Minutes
Board of Natural Resources Meeting
June 7, 2016
Natural Resources Building, Olympia, Washington

BOARD MEMBERS PRESENT
The Honorable Peter Goldmark, Washington State Commissioner of Public Lands
The Honorable Bill Peach, Commissioner, Clallam County
The Honorable Randy Dorn, Superintendent of Public Instruction
Thomas H. DeLuca, Director, School of Environmental and Forest Sciences, University of Washington – via conference call
Ron C. Mittelhammer, Dean, College of Agricultural, Human, and Natural Resource Sciences, Washington State University

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

CALL TO ORDER
Chair Goldmark called the meeting to order at 9:00 AM.
Chair Goldmark asked all members of the public to sign-in to account for everyone in the room in case of an emergency evacuation.
All Board members introduced themselves. Chair Goldmark noted there was a quorum for the meeting with Director DeLuca participating via phone.

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

APPROVAL OF MINUTES
Chair Goldmark called for approval of the minutes for the May 3, 2016 Regular Board of Natural Resources Meeting.

MOTION: Dean Mittelhammer moved to approve the minutes.
SECOND: Commissioner Peach seconded the motion.
ACTION: The motion was approved unanimously.
PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST
Phillip Kitchel, citizen, spoke about the Board’s fiduciary obligation for the trust beneficiaries and the K-12 districts.

Linda Murfelt, citizen, encouraged the Board and the Department to change the focus on logging younger forest to increase the revenue in the long-term.

Cheryl Heywood, Timberland Regional Library Director, stated that the library is a trust beneficiary. Ms. Heywood expressed that as a junior taxing district the library relies heavily on the timber sales revenue received annually.

NEW DEPARTMENT LOGO
Sandy Kaiser, Communications Director, presented the Board with the new Department logo. Both Dean Mittelhammer and Director DeLuca complimented the new logo.

PUBLIC COMMENTS FOR TIMBER SALE ACTION ITEMS
Ed Martin, representing Columbia Vista Corporation and ARFC member, thanked the Board for approving the timber sales in FY 2016. Mr. Martin spoke about his concerns regarding the low volume being offered in July and not being able to meet their targets for the fiscal year. He then asked the Board to take the appropriate steps to increase the volume.

Commissioner Steve Rogers, Pacific County Commissioner, thanked the Department for their communication on timber sales and keeping the County well informed.

TIMBER SALES (Action Item)
Proposed Timber Sales for July 2016 | 3 handouts, including the presentation
Tom Shay, Product Sales & Leasing Division

Mr. Shay presented the results of the May 2016 auction to the Board. The Department offered 17 sales totaling 68.4 mmbf in May. Of those, 15 sales sold totaling $17.7 million for an average of $274 per mbf. Mr. Shay noted the two sales that received no bids will likely be combined into one contract harvest sale to be offered late first or second quarter of fiscal year 2017. Mr. Shay also noted that bidder interest remained high.

Mr. Shay commented in response to public comment that for the first quarter of fiscal year 2017, the Department will be ahead of their volume delivered during the same period in fiscal year 2016.

Commissioner Peach commented that prices seem better this time of year than in previous years. Mr. Shay agreed with this point.

Mr. Shay presented the proposed July 2016 sales to the Board.

MOTION: Dean Mittelhammer moved to approve the sales proposed for July 2016.
SECOND: Commissioner Peach seconded the motion.
ACTION: The motion was approved unanimously.

PUBLIC COMMENTS FOR LAND TRANSACTION ACTION ITEMS
David Kimmett, representing King County Parks, spoke in favor of the Preston Ridge Trust Land Transfer and provided a letter of support from the Director of King County Parks and Recreation.

LAND TRANSACTION (Action Items)
Preston Ridge Inter-Trust Exchange, File No. 86-093873; Resolution 1483
Bob Winslow, Conservation, Recreation, and Transactions Division

Mr. Winslow presented the Preston Ridge Inter-Trust Exchange properties located in King County to the Board. Parcel A is located approximately 3 miles east of Issaquah near the community of Preston and is 35.03 acres in size. Parcel A will change from State Forest Land Trust to the Common School Trust in this exchange. The trees in Parcel A are 90 to 200 years in age. Parcel B is located 9 miles east of Black Diamond and is 33.0 acres in size. Parcel B will change from Common School Trust to State Forest Land Trust, and the trees in Parcel B are 80 to 90 years in age.

Mr. Winslow explained that the appraised values for Parcel A and B were equivalent, with Parcel A valued at $826,000 and Parcel B valued at $827,000. Parcel B has a higher timber value and a lower land value than Parcel A. He noted that at the public hearing there was one attendee who spoke in favor of the transfer and the inter-trust exchange, and no written testimony was provided during the written comment period.

Preston Ridge Trust Land Transfer, File No. 02-091709; Resolution 1484
Bob Winslow, Conservation, Recreation, and Transactions Division

Mr. Winslow presented a brief overview of the status of the Trust Land Transfer (TLT) projects for the 2015-2017 biennium. There are 5 legislatively funded TLT projects proposed for this biennium and the Preston Ridge TLT project is the third TLT project presented this biennium to the Board.

Mr. Winslow stated that the Preston Ridge Trust Land Transfer (TLT) property is located in King County about 3 miles east of Issaquah, Washington. The property is 35.03 acres in size and adjacent to the King County Preston Ridge Natural Area Park on the east and south sides. The property will be transferred to King County and will have a perpetual deed restriction limiting future uses of the property to recreation, open space or wildlife habitat. The Preston Ridge TLT property will add additional open space to the 190 acre Preston Ridge Natural Area Park property that is managed by King County Parks. Near the transfer property there have been extensive public investments in forest lands and public recreation. The property is located within the Mountains to Sound Greenway.

The property appraisal is $826,000. The Department will transfer the timber value of $566,000 into the Common School Construction Account, and the $260,000 appraised land value will be transferred into the Real Property Replacement Account for the benefit of future Common School Trust purchases.
Mr. Winslow recommended approval of Resolution 1483 and 1484.

MOTION: Dean Mittelhammer moved to approve Resolution 1483 and 1484.

SECOND: Commissioner Peach seconded the motion.

ACTION: The motion was approved unanimously.

PUBLIC COMMENTS FOR CHAIR REPORT
Phillip Kitchel, citizen, referenced the Department’s annual report and the listings noted as long-term deferrals. Mr. Kitchel stated that he hopes the Board would look into why the acres are off based and what the financial impacts are. He asked the Board to consider a baseline analysis of the 1.4 million acres on the Westside to determine what will return the maximum revenue to the trust beneficiaries.

Linda Murfet, citizen, encouraged the Board to not only change the logging methods, but to begin thinking of a new revenue stream.

Russ Pfeiffer-Hoyt, Chair of the Washington State School Directors’ Association Trust Land Task Force, urged the Board to wrap-up the Sustainable Harvest Calculation and Marbled Murrelet Long-term Conservation Strategy as they intended, and pick the preferred alternatives in August.

Kendra Smith, representing Skagit County, thanked Kyle Blum and his staff for the amount of work on the analysis on the marbled murrelets. She then stated her concerns around the financial aspects and the timeline for completion.

Mary Bond, representing the Seattle Audubon, spoke about the benefits of preserving our state forest lands where the marbled murrelet and many other wildlife species live.

Joe Monks, representing the Washington Hardwoods Commission, AFRC and Northwest Hardwoods, Inc., spoke about the sustainable harvest calculation, the riparian harvest level assumptions, and the arrearage as it related to the riparian zone management. Mr. Monks stated that the timber can and should be harvested to maximize trust revenues.

Ann Forest Burns, Vice President for AFRC, reminded the Board of AFRC’s scoping comments on the MMLTCS. Ms. Burns stated her concerns about the restrictions on timber management. She expressed that the choices made by the Board will have significant impact to the communities dependent on the forests managed by the Department.

Wyatt Golding, with the Washington Forest Law Center, representing the Olympic Forest Coalition, the Sierra Club, and Seattle Audubon, asked the Board to be precautionary in its approach on how to assess risk in managing the long-term asset. He also asked the Board to be careful when assessing the interests of the beneficiaries and the mills.

Kara Whittaker, with the Washington Forest Law Center, spoke in favor of the Marbled Murrelet Long-term Conservation Strategy, alternative F. Ms. Whittaker stated that the alternative to date
does not demonstrate whether or not it goes far enough to avoid the expiration of the species. She remarked that understanding the biological potential and population trajectory for murrelets on state lands is important. She asked the Board to include the variables into the analyses presented in the DEIS.

Derek Poon, citizen, spoke in favor of completing the Marbled Murrelet Long-term Conservation Strategy before the Sustainable Harvest Calculation. Mr. Poon provided several Endangered Species Act and Clean Water Act provisions.

Wyatt Golding for Marcy Golde, Olympic Forest Coalition Board member, provided the Board with a chart on impacts of the draft Marbled Murrelet Long-term Conservation Strategy by alternatives.

Matt Comisky, Washington Manager for AFRC, spoke about management costs and the management fee issue. Mr. Comisky reminded Department staff of the request of the Board to bring back the biological capacity of the land bases, and the budget the Department would need to reach the target. He encouraged the Department and the Board to set appropriate goals for economic and ecological outcomes under the HCP, and then discuss what is required to reach those goals.

John Nutter, Commissioner of Olympic Medical Center in Port Angeles, urged the Board to take a responsible approach in dealing with the arrearage issue, particularly in Clallam County. The impacts of the reduced harvest levels on the County have been dramatic. He stated the value of timber sales, and asked the Board to remember that the sustainable harvest calculations are not just numbers they are jobs that directly or indirectly affect their community.

Mike Mimmo, with the Port of Port Angeles, spoke about the arrearage and the closure of mills in his county due to the lack of sustainable timber harvest. Mr. Mimmo spoke about the value of timber sales to their county. He urged the Board to harvest the arrearage.

Carol Johnson, Executive Director of North Olympic Timber Action Committee, spoke about her concerns around developing the sustainable harvest calculation. Ms. Johnson also shared concerns about the riparian management policies and guidelines and how it may negatively impact the harvest levels and contribute to the arrearage.

**CHAIR REPORT**

**Sustainable Harvest Calculation**

Kyle Blum, Deputy Supervisor for State Uplands
Angus Brodie, Forest Resources Division Manager

Kyle Blum and Angus Brodie gave a presentation on the Sustainable Harvest Calculation. They discussed six calculation factors, including: the marbled murrelet long-term conservation strategy, riparian harvest levels, arrearage, uncertainty, management costs, and the discount rate. The first three had previously been discussed, and the Board has expressed their interest in being the decision maker. Today’s presentation provided a review of those first three and greater information on the remaining three.
Mr. Blum stated that due to the timeframe of producing a draft EIS, his staff has already made assumptions in the model regarding how these variables are inputted. The hope is that if the Board wishes to make changes to what has been assumed, then those changes can be incorporated into the final EIS.

Mr. Brodie described how discount rates affect the optimization of economic value over time. The Department set their rate at 5%, basing that off of a stable maturity rate and a low risk rate. An example went on to show how higher discount rates reduce the value of future dollars, and consequently push harvest volumes up in the nearer term.

Uncertainty is a model factor that broadly adjusts for the inevitable unknown reductions in harvestable volume. Those unknowns come in two categories – areas where imperfect data led to imperfect model outputs on what should be available for harvest, and areas that meet all rules, regulations, and policy, but must be deferred because they are otherwise controversial. Mr. Blum discussed three timber sales that were delayed or partially differed because of uncertainties. Those sales were North Zender, Bangor, and Singletary.

A major factor in determining the Department’s capacity to harvest timber is the amount of resources available to bring that timber forward. Changes in the RMCA and FDA accounts affect the Department’s ability to deliver timber. A management cost example from OESF showed how increased resources dramatically influence the harvestable volume. Currently all alternatives except one are using a 48 million/year cap on expenditures. The other alternative is unconstrained.

Dean Mittelhammer asked about the reasoning behind assuming a fixed management cost when the Department’s actual value is dependent on variable factors, including production level. Using a cap helps alleviate unrealistic harvest volumes in the planning period. Mr. Brodie was willing to consider alternative modeling approaches to better capture the management cost variable. Commissioner Peach asked why cost was an input instead of an output, given a volume level. That will be how the unconstrained alternative is ran. Dean Mittelhammer suggested using a sensitivity analysis to see the impacts of harvest and net returns.

Mr. Blum asked for the Board to vote on which of the three topics (discount rate, uncertainty rate, management cost) the Board wants to be the decision maker on. The other option being to allow Department staff to make a decision, and then return to inform the Board on the choices made. Voting to allow staff to lead the way did not preclude the Board from asking for additional information through the process.

Mr. Blum asked the Board for approval to allow staff to remain the decision maker at this time, but with an expectation that staff would inform the Board what was chosen and also with some sensitivity analysis of options considered, but not chosen.

MOTION: Dean Mittelhammer moved to approve the motion.

SECOND: Commissioner Peach seconded the motion.

ACTION: The motion was approved unanimously.
Chair Goldmark convened a lunch break at 11:30 AM, and then reconvened the meeting at 12:30 PM.

Marbled Murrelet Long-term Conservation Strategy Update
Kyle Blum, Deputy Supervisor for State Uplands

Mr. Blum presented on the Marbled Murrelet Long-term Conservation Strategy. He began by refreshing the audience on the trust mandate and three evaluation criteria used in choosing a long-term conservation strategy, including two from the issuance criteria of an incidental take permit under the Endangered Species Act, and one from the Department’s Habitat Conservation Plan.

The analytical framework is the tool the Department uses to gage impacts on marbled murrelet habitat. It works by identifying habitat, identifying long term forest cover, calculating positive and negative impacts, and then attempting to evaluate those habitat changes on the marbled murrelet population, at both the statewide and DNR scale. P-stage is the tool used to identify habitat. There are a couple of types of take that influence the quality of habitat. Mr. Blum discussed harvest take and edge take and how those are calculated in the analytical framework. Since presenting the analytical framework in November 2014, the Department has received a lot of good comments and critiques, and has made a few changes.

The first change was adding a category called stringers. Stringers are small strips of long-term forest cover (LTFC) that are narrow enough that they do not contain interior forest. Because of that and the history of management, it is unlikely murrelets will be using stringers. In the analytical framework stringers are now devalued. They are included in LTFC, but they do not count for either take or mitigation. The second update was adjusting habitat value by its proximity to occupied sites. Areas farther away from occupied sites are less likely to be utilized by the murrelet, so a large deduction in habitat quality in those areas was applied. The last update was including a habitat discount for roads, since they do create an edge effect.

Mr. Blum then walked through how the analytical framework was applied to Alternative F. The slideshow provided an illustration showing how raw acres were divided into categories and then how P-stage quality adjustments were made. This calculation resulted in the final take and mitigation credit for the alternative.

Mr. Blum then showed outputs from the six alternatives. First, he showed that about 583,000 acres in each alternative’s conservation is from existing conservation. The additional conservation specific to the marbled murrelet was shown, as well as within what conservation categories those acres are protected. Two charts were shown that depicted the habitat acres in the first decade of the model as well as the increased habitat acres at the end of the model projections.

Take and mitigation for each alternative was shown in a graph. Mitigation for all alternatives except Alternative B is higher than take.
Despite being a credible model that has been jointly developed with considerable effort, the analytical framework cannot capture every impact on the murrelet, either positive or negative. Mr. Blum discussed factors that were not included in the model.

The final part of Mr. Blum’s presentation covered the population viability analysis modeled by Dr. Zach Peery. The initial female population size on DNR land is 325, and on non-DNR land it is 3,291. Dr. Peery analyzed the different alternative inputs on both the DNR and statewide scales. He also chose two annual non-juvenile survival rates to use, to illustrate that variable factor. At a lower survival rate on the Washington state scale, the alternatives do not produce a very noticeable difference in population effects. At the DNR only scale, the alternatives are more discernable, however the scale is not massive. With a higher survival rate, the general outlook of the marbled murrelet improves, and the alternatives produced registered differences. Dr. Scott Horton joined Mr. Blum to describe the interpretation of the different survival inputs in the model. Mr. Blum then closed the murrelet discussion by again showing the trust mandate and evaluation criteria.

Meeting adjourned at 2:33 PM.
Approved this 5th day of July, 2016

Peter Goldmark, Washington State Commissioner of Public Lands

via conference call

JT Austin, Designee for Governor Jay Inslee

Randy Dorn, Superintendent of Public Instruction

Bill Peach, Commissioner, Clallam County

absent

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

Thomas H. DeLuca, Director, School of Environmental and Forest Sciences, University of Washington

Attest:

Sarah Vansot, Board Coordinator