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# Minutes

## Board of Natural Resources Meeting

March 6, 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

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

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

Ron C. Mittelhammer, Dean, College of Agricultural, Human, and Natural Resource Sciences,  
Washington State University – *via conference call*

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### 1 CALL TO ORDER

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

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

### 6 SAFETY REVIEW

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

9  
10 Superintendent Reykdal stepped out of the room.

### 11 APPROVAL OF MINUTES

12  
13 Chair Franz called for approval of the minutes for the February 6, 2018 Regular Board of Natural  
14 Resources Meeting.

15  
16  
17 MOTION: Director Brown moved to approve the minutes.

18  
19 SECOND: Ms. Austin seconded the motion.

20  
21 ACTION: The motion was approved unanimously.

1 Ms. Austin commented on the use of her cell phone during the meetings and mention of it being  
2 disrespectful. Ms. Austin acknowledged and apologized for any insult, but explained it is  
3 necessary due the nature of her job.  
4

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

6 **Jim Stoffer, Sequim School District, speaking on behalf of WSSDA**, spoke about the short  
7 legislature session and the bills that affect school funding. He noted that the trust advisory team  
8 is very active this session. He then voiced the WSSDA's support on the harvest sale in Clallam  
9 County.  
10

11 **Joe Beavers, Citizen, Goldbar, WA**, spoke about the Singletary timber sale, Reiter Foothills  
12 recreation plan, and the reconveyance request by Snohomish County. He requests the DNR deny  
13 the requested reconveyance by Snohomish County.  
14

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

16 **Matt Comisky, Washington Manager, AFRC**, thanked DNR staff for the work on timber sales  
17 and for being proactive with the beneficiaries on forecasting revenue and volume. It is not only  
18 helpful to the beneficiaries, but also for the purchasing community. He added that while there is  
19 always support for western Washington projects, there is also strong support for eastern  
20 Washington projects.  
21

22 **TIMBER SALES (Action Item)**

23 **Proposed Timber Sales for April 2018, Auction Results | 3 handouts, including the**  
24 **presentation**

25 Koshare Eagle, Assistant Division Manager, Product Sales & Leasing Division  
26

27 Ms. Eagle presented the results of the February 2018 auction to the Board. The Department  
28 offered 12 sales totaling 52.8 mmbf in February. Of those, 11 sales sold totaling \$22.2 million  
29 for an average of \$443 per mbf with 2.6 bidders per sale on average.  
30

31 Ms. Eagle discussed the sale which did not receive bids in February, Catt Back. As having  
32 original harvest costs potentially underestimated as well as the sale being primarily small  
33 western hemlock and potentially over-valued. Ms. Eagle also mentioned that two sorts, the  
34 conifer utility sort for two separate sort sales. did not sell due to incomplete bid forms. These two  
35 sorts are being re-offered March 7.  
36

37 Ms. Eagle asked the Board for questions on the February auction results. There were none.  
38

39 Ms. Eagle then presented proposed sales to be offered in April 2018 to the Board, and asked for  
40 approval of the sales package.  
41

42 Commissioner Franz asked the Board for questions on the proposed sales.  
43

44 Commissioner Peach discussed arrearage and how to identify it in advance by discussing DNR's  
45 Northwest (NW) Region currently scheduled volume. Commissioner Peach noted that two-thirds  
46 of the way through the fiscal year, Northwest Region is well short of their fiscal year delivered  
47 volume target, and will have to bring forward a large amount of volume over the remaining

1 quarter. Commissioner Peach also asked if the Agency had asked other regions to help cover  
2 volume target discrepancies.

3  
4 Ms. Eagle responded that Northwest Region is confident they will deliver 114 million board feet  
5 for this fiscal year, and they will make the biennial target. Ms. Eagle also noted that other regions  
6 have not been asked to cover a volume target discrepancy at this point because the biennial target  
7 is still obtainable.

8  
9 Ms. Eagle offered to provide Commissioner Peach and the Board a short breakdown of the  
10 Agency's sale process to help better explain the process.

11  
12 Commissioner Peach also pointed out that roughly 300 mmbf has sold at this point of the fiscal  
13 year, leaving approximately 200 mmbf to offer in the final four months. Commissioner Peach  
14 followed up on this by noting markets are still favorable and that the Agency should not miss the  
15 opportunity to move sales forward. Commissioner Peach also discussed reporting mechanisms  
16 for tracking volume across fiscal years, and voiced his concern on the potential of arrearage this  
17 year.

18  
19 Chair Franz concurred with his comments, and suggested DNR work with Board members on the  
20 best way to present this information so that it is easy, efficient, and effective, and ensures  
21 everyone has the same information.

22  
23 Ms. Eagle volunteered to bring fiscal year updates monthly as opposed to quarterly.

24  
25 Chair Franz noted that we are already in the middle of the sustainable harvest calculation and a  
26 little off on the timing. This is due to the Board's decision in November. She stated that our goals  
27 and targets are 1) to address arrearage, and 2) not create arrearage. She reiterated that is  
28 important the Board is mindful that we were already half way through that timeframe of what  
29 should be the new sustainable harvest number; that number has not actually been finalized by the  
30 board yet.

31  
32 Mr. Brown asked about the price market forecasting methods utilized by the Agency to value  
33 their timber sales. Ms. Eagle responded that the Agency has economists that follow the market to  
34 forecast values, as well as a staff member in the Product Sales Division who does the same.

35  
36 MOTION: Commissioner Peach moved to approve the proposed sales.

37  
38 SECOND: Superintendent Reykdal seconded the motion.

39  
40 ACTION: The motion was approved unanimously.

41  
42 **PUBLIC COMMENTS FOR LAND TRANSACTION ACTION ITEMS**

43 **Michael Frizzell, City Administrator, City of Chewelah**, spoke to the Sand Canyon  
44 transaction and voiced the city's support of the transaction. He provided a history of the airport  
45 and explained that in order to receive the aviation grants from WSDOT the city needs to  
46 maintain the airport and guarantee its future.

1 He explained that after being denied by WSDOT for funds to purchase the property, they worked  
2 with Stevens County Commissioners who provided \$100,000 towards the purchase and \$50,000  
3 for development. He stated the council also passed a \$150,000 Councilmanic bond to purchase  
4 the property, and that local businesses came forward and expressed support and a willingness to  
5 invest in the area once it's owned by the City of Chewelah.

6  
7 **LAND TRANSACTION (Action Items)**

8 **Sand Canyon Direct Transfer No. 02-093718; Resolution 1515**  
9 Deborah Whitney, Project Manager, Lands Transactions Section

10  
11 Ms. Whitney presented the Sand Canyon Direct Transfer presentation. She described the Sand  
12 Canyon Airport property as located 23 miles southeast of Colville and within the City of  
13 Chewelah in Stevens County, Washington.

14  
15 She stated the 89 acres of Capital Building Trust property is being purchased by the City of  
16 Chewelah, who is the current lessee. She noted that all improvements and water rights are owned  
17 by the city, adding that the low-rent lease expires in 2035 and provides the department no  
18 opportunity to increase revenue for the trust. The revenue from this transfer will be deposited  
19 into the Real Property Replacement Account to purchase replacement property for the Capital  
20 Building Trust.

21  
22 The appraised value and price is \$259,000.

23  
24 Commissioner Peach asked about the procedure on the valuation of the property. Ms. Whitney  
25 confirmed that the property was appraised as if unencumbered by the lease with no  
26 improvements, at the highest and best use of residential, and that the timber was valued as if  
27 privately owned and under current forest practices regulations to an unrestricted market. The  
28 appraiser used a development approach in valuation of the property. The city agreed to the  
29 appraisal terms in their lease amendment.

30  
31 Commissioner Peach asked what discount rate would be used on the cash flow of the existing  
32 lease. Ms. Whitney replied between six and ten percent, which would bring the present net value  
33 of the lease between \$11,400 and \$14,800.

34  
35 Ms. Whitney recommended approval of Resolution 1515.

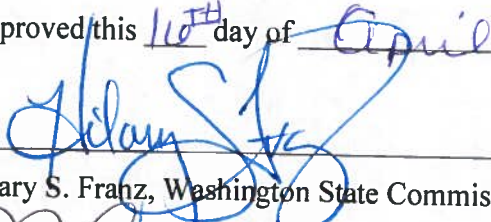
36  
37 **MOTION:** Superintendent Reykdal moved to approve Resolution 1515.

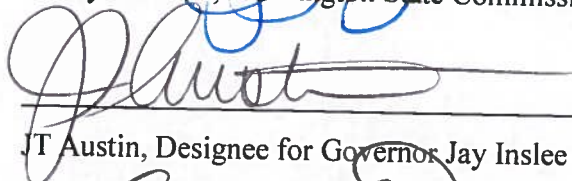
38  
39 **SECOND:** Commissioner Peach seconded the motion.

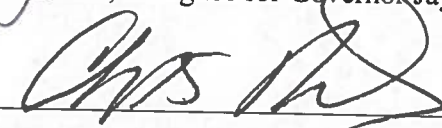
40  
41 **ACTION:** The motion was approved unanimously

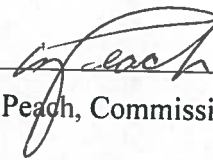
42  
43 Meeting adjourned at 9:38 AM.

Approved this 16<sup>th</sup> day of April, 2018

  
\_\_\_\_\_  
Hilary S. Franz, Washington State Commissioner of Public Lands

  
\_\_\_\_\_  
JT Austin, Designee for Governor Jay Inslee


  
\_\_\_\_\_  
Chris Reykdal, Superintendent of Public Instruction

  
\_\_\_\_\_  
Bill Peach, Commissioner, Clallam County

approved via phone  
\_\_\_\_\_  
Ron Mittelhammer, Dean, College of Agricultural, Human, and Natural Resource Sciences,  
Washington State University

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

Attest:

  
\_\_\_\_\_  
Tami Kellogg, Board Coordinator

