

Good Afternoon

My name is Keith Klingler. I own and manage approximately 3000 acres of timber land in seven counties in Northwest PA. I am a member of the PA Forest Products Association, the Venango County Planning Commission, the PA Forest Stewardship Committee, President of PA Landowners Association and Chairman of the Oil Creek Township, Venango County Board of Supervisors. I have been involved in land use issues for 30 years and am uniquely qualified to speak on these issues. Pennvest was initiated in 1988 with a legislative intent of funding municipal drinking water, public sewage, and storm water projects. The legislative intent listed on pages 1 and 2 of the act are quite clear. If there has been legislation to expand the scope and use of Pennvest funds I am not aware of it, and neither are most legislators. My township was turned down by Pennvest three consecutive years when we requested funding for a public sewage project. We ended up turning to the Federal RUS program. Our project was finally funded at 3% interest. I am aware of multiple other municipalities that have been denied funding, and I will soon have a list of all of these. Lyme Timber, a Timber Investment Management organization (TIMO) based in New Hampshire, which owns hundreds and thousands of acres in fourteen states, recently received a \$50.8 million dollar Pennvest loan at 1% interest with interest only payments for the first five years. Their stated goal is to cut 88 to 104 million board feet of timber over the next eight years on the 60,000 acres they are purchasing with the help of this loan. I am told that these interest terms are even better than the municipal projects that Pennvest has funded. Why would a company with the wealth of Lyme Timber even be considered for a Pennvest loan? When funding a land acquisition with a low interest loan, Pennvest is taking business away from private sector lenders. If Governor Wolf is promoting economic growth for Pennsylvania, Government competing against existing companies is no way to accomplish this. Lyme Timber will save between 1.5 and 2 million dollars per year with the terms of this loan, giving them a clear advantage over their competitors. They have stated that conventional funding would be "too expensive." Could it be that the land was priced too high as it was on the market for several years? Manipulating the marketplace with subsidized loans creates an uneven playing field for the forest products industry. The reason there was little opposition to this loan is simply because so few people knew about it. With no media attention, hearings, or scrutiny, DCNR with the help of the Western Pennsylvania Conservancy and the Conservation Fund were able to mislead our elected officials, and push this lucrative deal through.

The application that Lyme Timber filled out to receive the loan needs to be thoroughly examined. All the questions in the application seem related to the funding of municipal water or sewage projects. Questions like “Does the applicant own the system,” “Does the applicant operate the system,” “Does the applicant maintain and construct the system?” are asked with Lyme Timber answering YES to all of the above. “Do you charge user fees?” the answer again is YES. I hope you are getting the picture. Another question that was asked is “How many construction jobs will you create?” Lyme's answer is 50. The Pennvest web-site and DCNR claims there will be 50 forestry jobs created, which is it? Lyme Timber has hired valued employees away from existing PA Forest Products companies, with the help of this Pennvest subsidy.

I will now address “Forest Fragmentation” a claim that DCNR, Lyme Timber, and most conservancies and land trusts make. They state that these large forested tracts are being sub-divided and developed at an unprecedented rate, but offer no evidence to back up this claim. Having done some minor subdivisions, I am acutely aware of how stringent sub-divisions regulations are. DEP's on lot sewage regulations alone would prohibit most of these large tracts from being sub-divided. The terrain, lack of access, poor soils, and cost associated with major sub-divisions at the county and state level would eliminate any chance of these tracts being sub-divided and developed. Clean and Green is a program designed to give tax relief to landowners who don't plan on sub-dividing. This is a county wide program that most counties in the northern tier participate in. Most, if not all, of Lyme Timber's tracts are enrolled in Clean and Green which already restricts development. I did a quick survey of seven counties to see how many tracts over 200 acres have been sub-divided and developed over the past 10 years in the northern tier. Of the five that responded, four counties said there have been no subdivisions of parcels over 200 acres, and one county sent a list of 10 properties that had small parcels sub-divided from a larger tract. Interestingly, the Western PA Conservancy's was one of the landowners who did the sub-division, and the PGC purchased five parcels from a larger tract in one of the other subdivisions. Is the PGC and the WPC guilty of fragmentation? In all 10 cases, the sub-divisions were less than 10 percent of the entire tract, with one being less than an acre, and another being an expansion of a landfill. Now we know that large forested tracts are not being sub-divided and developed. What I have found is that “forest land consolidation” is and has been occurring with thousands of examples. Landowners have been purchasing small parcels and then buying multiple adjoining properties creating larger and larger blocks of land. I have seen as many as 25 tracts combined into one large parcel. Most of the properties I

own over 50 acres are made up of several smaller tracts. This is a story that has never been told because it simply does not fit DCNR's narrative. We are told that once these large tracts are developed, that the streams will negatively be effected. Is DCNR and Pennvest saying that DEP and the Fish Commission are not doing their job? We all know too well that the regulators are quite thorough in this role. The bottom line is that we do not need DCNR or Lyme Timber to protect anything. This is simply another excuse for DCNR to gain power and control over northern tier timberlands. The real threat to the sustainability of our industry is "Government land sprawl" as DCNR and the PGC is eliminating approx. 10,000 acres of private property per year through their acquisitions.

As far as the "donated," easement that is part of this transaction on the 9,000 acres in Cameron county. Do we know if Lyme Timber will be seeking a tax wright-off for the value of the development rights on this tract? Typically the values I have seen being on the forest legacy sub-committee are around \$1,000.00 per acre. Will the tax payers loose 9 million dollars which is the potential of the wright-off? Real estate appraisers are placing values on the development rights without having any idea if the property can even be developed. This is another program that needs serious scrutiny.

In closing, I am hoping that all that are involved in this Lyme Timer transaction are held accountable for any wrong doing. This is clearly Pennsylvania's version of the swamp, that desperately needs drained.

Thank – you for this opportunity to testify.