alliances and conservation easements, we are protecting habitats for endangered and threatened wildlife and plants. Our foresters, biologists and hydrologists work to maintain the quality of streams and forests, provide habitat for diverse wildlife, and protect rare plant species such as the Florida Torreya and Yew.” With Stewardship in mind, REITs such as Plum Creek can balance land management to provide necessary profits for its investors and seek beneficial opportunities to protect land that has visual, historic, recreation, forestry, wildlife habitat and other significant attributes.

An interesting example of a land conservation project in 2009 used by Plum Creek in Marion County was a transaction involving the exchange of a conservation easement protecting nearly 2,000 acres for Transfer of Development Rights (TDRs). The agreement established a conservation easement at no cost to taxpayers that precludes any future development on the tract. In exchange, Plum Creek received 1,958 (check) TDRs for use elsewhere in a more suitable location. The development rights can be used by Plum Creek or sold to developers. Plum Creek plans to eventually sell the development rights for use in areas designated for future growth.

Another example is Plum Creek received the FWC’s first Recipient Site Permit under the management plan in April 2008. The permit authorized the arrangement of a new home for 1,781 displaced gopher tortoises. Plum Creek established the 570-acre site within the Lochloosa Conservation Easement a small part of the larger easement’s 16,610 acres, making alterations to the existing and future timber management plans to provide desirable habitat features for the tortoises. This includes thinning the trees, performing controlled burns to allow recruitment of preferred foliage growing closer to the ground, and establishing a silt fence as a “soft enclosure” around the perimeter of the site. Plum Creek and the St. Johns River water management district are working to expand the gopher tortoise recipient site to potentially include all 16,610 acres, which would allow for approximately 17,000 gopher tortoises to be relocated.

Lochloosa Slough Flatwoods--Keystone Parcels



Such conservation projects carefully balanced with the basic business of growing and harvesting trees to make profits for investors offers us a reasonable opportunity to help conserve natural private lands while adding to an enduring Florida ecological greenway network sustaining wildlife habitat and ecosystem services.