Minutes
Board of Natural Resources Meeting
November 1, 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 – via conference call

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.

All Board members introduced themselves. Chair Goldmark noted there was a quorum for the meeting with Dean Mittelhammer and 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 October 4, 2016 Regular Board of Natural Resources Meeting.

MOTION: Commissioner Peach moved to approve the minutes.

SECOND: Superintendent Dorn seconded the motion.

ACTION: The motion was approved unanimously.

PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST
Bob Hamlin, representing Skamania County, spoke in support of the Skamania transfer and asked the Board to maintain an undivided loyalty to the trust beneficiaries.

Jim Stoffer, representing Sequim School Board and member of WSSDA, spoke in support of the Sequim transfer and asked the Board to consider a funding stream to the junior taxing districts during their deliberations.

Commissioner Dan Cothren, representing Wahkiakum County, spoke in support of the Wahkiakum state forest trust transfer and reminded the Board how important the revenue source is for the survival of their county.

Peter Goldman, Director of the WFLC, spoke about the Singletary Timber Sale. He stated that it is an area with very strong recreational potential, and thanked the DNR for temporarily delaying the timber sale.

Rod Fleck, City of Forks Attorney, thanked Commissioner Goldmark and Kyle Blum for making a trip to Forks for two very important functions for their region: Forks Warehouse opening and the signing of the Olympic Experimental State Forest Plan.

PUBLIC COMMENTS FOR TIMBER SALE ACTION ITEMS

Bill Turner, representing the Sierra Pacific Industries, stated his disappointment regarding the Singletary Timber Sale being pulled out of the packet once again. Mr. Turner urged the Board to trust in the DNR staff and the Snohomish county staff, who have worked for many years to put this timber sales up. He requested the sale be brought back for open public discussion.

Doug Cooper, Vice President of Resources for Hampton Lumber Mills, spoke about the Singletary Timber Sale. Mr. Cooper stated that their mills in Washington rely on a stable local timber supply, especially their mill in Darrington. Volume is critical to the economic health of the local beneficiary entities, and he urged the Board to ask DNR staff to bring the sale forward.

TIMBER SALES (Action Item)

Proposed Timber Sales for December 2016 | 3 handouts, including the presentation

Tom Shay, Product Sales & Leasing Division

Kyle Blum, Deputy Supervisor for State Uplands

Mr. Shay presented the results of the October auctions to the Board. The Department offered 7 sales totaling 17.4 mbf in October. All sales sold totaling $5.1 million for an average of $294 per mbf with just under 3 bidders per sale on average.

Mr. Shay noted that the Department received a good amount of interest in the sales offered, resulting in a 40% overbid. Mr. Shay also noted that current and future market factors could sway timber prices higher in coming months.

Mr. Shay then presented the proposed sales to be offered in December to the Board.

Mr. Shay asked for approval of the proposed sales as presented.
MOTION: Commissioner Peach moved to approve the proposed sales.

SECOND: Superintendent Dorn seconded the motion.

ACTION: The motion was approved unanimously.

Mr. Blum addressed the Board regarding the Singletary timber sale in the Northwest Region. Mr. Blum described the location of the proposal in relation to nearby towns, parks, and federal land and described the recreational concerns raised regarding Singletary.

Mr. Blum then provided some basic details of the sale size (178 acres), volume (7.4 mmbf), and value (about 1.7 million dollars), as well as a brief timeline of important approvals (FPA, SEPA, Shoreline Permit). He noted that there are very high road costs associated with the sale in order to install three bridges because the Singletary sale is the first entry into a block of timberland. The newly accessible area is approximately 2,000 acres. Mr. Blum advised the Board that the route planned to enter these 2,000 acres has been looked at from multiple angles, and the chosen route has the least environmental impact. He then went on to discuss the planned acres and volume (about 27 mmbf) within the 2,000 acre area.

Mr. Blum addressed the concerns raised during the planning of the Singletary sale, primarily those related to recreation and access to the Wallace Falls State Park. Mr. Blum discussed the DNR’s involvement in a recreation plan in the area associated with the Park in order to mitigate overflow from the Park. Numerous grants were applied for and obtained to address recreation interests in this area, but due to the length of time it took to receive a Shoreline Permit from the county, these grants were due to expire before the Singletary sale could move forward. Rather than let the grant money expire, the Department chose to build trails, some of which are built through the proposed Singletary sale. A number of trail users are not excited about a new trail going through a harvest unit.

Mr. Blum then discussed Snohomish County’s recent request to re-open dialogue regarding the Singletary sale. Snohomish County has been involved throughout the planning process, and in 2014 said they were acceptable to the sale moving forward. He added that Snohomish County originally requested that the share of funds generated from the sale that would go to the County be left as leave trees to buffer the park; however, there is not a method to distribute funds only to certain areas/taxing districts. Mr. Blum noted that the recent call to re-open discussions is likely due to recent elections and a change in the political climate in the County. He also mentioned the County was potentially interested in reconveying the land associated with the Singletary sale.

Mr. Blum then outlined why he feels reconveying the land to the County is not good public policy. Mr. Blum believes that trust management and recreation are compatible, and require each other. Timber sales provide a sound road system which dramatically improves accessibility and greatly reduces the costs of trail maintenance, especially in comparison with federal lands. Mr. Blum believes the Board and the Department need to keep having discussions about how to handle these situations because a positive social license is most important with a public agency. A reconveyance would greatly diminish the Department’s ability to generate revenue for the trust beneficiaries associated with the area, and would hinder the County’s ability to provide recreational opportunities in the same area, with limited time and budgets due to other planned
recreational improvements. The DNR hopes to invest eight to ten million dollars into the
landscape associated with Singletary for recreational improvements/purposes. This would best be
completed by working together with the County, along with an active timber sale program.

Commissioner Peach asked about the reconveyance process with regard to the Board and the
County. Mr. Blum answered that there would not be much in regard to the Board involvement.
As for the County, they would be required to manage the land as a park and could not manage it
for commercial purposes. They would also need a plan for park management of the area, which
would be the largest impact to reconveyance. Most of the time spent would be on land surveys to
create a plan to bring to the Board of Natural Resources for approval. An estimated timeline
could be as early as six months.

Superintendent Dorn discussed the Sultan School District and that the potential amount of money
that would go to this school district would be vast (about five hundred thousand dollars).
Superintendent Dorn asked whether the future sales in the area would also generate funds for the
Sultan School District. Mr. Blum answered yes.

Superintendent Dorn noted that the school district has likely been planning on the revenue from
the Singletary sale to be generated, and a loss of the revenue could have a negative impact on the
District. This also applies to the remaining areas that have been planned for future harvest.
Superintendent Dorn also was concerned about the inability to leave a larger buffer near
recreational features. Mr. Blum responded that the leave tree plan with the Singletary sale left
most of the leave trees around trails; however some stakeholders would prefer to see more trees
left.

Mr. Blum also noted that the amount mentioned which potentially would be generated from the
Singletary sale for the Sultan School District replaces revenue from other sources so school
district’s would still receive funds, but the source of those funds can change with timber sale
revenue involved. So even though the full amount generated from the Singletary sale would not
potentially impact the Sultan School District, it could impact others.

Superintendent Dorn finished his comments by stating that if we do not move forward with the
sale it will have an impact on the Sultan School District. Mr. Blum agreed.

Director DeLuca commented that it is important for the timber sales program, recreation
stakeholders should continue to work together, and recreational objectives should be met with
the same level of concern as habitat and other objectives. Director DeLuca also noted that leave
trees along trails can go a long way to reducing the public’s concerns with timber harvest
because they are not walking directly through what they feel looks like a mess rather than a
rapidly reproducing forest.

Mr. Blum noted that the Department needs to take a bigger picture look at projects like this as
well as timber management for the future of Washington, especially in regard to carbon
concerns. His concerns were directly related to examples from federal lands, where an absence of
a timber sales program has had a negative impact on other resources and land objectives.

PUBLIC COMMENTS FOR LAND TRANSACTION ACTION ITEMS
Phil Aune, representing the Lake Spokane Parks, spoke in support of the trust land transfer in the Lake Spokane area.

Lisa Ayers, representing Pacific County, spoke in support of the trust land transfer to Pacific County, and encouraged the Board to approve the Pacific County proposal as presented.

Commissioner Dan Cothren, representing Wahkiakum County, spoke in support of the Wahkiakum transfer.

Matt Comisky, Washington Manager for AFRC, spoke about his concerns regarding the trust land transfer program. He urged the Board to assure they are preserving the corpus of the trust, and to fully review the TLT proposals.

**LAND TRANSACTION (Action Items)**

**Wahkiakum County State Forest Trust Replacement, Resolution 1488**

**Pacific County State Forest Trust Replacement, Resolution 1489**

**Skamania County State Forest Trust Replacement, Resolution 1490**

Julie Armbruster, Conservation, Recreation, and Transactions Division

Ms. Armbruster presented the Board with three transfers of State Forest Transfer trust land to complete the State Forest Trust Replacement Program for the 2015-2017 biennium.

The Wahkiakum County transfer is 175.3 acres for addition to the Skamokawa Creek Natural Resources Conservation Area (NRCA). The property is classified as occupied Marbled Murrelet habitat. The timber is valued at $1,237,050 and of that amount $927,788 (75%) will be distributed to Wahkiakum County to fund services. The Department will receive $309,262 (25%) for the Forest Development Account, which pays for the cost of managing State Forest Trust trust lands. The land value of $262,950 will be placed in the Park Land Trust Revolving Account and used to purchase replacement forest land.

The Pacific County transfer is 63.4 acres for addition to the Naselle Highlands NRCA. The property is classified as occupied marbled murrelet habitat. The timber is valued at $1,404,900 and of that amount $1,053,675 (75%) will be distributed to Pacific County to fund services. The Department will receive $351,225 (25%) for the Forest Development Account, which pays for the cost of managing State Forest Trust trust lands. The land value of $95,100 will be placed in the Park Land Trust Revolving Account and used to purchase replacement forest land.

Ms. Armbruster then presented the last proposal. The Skamania County transfer is 203.4 acres for addition to the Stevenson Ridge NRCA. The property is classified as core habitat for northern spotted owl. The timber is valued at $1,694,900 and of that amount $1,271,175 (75%) will be distributed to Skamania County to fund services. The Department will receive $423,725 (25%) for the Forest Development Account, which pays for the cost of managing State Forest Trust trust lands. The land value of $305,100 will be placed in the Park Land Trust Revolving Account and will be used to purchase replacement forest land.

The transfers are authorized by a legislative appropriation to assist timber-dependent counties by providing revenue from lands affected by the Endangered Species Act.
Ms. Armbruster asked for approval of Resolution 1488, Resolution 1489, and Resolution 1490.

MOTION: Commissioner Peach moved to approve Resolution 1488, 1489, and 1490.

SECOND: Dean Mittelhammer seconded the motion.

ACTION: The motion was approved unanimously.

**Trust Land Transfer Program 2017-2019 Proposal**

Bob Winslow, Conservation, Recreation, and Transactions Division

Mr. Winslow gave a brief overview of the Trust Land Transfer (TLT) project criteria and the history of TLT funding and conserved acreages from 1989 to 2016 was provided. The legislature provides funding for the transfer of the properties to designated public recipients. The timber value is distributed to the Common School Construction Account and the land value is distributed to the Real Property Replacement Account for future purchase of replacement Common School trust lands.

Mr. Winslow provided information on the 2017-2019 TLT proposed project list for the 10 proposed projects, which have an estimated total value of $30,065,000. Nine of the projects are located in western Washington and one is located in eastern Washington. The Department will forward the entire list to the Governor’s Office and OFM for budget planning purposes.

Chair Goldmark reminded the Board that the Department will prepare and present the individual projects that are legislatively approved and funded to the Board for their consideration, formally authorizing each transaction to take place throughout the biennium.

Mr. Winslow asked for approval of the Trust Land Transfer 2017-2019 Proposal.

MOTION: Dean Mittelhammer moved to approve the TLT 2017-2019 Proposal.

SECOND: Commissioner Peach seconded the motion.

ACTION: The motion was approved unanimously.

**PUBLIC COMMENTS FOR CHAIR REPORT**

Bill Wallace, member of the School Trust Lands Task Force for WSSDA, thanked the Board for their thoughtful deliberation on the long-term conservation strategy and the sustainable harvest calculation. Mr. Wallace urged the Board to select a preferred alternative that has the least impact on trust revenue.

Mary Bond, representing the Seattle Audubon, stated that the Board will need to select an alternative that meets the legal requirements of the Endangered Species Act.

Peter Goldman, citizen, asked the Board and DNR not to release the draft EIS for either the Marbled Murrelet Long-term Conservation Strategy or the Sustainable Harvest Calculation.
Lisa Remlinger, representing the Washington Environmental Council, asked the Board to think about the long-term sustainable management of our state lands. Ms. Remlinger spoke in favor of the net present value and the 2% discount rate.

Rod Fleck, City of Forks Attorney, encouraged the Board to support the 702 MMBF arrearage calculation. Mr. Fleck stated that if the Board should consider adopting the 462 MMBF that the Board provide a legal analysis explaining how it complies with the Department’s fiduciary obligations.

CHAIR REPORT

Marbled Murrelet Long-term Conservation Strategy and Sustainable Harvest Calculation

Angus Brodie, Forest Resources Division Manager

Mr. Brodie’s presentation provided details about the net present values used in the marbled murrelet scenarios previously presented at the September meeting. He began with the same disclaimer used in the September presentation, stating that the numbers would be for comparative purposes only, and that alternatives in the DEIS would be different. He then showed a slide listing components of the Department’s trust mandate, highlighting the obligation to act impartially with respect to current and future beneficiaries. To emphasize the point, Mr. Brodie spoke on the history of sustained yield management, from the origin of modern forestry and even-flow management in Europe, to our current practices with discounting financial returns over time.

The Department uses a linear programming formulation model to determine the sustainable harvest level. The model is directed to maximize the financial return over the long-term, as represented by net present value (NPV). The generation of NPV is comprised of four components: timber volume, price, cost, discount rate.

Mr. Brodie explained that the timber volume that goes into the model is based on yields, land base, harvest types, and other additional management constraints. For price, the model used a price based off records from 2011-2015. Mr. Brodie noted that the model used for the DEIS alternatives has a more complex price structure than what was used in these scenarios. Costs were also based on a review of previous DNR costs.

Chair Goldmark asked if inflation was accounted for in the calculation. Mr. Brodie responded that inflation and appreciation is accounted for in the discount rate. The next component of NPV, discount rate, was analyzed at between 1 and 5 percent. To achieve a suitable and stable flow over the planning period, a discount rate of 2 percent was chosen.

Before presenting NPVs for the scenarios, Mr. Brodie showed two slides summarizing the differences between the marbled murrelet alternatives. He then presented a chart that showed how the scenarios ranked amongst themselves, by NPV for each trust. All trusts ranked Alternative B as the alternative with the highest NPV, Alternative F with the lowest, and differing rankings for alternatives A, C, D, and E.
A table with NPV by trust and alternative was then shown. Mr. Brodie spoke on patterns he saw.
Chair Goldmark commented that the difficulty in seeing a clear pattern makes for a difficult
decision for the Board. Mr. Brodie then showed NPV for State Forest Transfer Lands, and then
for Sustainable Harvest Units (SHUs). While the differences between some of the alternatives
seemed small at the trust level, several of the differences between the counties seemed even
smaller. Superintendent Dorn acknowledged that Wahkiakum County showed one of the biggest
differences, and therefore had a lot at stake. Mr. Brodie agreed, and highlighted that Pacific
County is also in a similar position. Both of those counties are highlighted within the DEIS for
that reason.

Commissioner Peach reported he had recently spoke with the Washington Association of
Counties Timber Subcommittee and received positive feedback from them about the use of NPV
as a decision criteria for the selection for the marbled murrelet alternative.

Commissioner Mittelhammer asked about next steps. Mr. Brodie responded that the DEIS
releases will take place on December 2. Mr. Brodie has also noted that the Board has requested
to see the analysis of interactions between the different model variables, which will require
additional analysis and compiling of the analyses.

Chair Goldmark thanked the staff for their thoughts, and for the work being put into the projects
and presentations.

Meeting adjourned at 11:13 AM.
Approved this 12th day of December, 2016

[Signature]

Peter Goldmark, Washington State Commissioner of Public Lands

Present

JT Austin, Designee for Governor Jay Inslee

Via conference call

Randy Dorn, Superintendent of Public Instruction

(see next page)

Bill Peach, Commissioner, Clallam County

Via conference call

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

(see next page)

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

Attest:

[Signature]

Sarah Vansot, Board Coordinator
Approved this 14th day of December, 2016

[Signature]
Peter Goldmark, Washington State Commissioner of Public Lands

JT Austin, Designee for Governor Jay Inslee

[Signature]
Randy Dorn, Superintendent of Public Instruction

[Signature]
Bill Peach, Commissioner, Clallam County

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

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

Attest:

[Signature]
Sarah Vansot, Board Coordinator
Approved this 6th day of December, 2016

[Signature]

Peter Goldmark, Washington State Commissioner of Public Lands

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JT Austin, Designee for Governor Jay Inslee

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Randy Dorn, Superintendent of Public Instruction

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Bill Peach, Commissioner, Clallam County

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

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

Attest:

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Sarah Vansot, Board Coordinator