Minutes
Board of Natural Resources Meeting
October 5, 2021
Webinar, 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
Jim Cahill, Designee for the Honorable Jay Inslee, Washington State Governor
Dan Brown, Director, School of Environmental and Forest Sciences, University of Washington
Dr. Richard Koenig, Interim Dean, College of Agricultural, Human, and Natural Resource Sciences, Washington State University

CALL TO ORDER
Chair Franz called the meeting to order at 9:04 AM.

All Board members provided self-introduction. A meeting quorum was attained.

WEBINAR FORMAT BRIEFING
Ms. Tami Kellogg provided an overview for participating in a webinar meeting.

APPROVAL OF MINUTES
Chair Franz called for approval of the minutes for the September 7, 2021 Regular Board of
Natural Resources meeting.

MOTION: Dr. Brown moved to approve the minutes.

SECOND: Mr. Cahill seconded the motion.

ACTION: The motion carried unanimously.

LIGHTNING TALK
Natural Heritage
Tim Stapleton, Assistant Division Manager, Conservation, Recreation and Transactions

Mr. Stapleton reported the Natural Heritage Program is supported by a team of scientists who
catalog plants, animals, and ecosystems for prioritizing conservation needs and guide
conservation funding in the state through a framework of a statewide system of natural areas.
The program connects conservation science with conservation actions by addressing the
components of biodiversity (Classifications), where the various components occur (Inventory),
and what needs to occur to protect individual components (Conservation Planning). Those questions are addressed in an ongoing and iterative manner by using a coarse filter/fine filter approach to account for the different components of biodiversity. The coarse filter is all ecosystems within the state and the fine filter is all rare species and rare ecosystems that may not be adequately protected by using only the coarse filter. By ensuring the conservation of ecosystem types, the conservation of common species can be achieved efficiently.

Establishing clear priorities for species and ecosystems is critical for successful conservation. The program employs two approaches for prioritizing species and ecosystems – global and state ranking systems for overall conservation actions, and assigning priorities to species and ecosystems within the statewide system of natural areas.

The inventory includes information on rare species and ecosystems from a wide variety of sources to include federal and state agency biologists, members of the Washington Native Plant Society, conservation organizations, consultants, Washington Rare Plant Care and Conservation Program at the University of Washington, and DNR scientists who complete field inventories for high priority species and ecosystems. The State of Washington Natural Heritage Plan establishes a list of priority species and ecosystems and describes the criteria and process for selection of sites for addition to the statewide system of natural areas. Priorities assigned to species and ecosystems are used by local, state, and federal agencies to guide conservation actions and land use decision-making. Application of the objective methodology used by the program ensures potential acquisitions have conservation value. Priorities established in the plan guide the selection of potential additions to the statewide system of natural areas. The National Heritage Plan priorities are used in the Washington Wildlife and Recreation Program process of identifying key conservation acquisitions for the state. The Natural Heritage and Natural Areas Programs carry unique and interconnected missions. DNR’s Natural Heritage team identifies and creates inventory of rare plants and ecological communities while the Natural Areas Program team develop restoration and other land management strategies to protect the inventory in perpetuity.

Mr. Stapleton shared examples of several natural areas in the state protecting different species and ecosystems.

PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST

Robert Mitchell questioned the closure and gating of a forest stand in Capitol Forest off Highway 8. He asked whether the public should have a voice in gate closures. He asked about future timber sales in Capitol Forest, as some trees visible from the road are more than 34 inches in diameter. DNR timber crews may be ignoring protected trees to obtain more revenue and closing public access to public lands might enable DNR to log more old growth and protected trees. DNR should reexamine the ecosystem services valuation within the Deloitte Report, as the real customer should be climate change funds looking to monetize the asset.

Ed Bowen, citizen of Clallam County spoke to the Lightning Talk presentation and his experience with natural areas in his community that have created timber deferments pending a decision as to whether the area would be preserved. He cited the lack of projected timber sales from within his district for fiscal year 2022 and questioned the reliability and accuracy of the projections. The projections do not provide any substantial revenue to his district. Timber sales
in the Olympic Experimental State Forest (OESF) continue to be weak in Clallam County and could be the result of the exchange of land in the OESF reducing the proportion of available timber in the OESF. He looks forward to reviewing the 2023 projections.

Mary Jean Ryan, resident of Jefferson County commented on the Trust Land Transfer Program (TLT) and work underway pursuant to the capital budget proviso. She complimented workgroup members and DNR staff on the progress and the potential concept of creating a land bank that would improve DNR’s capacity to purchase appropriate land for timber production. A good supply of timbered land would enable an effective TLT Program. Forests that should be conserved for ecological or recreational value would benefit from the approach. Her primary concern is DNR may conclude the process prematurely although the report to the Legislature is due by December. It appears DNR needs additional time to address challenging issues not addressed at this time. The Board and Commissioner Franz should request more time from the Legislature to complete the project thoroughly.

Alexander Harris, resident of Whatcom County, said he serves as a volunteer with the Center for Responsible Forestry. He voiced his opposition to clearcut logging in mature unplanted forests on public state lands. Those areas are legacy forests because they constitute the natural legacy of the state and are different from tree plantations that blanket most of the lowlands in Western Washington. Climate change has already affected the state with water resources becoming scarcer. DNR should seriously consider stewarding natural resources for climate resiliency and the Board should adopt a temporary moratorium on all timber sales in the state that qualify as legacy forests to enable DNR and the Board to work on a sustainable approach to logging old growth and legacy forests in the 21st century.

Brel Froebe, resident of Whatcom County and volunteer with the Center for Responsible Forestry echoed similar opposition to the clearcutting of legacy forests and cited similar reasons as stated by the previous speaker.

Andy Zahn, resident of Toutle and volunteer with the Center for Responsible Forestry, voiced opposition to logging immature unplanted forests on public state lands. The characteristics of legacy forests possess many of the characteristics of old growth forests. Legacy forests are vital to the survival of imperiled species of spotted owls and marbled murrelet and are important in the fight against climate change. DNR’s current logging practices makes it impossible to achieve DNR’s commitment to the federal government to preserve legacy forests. Last week, federal wildlife officials declared 23 species extinct. The Board should adopt a temporary moratorium for all timber sales on state forestlands that are naturally regenerated prior to 1945.

Miguel Perez-Gibson, Washington Environmental Council, pointed out how DNR’s Heritage Program was established by scientists in 1971 following a proposal that the state should consider its natural heritage. He reiterated his previous request for the Board to pause sales of older forests as presentations to the Board did not sufficiently address concerns about DNR’s ability to meet Habitat Conservation Plan (HCP) older forest targets. Staff was unable to answer remaining questions because of litigation concerns, which speaks to the request for a pause on regeneration of older forests until a more thorough evaluation can be completed to ensure the public and the agency have a shared understanding of the state of older forests on the landscape before more forests are cut. Additionally, it appears DNR and the Board do not necessarily view
the older forests percentages listed in the HCP as legally binding language that must or shall be achieved. In contrast, WEC believes the percentages are commitments that must be pursued with the full intention of achieving them. The Board should consider what legacy it wants to leave on state forestlands.

Beverly Parsons, resident of the Hansville community, spoke to some of the same concerns conveyed by previous speakers. The United Nations Report of the Intergovernmental Panel on Climate Change reported on the possibility of exceeding the 1.5 degree centigrade temperature change by early 2030 that could cause planetary collapse. Her concern is the rate of harvesting of legacy forests and trees on public lands. DNR should cease the scale of harvesting for at least 10 years to give time for innovations needed to turn around the dire situation. DNR should afford more attention to the research by climate scientists rather than relying on research from the timber industry.

Matt Comisky, American Forest Resource Council, commented on his knowledge of legacy forests after walking through many forests. He was surprised at the differences in the stands as some can range in size from 20,000 to 30,000 stems per acre, which is not good habitat for any endangered species as those forests contain dense and dark understory with little to no forage for any species. Several Forest Service regeneration harvests have been considered because of the lack of biodiversity through long-term preserves of trees. He reminded everyone of flux because if the intent is to remove carbon from the air, it must be quicker requiring trees to absorb carbon faster. He acknowledged staff for working on many issues related to trust land management and general forest health. While AFRC and its membership might not always agree with DNR on all issues, ARFC continues to have constructive dialogue in a variety of formats to move things forward. It takes all stakeholders to work together to continually improve outcomes for beneficiaries and to meet the goals and outcomes of the HCP, the Policy for Sustainable Forests, and the trust mandate.

PUBLIC COMMENTS FOR TIMBER SALE ACTION ITEMS

Andy Zahn asked the Board to cancel all timber sales in legacy forests naturally regenerated prior to 1945. In particular, he asked for the cancellation of Green Thomas, Copper Ridge 2022, Crush, and Michigan Trotter as those timber areas are largely comprised of legacy forests. Green Thomas, in particular, must be preserved. In addition to diverse legacy forests throughout the area, a grove of hemlock trees exist within the forest that are truly ancient trees that have never been logged and represent an ecosystem that has essentially disappeared from the lower Columbia region.

Miguel Perez-Gibson, Washington Environmental Council, suggested DNR should afford the Board a better understanding of the reasons for the low number of timber bids that are typically offered by the same bidders because it may speak to the need for DNR to develop a diverse program of timber sales that might encourage smaller and different bidders and provide more value.

Sherri Dysart, resident of Mason County, referred to her education and degree in forest management and experience of 30 years working for a private timber company. She recommended reading, Conservation Science and Advocacy for a Planet in Peril, which speaks truth to power and that the decisions today are critical to the long-term health of the planet. She
recently participated in a walking tour of the Crush timber sale and was struck by the special
remarks on the notice of sale documents as the sale contains high quality Douglas firs. Those
trees are part of an ecosystem that needs to be protected at all costs. The highest and best use of
that forest is to leave it intact preserving its carbon sequestration potential and wildlife habitat.
Although she is aware of the trust mandate to maximize revenue, perhaps the mandate should be
widened with a concept of the fiduciary responsibility to pass forward an inhabitable planet to
the nation’s children and grandchildren. She cited several passages in the book that speak to
how intact forests prevent landslides, floods, combat climate change, and nurture thousands of
wildlife species, of which many are endangered.

Matt Comisky, AFRC, cited the importance of considering the HCP in its entirety as the HCP
includes commitments and goals that should be considered in their full context including the
associated Incidental Take Permit. The HCP is intended to balance ecological and economic
outcomes and provide certainty, something that he would argue beneficiaries are yet to enjoy
some 20 years into the HCP because of ongoing opposition to timber sales. In Eastern
Washington, many forests continue to burn and if climate change continues as anticipated,
similar issues will continue in Western Washington. Continuing forest health work is critical
and biodiversity pathways have been included within the HCP and the OESF Land Plan.
Unfortunately, when outcomes are protested, DNR pivots to different methods such as using age
instead of biodiversity pathways. DNR field staff work hard to meet multiple expectations for
both ecological and economic outcomes under the HCP. Everyone should applaud their
successes acknowledging instances of failures, which is a way to learn and move forward.

TIMBER SALES (Action Item)
September Auction Results, Quarterly Update, Proposed Timber Sales for November 2021
Koshare Eagle, Assistant Division Manager, Product Sales & Leasing Division

Ms. Eagle presented the results of the September 2021 auctions. The Department offered 10
sales totaling 40.5 mmbf. Of those, eight sales sold totaling $11.8 million for an average of $347
per mbf with 2.3 bidders per sale on average.

Ms. Eagle invited questions. No questions were offered by the Board.

Ms. Eagle updated the Board on timber sale results through the first quarter of fiscal year 2022.
The Department planned and offered 80 mmbf in the first quarter, and sold 74 mmbf. The
unsold six mmbf are planned to be reoffered during the third quarter.

Ms. Eagle invited questions. No questions were offered by the Board.

Ms. Eagle presented 12 proposed timber sales for November totaling 48.6 mmbf valued at $17.2
million for an average of $353 per mbf.

Ms. Eagle invited questions.

Dr. Brown requested information on the assessments completed for the Crush and Green Thomas
sales to ensure the sales are consistent with Board policy on older trees. Ms. Eagle explained
that the foresters followed all policies, including reviewing the weighted old growth habitat
index for potential older trees. Neither sale contained areas identified as potential old growth. The stands did not have origin dates prior to 1850, which would be protected under the Old Growth Policy. The sales have the required leave trees per acre and a portion of which are representative of the largest diameter trees on site.

Dr. Brown asked whether any additional work was completed on dating the trees included in the sales. Ms. Eagle advised that the sales did not meet the criteria for additional dating work.

Dean Koenig inquired about the process for establishing the minimum price per mbf. Ms. Eagle explained how the Department uses a combination of log prices from multiple sources, logging costs, and road costs to appraise each sale to arrive at a stumpage price. The computations are completed monthly.

Mr. Cahill asked for additional background and the intent of the planned thinning sales. Ms. Eagle replied that the Copper Ridge sale is a variable density thinning and variable retention harvest and is one of three replications of a long-term study completed by the Forest Service for researching different silvicultural options. Every 10 years, an entry is included in addition to an unharvested control unit, as well as units of 1.5 to 5 acres in size, group selections between a 10th of an acre and 1.5 acres that are removed, and a variable density thinning by removing a portion of trees from the smaller diameter classes to leave specific targeted trees per acre. The proposal for Copper Ridge 2022 is the second or third entry for Copper Ridge.

Mr. Cahill inquired about the Center 21 thinning sale. Ms. Eagle reported the sale was removed from the timber sales based on a review of the appraisal and concerns about the price. Staff is reviewing the price for that particular sale. Mr. Cahill acknowledged the importance of thinning sales as they support meeting salmon recovery and HCP targets.

Dr. Brown requested information on the decision to open or close gates for access to sales. Ms. Eagle explained that many gates were installed many years ago. Gates are typically installed because of vandalism, public abuse, or dumping issues. Gates are also installed in areas with cooperative agreements with Washington Department of Fish and Wildlife to ensure no motorized access. Gates are often installed to control and prevent negative impacts to areas.

With no further questions from the Board, Ms. Eagle requested approval of the proposed sales as presented.

MOTION: Dean Koenig moved to approve the proposed sales.

SECOND: Dr. Brown seconded the motion.

ACTION: The motion was approved unanimously.

PUBLIC COMMENTS FOR LAND AND AQUATIC LAND TRANSACTIONS
There were no public comments.
AQUATIC LAND TRANSACTION (No Action)
Lake Bay Marina Acquisition Update
Michal Rechner, Assistant Division Manager, Policy, Aquatic Resources Division

Mr. Rechner reported the Lakebay Marina proposal would be funded by a $1.8 million grant from the Recreation and Conservation Office (RCO) to acquire upland property in Mayo Cove near Lakebay, Washington. The transaction includes the historic Lakebay Marina.

DNR partnered with Recreational Boating Association of Washington (RBAW) to purchase approximately 2.83 acres of upland and tideland property associated with the Lakebay Marina. The purchase includes the marina, building, floating docks, fuel docks, modified shoreline, and estuarine tidelands. The ultimate goal is to renovate the property into a fully functional state-of-the-art recreational facility for management by Washington State Parks.

Lakebay Marina is located on Key Peninsula in Pierce County across from Penrose Point State Park in Mayo Cove. The location is strategic for recreational boaters between Olympia and Tacoma and is currently the only public fuel dock located between the two cities in Puget Sound. The docks are in poor condition, electricity has been removed because of safety concerns, and the fuel dock is nonfunctional and hazardous. The project is pivotal to preserve public access and its rich history dating back 135 years to the Mosquito Fleet. The building on the pier was placed on the Pierce County Historic Register of Places in 2019. The shoreline has been modified with significant potential to restore and protect habitat and water quality in Mayo Cove to support plant and fish species.

The property was under a DNR lease that terminated on September 7, 2021. Without the land transaction, the marina would either be removed or sold for private use. Completion of the acquisition guarantees the site will remain available to the public and not lost to private development. DNR anticipates receiving a signed purchase and sale agreement and is pursuing an appraisal and a cultural resources assessment of the site. Following completion of site assessments and RCO grant requirements, staff will request the Board’s approval to purchase the property. Following purchase of the property, a planning process by the three parties (DNR, Parks, & RBAW) will be initiated to determine the best step forward for improving the property and securing necessary permits following by design and engineering of site improvements.

Commissioner Franz added that DNR oversees 2.6 million acres of aquatic lands. The proposal is a project from initial work to identify existing leases where more efforts are required to improve and renovate facilities. DNR partnered with RBAW to ensure the project remains available for public access. She invited questions and comments from the Board.

Mr. Cahill asked for additional information as to the involvement of State Parks for management of the site. Mr. Rechner replied that given the location’s proximity to Penrose Point State Park and the ability to expand services, working with Washington State Parks was a sensible next step based on other conversations with the agency and a tour with the agency’s director of the facility. WDFW has acknowledged the value of the facility and is committed to working with DNR through the public process to ensure the design of the facility can be maintained and managed easily in the future. The issue of ownership of the site has not been addressed at this time.
because the bulk of the purchase is uplands. Classification of those aquatic lands has not been determined at this time.

Commissioner Franz requested approval of the aquatic land transaction as described by staff.

MOTION: Dr. Brown moved to approve the proposed aquatic land transaction.

SECOND: Dean Koenig seconded the motion.

ACTION: The motion was approved unanimously.

Commissioner Franz recessed the meeting at 10:23 a.m. for a break.

Commissioner Franz reconvened the meeting at 10:34 a.m.

LAND TRANSACTIONS (Action Item)

Big Bend Resolution Amendment 1571-A

Robin Hammill, Property and Acquisition Specialist, Conservation, Recreation and Transactions Division

Ms. Hammill reported the resolution seeks to amend the purchase price contained in Resolution 1571 authorizing the transfer of property in Douglas County to the Department of Fish and Wildlife (WDFW) changing the total appraised value from $331,000 to $313,000 with no other changes to other provisions. The change in value is because of a lower valuation of parcel 2, which was appraised at $72,000 rather than $90,000. The oversight was the result of staff from both DNR and WDFW failing to notice the value change from the draft appraisal to the final appraisal.

The Board offered no questions or comments.

Ms. Hammill added that the oversight is the first instance for DNR and contributed significantly to a learning experience for staff. She requested the Board’s approval of Resolution 1571-A.

MOTION: Mr. Cahill moved to approve Resolution 1571-A.

SECOND: Dr. Brown seconded the motion.

ACTION: The motion was approved unanimously.

PUBLIC COMMENTS FOR CHAIR REPORT

Ed Bowen, PO Box 111, Clallam Bay, reported on his attempts to participate in the meetings of the Trust Land Transfer Workgroup but found his participation was limited to listening with only one meeting enabling participation. No responses were provided to any comments offered during that engagement. He does not foresee any additional opportunities for public engagement and is confused as to the trusts to be included in the recommendation. Inclusion of State Forest Trust Transfer within the recommendations is concerning because it totally eliminates local decisions of county lands. In terms of legislative priorities, the Board should request funds from
the legislature for bridges, as Clallam County was responsible for paying the cost of road right-of-way negotiated by the National Forest Service and DNR of $300,000.

Heath Heikkila, AFRC, spoke to forest initiatives at the federal level in Washington, D.C. Last year, over 10 million acres of forests burned in the country with most occurring on federal lands. This year, six million acres burned. The federal government is considering an increase in common sense science-based forest management to reduce wildfire risks and store carbon both in forests and in wood products. He encouraged the Board to review the Senate Energy and Natural Resources Committee’s May 20, 2021 hearing involving a discussion about United Nation science, Trillion Trees Initiative, and how the country is losing forests after wildfires. AFRC appreciates the efforts of DNR and the Legislature for legislation benefitting DNR activities and initiatives. The difficulty of managing state lands with millions of different viewpoints speaks to the case before the Washington State Supreme Court for affirming federally granted lands and trust mandates.

Andy Zahn emphasized that the Green Thomas timber sale includes old growth older than 1850 and he can only assume DNR foresters are incompetent or they intentionally failed to include old growth to avoid public scrutiny and cancellation of the sale as the old growth would be impossible to miss for anyone surveying the sale. DNR has displayed a pattern of obstruction to prevent public access and scrutiny of proposed timber sales by installing gates. Reasons for gate closures by staff may be valid in some cases, but too often, they are likely an exception to avoid public objections to timber sales.

Miguel Perez-Gibson, Washington Environmental Council, expressed regret that the legislative priorities do not include the TLT Program. He cited several areas conserved by the program and without the program, how those areas would not have been conserved for the public. The TLT program ensures the state purchases replacement lands for the trust and while some transactions might result in a net loss of available timber harvest land overall in the private sector, they do result in an increase of conservation lands for the public and a no-net loss for the beneficiaries.

Matt Comisky, AFRC, shared his perspectives of the TLT Workgroup as a member. Adding a framework to create a consistent, transparent, and accountable process is important. The effort has been productive considering the compressed timeline. AFRC and many of the beneficiaries are not fundamentally opposed to trust land transfers other than experiencing a diminishing return to the trusts because of the way the process has been implemented, which does not fully compensate the beneficiaries and future beneficiaries. The workgroup is represented by a diverse group of members. The diversity of knowledge is improving about trust lands and DNR’s obligations, beneficiaries, and the trust mandate. The general framework will likely be supported with some concerns that would be highlighted in the report. The challenge is in the development of criteria and ensuring the diversity of beneficiaries are represented. Developing a concept acceptable to the Legislature and a land bank proposal by DNR are good starts. However, he is concerned as to how the Legislature will view the proposal. Extending or missing the December 1, 2021 due date would not be productive for the Department or the workgroup and efforts of outreach to the Legislature and possibly pursuing a TLT Program Workgroup 2.0 might be a possibility. However, concluding the initial work and forwarding a report to the Legislature is important to inform legislators on challenges, issues, and alignments.
Doug Cooper, Hampton Lumber Mills, stated that he is appreciative of staff providing a presentation on the 2021 wildfire impacts and opportunities for timber salvage on DNR managed lands. He recognized fire suppression efforts this year by state, federal, and private resources, and in particular, efforts on the Chickadee Creek and Muckamuck fires, two fires on DNR lands Hampton holds timber sales contracts. Unfortunately, Hampton, DNR, beneficiaries, and communities suffer from the fires and from the loss of standing and direct saw log volume. The economic and ecological loss would have been greater without the resources directed by the incident teams. He closely followed the suppression efforts of both fires and it was clear the resources available were not adequate to meet the needs for their efforts. It is also clear that the work of Commissioner Franz and the Legislature to pass 1168 during the last session was absolutely critical to support future capacity of the state to prevent the spread of wildfires. He urged DNR to act quickly to offer restoration timber sales and identify additional treatment and harvest opportunities on state forest lands burned this year. Active management in the affected areas will accelerate landscape and site-specific restoration work including reforestation, development of aquatic and terrestrial habitat, and water quality protection.

CHAIR REPORT
Commissioner Franz prefaced the Chair Report by thanking staff for their work and efforts and to Superintendent Reykdal for urging DNR to engage with the Board on legislative requests.
This last session was one of the most successful for DNR with the passage of House Bill 1168 as the most historic and transformative investment in wildfire response, forest restoration, and community resilience. Additionally, DNR has been asked by the Legislature to examine the TLT program to improve the program to be highly successful today and in the future. The TLT Workgroup is undertaking the work and preparing a proposal to present to the Legislature. More work is ahead as the proposal will be bold and visionary.

Angus Brodie, Deputy Supervisor for State Uplands, announced the recent passing of Lewis County Commissioner Gary Stamper representing District 3. Some of his accomplishments included leading Mossyrock High School’s girls’ basketball program to double-digit appearances at the state tournament, including a 2B state championship title, advancing outdoor recreation activities across the county, and advocating for the county to receive federal timber dollars.

Legislative Requests
Angus Brodie, Deputy Supervisor for State Uplands
Doug Kennedy, Strategic Advisor, State Uplands

Mr. Brodie reported the agency’s top legislative request is fire suppression administrative funding. Since 2005, the Legislature has restricted DNR from using suppression funds and applying those funds to administrative functions to fight wildfires. The restriction affects all other DNR programs by requiring the programs to cover wildfire suppression administrative costs. The legislative request is removal of a budget proviso to enable the use of suppression funds.

Mr. Kennedy outlined DNR uplands’ legislative requests for the 2022 legislative session. The areas of focus include:
• Transparency and Efficiency
  - Timber and Land Sale Process Improvements (Policy Request) to update advertising requirements; allow initial use of licensed real estate professional for land sales; and broaden sale location options
  - Commercial Real Estate (Policy Request) to extend lease terms on commercial, industrial, and recreational leases (from 55 to 99 years); and allow for rental reevaluation and adjustments

• Climate Resiliency and Salmon Recovery
  - Weed Control for Natural Areas (Appropriation adjustment of $239,000) for invasive weed control on 15 natural areas and monitoring of past treatments

• Community and Economic Development
  - Structurally Deficient Bridges (Capital request of $2.25 million) to repair 13 bridges to provide safe access for timber sales, recreation, and wildfire suppression efforts
  - Recreation Enforcement & Safety (Operating request of $3.8 million) to accommodate steep increase in recreational use; narrow gap between resources and growing needs; adds 7 new law enforcement officers; and 7 additional recreation staff
  - Silviculture Investments (Capital request of $3.9 million) to address backlog of site preparation, pre-commercial thinning and vegetation management treatment in Western Washington to benefit jobs now and in the future; increase healthier and more resilient forests; treat 25,000 acres; and result in a return of $13 million in value to 25,000 treated acres
  - Encumbered Lands (Capital request of $28.3 million) to assist Wahkiakum, Pacific, and Skamania counties are experiencing disproportionate economic impacts because of obligations necessary under the Endangered Species Act. The project increases the amount of working trust lands in the counties, increase jobs in local communities, and enable DNR to acquire new forest land within the three counties or exchange forested trust lands over a multi-phased approach spanning five to ten years
  - Puget Sound Corps (Capital request of $4.7 million) to enable DNR to retain and/or rehire seven corps crews and add 10 new crews creating 102 full-time jobs supporting the Puget Sound Partnership and 2020 Forest Plan objectives

DNR’s eight uplands legislative requests total $43.2 million. Next steps include continuing work with tribes, beneficiaries, and stakeholders, and building support of legislators.

Wildfire/Salvage Update
Sam Steinshouer, State Lands Forest Health Program Manager, Forest Resources Division

Mr. Steinshouer’s presentation covered statewide wildfire impacts and how they affected state uplands, a case study of a fire-impacted forest health project, and a summary of key takeaways.
DNR is the state’s largest on-call fire department with resources of more than 1,300 permanent and temporary employees helping to fight fires on more than 13 million acres of private and state-owned forestland. Wildfires in Washington this year have affected 670,000 acres of which approximately 33,000 acres are DNR managed lands. During the fire season, many DNR employees responded to wildfire emergencies from a resource of 670 upland staff across the state with nearly 40% of staff having some level of fire response participating in a variety of functional areas during the 2021 wildfire season. Wildfire impacted agricultural and grazing lands and over 24,000-forested acres primarily located east of the Cascades resulting in mixed severity fire impacts. DNR is planning for potential fire salvage sales of the affected 24,000 acres this year.

Mr. Steinschoer reviewed DNR’s response and recovery, which is governed by statutory and policy guidance. Before DNR determines to treat an area, staff determines the extent and level of damage, determines where it is prudent to consider harvest given the changed environmental conditions, and determines how much of damaged materials can be recovered considering financial outcomes and budget constraints. Initial investigations identified over 18,000 acres to assess for potential salvage.

An example of a case study is the Virginia Ridge Timber Sale in the Methow Valley impacted by the Cedar Creek fire this year affecting the 645-acre project initially selected for treatment in 2015 for a variety of reasons. Harvest treatments were completed in 2019 with follow-up treatments planned. Pre- and post-treatments resulted in the reduction of fuels and the thinning of the canopy. Each of the three Virginia Ridge units were impacted by fire to some degree. Fire managers used approximately 2.3 miles of the fire line within treatment units to assist in the containment of the fire. Treatment activities reduced fuels and improved access. Virginia Ridge is under evaluation for salvage. It is possible following analysis that salvage will not be proposed but may be a good candidate for post-fire monitoring. The wildfire would have behaved differently without the treatment and the likelihood of containment within the Virginia Ridge units would have been reduced. The treatment reduced loss and increased options.

DNR is a large land management agency where natural disturbance is a continuing aspect for consideration that requires nimble actions. Through the Department’s integration of resource managers and fire control staff, DNR was able to prepare for and react to disturbances in a timely manner. Salvage efforts can generate revenue for the trust; however, the timing and value may not be ideal.

Commissioner Franz summarized the Department’s response to approximately 17 catastrophic fires this year by firefighters and a significant number of air resources to extinguish a majority of the fires during initial attacks. The unanimous passage of House Bill 1168 brings significant funding to state lands as well as for private lands to help the Department accelerate forest health efforts.

Mr. Cahill questioned the timing following a fire to harvest before losing value of the damaged trees. Mr. Steinschoer explained that it depends on the intensity of the fire and the tree species. Some tree species degrade rapidly while others are more resilient. DNR could salvage viable
material next spring if it is the right species. DNR must move quickly on other species that
degrade quickly. The salvage process to a certain extent is species-dependent.

Dean Koenig asked whether the depth of salvage stimulates regeneration on a site or whether
retaining trees on sites create potential negative consequences for regeneration. Mr. Steinshouer
explained that based on evaluation of previous fire sites, those sites that were salvaged
experienced better regeneration with the understanding that there are many variables affecting
the level of regeneration. Mr. Brodie added that a reforestation strategy is prepared for affected
sites.

Superintendent Reykdal asked whether timber salvaged from affected sites are part of the
calculation for the total harvest. Mr. Brodie responded that tree salvage is considered
unscheduled harvest that entails some changes in the harvest schedule to ensure the Department
sustains a level of harvest and management across the landscape. Salvaging activities also speak
to resource issues as the Department has a limited number of foresters and salvage operations are
based on a level of urgent response because of the level of degradation materials experience over
time. The salvage volume contributes overall to the harvest level; however, the value is often
less.

**Trust Land Transfer Workgroup Update**

Lisa Anderson, Trust Outreach Specialist, State Uplands

Ms. Anderson updated members on the status of efforts completed to date by the Trust Land
Transfer Proviso Workgroup.

The TLT Program is an innovative tool authorized by the Legislature in 1989 through an
appropriation to address several trust land management needs of the Common School Trust. Ms.
Anderson described the current phased process for implementing the TLT Program. As part of
the 2021-23 Capital Budget, the Legislature passed a budget proviso specific to trust land
transfer based on feedback and concerns from beneficiaries about the TLT Program, as well as
general interest to improve and simplify the process and increase transparency of the program.
The proviso directed DNR to convene a workgroup of trust land beneficiaries and stakeholders to
develop a recommended process on how TLT proposals are developed and implemented. The
proviso included some considerations for the workgroup to consider and direction to DNR to
provide recommendations on establishing a new TLT Program by December 1, 2021.

Because of the limited timeframe, DNR convened and scheduled meetings of the workgroup
comprised of 11 members representing school directors, Office of the Superintendent for Public
Instruction, county commissioners, timber industry, conservation community, and agencies
receiving funds from the program.

Ms. Anderson reviewed the workgroup timeline organized month-by-month beginning in July
2021 and the topics covered during each meeting. Additional meetings were added at the request
of the workgroup to continue discussions and to fine-tune the process framework. The tribes
were invited to participate and learn about the effort. Workgroup meetings are offered as
webinars and open to the public. DNR developed a webpage and posted meeting information
online.
Ms. Anderson reviewed and described details of the draft outline of the proposed TLT process framework:

1. Application/Eligibility
2. Evaluation/Prioritization
3. Approval
4. Tracking/Reporting

Next steps include drafting the report, continuation of conversations with tribes, reviews of the report (including workgroup 10/29/21), finalizing the report for submittal to the Legislature by December 1, 2021, and additional phase 2 workgroup meetings to clarify and discuss follow-up issues.

Ms. Anderson invited questions from the Board.

Mr. Cahill asked whether DNR plans to propose a budget proviso or an amendment to the current proviso to accommodate additional workgroup meetings. Mr. Brodie advised that the Department might seek a small budget proviso to continue the work; however, the request has not been formulated at this time.

Commissioner Peach questioned whether the reallocation of assets includes other entities. Ms. Anderson responded that the current TLT Program is focused on Common School Trust. Within the new recommendations, any trust would be eligible to participate.

Mr. Brodie added that based on feedback from representatives of counties, the program should address how junior taxing districts could either benefit or suffer the potential loss of property.

**Trust Land Performance Assessment Update**
Kristen Ohlson-Kiehn, Kristen Ohlson-Kiehn, Assistant Division Manager, Forest Resources Division

Ms. Ohlson-Kiehn reviewed the status of the work plan since July, recapped the Trust Land Performance Initiative framework, and reviewed an update on projects to improve trust lands portfolio performance. The first two quarters of 2021 focused on outreach with findings of the assessment and a draft project scope shared with stakeholders. In late April, a public webinar afforded an opportunity to learn about the assessment and provide feedback. In July, an update was provided on the project scope, renaming of the project to the Trust Land Performance Initiative, and initiation of a process for prioritizing projects to address findings in the Deloitte Report.

The role of the Board is that of a portfolio manager, managing several types of land assets as well as providing a range of non-market benefits. The proposed vision is for beneficiaries of state trust lands to receive reliable and increased income from the asset portfolio in perpetuity, as well as sustained and/or enhanced natural resource lands and associated ecosystem services.

Goals have been developed to transform state trust land management and optimize the state trust lands portfolio to meet the needs of today’s and future generations. To accomplish the vision
and goals, the proposal implements three strategies of (1) DNR Operational Business Practices; (2) Legislative Strategy; and (3) Board Policies. Focus areas for the strategies include: Generate and Distribute Revenue Reliably; Optimize Portfolio Performance Research; Develop and Revitalize Tools to Address Underperforming Lands; and Utilize New Markets and Opportunities.

Ms. Ohlson-Kiehn reviewed projects to improve DNR’s business practices as well as addressing the portfolio as a whole. She reviewed a series of Deloitte recommendations and the current status of efforts in response to the recommendations:

**Deloitte Recommendations:**

- Chart-of-Accounts, cost accounting, and financial statements need improvements - similar to for-profit enterprises
- Assess management effectiveness of income versus non-income producing lands
- Enhance data systems for integration and operational effectiveness.

**DNR Update:**

- Updated chart of accounts
- Contracting for improved financial statements
- Revamp Trust Lands Transfer Program
- Improving GIS data systems for multiple asset classes

Efforts to improve peer assessments and business practices for the portfolio include:

- Joining NCREIF (National Council of Real Estate Investment Fiduciaries)
- Development of business plans for asset classes
- Applying LEAN principles to asset management
- Standardizing business practices

Information was shared on the status of improvements to DNR Operational Business Practices Strategy for specific asset classes to include improved timber returns and commercial real estate and transition lands program improvements based on Deloitte recommendations for each asset class.

Improvements to DNR Operational Business Practices Strategy under the Research and Utilize New Markets and Opportunities focus area include:

**Alternative Funding & New Market Opportunities:**

- Carbon and Climate Resilience Plan: Explore traditional and tracking of new carbon markets and researching new carbon sequestration approaches
- Clean Energy: 1,500 acres leased for solar development; 20 wind power leases; updating and standardizing current and future lease data; and investigating electric vehicle charging stations at recreation sites.

Ms. Anderson recapped legislative priorities and projects supporting the focus area to Develop and Revitalize Tools to Address Underperforming Lands:

- Improving the Timber and Land Sale Processes
• Modernizing Commercial Real Estate Management

• Trust Land Transfer Legislative Provisio Project

Current and future efforts supporting Board Policies Strategy address the focus areas of Optimize Portfolio Performance and Generate and Distribute Revenue Reliably. Efforts to date include work on updating Eastside and Westside sustainable harvest calculations, which addresses a Deloitte recommendation to evaluate harvest rotations for optimal sustained yield. Other fundamental issues addressed in the Deloitte Report included revitalizing the Asset Stewardship Plan and reviewing potential changes in terms of how DNR is funded, exploring financial instruments that could increase the reliability of revenue to beneficiaries, and identifying strategies to provide DNR with access to capital to ensure critical upkeep is provided to assets managed by the Department.

To facilitate the Board’s ability to address the issues, staff recommends drawing on the technical expertise of investment fund managers, asset portfolio managers, and government finance experts not typically employed by DNR. The proposal is to form a Finance and Governance Committee comprised of members with the expertise to provide assistance and enhance the Board’s ability to develop policies and a potential legislative plan.

Mr. Brodie explained that based on the Board’s direction, the proposal would add extra workload to the Board’s agenda in addition to work on two sustainable harvest calculations and the recommended revitalization of the Asset Stewardship Plan. The Board will be asked to assist in prioritizing the workload moving forward to include extending the length of meetings to enable discussions with staff.

Commissioner Franz summarized the work to bring the management of the portfolio into the 21st century to address changes occurring in the state from land use, economic development, and the impacts of climate change. It is important to review the strategies of investing and managing on behalf of beneficiaries, future generations, the people of Washington State, and the environment.

Mr. Brodie said staff will begin formulating and establishing the Finance and Governance Committee and begin working on some of the recommendations in the Deloitte Report with updates to the Board on the status of efforts.

ADJOURNMENT
With there being no further business, Commissioner Franz adjourned the meeting at 12:26 p.m.
Approved this 2nd day of November, 2021

Hilary S. Franz, Washington State Commissioner of Public Lands

Approved via Webinar
Jim Cahill, Designee for Governor Jay Inslee

Approved via Webinar
Chris Reykdal, Superintendent of Public Instruction

Approved via Webinar
Bill Peach, Commissioner, Clallam County

Approved via Webinar
Dr. Richard Koenig, Interim Dean, College of Agricultural, Human, and Natural Resource Sciences, Washington State University

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

Attest:

Tami Kellogg, Board Coordinator

Prepared by Valerie L. Gow, Puget Sound Meeting Services, psmsoly@earthlink.net