
Minutes

Board of Natural Resources Meeting

January 5, 2018

Natural Resources Building, Olympia, Washington

BOARD MEMBERS PRESENT

The Honorable Hilary Franz, Washington State Commissioner of Public Lands

The Honorable Bill Peach, Commissioner, Clallam County

The Honorable Chris Reykdal, Superintendent of Public Instruction

Dan Brown, Director, School of Environmental and Forest Sciences, University of Washington – *via conference call*

BOARD MEMBERS ABSENT

JT Austin, Designee for the Honorable Jay Inslee, Washington State Governor

Ron C. Mittelhammer, Dean, College of Agricultural, Human, and Natural Resource Sciences,
Washington State University

1 CALL TO ORDER

2 Chair Franz called the meeting to order at 9:00 AM.

3
4 All Board members introduced themselves. Chair Franz noted there was a quorum for the
5 meeting.

6 SAFETY REVIEW

7
8 Ms. Kellogg gave a safety overview and instruction on evacuating the building in case of an
9 emergency.

10 11 APPROVAL OF MINUTES

12 Chair Franz called for approval of the minutes for the December 5, 2018 Regular Board of
13 Natural Resources Meeting.

14
15 MOTION: Superintendent Reykdal moved to approve the minutes.

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17 SECOND: Commissioner Peach seconded the motion.

18
19 ACTION: The motion was approved unanimously.

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21

1 **PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST**

2 **Connie Beauvais, Port of Port Angeles**, spoke about the Marbled Murrelet preferred alternative
3 and her concerns with the details of the selected preferred alternative. She asked the Board to
4 consider Alternative B as the preferred alternative and that since the arrearage acres have
5 been agreed to by the Board, those acres should be immediately put back on line to schedule for
6 harvest. She also asked that difference in acres between the selected alternative and acres set
7 aside under alternative F be released from their set aside designation.
8

9 **Carol Johnson, Executive Director, NOTAC**, spoke about the Sustainable Harvest Calculation,
10 adding that her comments are mostly relative to Clallam County lands. She stated most of
11 Clallam County lands, per her pie chart provided at a previous meeting, 52% of lands are off
12 base or highly restricted. She requests that a financial analysis of the lands preserved in those
13 categories from harvest be completed so the beneficiaries know what the value of the lost
14 opportunity is and how long the DNR plans have the lands reserved. She would like to see
15 documented effort of not repeating the arrearage issue and that DNR give the beneficiaries
16 notification if the arrearage issue re-occurs.
17

18 **Matt Comisky, Washington Manager, AFRC**, spoke to the selection of the preferred
19 alternative for arrearage at the November meeting. Mr. Comisky questioned the volume of trust
20 land transfers, and that there seems to be an inter-generational equities problem. He noted several
21 other concerns and plans to add more at a later meeting
22

23 **Rod Fleck, City Attorney, Forks**, commented on the selection of the Marbled Murrelet Long
24 Term Conservation Strategy and how it would occur on the ground. Mr. Fleck shared documents
25 from 2001 and notes the change in trust land acres managed by DNR, asking for clarification
26 from DNR staff.
27

28 **PUBLIC COMMENTS FOR TIMBER SALE ACTION ITEMS**

29 **Miguel Perez-Gibson, WEC**, spoke about how timber sales are managed and the value and
30 volume of sales coming up this year.
31

32 **TIMBER SALES (Action Item)**

33 **Proposed Timber Sales for February 2018 | 3 handouts, including the presentation**
34 Tom Heller, Acting Assistant Division Manager, Product Sales & Leasing Division
35

36 Mr. Heller began by discussing current timber market conditions, stating that factors have
37 changed for the positive providing the DNR with significant high bids. Recent department log
38 surveys have shown a 10% increase in log prices where 1-3% increases are common. Mr. Heller
39 also noted that current log supplies are low, which has led to increases in prices.
40

41 The results of the December auction was presented to the Board by Mr. Heller. The Department
42 offered 19 sales totaling 73.6 mmbf in December. All sales sold totaling \$37.1 million for an
43 average of \$503 per mbf with 2.7 bidders per sale on average. Mr. Heller noted that this was the
44 first time in the past 12 years where the Department averaged over \$500/mbf.
45

46 Mr. Heller then discussed the current fiscal year 2018 planned versus sold volume graph. The
47 baseline for this graph is what was scheduled as planned in December 2017. Mr. Heller

1 discussed the small difference shown between the planned and sold 2nd quarter volumes as being
2 due to a sale which received no bids; the referenced no bid sale is currently scheduled in the 3rd
3 quarter.
4

5 Mr. Heller asked for questions on the December 2017 results and current fiscal year volumes.
6 Commissioner Peach mentioned potentially looking at Random Lengths historical data to see
7 when prices were as comparatively high as the Department's December auction results and price
8 survey. Commissioner Peach then asked the viability of moving timber sales into the 3rd quarter
9 to capture value in the current market. Mr. Heller responded that this would be difficult because
10 two months of the 3rd quarter are already solidified leaving only March in which to attempt to
11 add more sales. This also means that any sale, which could be moved, would need to be through
12 all applicable permitting processes. Mr. Heller did note that the Department has been actively
13 looking at moving sales forward.
14

15 Commissioner Peach followed up by asking how much more revenue is the Department able to
16 produce to beneficiaries under such positive market conditions. Mr. Heller responded that the
17 extra amount is significant.
18

19 Commissioner Peach also asked how the Department was producing in regards to price versus
20 what was projected for the fiscal year and what was the Department's budgeted revenue target
21 for fiscal year 2018. Mr. Heller responded that the Department could provide the price
22 information in a future presentation and that a revenue forecast is produced quarterly and prices
23 are currently well above the current forecasted revenue numbers.
24

25 Commissioner Franz mentioned that she has recommended to staff to show both volume and
26 value on future graphs to display where the Department is relative to where projections were.
27 Commissioner Peach mentioned that junior taxing districts are aware of the higher values being
28 obtained by current timber sales and are asking if more revenue to the trusts should be expected.
29

30 Mr. Heller noted that the pre mbf price is shown on the Department's auction results report as
31 \$469/mbf and that the current forecast was for \$370/mbf. Commissioner Franz recommended
32 that the value results could potentially be more effective if presented graphically.
33

34 Mr. Heller then presented proposed sales to be offered in February 2018 to the Board.
35

36 Commissioner Franz asked the Board for questions on the proposed sales.
37

38 Hearing no questions, Mr. Heller asked for approval of the proposed sales as presented.
39

40 MOTION: Commissioner Peach moved to approve the proposed sales.

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42 SECOND: Superintendent Reykdal seconded the motion.
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44 ACTION: The motion was approved unanimously.
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46 **PUBLIC COMMENTS FOR LAND TRANSACTION ACTION ITEMS**

47 No comments.

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2 **AQUATIC/LAND TRANSACTION (Action Items)**

3 **Oroville-Tonasket Irrigation District Direct Transfer, No. 02-096120; Resolution 1512**

4 Kyle Murphy, Assistant Division Manager, Aquatic Resources Division

5 Robin Hammill, Program Manager, Aquatic Resources Division

6
7 Mr. Murphy presented the proposed direct transfer of the Lake Osoyoos property in Okanogan
8 County, located near the Canadian border and near the town of Oroville, to the Oroville-
9 Tonasket Irrigation District. The 2.97 acre parcel generates no revenue and DNR is prohibited
10 from effectively leasing or developing the property due to deed and site restrictions. The
11 revenue from this transfer will be deposited into the Real Replacement Property Account for
12 future acquisitions of aquatic land.

13
14 The appraised value and price is \$74,000.

15
16 Mr. Murphy concluded by asking the Board to approve Resolution 1512.

17
18 MOTION: Superintendent Reykdal moved to approve Resolution 1512.

19
20 SECOND: Commissioner Peach seconded the motion.

21
22 ACTION: The motion was approved unanimously.

23
24 **South Ebey Auction Property Transfer, No. 02-095872; Resolution 1513**

25 Bob Winslow, Conservation, Recreation, and Transactions Division

26
27 Mr. Winslow presented the South Ebey auction property, which is located in Snohomish County
28 northeast of the City of Arlington. The property is a small parcel of Common School Trust land
29 that would be sold at public auction. DNR desires to sell the 0.29 +/- acre property to acquire
30 replacement property for the Common School Trust at a future date. This small parcel is not
31 economic to harvest due to size and costs to survey, is not adjacent to other trust land, and is a
32 source of on-going costs associated with easement grant requests from the public.

33
34 The property is not a legal lot and the zoning density is 1 house per 20 acres. The property
35 includes a few trees, Ebey Mountain road and a portion of a driveway. A neighbor has provided
36 DNR with a \$7,500 Administrative Fee payment to cover DNR costs to bring this property to
37 auction. The appraised value and recommended minimum auction bid price for the property is
38 \$2,200.

39
40 During the question period it was noted that the tree volume is too low to make a timber sale
41 economical as the cost of the property line surveying and the timber sales preparation costs
42 would exceed the stumpage value.

43
44 Mr. Winslow recommended approval of Resolution 1513.

45
46 MOTION: Commissioner Peach moved to approve Resolution 1513.

1 SECOND: Superintendent Reykdal seconded the motion.

2
3 ACTION: The motion was approved unanimously.

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5 **Tukes Reservoir Direct Transfer, No. 02-093907; Resolution 1514**

6 Deborah Whitney, Program Manager, Conservation, Recreation, and Transactions Division

7
8 Ms. Whitney presented the Tukes Reservoir Direct Transfer Transaction. She described the
9 parcel location as adjacent to the city limits for the City of Battle Ground, in Clark County,
10 Washington, and is about 18 miles northeast of Vancouver. Ms. Whitney stated that the property
11 is being purchased by the City of Battle Ground, who holds an easement for water reservoirs on
12 1.2 acres of the property and that the City wishes to expand their facility and add more towers.
13 The revenue from this transfer will be deposited into the Real Property Replacement Account to
14 purchase replacement property for the Common School Trust.

15
16 The appraised value and price is \$175,000.

17
18 Ms. Whitney recommended approval of Resolution 1514.

19
20 MOTION: Commissioner Peach moved to approve Resolution 1514.

21
22 SECOND: Superintendent Reykdal seconded the motion.

23
24 ACTION: The motion was approved unanimously

25
26 **PUBLIC COMMENTS FOR CHAIR REPORT**

27 **Miguel Perez Gibson, WEC**, spoke about Forest Health and shared his appreciation of the DNR
28 moving the Forest Health program forward.

29
30 **CHAIR REPORT**

31 **State Lands Forest Health Implementation Briefing-Part 1**

32 Darin Cramer, Division Manager, Product Sales and Leasing

33
34 Mr. Cramer provided a briefing of the forest health issue in Washington State to the Board. He
35 stated that declining forest health has been partially responsible for the extreme fire behavior for
36 the past few years leading to a heightened awareness of forest health issues. He went on to state
37 that the Department has been actively trying to manage forest health for a number of years;
38 however the problem and costs are large and has limited the Department's ability to treat large
39 areas in a short period of time.

40
41 The legislature has been heavily involved in this issue over the past couple years and in 2017, the
42 legislature passed House Bill (HB) 1711, which provided new direction for State Lands to treat
43 forest health issues.

44
45 He went on to explain that in Eastern Washington, the forest health issue can be categorized as a
46 density management issue and directed the Board's attention to two images of the same forested
47 ridge taken roughly 75 years apart where the slopes have filled in over that time period. He stated

1 that many decades of heavy fire suppression have led to the issue of over-stocked stands, which
2 can lead to greater mortality and pests creating a feedback loop with forest fire frequency and
3 severity.
4

5 Mr. Cramer then provided statistical information, noting that in 2014 the Department estimated
6 that 2.7 million acres of Washington were in need of forest health treatments and that State
7 Lands accounted for roughly 257 thousand acres (10%) of that total. He explained that the
8 Department manages about 780 thousand forested acres, of which about 90 thousand is in
9 NRCAs, NAPs, and Community Forests. He stated that forest health treatments have been
10 occurring every year and since 2014, the Department has treated approximately 40 thousand
11 acres meaning there are roughly 200 thousand acres remaining to be treated.
12

13 Mr. Cramer than showed a map of Eastern Washington displaying areas treated for forest health
14 as well as large fire areas. The map shows varying levels of tree mortality of which there are
15 more large areas. The map also indicated some decreases in the rate of tree mortality over the
16 years. Commissioner Peach asked if the mortality was due to beetles to which Mr. Cramer
17 responded yes among other factors.
18

19 Mr. Cramer then expanded on what State Lands has been doing stating that in 2004, the
20 Department received legislature approval to begin conducting forest improvement treatments
21 (FIT) utilizing the contract harvest revolving fund. He explained that the account allows for the
22 use of contract harvesting to deliver logs directly to purchasers and that money can be spent from
23 this account with the proceeds coming back in. He stated that once a sale is complete,
24 disbursements to beneficiaries are made. It was a key benefit to use the revolving fund for FIT
25 projects due to these projects being high cost/low value work and many forest health projects
26 would not occur if there was not this type of funding mechanism available.
27

28 Commissioner Peach asked if the cash flow from these projects goes to the beneficiaries or
29 Department. Mr. Cramer responded that it does. The revolving account has a minimum balance
30 in it to cover project costs and conducting the project. At the end of each sale there is a positive
31 cash balance that is dispersed to beneficiaries.
32

33 There are still constraints on conducting forest health treatments using the revolving account. A
34 project has to be at least at a break even value if not a positive value. There is also competition
35 for the money in the account. Commissioner Peach asked whether the competition is internal to
36 DNR. Mr. Cramer responded that it is. Commissioner Peach than clarified that this mechanism is
37 in place to avoid negative cash flow sales. Mr. Cramer agreed.
38

39 Mr. Cramer informed the Board that the Department has also been successful at acquiring capitol
40 dollars to complete projects. The Department has received capitol budgeting for the past eight
41 years; roughly 1.7 million per biennium which has allowed some of the break even or negative
42 value projects to move forward. Capitol dollars can be used to supplement the revolving account
43 to ensure the revolving account does not go into a negative balance. This has also allowed
44 activities such as commercial and pre-commercial thinning to occur.
45

46 In 2007, the legislature amended existing law regarding forest health which provides for the
47 Commissioner of Public Lands (CPL) to be the lead on forest health issues. The amended law

1 resulted in a tiered system where tier 1 is a stated policy objective that forests should be managed
2 or maintained forest ecosystems so that forest disturbance agents exist at non-epidemic levels;
3 tier 2 allows the CPL to designate hazard warning areas; tier 3 is the ability to issue orders when
4 there is an emergency which requires landowners to act. Mr. Cramer showed a map of two areas
5 with significant forest health issues as designated by Commissioner Goldmark.

6
7 Additional legislation was approved in 2016 directing the department to develop a 20-year
8 strategic plan. This plan was completed in 2017 with five goals:

- 9 1. Conduct 1.25 million acres of sound landscape scale cross-boundary management and
10 restoration treatments in priority watersheds to increase forest and watershed resiliency
11 by 2037.
- 12 2. Reduce risk of uncharacteristic wildfire and other disturbance to protect communities,
13 properties, ecosystems, assets, and working forests.
- 14 3. Enhance economic development through implementation of forest restoration
15 management strategies that maintain and attract private sector investment and
16 employment in rural communities.
- 17 4. Plan and implement coordinated landscape-scale restoration and management treatments
18 in a manner that integrates landowner objectives and responsibilities.
- 19 5. Develop and implement a monitoring program that establishes criteria, tools, and
20 processes to monitor conditions over time and reassess strategies as necessary.

21
22 In 2017, the legislature passed two significant pieces of legislation; Senate Bill (SB) 5546 and
23 HB 1711. SB 5546 represents the next stage of the 20-year strategic plan and it establishes an
24 advisory committee which directs the Department to develop and assess treatment framework to
25 address the forest health issues. This bill also requires there to be 1 million acres treated by 2033
26 across all ownerships. HB 1711 was specifically for State Lands and required the Department to
27 develop a policy for prioritizing investments on State Lands to reduce hazards and losses, reduce
28 disease and insect infestation, and achieve forest health and resiliency at a landscape level.

29
30 Mr. Cramer went on to inform the Board that during 2017, the Department worked with the US
31 Forest Service under the Good Neighbor Authority to assist them with conducting forest health
32 treatments on federal land. The first project under this agreement is coming up shortly this spring
33 in the Colville area. The shift has gone to landscape levels over the past couple years rather than
34 a stand by stand focus.

35
36 He explained that State Lands has been working on developing a framework to meet the
37 objectives of HB 1711 and that a plan should be completed within a month that will address
38 planning based on a number of factors including an economic development landscape plan. HB
39 1711 also established a new revolving account for this work. The new account is similar to the
40 previous revolving account except the new one is dedicated to forest health work, eliminating
41 competition for the money. There is also a higher fund balance cap and proceeds from the fund
42 can be used across the landscape as opposed to having to track sale by sale. There is a still the
43 required dispersal of funds.

44
45 Commissioner Peach clarified that if one project is negative and another is positive, the negative
46 is eliminated by the positive project allowing more acres to be treated overall. Mr. Cramer
47 agreed and noted that this was a key component necessary to be successful.

1
2 Mr. Cramer then discussed what has actually occurred as far as forest health treatments ranging
3 from 2006 to 2017. Treatments have ranged from pre-commercial thins, commercial thins, and
4 FITs and this relays to about 70 thousand acres of commercial harvest and 50 thousand FITs, and
5 40 thousand acres of pre-commercial thins. He stated that roughly 90 thousand acres of forest
6 health treatments have utilized the revolving account with some capital funding.
7

8 At the Department's current pace of about 14 thousand acres treated per year, meeting the goal
9 of another 200 thousand acres treated within the allotted time frame in the 20-year strategic plan
10 is obtainable. There will be some requirements to revisit previously treated stands, which is not
11 accounted for in the previous statistics. Commissioner Peach asked if the thinning treatment were
12 a thin to waste treatment or are logs being created to generate value. Mr. Cramer stated that the
13 Department is generating commercial logs from these projects, not including pre-commercial
14 thinning.
15

16 Moving forward, the Department will plan and conduct treatments consistent with the 20-year
17 strategic plan using the account from HB 1711. Procedures will need to be developed for
18 managing the new account based on landscape management. The Board has oversight of the new
19 revolving account and the Board will receive reports regarding account activity. The Department
20 must also report progress and plans to the legislature every other year. The Department is
21 working on prioritizing landscapes within the next biennium.
22

23 Mr. Cramer finished by covering what was discussed during the presentation and what is still to
24 come in the next month. Mr. Cramer then asked the Board for questions.
25

26 Superintendent Reykdal requested to see what response, containment, and cash flow look like for
27 fires on Federal, State or Tribal land because we when handle forest health better, we can avoid
28 more fires. What happens and what kind of timber harvest occur after fire. Commissioner Franz
29 responded that much of that data would come from the Department's Wildfire Division. Mr.
30 Cramer also noted that the Department can provide information on State Lands' response
31 following disturbance.
32

33 Commissioner Franz also noted that it would be valuable to have a presentation on where the
34 Department is in restoring lands burned during the catastrophic fires of 2014 and 2015 as well as
35 where those costs go.
36

37 Mr. Cramer agreed and noted that between 2011 and 2016, approximately 2.1 million acres
38 burned including about 90 thousand forested acres. The Department attempts to go in following
39 fires to salvage value, but it is very difficult given the current business model to make projects
40 pencil out. Of the roughly 90 thousand acres, it is possible the Department has salvaged
41 approximately 2 thousand acres.
42

43 Commissioner Peach asked about replanting of burned and salvaged lands. Mr. Cramer
44 responded that the Department has a reforestation obligation when a harvest activity has
45 occurred. If there is no entry into a burned area for salvage operations then there is no
46 reforestation activity. Mr. Cramer noted that there was a specific request in the most recent
47 budget specifically for reforestation.

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Commissioner Franz emphasized the importance of the Department obtaining funds specifically for reforesting burned areas. Commissioner Franz also noted that this work is a partnership with the legislature because funding is required to treat the large amount of land affected by forest health issues. The hope is, that by successfully utilizing capital funding to treat forest health issues and being accountable to the legislature by treating what was planned, additional funding will become available.

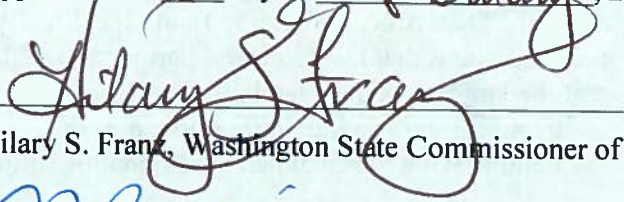
Commissioner Franz briefly discussed the Good Neighbor Authority with the US Forest Service where a number of projects are in the pipeline already.

Commissioner Peach asked if the Department was receiving \$1.7 million per year for forest health. Mr. Cramer responded in the affirmative with the exception of the previous year where no budget was passed.

Commissioner Franz followed up stating that money was secured in the budget and should become available once a budget is passed. Also, the Department is hoping to treat 70 thousand acres per year which will require much more than the current allocated budget.

Meeting adjourned at 10:30 AM.

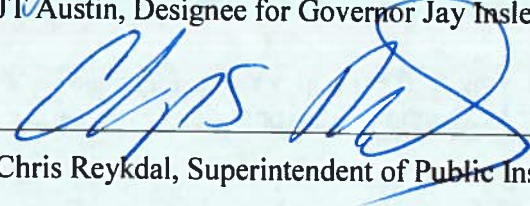
Approved this 6th day of February, 2018



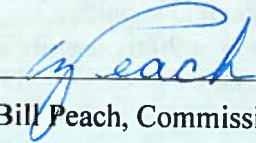
Hilary S. Frant, Washington State Commissioner of Public Lands



JT Austin, Designee for Governor Jay Inslee



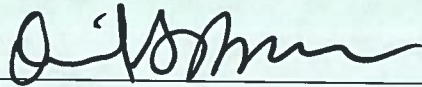
Chris Reykdal, Superintendent of Public Instruction



Bill Peach, Commissioner, Clallam County

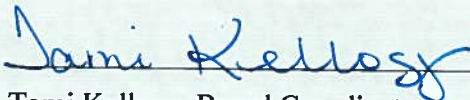


Ron Mittelhammer, Dean, College of Agricultural, Human, and Natural Resource Sciences,
Washington State University



Dan Brown, Director, School of Environmental and Forest Sciences,
University of Washington

Attest:



Tami Kellogg, Board Coordinator