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

CALL TO ORDER
Chair Franz called the meeting to order at 9:00 AM.

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

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

Superintendent Reykdal stepped out of the room.

APPROVAL OF MINUTES
Chair Franz called for approval of the minutes for the February 6, 2018 Regular Board of Natural Resources Meeting.

MOTION: Director Brown moved to approve the minutes.
SECOND: Ms. Austin seconded the motion.
ACTION: The motion was approved unanimously.
Ms. Austin commented on the use of her cell phone during the meetings and mention of it being disrespectful. Ms. Austin acknowledged and apologized for any insult, but explained it is necessary due the nature of her job.

PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST
Jim Stoffer, Sequim School District, speaking on behalf of WSSDA, spoke about the short legislature session and the bills that affect school funding. He noted that the trust advisory team is very active this session. He then voiced the WSSDA’s support on the harvest sale in Clallam County.

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

PUBLIC COMMENTS FOR TIMBER SALE ACTION ITEMS
Matt Comisky, Washington Manager, AFRC, thanked DNR staff for the work on timber sales and for being proactive with the beneficiaries on forecasting revenue and volume. It is not only helpful to the beneficiaries, but also for the purchasing community. He added that while there is always support for western Washington projects, there is also strong support for eastern Washington projects.

TIMBER SALES (Action Item)
Proposed Timber Sales for April 2018, Auction Results | 3 handouts, including the presentation
Koshare Eagle, Assistant Division Manager, Product Sales & Leasing Division

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

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

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

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

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

Commissioner Peach discussed arrearage and how to identify it in advance by discussing DNR’s Northwest (NW) Region currently scheduled volume. Commissioner Peach noted that two-thirds of the way through the fiscal year, Northwest Region is well short of their fiscal year delivered volume target, and will have to bring forward a large amount of volume over the remaining
quarter. Commissioner Peach also asked if the Agency had asked other regions to help cover
volume target discrepancies.

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

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

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

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

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

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

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

MOTION: Commissioner Peach moved to approve the proposed sales.

SECOND: Superintendent Reykdal seconded the motion.

ACTION: The motion was approved unanimously.

PUBLIC COMMENTS FOR LAND TRANSACTION ACTION ITEMS

Michael Frizzell, City Administrator, City of Chewelah, spoke to the Sand Canyon
transaction and voiced the city’s support of the transaction. He provided a history of the airport
and explained that in order to receive the aviation grants from WSDOT the city needs to
maintain the airport and guarantee its future.
He explained that after being denied by WSDOT for funds to purchase the property, they worked with Stevens County Commissioners who provided $100,000 towards the purchase and $50,000 for development. He stated the council also passed a $150,000 Councilmanic bond to purchase the property, and that local businesses came forward and expressed support and a willingness to invest in the area once it's owned by the City of Chewelah.

**LAND TRANSACTION (Action Items)**

**Sand Canyon Direct Transfer No. 02-093718; Resolution 1515**

Deborah Whitney, Project Manager, Lands Transactions Section

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

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

The appraised value and price is $259,000.

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

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

Ms. Whitney recommended approval of Resolution 1515.

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

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

**ACTION:** The motion was approved unanimously.

Meeting adjourned at 9:38 AM.
Approved this 14th day of February, 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