Minutes
Board of Natural Resources Meeting
March 2, 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
André-Denis Wright, Dean, College of Agricultural, Human, and Natural Resource Sciences,
Washington State University

CALL TO ORDER
Chair Franz called the meeting to order at 9:02 AM.

Board members introduced themselves. A meeting quorum was attained.

During his introduction, Superintendent Reykdal described how as the Superintendent of Public Instruction, he oversees the state’s K-12 system of 1.2 million students governed by 295 local Boards, a dozen charter schools, and 7 tribal compact schools.

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

Commissioner Bill Peach joined the meeting.

APPROVAL OF MINUTES
Chair Franz called for approval of the minutes for the February 2, 2021 Regular Board of Natural Resources meeting.

MOTION: Dean Wright moved to approve the minutes.

SECOND: Director Brown seconded the motion.

ACTION: The motion carried unanimously.
LIGHTNING TALK
Land Transaction Appraisals
Dave Gordon, Assistant Division Manager, and Bob Greene, Appraiser, Conservation, Recreation and Transaction Division

Mr. Gordon introduced Bob Greene, the agency’s chief appraiser who provides expertise and information on future proposals for land transactions or other transactions involving the evaluation of land purchased, sold, or exchanged.

Mr. Greene shared that prior to joining the Department approximately five years ago, he served as a private valuation specialist with expertise in complex valuation issues and litigation-oriented valuation and consultation. Employees of the Department’s land appraisal unit include John Wooden, Senior Appraiser; Kymm Boire, Timber Appraiser; and Christopher McIntosh, Real Estate Appraisal Administrator. The unit is in the process of establishing an internship program to support forestry employees in acquiring special valuation education to complement forestry credentials.

Mr. Greene described services provided by the unit for valuation of properties for acquisitions, dispositions, exchanges, and valuations of easements for conservation and right-of-way easements. The unit maintains a list of approved appraisers and has established protocol for seeking qualified professionals for mineral rights valuation, fiber optic easement leases, and estimation of market-rate-rents for leasing purposes.

Commissioner Peach asked about the rate of interest used for valuations and if interest rates vary for different areas. Mr. Greene responded that all valuations are specific to the location of the specific market. Market segmentation is important and the I-5 corridor properties are different from grazing leases. Grazing leases typically have a low rate of return with other properties deemed as higher and best use having higher rates of return.

Director Brown questioned whether the agency considers the geographical location of properties or whether the agency identifies properties by market regions or county boundaries. Mr. Greene replied that the agency’s market area is considered in the context of marketability of other surrounding properties.

Commissioner Franz updated the Board on the status of the Smuggler timber sale and subsequent actions by the agency to protect a section of old growth trees within one of the three sale units. The agency completed an after-action review and increased training of all staff on the policy and how it is applied to site conditions.

Director Brown conveyed appreciation for the update and agreed the policies should be re-examined. Angus Brodie, Deputy Supervisor, State Uplands, recommended reviewing old growth policies during the June/July discussions as part of the review of the State of the State Lands Report.

PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST
Joe Beavers, resident of Gold Bar, referred to public comments during the February Board meeting pertaining to carbon sequestration in existing forests. The U.S. Forest Service and the
University of Washington released detailed studies on carbon sequestration noting how forests are more active in sequestering carbon between the years 20 and 80 followed by fading sequestration and eventually becoming carbon emitters. To continue active sequestration, older trees need to be replaced with younger trees periodically. Sierra Pacific managed trees generate a net carbon sequestration whereas Wild Sky Wilderness trees generates net carbon emissions.

According to the Environmental Protection Agency (EPA), the transportation sector generates 28% of America’s total carbon emissions with three-quarters of the amount generated by vehicles. All forests in America sequester 9% of total carbon emissions largely from new forests. Following Elon Musk’s production of electric cars, all major car manufacturers are moving to electrify all vehicles from trucks to SUVs. The technology for electric cars was available prior to Mr. Musk, but he provided the impetus to move forward. In the next 10 to 15 years, transportation sector carbon emissions could be cut in half by crediting Elon Musk for his efforts to clear the air of carbons than all forests in America combined.

It is unlikely DNR would change policy in DNR’s forest management plan that would significantly affect carbon sequestration. DNR could robustly maintain undivided loyalty to its beneficiaries, especially schools, by making them incubators for the next generation of Elon Musk’s, as technology will be the solution to pollution.

Tom Lannen, County Commissioner, Skamania County, spoke to Commissioner Franz’s comments about the changes to the Smuggler timber sale after reassessment of a portion of the sale that included some larger diameter trees. He asked whether the three acres were continuous to the two acres included in the original sale. The issue of the sale speaks to the question of the accuracy of DNR’s ability to quantify two forest trust land inventories across the much broader landscape as it will be critical as the Department moves to sustainable harvest calculations to ensure accuracy. He asked the Department to increase the amount of ground truthing while moving forward on the assessment.

Mr. Lannen shared that Skamania County is one of most heavily forested counties in the U.S. and home to the Gifford Pinchot National Forest, Mount. St. Helens National Monuments, several wilderness areas, and the Columbia River Gorge National Scenic Area. The county is dependent upon timber management of DNR state forest trust lands having less than 2% of the county taxed at full market value with the Gifford Pinchot National Forest occupying more than 80% of the county. The county receives virtually no revenue from federal forests that previously provided 50% of the county’s budget. Approximately 10% of the county’s private timber has been taxed only during the last 30 to 40 years. The best lands are DNR trust lands comprising 8% of the land but delivering 10% to 20% of the county’s annual budget. DNR trust lands are critical because the funds are necessary to maintain the operation of the county and provide needed services.

Of the 39,000 acres of state forest trust lands, one-third is encumbered by the Northern spotted owl. Over the last three years, the county has worked with DNR staff and other groups to identify an offset solution as directed by the Legislature with little progress. The timber value of those 13,000 acres as appraised three years ago was $223 million. Each year, the U.S. consumes more than 42 bbf of timber with 30% of that amount imported sending dollars and jobs overseas.
Ed Bowen, resident of Clallam County, referred to his previous references about the loss of $300,000+ to Clallam County's trust beneficiaries from the Foot Trail sale that has not been resolved. He is also not aware of any new information released by the Department on the trust land performance topic.

Mr. Bowen spoke to constitutional concerns surrounding the 10th Amendment by the federal government against the State of Washington with the recent (U.S. House of Representatives) passage of H.R.803 - Protecting America's Wilderness and Public Lands Act. The Act places new management requirements on the Olympic Peninsula under the section: Wild Olympics Wilderness and Wild and Scenic Rivers and new management level on state trust lands within the Olympic Experimental Forest. His concern surrounds several terms within the bill, such as "collaborative agreements," as the bill does not identify responsible parties for collaborative agreements, which should be defined and explained to local communities. It appears none of the amendments addressing some of the issues were included in the bill.

Additionally, the bill includes provisions stipulating that non-wilderness activities or uses that can be seen or heard from within a wilderness area shall not of itself preclude the activities or uses up to the boundary of the wilderness area. He does not expect buffers for all wilderness areas on trust lands but expects the trusts to advocate and defend the provisions in H.R. 803. He asked the Board and DNR to share suggestions and ideas with the public, as well as advising Senator Murray as the bills moves to the Senate for consideration.

Jerry Bonagofsky, President, Washington Contract Loggers Association (WCLA), reported WCLA represents logging, log trucking, and log road construction companies. Many WCLA member companies, such as trust beneficiaries, rely on the DNR timber sale program to support organizations. He emphasized how DNR's timber sale program is critical to maintain the infrastructure of the timber industry, provide support for family wage jobs, and generate revenue for rural communities and trust beneficiaries.

Heath Heikkila, Director, Government Relations, American Forest Resource Council, said he has listened to public comments over the last several meetings and believes it is time to provide some comments addressing the false narrative on how the state is sacrificing environmental values as DNR continues to sustainably harvest from DNR trust lands. Others speakers have spoken to why trust management remains an appropriate system for funding public services and schools at approximately $180 million annually while also providing jobs. The Board will also hear why the timber industry is far from a dying and extracting industry, but rather, one of the most innovative and environmentally friendly in the entire world. His comments will focus on why timber harvest on DNR lands is the environmentally friendly choice.

The Pacific Northwest is the best place in the entire world to sustainability grow trees between the region’s rain, climate, and soil. The Pacific Northwest also has millions of national forests where little harvesting is occurring and those forests are increasingly aging to support species that rely on old growth habitat conditions. Approximately 50% of DNR forests are set-aside
between old growth, the HCP, marbled murrelet, and riparian protections to provide greater legal
certainty for the management of remaining lands.

DNR manages its lands under what he considers are the most stringent, environmental
protections for any working forest on the entire planet. DNR also tends to harvest at longer
rotations providing immediate intermediate-aged habitat conditions that are becoming
increasingly rare. He asked the public where they want their wood to come from. The United
States produces approximately 75% of its wood demand and imports approximately 25% of
wood and wood products from other places.

The sort supply of lumber from Canada is expected to decrease because of beetle infestations and
other issues. The demand at Home Depot during the pandemic increased and is expected to
increase for wood products in the next months and years. For those who care about climate
change and would stop harvesting trees on DNR lands, they should want to sustainably manage
forests and storing carbon in wood products. The Board should be proud of its work as it is the
environmental choice.

Rod Fleck, resident of Forks, referred to the Trust Lands Performance Assessment
recommendations and suggestions the Board and the Department will be considering. He
suggested focusing on several questions. During the post-COVID pandemic and efforts to build
back better some issues the Board should consider is whether more wood should be used for
publicly funded buildings. If so, it would be important to identify the source of that wood. If not
from the sustainably managed lands in the state with some of the most demanding compliance
rules and obligations including state trust lands, he questioned the source of wood for schools
and for public buildings. If the source is from overseas or from the north (Canada) then the
social, ecological, and economic impacts associated with importing essential building products
should be considered. It might be better for the state's social, economic, and ecological well-
being to source the public's need for wood products from forests in Washington. For years, the
community has asked why there is no certification requirement for any publicly built structure
from wood requiring at least 10% to 15% wood packages to be locally sourced.

The second issue is the State Auditor's Office assessment heralded as a major cooperative
opportunity to seek the balance between economic and ecological aspects of DNR management's
of state trust land. The Adaptive Management Program was reviewed on its 20th anniversary,
which was abysmal at best because only a few rules have been adopted through the process.
Some issues addressed a dysfunctional program process riddled with lack of accountability, lack
of transparency, and a lack of periodic peer review of science. The audit report should be shared
with the Board and the issues raised within the program should be viewed with concerns and as a
warning as new creative solutions to trust asset management are considered and developed for
adoption by the Legislature, the Board, the Department, or by the citizens of Washington through
any recommended constitutional amendment.

Karen Goschen, Executive Director, Port of Port Angeles, reported the Port of Port Angeles
is a beneficiary of revenues generated from DNR trust lands. The Port has been deeply involved
in DNR's multi-year process for the marbled murrelet and the sustainable harvest calculation
over concerns of reduced future harvest. Reductions in DNR timber harvests greatly impact the
community far beyond the challenges of decreased revenue for junior taxing districts. The loss of
living wage jobs is a critical concern, as well as, a domino effect of the flow of logs and fiber within a very complex and integrated local forest product industry within the community.

The policy position the Board takes on any particular timber sale is a statement policy that could be applied to any other timber sale. Trust lands were set-aside to be managed for the benefit of junior taxing districts to provide revenue to support their services to the community. Trust lands were set-aside to be working forests and are the only public working forestlands for junior taxing districts.

There are many other lands at both the state and federal level for habitat and recreation. If the Board should render a policy decision on a higher and better use for a specific timber policy than a working forestland, then the Board should invest in a comparable timber parcel for the junior taxing district. It is not fair to ask a junior taxing district to bear the responsibility of ecological values by removing the revenue source used to provide much needed community services. Many regulations ensure working forests are sustainably managed. Working forests reduce wildfire risk and keep forests healthy. Constructing buildings from wood is sustainable and more ecologically friendly than constructing them of steel and cement. She asked the Board to consider the source of sufficient sustainable harvested wood for lumber if not harvested on lands set-aside as working forestlands. She thanked the Board for its consideration.

Russ Pfeiffer-Hoyt, Chair, Washington State School Directors Association (WSSDA) Trust Lands Advisory Committee, reported that the Association’s members are elected officials representing 1.1 million school children across the state. He acknowledged and thanked Superintendent Reykdal for his personal introduction and is appreciative of Superintendent Reykdal’s efforts. School directors appreciate the significant revenue produced by DNR’s management of both Common School and the State Forest Trusts benefitting students across the state. During the middle of an unusual legislative session, he conveyed appreciation for the partnership between DNR and WSSDA to advocate for good management of the trust.

WSSDA looks forward to working with DNR to implement the recommendations of Trust Land Performance Assessment as the Department continues to look for ways to improve trust revenue. Members of the Board should feel proud of its role to support schools and other beneficiaries of the trust.

Court Stanley, Washington State Association of Counties (WSAC), said that WSAC has invested interest in the management of state forestlands and how they impact forest health, watershed health, public health and safety, recreation, threatened endangered species, and the economic health of local communities. Timber counties have a long and proud history of self-reliance in the state and the stewardship they have demonstrated in protecting forests of the state are amazing. The health, wealth, and recreational benefits from forests have been important. Policies developed by the state regarding the use of lands have a huge impact on county land use and economic development policies. Good forest stewardship includes active and responsible management.

WSAC supports balancing the harvest of forest products with the protection of water, air, habitat, biodiversity, and mitigating climate change. It is possible to reduce carbon by establishing programs and policies that ensure the health and productivity of forests. WSAC supports the
forest products industry and the direct, indirect, and induced economic benefits it provides.
WSAC supports strategies that help sustain and increase county benefits and generally oppose
actions that negatively impact commercial forestry without corresponding positive benefits. As
noted earlier, western Washington is one of the best regions in the world to grow and harvest
trees. The state utilizes the most progressive forest practices and plant native species. DNR set
aside 40% of the forests for ecological benefits. Less than 40% of state transfer lands is available
for harvest.

DNR trust lands are being managed for multiple benefits for the citizens of the state. DNR needs
to continue practicing sustainable forest management on productive working forest to support
schools, hospitals, and infrastructure of local communities.

PUBLIC COMMENTS FOR TIMBER SALE ACTION ITEMS
Doug Cooper, Vice President, Resources, Hampton Lumber, conveyed his optimism for the
future of the wood products industry. The value of wood and wood fiber in a multitude of
products is now being recognized for the value of sequestering and storing carbon. It is not new
value as trees and wood products have always sequestered and stored carbon. The products
produced from wood fiber produce tangible financial value to the beneficiaries and to
communities. The Board should be proud of DNR’s role to manage trust lands for the purpose of
producing revenue that funds beneficiaries in the DNR Forest Management Program and
supports sustainably harvested timber that is manufactured into wood products delivered within
the state and across the nation.

Last year, Governor Inslee signed legislation establishing policies recognizing and supporting the
complete forest products sector as a climate solution. That sector includes landowners, mills,
bioenergy, open paper, harvesting, and transportation capacity or essentially the entire
infrastructure of public and private investments necessary to continue sustainable forestry. DNR
lands provide critical components of the log supply to meet the demand for the output of that
infrastructure.

The Board approved a land transaction in January providing access to a proposed Darrington
Wood Innovation Center. Last week, the U.S. Department of Commerce Economic Development
Administration announced a $6 million grant to the Town of Darrington to acquire land and
provide infrastructure to establish the center. The center will support mass timber manufacturing,
business development, research, and education, and has received the support of Governor Inslee
and Senator Cantwell.

It is important to remember that the production of all timber products, including lumber
produced by existing Washington sawmills, produce lumber that is used to manufacture CLT and
address the diverse needs of the state’s communities. Workforce and residential housing for a
growing urban population, employment in rural areas, and improved health in public forests
gives him reasons to be optimistic about the future of the wood products industry. He is hopeful
the Board shares similar optimism.

Bill Turner, Washington Procurement Manager, Sierra Pacific Industries, thanked the
Board and DNR staff for the timber sale program. Staff constantly release sales and continually
reviews them. He recently worked with staff on efforts to present a sale and encountered issues
on one sale. DNR staff immediately reviewed and corrected the issue quickly. He echoed comments of previous speakers about the importance of the timber sale program for providing building products to citizens and to the state.

Matt Comisky, Washington Manager, American Forest Resource Council (AFRC), stated that over the last several months, the Board has received a variety of comments about the importance of the value of timber sales. Although, he agreed that the value of timber sales is an important aspect of the Department’s product sales program, Dr. Brenda Hood, Forestry Advisor to former Superintendent of Public Instruction, Dr. Teresa Bergeson, would mention that volume is the attendance record because it is important to attend school just as it is important for the Department to offer volume in the sustainable harvest calculation. The value is the grade for showing up and doing the work.

In some instances, DNR could seek under the Trust Land Performance Assessment review, opportunities to provide a broader mix of the types, sizes, and sales according to its customer base. This would help on the value side of the program in providing bidding opportunities for a diverse customer base and members of AFRC representing a broad and diverse sector of the forest products industry. He pointed out the importance of both volume and value. ARFC appreciates the efforts product sales staff employ from the field forester to the Board responsible for approving sales in a manner that provides diverse product mix to the marketplace.

TIMBER SALES (Action Item)

Auction Results for February 2021 & Proposed Timber Sales for April 2021| 3 handouts, including the presentation

Koshare Eagle, Assistant Division Manager, Product Sales & Leasing Division

Ms. Eagle presented the results of the February 2021 auctions. The Department offered 11 sales totaling 60.0 mbf with minimum bids totaling $19.4 million at an average stumpage price of $324 per mbf. Eleven of those sales sold totaling $23.7 million for an average of $597 per mbf with 2.2 bidders per sale on average. Three of the sales were sort sales. The values are for delivered logs. Actual revenue and volume will be based on the scaled volume harvested from the sales.

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

Ms. Eagle presented seven proposed sales for April 2021. The sales total 26.8 mbf with minimum bid totaling $9.37 million at $348 per mbf. Three of the seven sales are delivered log sorts. Approximately 61% of the volume is on sales in eastern Washington. Revenue from the sales will be deposited into the Forest Health Revolving Account established by the Legislature in 2017. The funds will be reinvested for future forest health treatments in eastern Washington. Other revenue from the sales will benefit Clallam and Snohomish Counties, as well as the Capital Building Fund, and Scientific School Fund.

Ms. Eagle invited questions on the April proposed sales. No questions were offered by the Board.

Ms. Eagle requested approval of the proposed sales as presented.
MOTION: Commissioner Peach moved to approve the proposed sales.

SECOND: Director Brown seconded the motion.

ACTION: The motion was approved unanimously.

PUBLIC COMMENTS FOR LAND TRANSACTIONS ACTION ITEMS

There were no public comments.

LAND TRANSACTIONS – (Action Items)

Okanogan 2019 Parcel J - #02-099668 (Resolution #1575)
Okanogan 2019 Parcel K - #02-099669 (Resolution #1576)
Okanogan 2019 Parcel L - #02-099670 (Resolution #1577)

Bob Winslow, Program Manager, Conservation, Recreation and Transactions Division

Mr. Winslow reported the Okanogan 2019 auction parcels J, K and L are located in Okanogan County northwest of the City of Okanogan. He provided an overview of the Land Bank history and the process, as all three parcels are in Land Bank ownership.

Parcel J is 40 acres of rangeland with no legal or physical road access generating grazing lease revenue of $43 a year. The topography is steep, the parcel has no water rights, and is zoned Residential with density of five units per acre.

Parcel K is 80 acres of rangeland with no legal road access generating grazing lease revenue of $86 a year. The topography is rolling terrain with no water rights and zoned Residential with density of 20 units per acre.

Parcel L is 160 acres of rangeland with county road access generating grazing lease revenue of $173 a year. The topography is steep with no water rights and zoned Residential with density of 20 units per acre.

Outreach efforts were initiated in 2019 and have continued through 2021. Benefits of the transactions are to obtain cash to invest in higher quality replacement trust lands, add private land to Okanogan County’s assessed tax rolls, and collect auction administrative fees to offset DNR costs for offering the properties for public auction.

The recommended minimum bid for Parcel J is $22,000 for 40 acres. The recommended minimum bid for Parcel K is $72,000 for 80 acres. The recommended minimum bid for Parcel L is $112,000 for 160 acres. The current annual lease revenue of $302 is Present Net Value for the total of all three properties of $5,752 and a Return On Investment of 0.14%, (properties were gifted to DNR from the federal government) which is far below the returns DNR strives for trust beneficiaries and is why DNR staff support consideration of the sale of those properties.

Mr. Winslow asked for any questions on the proposed Okanogan three trust land transactions.

Mr. Winslow clarified for Dean Wright the annual lease revenue of $302.00 as the sum total of all three leases rather than $302,000 as listed in the staff report.
Commissioner Peach conveyed support for the proposed action but expressed interest in reporting for transfers into the land bank and transfers from the land bank and how those transactions are reflected on DNR's financial reports. He asked whether the transactions are tracked as a sale after the selling of the properties or whether it is tracked as a sell when it is transferred to the land bank. Mr. Winslow said accounting is computed by the Transaction Section. The Land Bank Account is a subset of the Resource Management Cost Account, which is essentially management funds. Typically, DNR's Annual Report does not include information for land bank transactions other than that staff tracks the transactions both in acres in the land bank and dollars in the land bank.

Commissioner Peach commented that the parcels appear to lack volume. He asked whether DNR has protocol on the volume of any lands that are moved from the trust into the public by tracking the volume relative to the sustainable harvest. Mr. Winslow replied that DNR uses a tracking mechanism for trust land, such as rangeland with few trees. DNR tracks timber volume by adding the transactions to a database for acres going out and coming in. Commissioner Peach said his intent is to avoid a situation where DNR inadvertently is not reporting the removal of harvestable timber from the inventory.

Chair Franz called for separate motions on three Okanogan land transactions.

MOTION: Superintendent Brown moved to approve Resolution 1575, as presented.
SECOND: Dean Wright seconded the motion.
ACTION: The motion was approved unanimously.

MOTION: Superintendent Brown moved to approve Resolution 1576, as presented.
SECOND: Dean Wright seconded the motion.
ACTION: The motion was approved unanimously.

MOTION: Superintendent Brown moved to approve Resolution 1577, as presented.
SECOND: Dean Wright seconded the motion.
ACTION: The motion was approved unanimously.

ADJOURNMNET
Commissioner Franz adjourned the meeting at 10:21 a.m.
Approved this 6th day of April, 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
André-Denis Wright, 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
Tami Kellogg, Board Coordinator

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