

June 16, 2004

PROPERTY REPORT

Homes for Sale: Wooded Lots, Great Views, Logging Optional

By a WALL STREET JOURNAL Staff Reporter

PUYALLUP, WASH. -- Wayne Arnold recently bought a 20-acre lot in the dense forest south of this Seattle suburb and turned himself into a part-time forest manager. He started by buying an ax and a wood chipper to prune as many of the trees on the property as he can.

"One thing I'm gonna do is take a lot of the dead trees and chop 'em into the soil," Mr. Arnold, a telecommunications executive from Los Angeles, says as he stands in a grove of towering firs. The pulverized trees will end up as mulch, but this isn't merely a weekend getaway for Mr. Arnold. His house sits in the middle of a tree farm, part of a new kind of residential development popping up around the country. Carved out of former industrial timberlands, the "forest reserve" communities, as they are sometimes called, let buyers build their dream home on the land and then manage the property in the surrounding woods as a small tree farm. Owners are free to leave the property untouched or to cut down trees to sell them.

Some timber companies are marketing this new kind of property development in large part because of economics. A number of companies have been motivated to liquidate their timber holdings around major cities because of financial pressure from developers to convert forests into subdivisions and strip malls.

In Washington state, timber giant Weyerhaeuser Co. has been experimenting with the forest reserves since about 1997. In 2002, the Federal Way, Wash., company began marketing its most ambitious venture to date: a 4,400-acre patch of Douglas fir and other greenery here in Pierce County, Wash., called the McKenna Forest Reserve. In all, 204 of the 20-acre forested lots are being sold for an average price of about \$140,000, with some properties commanding choice views of Mount Rainier fetching as much as \$250,000. Property owners are spending as much as another \$300,000 to build the home and essentials, including a septic system and water well. About 80% of the lots have been sold, with the rest expected to be bought over the next year.

There are financial incentives for buyers. Annual property taxes run about \$700 for all 20 acres because of its forestland designation. And with mature Douglas firs fetching as much as \$10,000 an acre, the landowners conceivably could be sitting atop almost a quarter million dollars in tree value, assuming all were cut down. Much of the forest here, though, is younger than the 40 years recommended for harvesting, and so buyers are being given 20-year forest management plans compiled by Weyerhaeuser for use later on.

The concept has spread to other parts of the U.S. In the Florida Panhandle, for instance, a unit of the St. Joe Co. is beginning to market "farmsteads" of five to 15 acres apiece, which can be managed as tree farms. The farmsteads are being developed in three counties, Leon, Wakulla and Gadsden, and homeowners will have the option of contracting with St. Joe, a timber firm based in

Jacksonville, Fla., to carry out a harvest plan for the trees. The farmsteads are being built on some of the approximately 800,000 acres of timberlands that St. Joe owns mostly in northwestern Florida -- much of it plantations of pine trees. St. Joe is also developing subdivisions in Florida called "River Camps," where people can build a home on about an acre of property near a river area and enjoy access to a communal forest that will continue to be thinned by logging.

Weyerhaeuser officials take another approach to the pressures of development, saying they can sell the land faster as a modified tree farm than by going through the lengthy process of gaining regulatory permits for a traditional development. That's because most of the acreage in these subdivisions remains zoned for forestry, so new owners mainly need sign-off from local county officials to construct a home. At McKenna Forest Reserve, owners can build homes on only one of their 20 acres, with the remaining 19 left as a tree farm. "This way, we don't tie the property up, and it gives us a chance to pass on the legacy of forestry we have built up," says Peter Constable, a vice president for the Weyerhaeuser Real Estate Development Co. subsidiary.

Not everyone is a fan. Some environmentalists in the Northwest say Weyerhaeuser is marketing the residential tree farms near urban areas like Seattle to divert public attention from aggressive logging practices on more remote timberland. "It's a way of greenpackaging logging," says Peter Goldman, director of the Washington Forest Law Center, an environmental law group in Seattle.

Even some traditional tree farmers express wariness at these kinds of developments, saying they promote building expansion into forested areas. "I suppose in the scheme of things there is a place for this type of development, but I just hate to see family farms fragmented into small tracts like this," says Chuck Leavell, a tree farmer in Dry Branch, Ga., who is best known as keyboardist for the Rolling Stones.

The key architect behind Weyerhaeuser's residential tree farms is Mr. Constable, a New York transplant who has helped lead the company's effort to reduce its timberland holdings near urbanized areas amid environmental pressures, among other factors. Here in Pierce County, he saw the McKenna Forest Reserve as a way to block, in at least one place, the inexorable urban sprawl from Seattle, 35 miles to the north. So he talked company executives into keeping this tract of land essentially intact as a working tree farm, but with homes built throughout it.

Mr. Constable acknowledged some trepidation within the company about the move. "You're taking a gamble that the marketplace will accept this," he says, driving his GMC Yukon past a gateway of cedar posts that marks an entry to the development. Inside the gateway, the forest initially looks much as it has since Weyerhaeuser began logging trees there in the past century. But around a bend, a log home with a shiny red roof rises out of a newly cleared field as horses graze in a pasture. Later, yellow signs denote newly designated footpaths through the woods, while orange and blue ones mark community gathering areas and boat launches, respectively. Beneath the gravel road are telephone and power lines to wire the community.

Mr. Constable stops his Yukon, and climbs aboard a kayak to escort a visitor onto one of the reserve's two picturesque lakes, as swallows and ducks scatter about. To maintain the serenity, homes can't be built closer than 200 feet from the shoreline and only catch-and-release fishing is permitted. Back on shore, Mr. Arnold, the Los Angeles transplant, stops by to explain why he

pulled up stakes to the Pacific Northwest. "It's kind of like going to summer camp but living on it," he says.