





Sustainable Harvest Level

A Presentation to the Board of Natural Resources

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November 5, 2019

Today's Agenda

Two Parts

- Part 1 The decisions options
- Part 2 The environmental and financial analysis



Part 2 Outline

- Sustainable Harvest Level

 Final Environmental Impact Statement
- Public comment summaries and actions
- Financial Analysis
- More public comment summaries and actions



Environmental Analysis

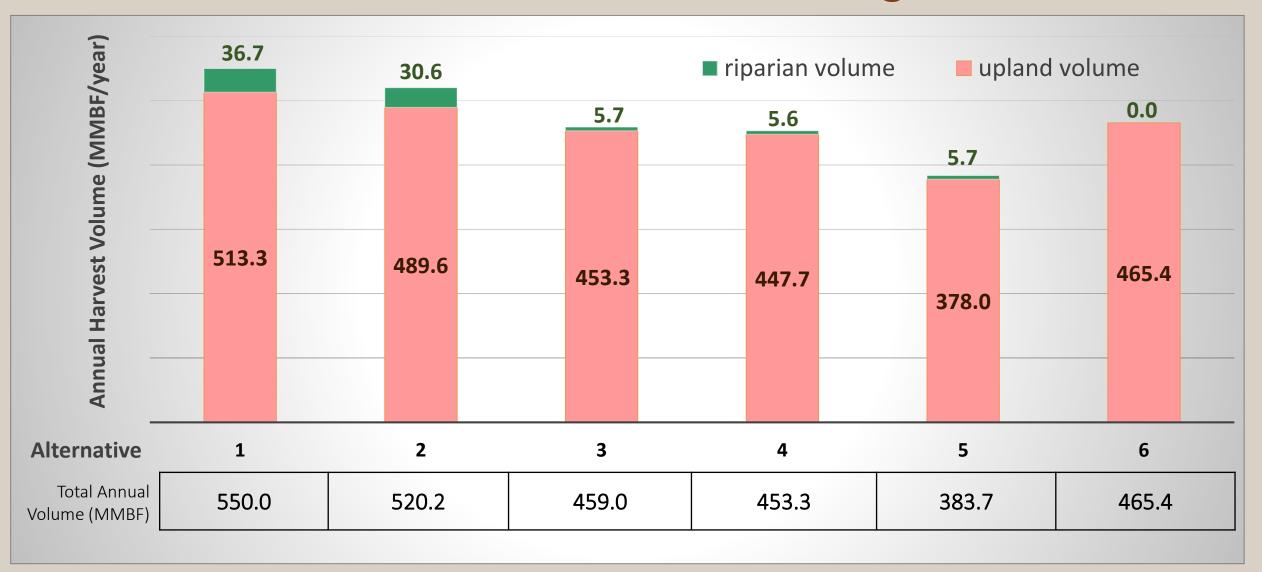


Sustainable Harvest Level FEIS – The Alternatives

Alternative	Arrearage (harvest would only occur in Sustainable Harvest Units with arrearage)	Riparian Harvest	Marbled Murrelet Strategy
Alternative 1 (no action)	None	Thin up to 10% of riparian areas / decade	Alt. A
Alternative 2	702 MMBF over 5 years	Thin up to 10% of riparian areas / decade	Alt. B
Alternative 3	462 MMBF over 10 years	Thin up to 1% of upland harvest	Alt. D
Alternative 4	462 MMBF in 1 year	Thin up to 1% of upland harvest	Alt. E
Alternative 5	Arrearage included in inventory	Thin up to 1% of upland harvest	Alt. F
Alternative 6	382 MMBF over 10 years	Riparian volume not included when setting sustainable harvest level, but any riparian harvest counts towards the sustainable harvest level	HCP Amendment

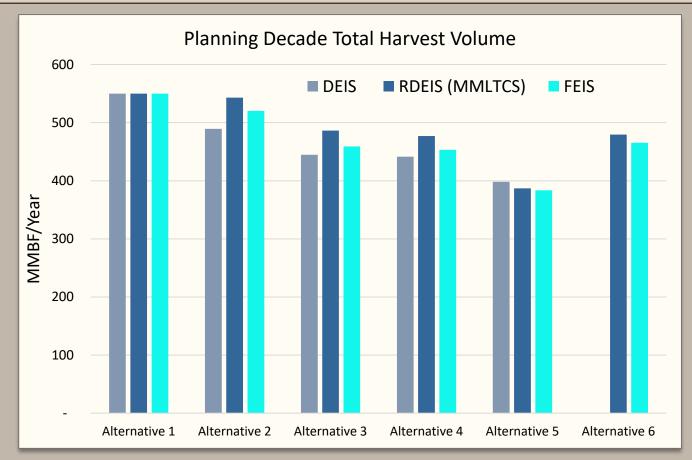


Annual Harvest Volume - Planning Decade



Data and Modeling Updates* between DEIS and FEIS

*More details in Appendix F of the FEIS



Model accuracy updates based on:

- A review by University of Washington
- Public comments
- DNR operational field staff review

Relevant Updates:



Forest inventory



Yields



Northern spotted owl habitat



Changes to land class areas

(e.g. riparian, potentially unstable slopes, marbled murrelet conservation areas)



Why does a release of acres resulting from approval of the HCP Amendment not result in an increase in harvest?

DNR has held the following marbled murrelet specific conservation acres over the course of the 1997 HCP interim strategy:

- Habitat identified in the interim strategy (1997-~2008)
- Re-delineated occupied sites by Science Team (2008)
- USFWS to DNR: "do not foreclose long-term conservation strategy options" within Marbled Murrelet Management Areas (2011)
- DEIS Alternatives A-F (2016)
- RDEIS Alternatives A-G (2018)

In total,
~195,000 acres of
murrelet specific
conservation
currently held

If the Board of Natural Resources approves the HCP Amendment, over 150,000 currently held acres will be made available for management.



Marbled Murrelet
Habitat & Conservation

Why does a release of acres resulting from Board of Natural Resources approval of the HCP Amendment not result in an increase in harvest?

~195,000 acres of marbled murrelet specific conservation administratively 'held' during interim strategy

Total Managed Land Base

1.47 million acres

2011-18 average annual delivered harvest
454 MMBF/year

Previous calculation based on total managed land base, but administratively limited from operating on lands held during the interim strategy

Sustainable Harvest Level
Preferred Alternative
465 MMBF/year

Based on total manageable land base, including released acres



Sustainable Harvest Level Draft Environmental Impact Statement Public Comment Themes and Actions

Alternatives

Financial Analysis

Habitat and Marbled
Murrelet Conservation

Alternatives

Comment:

Whether or not riparian harvest should even be performed; setting a level will lead to unsustainable harvest of riparian areas.



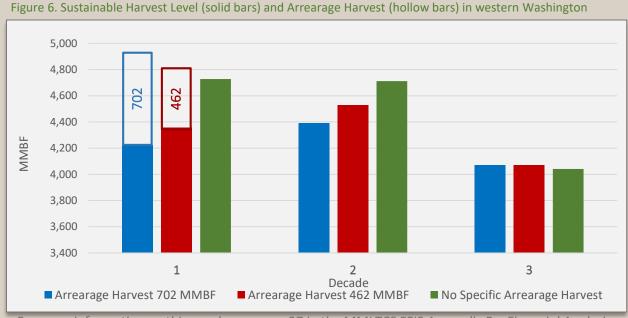
Action:

The FEIS added and analyzed a "riparian harvest not included" alternative

Alternatives

Comment:

Questions about how arrearage is calculated and why it has so little impact on harvest levels.



For more information on this graph, see page 27 in the MMLTCS FEIS Appendix P – Financial Analysis

Action:

Following review of the forest estate model by University of Washington Professor Sándor Tóth, DNR removed the flow constraint from arrearage, resulting in arrearage volume being more identifiable in the model results.

Data

Comment:

The 2 percent discount rate is too low.



Trust Mandate

DNR's legal duty to produce long-term income for the trust beneficiaries. The trust mandate is grounded in four tenets: the prudent person doctrine, undivided loyalty to the trusts, intergenerational equity versus maximizing current income, and avoiding foreclosing future options.



Action:

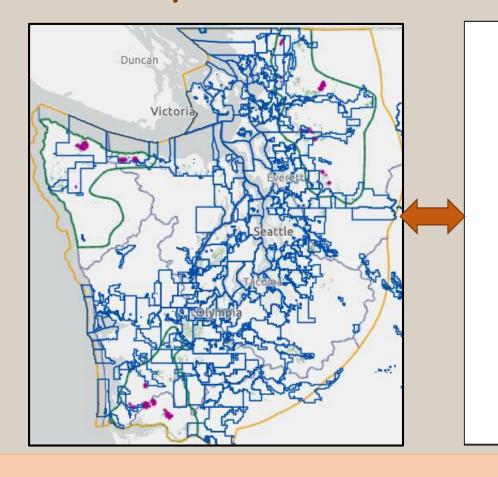
The FEIS used a 3% discount rate instead of the 2% used in the DEIS. The change was driven by analysis of the rate of return from the Common School permanent fund and the effect of different discount rates on the values they place on future beneficiaries.



Financial Analysis

Comment:

Need to understand the economic effect on the junior taxing districts.



Addendum No. 2

Revised Taxing District Analysis

Minor Update to Appendix R of the Marbled Murrelet Long-term Conservation Strategy Final Environmental Impact Statement (FEIS) | October 2019

For this revision, the Washington State Department of Natural Resources (DNR) made minor updates to reflect the most recent Washington State Department of Revenue taxing district boundaries. DNR also corrected a computational error found in tables R-3 and R-4 and removed data for taxing districts that are not within the analysis area for the FEIS.

Scale of the Analysis

This analysis is an update to the May 2019 State Forestlands Trusts Texture District Analysis; Whereas the May 2019 analysis compared operable acres between Alternative A (the marbled murrelet interim strategy) and Alternative H as depicted in the Marbled Murrelet Long-term Conservation Strategy Revised Draft Environmental Impact Statement (RDEIS), this updated analysis compares operable acres between Alternative A and the proposed long-term conservation strategy as represented by DNR's amendment to the State Trust Lands Habitat Conservation Plan (1997 HCP) for the marbled murrelet long-term conservation strategy, which DNR is submitting to U.S. Fish and Wildlife Service (HCP amendment: Appendix Q to the FEIS).

This analysis was prepared in response to comments received on the RDEIS that requested more information on how the Joint Agencies' preferred alternative (H) could affect taxing districts (refer to the subtopic "Taxing Districts" in Appendix S to the FEIS). DNR focused this analysis instead on the HCP amendment. The only difference between Alternative H and the HCP amendment is that the latter includes an additional 441 raw acres in lone-term forest cover.

Evaluating the potential change in operable acres is an objective method to analyze the potential impacts of the long-term conservation strategy on the revenue that trust beneficiaries receive from timber harvests on state trust lands. Revenue is not reported in this analysis because timber, a commodity, is subject to market conditions, accessibility, timing, and other factors, making it speculative to predict revenue these lands may provide into the future. Also note that the HCP amendment does not provide a harvest sechedule', which is a plan for future harvests.

¹ The long-term conservation strategy will have implications for DNR's sustainable harvest level. In a separate action, DNR is completing the sustainable harvest calculation, with a separate process for environmental review.

Addendum #2 to the Marbled Murrelet Long-Term Conservation Strategy FE

Page R-1

Action:

The taxing district analysis was published as Appendix R to the Marbled Murrelet Long-Term Conservation Strategy Final Environmental Impact Statement.

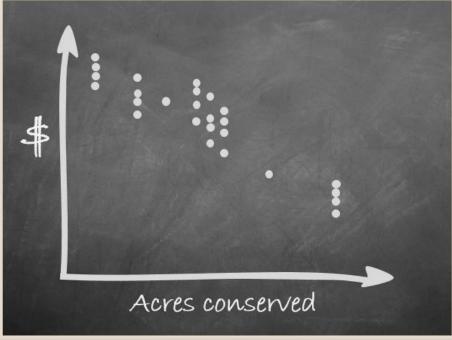


Comment:

DNR must undertake a financial analysis and include this in the FEIS.

The DEIS lacks an financial analysis of arrearage and the specific impacts of arrearage to the sustainable harvest level.





Action:

The 2017, 2018, and 2019 Financial Analyses all include different options for arrearage harvest across the scenarios and the effects of these options on 10-decade net present value and planning decade harvest levels.



Financial Analysis



Policy for Sustainable Forests...







The department will analyze the financial characteristics of forest stands in order to optimize the economic value of forest stands and timber production over time, in calculating the sustainable harvest level, in planning and scheduling timber harvests, in making investments in forest growth, and in searching for the least-cost methods of achieving other forest management objectives.

Policy on Definition of Sustainability for the Sustainable Harvest Calculation (PSF 2006)



Decision Combinations Examined in the Financial Analysis



Decision Options	Possible decision combinations in		
	Draft EIS	Final EIS	
Arrearage (including timing options)	4	5	
Riparian	2	3	
Marbled Murrelet	6	8	
Total Potential Combinations	48	120*	
Number of Alternatives Analyzed in EIS	5	6	
Number of Scenarios Analyzed in Financial Analysis	36	38	

^{*}Alternative 1 in the Sustainable Harvest Level FEIS is in addition to the above options



Which Combinations have been Analyzed?



*Alternative 1 in the Sustainable Harvest Level FEIS includes additional considerations not shown here

		Arrearage harvest					
Marbled	702 M	MBF	462 MMBF		No specific level		
murrelet			Riparia	n thinning			
strategy	10%	1%	10%	1%	10%	1%	
Alt. A					Alternative 1*		
Alt. B	Alternative 2						
Alt. C							
Alt. D				Alternative 3			
Alt. E				Alternative 4			
Alt. F						Alternative 5	
Alt. G – 382 MMBF arrearage volume – Riparian not included							
HCP Amendm	ent – 382 MMBF arre	arage volume – I	HCP Amendment – 382 MMBF arrearage volume – Riparian not included				

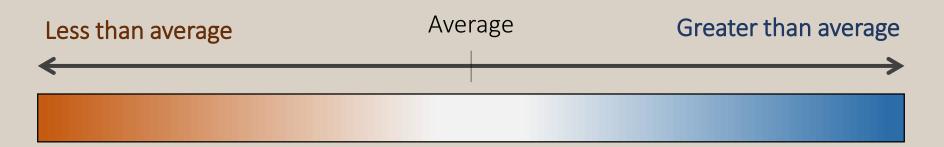
(The numbers in the table represent 1 though 38 combinations and have no real world value)



How data are presented:



Color gradient corresponds to relative relationship between cells.



Example:

	Factor 1	Factor 2	Factor 3
Factor A	1	5	5
Factor B	2	5	8
Factor C	9	7	3

10-Decade Net Present Value (\$ Billions)



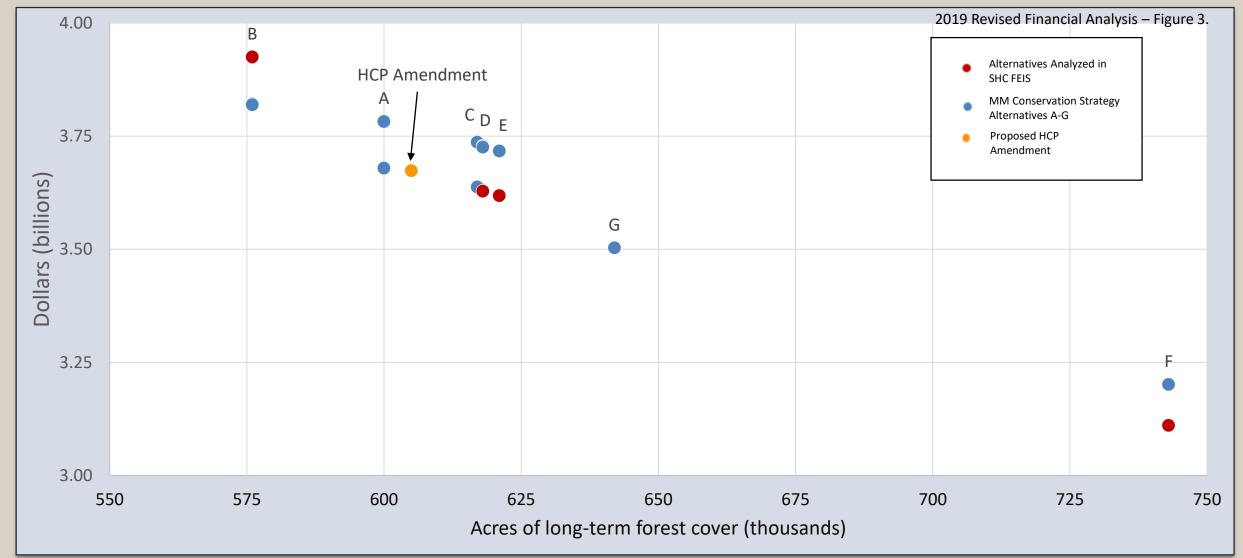
Western Washington

2019 Revised Financial A					ncial Analysis – Table 4.	
	Arrearage harvest					
Marbled	702 N	MBF	462 N	MMBF	No spec	ific level
murrelet			Riparian	thinning		
strategy	10%	1%	10%	1%	10%	1%
Alt. A	3.78	3.68	3.78	3.68	3.78	3.68
Alt. B	3.92	3.82	3.92	3.82	3.92	3.82
Alt. C	3.74	3.64	3.74	3.64	3.74	3.64
Alt. D	3.73	3.63	3.73	3.63	3.73	3.63
Alt. E	3.72	3.62	3.72	3.62	3.72	3.62
Alt. F	3.20	3.11	3.20	3.11	3.20	3.11
Alt. G – 382 MMBF arrearage volume – Riparian not included				3.50		
HCP Amendment – 382 MMBF arrearage volume – Riparian not included				3.67		



10-Decade Net Present Value by Long-Term Forest Cover Area





Planning Decade Harvest Volume (MMBF/Decade) Western Washington



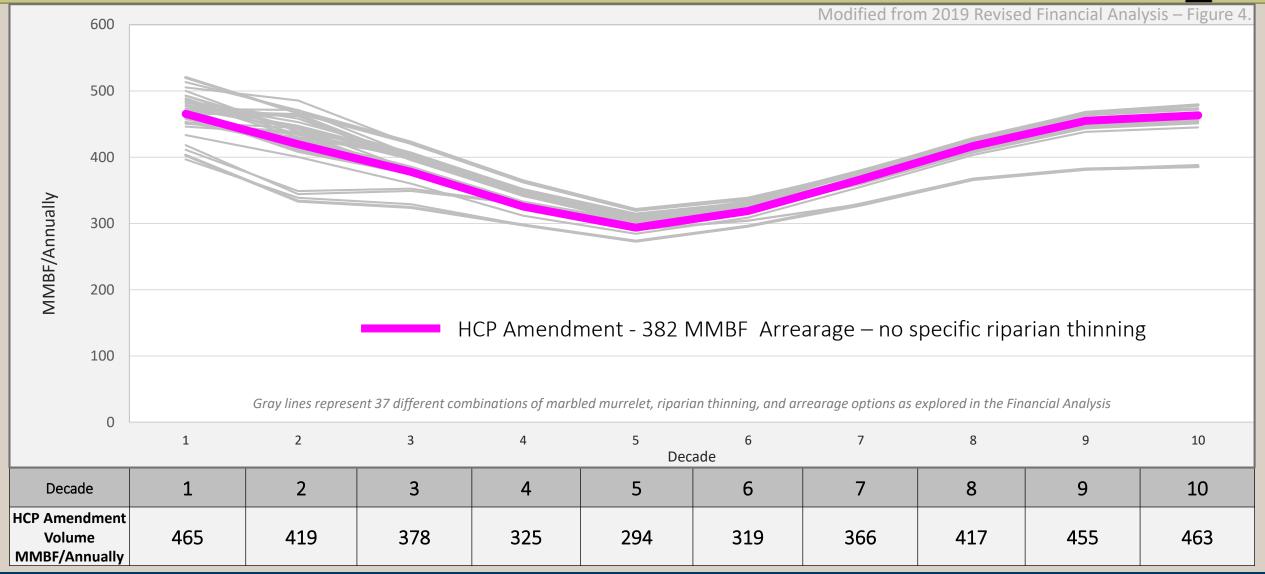
2019 Revised Financial Analy	/sis – Table 9
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	Arrearage harvest						
Marbled	702 N	702 MMBF		462 MMBF		No specific level	
murrelet			Riparian	thinning			
strategy	10%	1%	10%	1%	10%	1%	
Alt. A	4,926	4,731	4,819	4,596	4,728	4,522	
Alt. B	5,202	5,001	5,134	4,931	5,054	4,847	
Alt. C	4,872	4,687	4,769	4,575	4,699	4,504	
Alt. D	4,887	4,692	4,788	4,590	4,718	4,516	
Alt. E	4,838	4,652	4,733	4,533	4,661	4,461	
Alt. F	4,182	4,029	4,111	3,965	4,007	3,837	
Alt. G – 382 MMBF arrearage volume – Riparian not included				4,333			
HCP Amendmen	nt – 382 MMBF ar	rearage volume –	Riparian not incl	uded		4,654	



10-Decade Harvest Volume









2019 Revised Financial Analysis – Figure 7.

702 MMBF

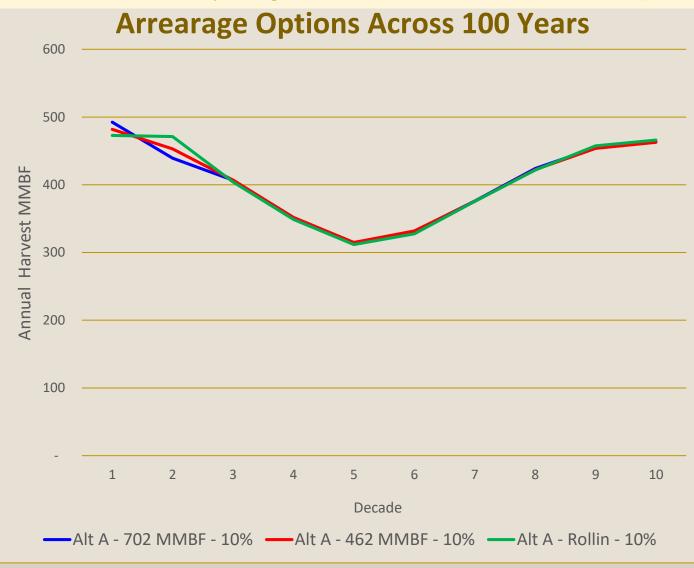
Provides approximately 493 MMBF annually for the first decade. The 10-decade average = 405 MMBF annually.

462 MMBF

Provides approximately 482 MMBF annually for the first decade. The 10 decade average = 405 MMBF annually

Rolled In

Provides approximately 473 MMBF annually for the first decade. The 10-decade average = **406** MMBF annually





Riparian Influence on Volume



2019 Revised Financial Analysis – Figure 8.

(five west-side planning units)

Up to 10% of riparian area

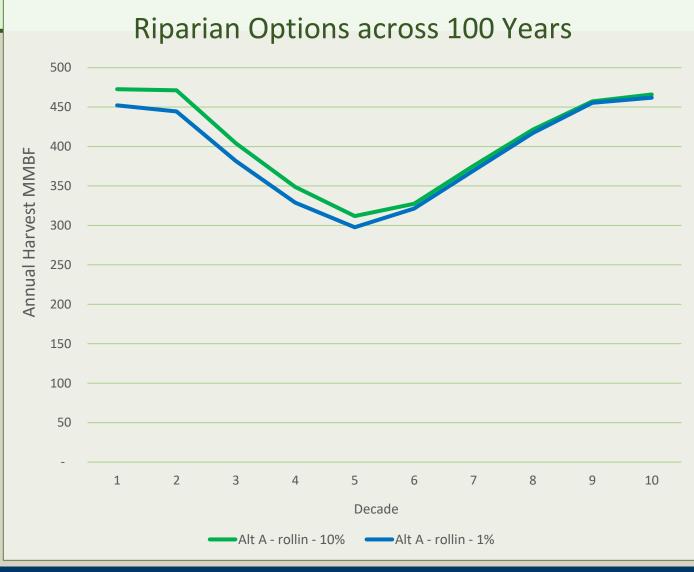
Riparian areas cover ~334,000 acres. This option would set riparian thinning area maximum at 33,400 acres for the decade.

Up to 1% of upland harvest

E.g. If DNR harvests 100,000 acres outside of riparian areas, this option would set the riparian thinning maximum at 1,000 acres for the decade.

Not included in calculation

Thin riparian areas consistent with 1997 HCP and Riparian Forest Restoration Strategy, but don't include riparian volume when setting the Sustainable Harvest Level.





Marbled murrelet strategy influence on volume



Alternative B
Highest 1-decade volume

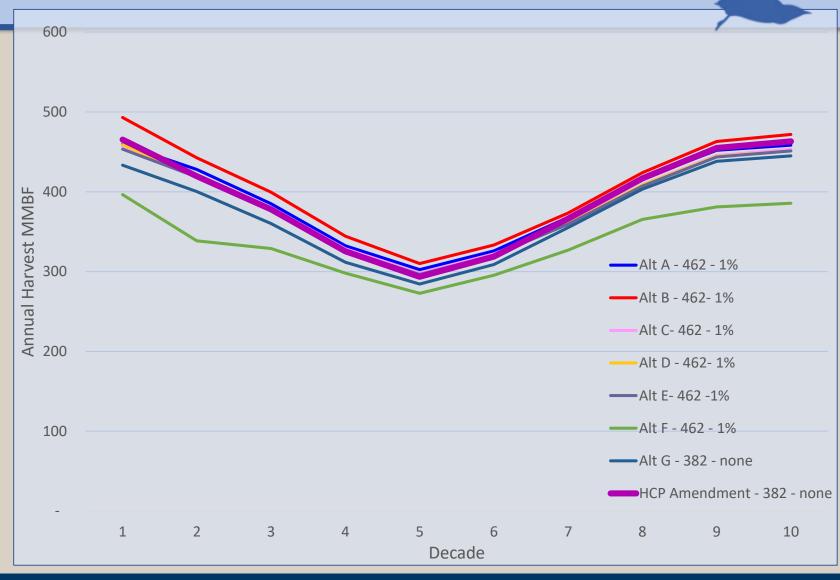
HCP Amendment

3rd highest 10-decade

average volume

(behind Alt B and Alt A)

Alternative F
Lowest 10-decade volume





Potential Magnitude of Change for each Decision Point



Variable		Maximum magnitude of Variable change between scenarios (MMBF/annual)	
**	Marbled Murrelet	105	20.7%
	Arrearage	21	4.4%
	Riparian	22	4.6%

Public Comment:

DNR needs to provide revenue estimates

of impact to taxing districts

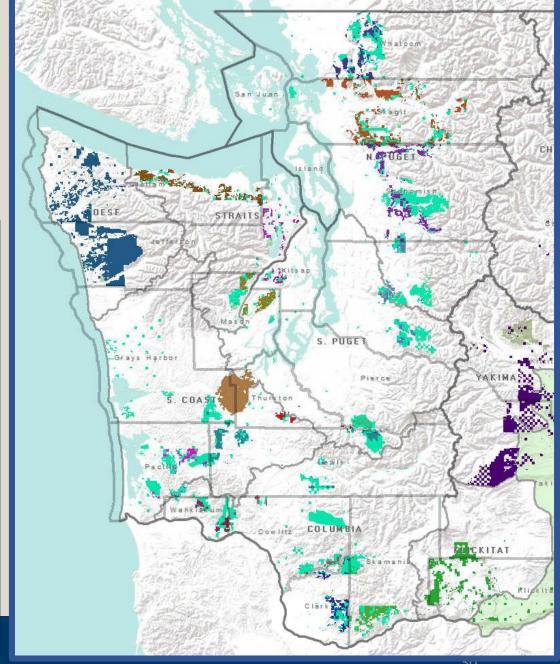






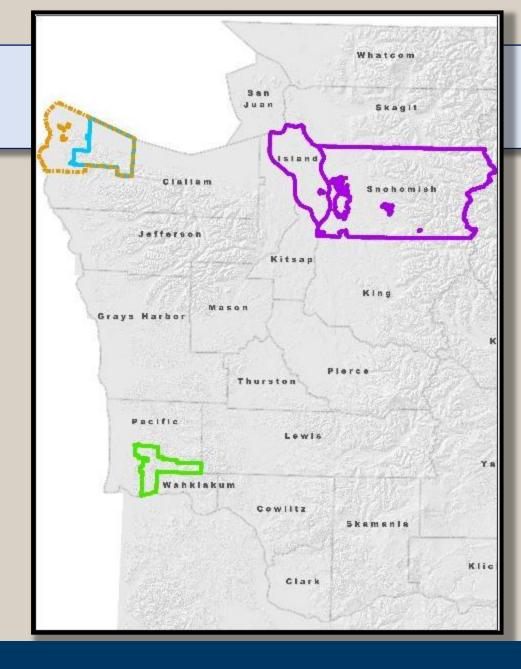
POLICY ON DEFINITION OF SUSTAINABILITY FOR THE SUSTAINABLE HARVEST CALCULATION

- The department will calculate, and the Board of Natural Resources will adopt, a separate long-term decadal sustainable harvest level for each of several distinct sustainable harvest units. The department will express the sustainable harvest level for a given unit as mean annual timber volume for a planning decade.
- In Western Washington, the sustainable harvest units (a total of 20) are as follows:
 - The Olympic Experimental State Forest, regardless of trust.
 - The Capitol State Forest, regardless of trust.
 - Each of the 17 county beneficiaries of State Forest Transfer lands separately (excluding those lands in the Olympic Experimental State Forest or Capitol State Forest).
 - All of the federally granted trusts and State Forest Purchase lands in Western Washington together, with the exception of the Olympic Experimental State Forest and Capitol State Forest.



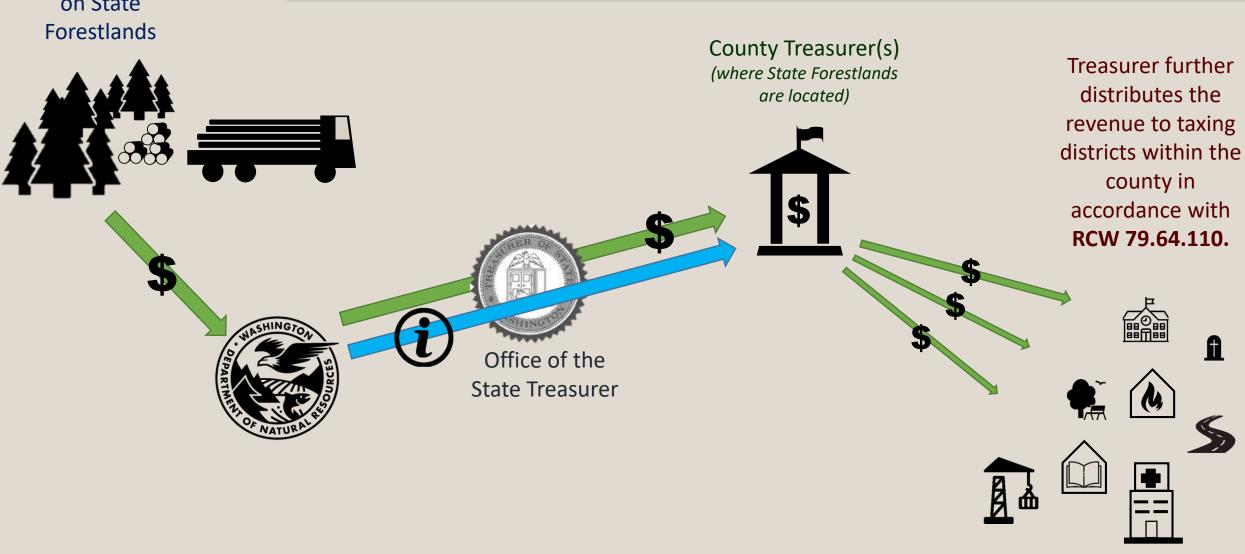
Taxing District Case Studies

- 1. Clallam County Fire District No. 5
- 2. Snohomish and Island Counties
 Sno-Isle Library
- 3. Naselle-Grays River Valley School District
- 4. Cape Flattery School District



on State

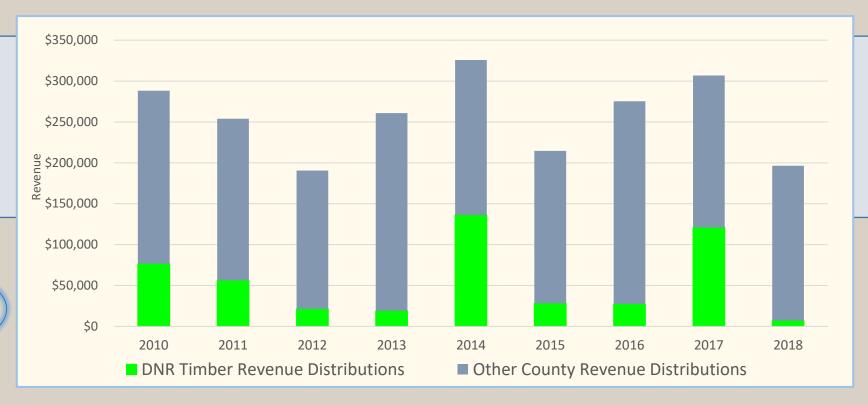
How is timber revenue distributed to taxing districts?





Case Study #1 Clallam County Fire District 5

% change in operable acres under the HCP Amendment = -14.1%

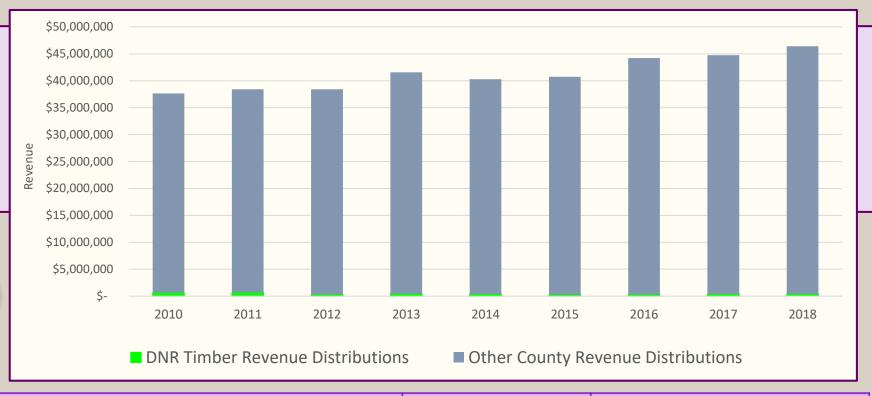


Description	2010-2018 Total	2010-2018 Annual Average
County distribution of DNR Timber Revenue to taxing district	\$492,779	\$54,753
Total Revenue county distributed (includes DNR Timber Revenue) to the taxing district	\$2,312,242	\$256,916
DNR Timber Revenue as a % of Total Revenue	21%	21%
Potential \$ change under HCP Amendment – 14.1% reduction to DNR Timber Revenue	(\$69,482)	(\$7,720)
Potential % change to Total Revenue county distribute to taxing district under HCP Amendment	(3%)	(3%)



Case Study #2 Snohomish-Island Inter-County Rural Library District

% change in operable acres under the HCP Amendment = <1%

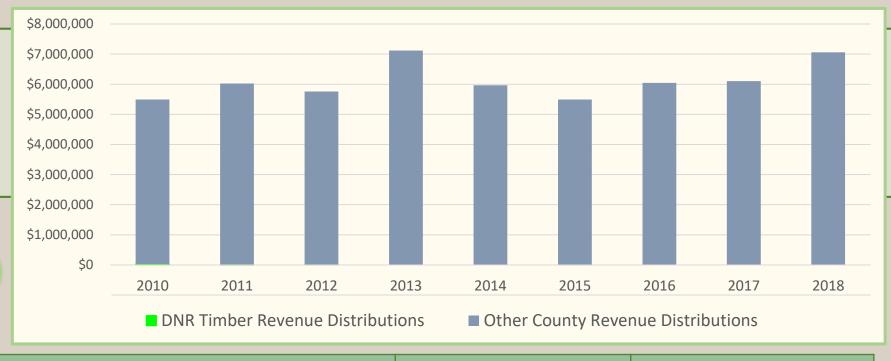


Description	2010-2018 Total	2010-2018 Annual Average
Snohomish County distribution of DNR Timber Revenue to taxing district	\$3,554,733	\$394,970
Total Revenue from both counties distributed (includes DNR Timber Revenue) to the taxing district	\$372,324,350	\$41,369,372
DNR Timber Revenue as a % of Total Revenue	<1%	<1%
Potential \$ change under HCP Amendment - 1% reduction to DNR Timber Revenue	(\$35,547)	(\$3,950)
Potential % change to Total Revenue the counties distribute to taxing district under HCP Amendment	(<0.01%)	(<0.01%)



Case Study #3 Pacific County Naselle-Grays River Valley School District

% change in operable acres under the HCP Amendment = -19.7%

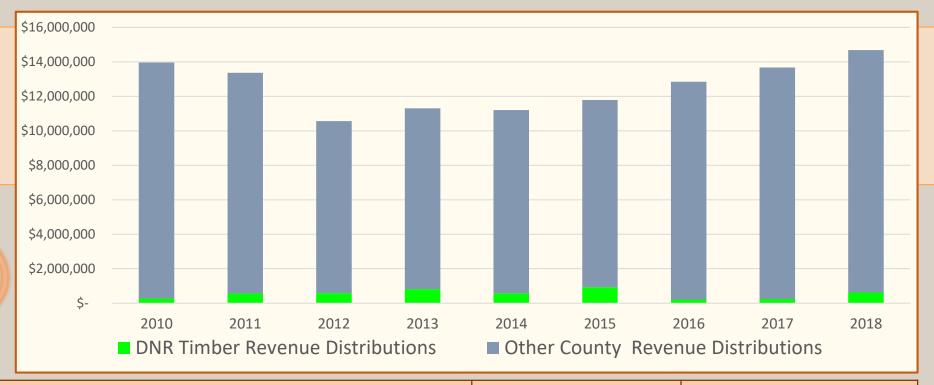


Description	2010-2018 Total	2010-2018 Annual Average
County distribution of DNR Timber Revenue to taxing district - General	\$1,288	\$143
County distribution of DNR Timber Revenue to taxing district - Bond	\$33,356	\$3,706
Total Revenue county distributed (includes DNR Timber Revenue) to the taxing district	\$54,646,452	\$6,071,828
DNR Timber Revenue as a % of Total Revenue	0.06%	0.06%
Potential \$ change under HCP Amendment - 19.7% reduction to DNR Timber Revenue	(\$6,825)	(\$758)
Potential % change to Total Revenue county distribute to taxing district under HCP Amendment	(<0.001%)	(<0.001%)



Case Study #4 Cape Flattery School District

% change in operable acres under the HCP Amendment = -13.9%

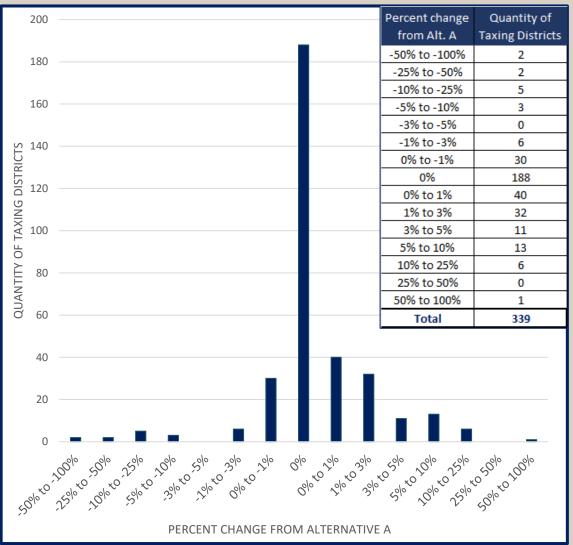


Description	2010-2018 Total	2010-2018 Annual Average
County distribution of DNR Timber Revenue to taxing district - General	\$3,143,964	\$349,329
County distribution of DNR Timber Revenue to taxing district - Bond	\$1,753,268	\$194,808
Total Revenue county distributed (includes DNR Timber Revenue) to the taxing district	\$116,486,238	\$12,942,915
DNR Timber Revenue as a % of Total Revenue	4%	4%
Potential \$ change under HCP Amendment – 13.9% reduction to DNR Timber Revenue	(\$680,715)	(\$75,635)
Potential % change to Total Revenue county distribute to taxing district under HCP Amendment	(<1%)	(<1%)

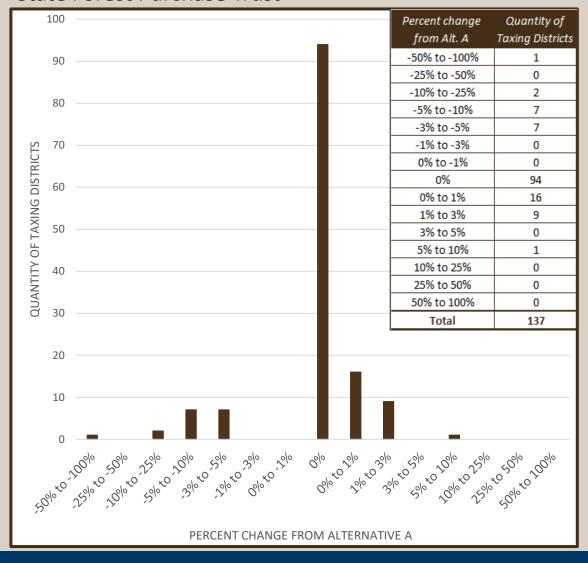


Impacts to Taxing Districts

State Forest Transfer Trust



State Forest Purchase Trust





Sustainable Harvest Level Draft Environmental Impact Statement Public Comment Themes and Actions

Alternatives

Data



Comment: What habitat marbled murrelets really occupy?

Comment: Why conserve non-habitat in Special Habitat Areas?

Comment: What qualifies as habitat?

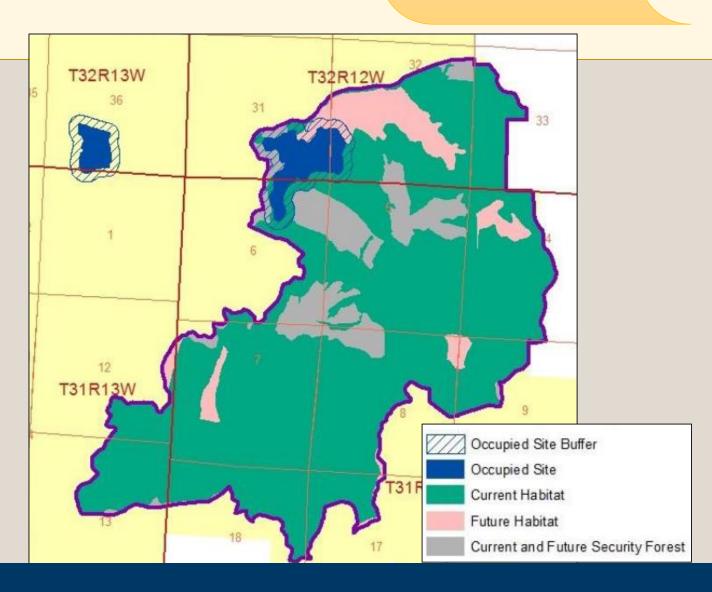
Comment: Photos submitted illustrating concerns about proposed habitat conservation.

DNR Response:

Habitat security is important

When located adjacent to P-stage habitat, Security
Forest protects the habitat from "edge effects", including microclimate change, windthrow and predation* and other types of disturbances.

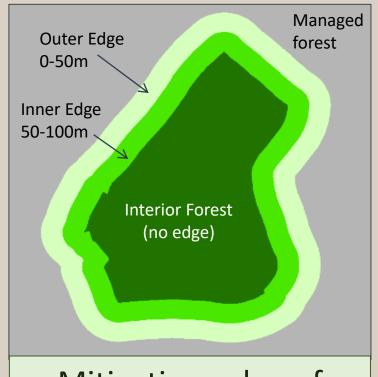
*Chen and others 1993, Van Rooyen and others 2002, Malt and Lank 2009



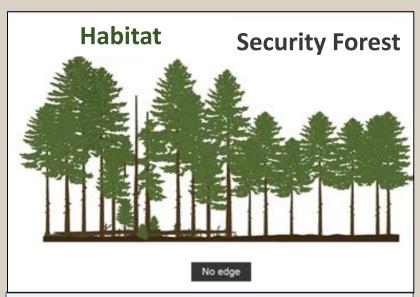


More about Security Forest and "edge effects"...

Marbled Murrelet
Habitat & Conservation



Mitigation value of habitat is reduced to account for edge effects



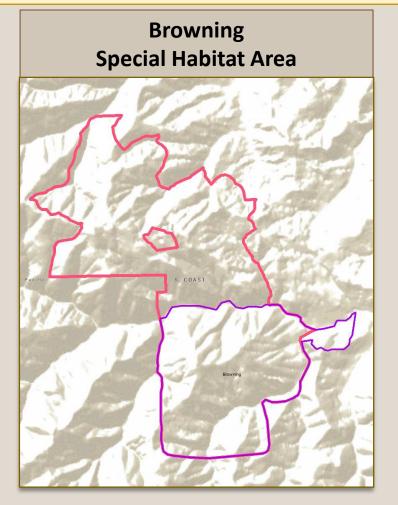
Security Forest ameliorates edge effects to habitat

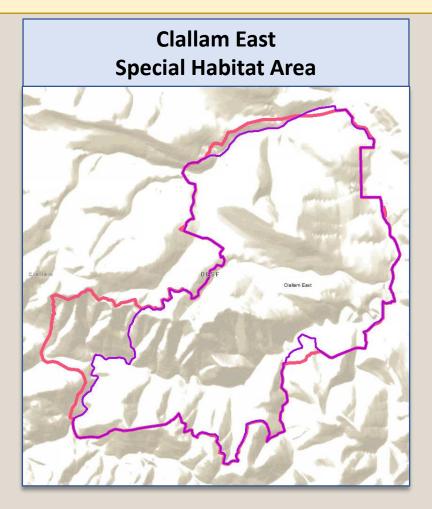


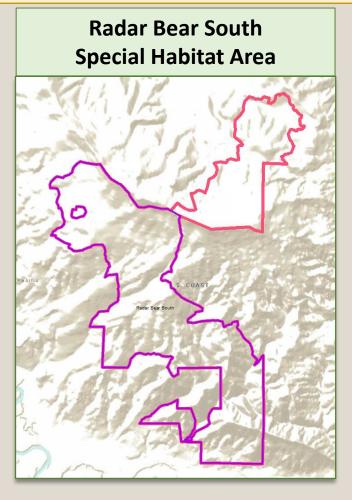
DNR Response:

Decreased areas of inefficient conservation in Special Habitat Areas

Marbled Murrelet
Habitat & Conservation







RDEIS Special Habitat Area Boundary

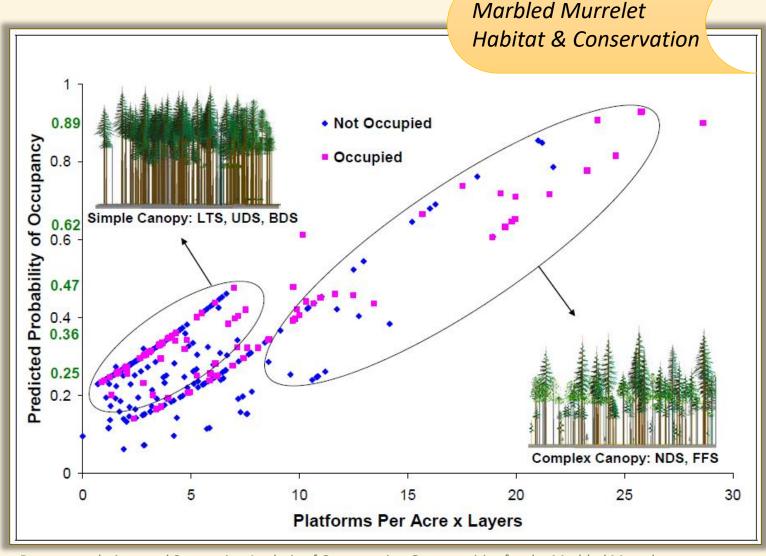
HCP Amendment Special Habitat Area Boundary



DNR Response:

Marbled murrelets have been found to occupy both simple and complex stands

- ✓ Occupancy is based on a Pacific Seabird Group protocol
- ✓ P-stage habitat model is based on actual occupancy found on DNR managed lands
- √The Analytical Framework relies on p-stage model to calculate take and mitigation



Recommendations and Supporting Analysis of Conservation Opportunities for the Marbled Murrelet Long-Term Conservation Strategy. September 2008. (Science Team Report) Page 4-6, Figure 4-1.



Public Comment Summary

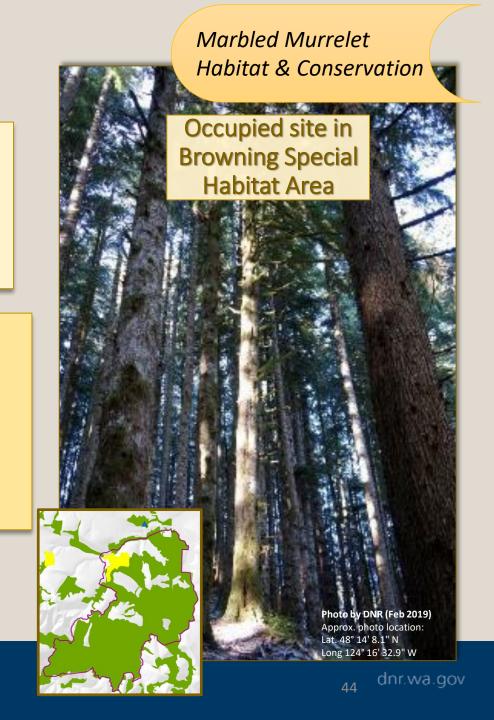
Comment: photos submitted to illustrate concerns about marbled murrelet habitat and conservation area delineation

DNR Response:

DNR staff visited and photographed specific areas of concern

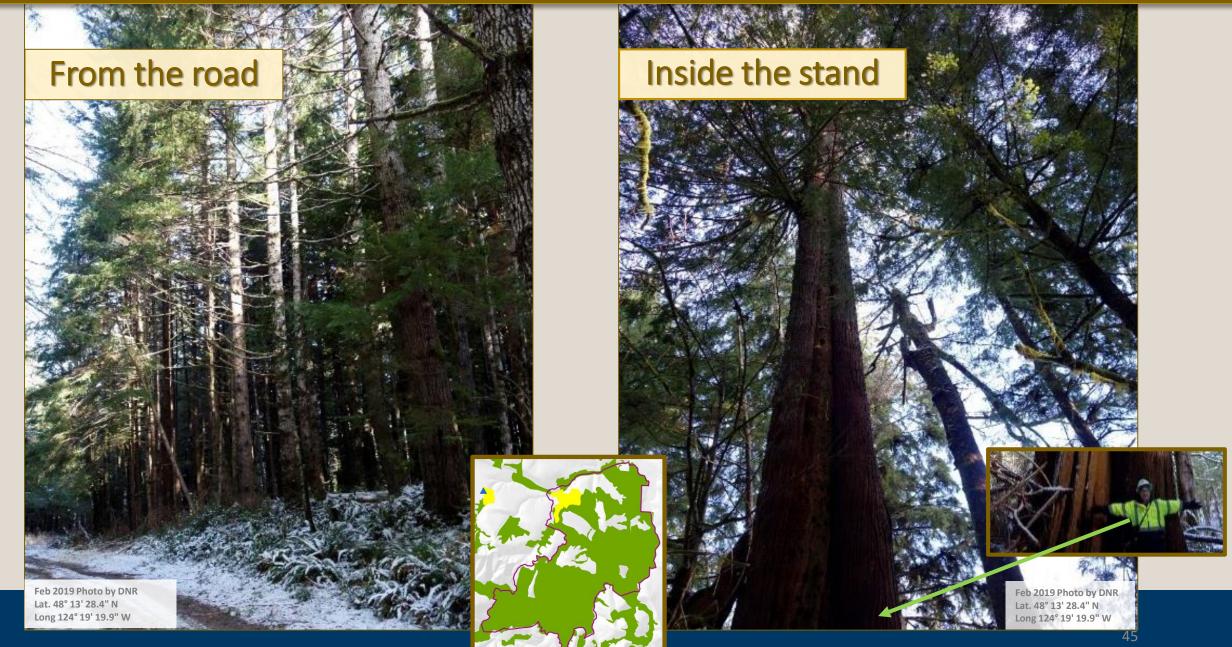
The locator maps on the following slides use this legend:





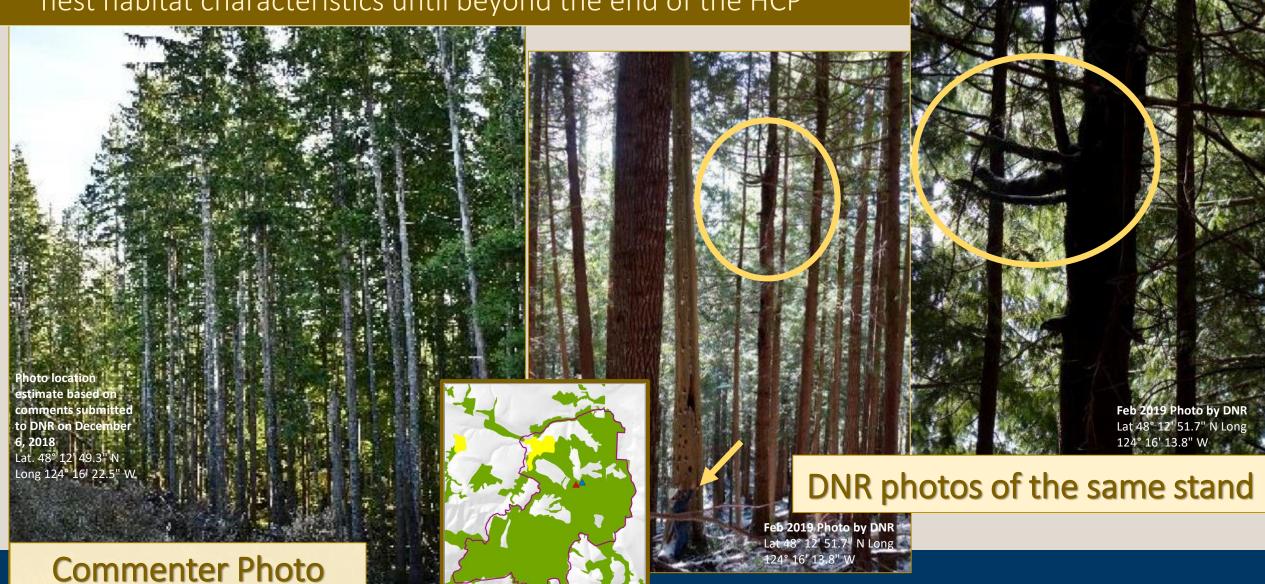


Occupied Site: Same stand, different locations



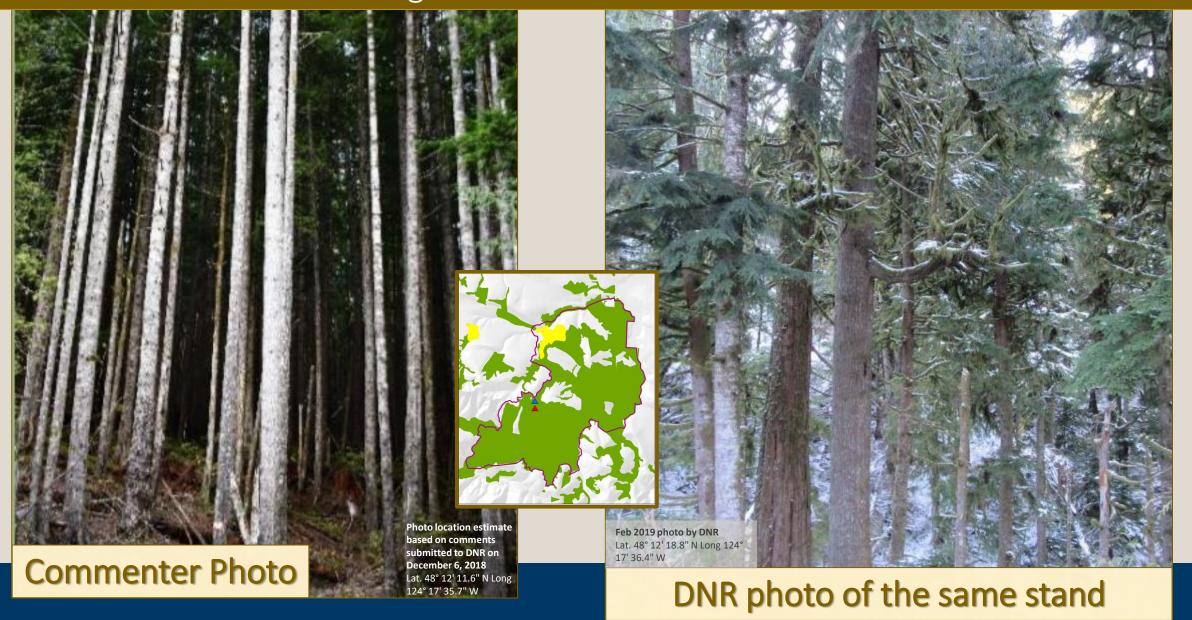
Public Comment:

Clallam East Special Habitat Area P-stage 0.36 "Will not develop nest habitat characteristics until beyond the end of the HCP"

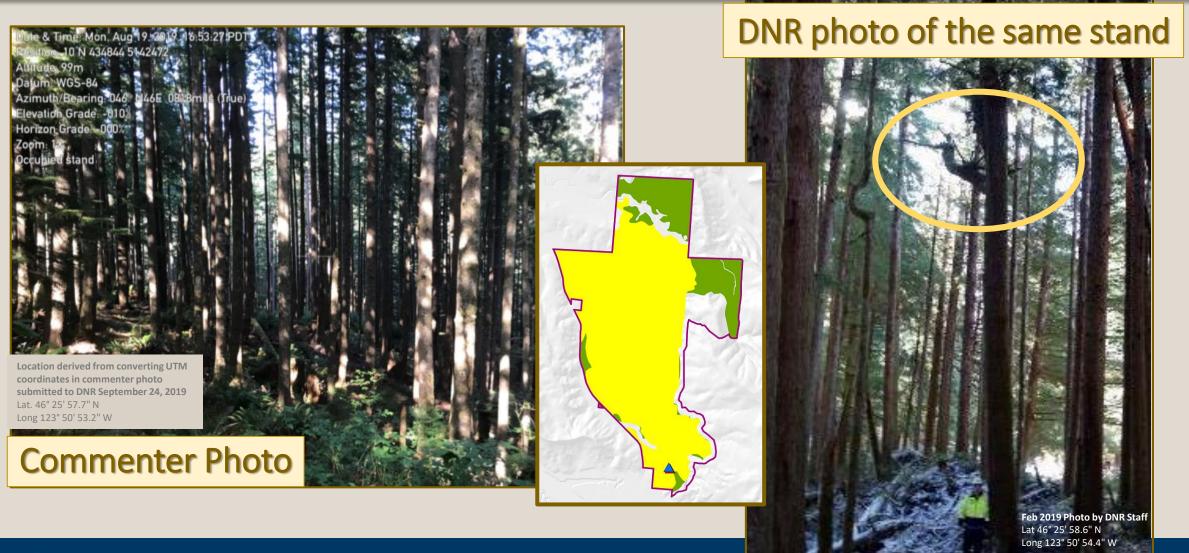


Clallam East Special Habitat Area P-stage 0.47 "Dense Western Hemlock stand...

Note the dense stocking and short crowns with small diameter limbs"



Radar Bear North Special Habitat Area Occupied Site "stand identified as 'occupied' but with little apparent value for nesting marbled murrelets"







In counties that have taxing districts that would experience a >10% increase in operable acres, are there other taxing districts that would be experiencing an overall decrease in operable acres?



4 counties

Grays Harbor Jefferson

Thurston

Clallam

+15.9%

+10.8% +10.8% +16%

+93.3%

+10.1% +10.1%

(Sequim Parks & Rec) (Sequim School District)

Of the 4 counties above only one also has taxing districts with a >10% decrease in operable acres



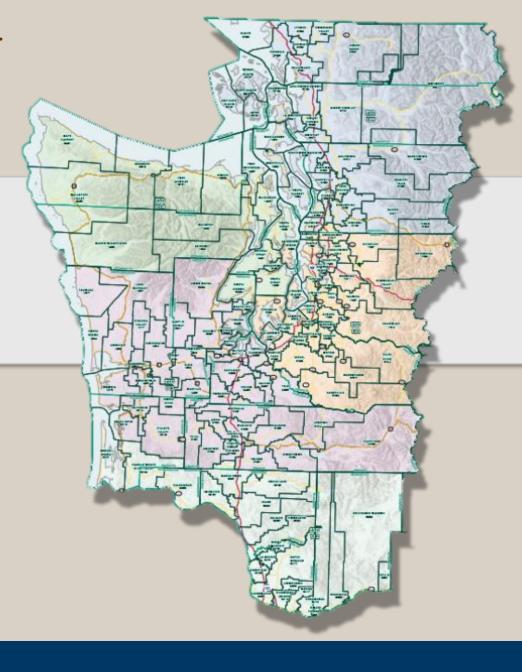
1 county

Clallam

-14.1% - -13.9%
(Fire District #5) (Cape Flattery School District)

How many school districts are there in western Washington?

151



What percentage of high-quality habitat is included in Special Habitat Areas?

Alternative	С	D	E	G	н	Amendment
Acres of High Quality Habitat in SHA (decade 0)	10,007	22,557	16,239	16,239	15,506	15,860
% of Total Existing High Quality Habitat	10%	22%	16%	16%	15%	15%

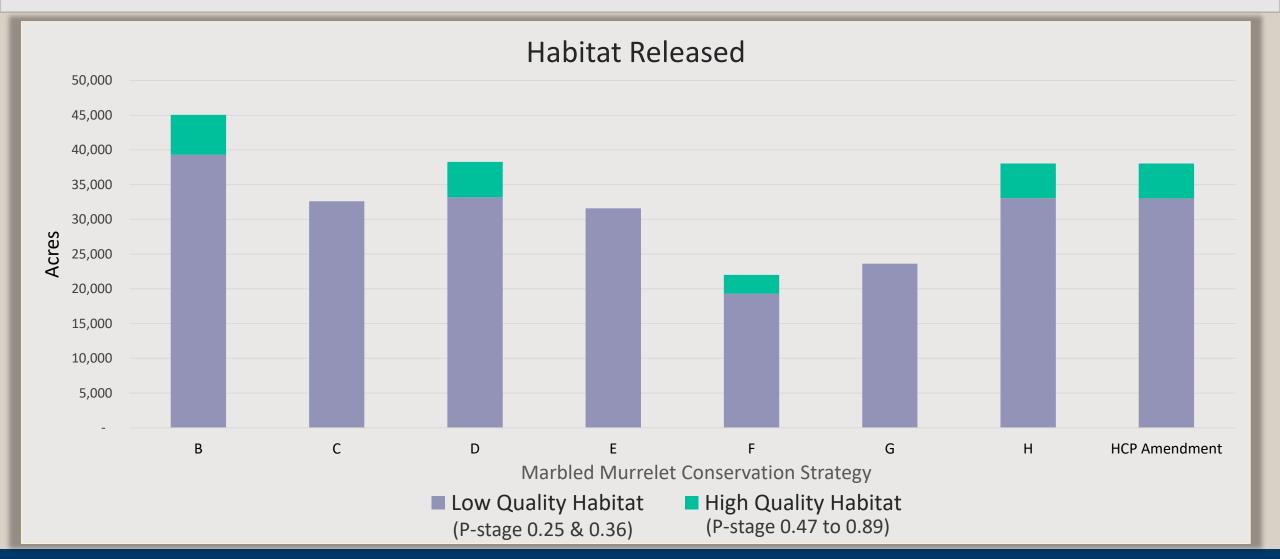
What percentage of high-quality habitat are we releasing that can be harvested?

Alternative	Α	В	С	D	E	F	G	Н	Amendment
Acres	4,240	5,754	0	5,090	0	2,697	0	5,017	5,017
% of Total Existing High Quality Habitat	4%	6%	0%	5%	0%	3%	0%	5%	5%

Per Table 4.6.2 in the MMLTCS FEIS, Alternative H proposes release of 5,017 raw acres of high-quality habitat. High-quality habitat will be available for harvest, but subject to metering for the first decade of the Amendment.

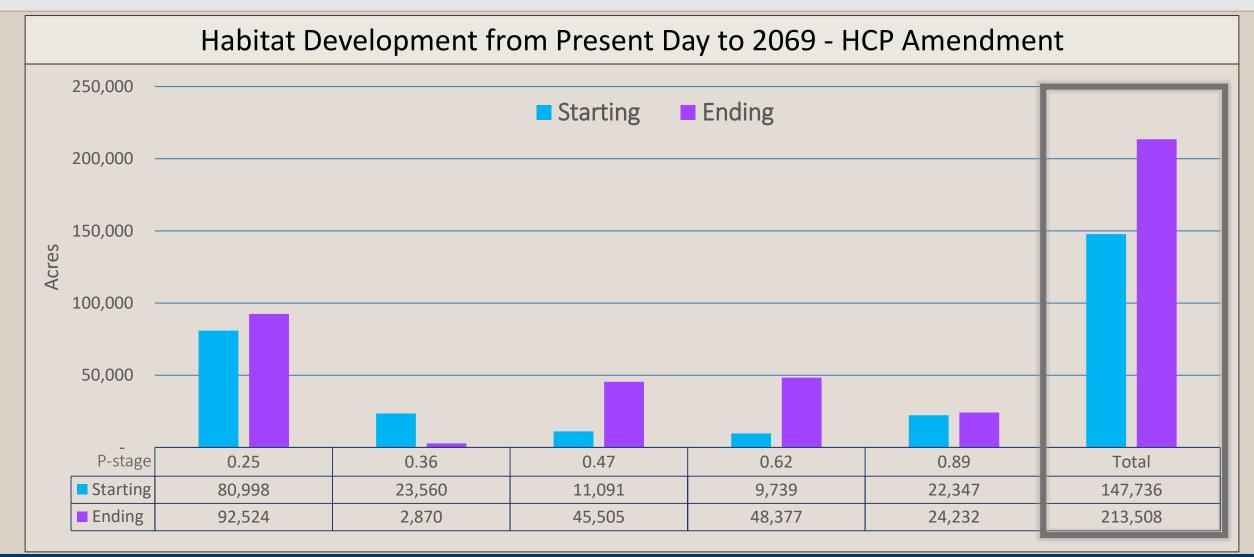


What is the quality of the habitat that is released upon Board adoption?



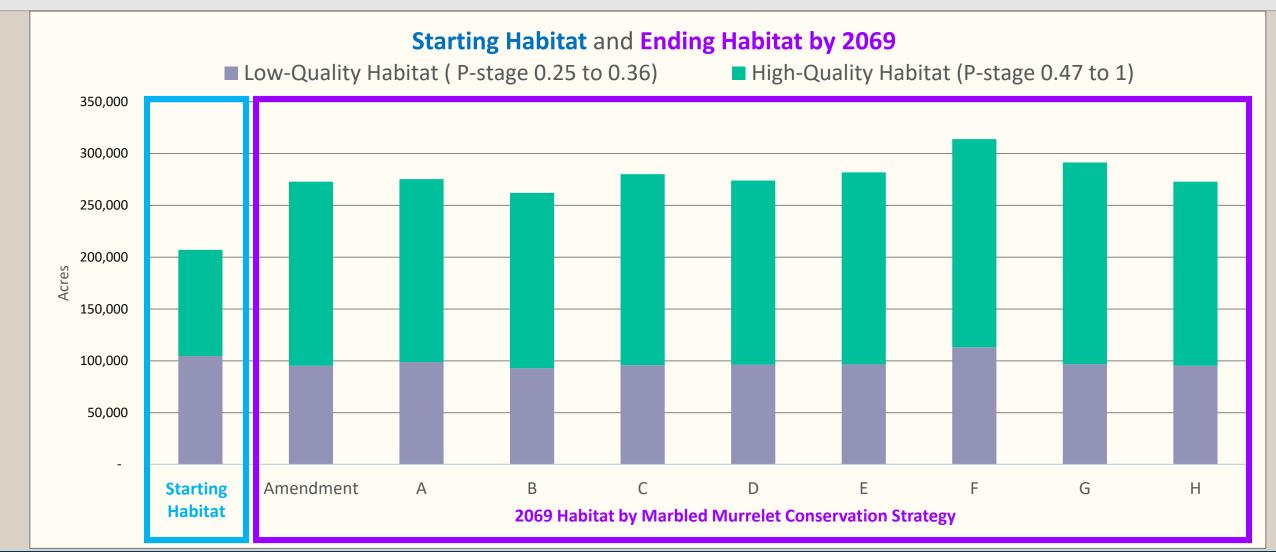


What is the distribution of the quality of the habitat that will be grown by 2069?





What is the quality of the habitat that is grown?





What information is included in the Final EIS about carbon stored in forest products?

FEIS: Chapter 4, Page 4-9

Table 4.2.2. Pools of Carbon Stored in Harvested Wood (Adapted From Smith and Others 2006)

Harvested wood carbon pools	Description
Products in use	Wood that has not been discarded or destroyed, such as houses and other buildings, furniture, wooden containers, paper products, and lumber. Carbon stored in this pool is relatively stable but eventually is discarded in landfills.
Landfills	Wood that has been discarded and placed in landfills. Carbon is emitted to the atmosphere slowly because of slow decay rates.

Direct Link: https://www.dnr.wa.gov/publications/amp sepa nonpro mmltcs feis ch4.pdf?iwu4u5d





What happens if the marbled murrelet recovers and is delisted?

- In the event that the species is delisted under the ESA, mitigation measures designed primarily to benefit the murrelet may be terminated.
- However, if all or parts of those mitigation measures are necessary for the conservation objectives of other HCP species, then the FWS may require those measures to be maintained (in support of the multi-species HCP).
- DNR may decide to continue with all or some of the HCP mitigation measures voluntarily for certain reasons; e.g.:
 - The murrelet remains state listed and those mitigation measures meet the Forest Practices Rules for state listed species.
 - The mitigation measures benefit other species conservation objectives (federal or state)