Charting a Course for the Future

Trust Land Performance Initiative Update

A Presentation to the Board of Natural Resources

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Agenda

• Review from July TLPI work plan
• Recap of Trust Land Performance Initiative framework
• Update on projects to improve trust lands portfolio performance
2021 Work Plan

Quarter 1: January - March
- Share Key Findings
- Collect input on:
  - Project scope
  - Ideas for change
- Host Public Webinar

Quarter 2: April - June
- Continue to collect input on:
  - Project scope
  - Ideas for change
- Host Public Webinar

Quarter 3: July - September
- Seek BNR support for project scope
- Continue to collect input
- Develop potential proposals (e.g.):
  - Form Advisory Committee(s) and/or Work Group(s)

Quarter 4: October - December
- Continue to develop proposals
- Collect input on proposals

Draft - Subject to Change  October 2021
Trust Land Performance Initiative Framework

VISION

GUIDING PRINCIPLES

GOAL

STRATEGIES
- Internal business practices
- Legislative proposals
- Board policies

Graduate and Distribute Revenue Reliably

Research and Utilize New Markets and Opportunities

Develop and Revitalize Tools to Address Under-Performing Lands and/or new Opportunities

https://www.dnr.wa.gov/trust-land-performance-initiative

Review

Draft - Subject to Change October 2021
DNR Operational Business Practices Strategy

Legislative Strategy

Board Policies

**FOCUS AREAS**

- Trust Land Performance
- Optimize Portfolio Performance
- Research and Utilize New Markets and Opportunities
- Develop and Revitalize Tools to Address Underperforming Lands
- Generate and Distribute Revenue Reliably

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DNR Operational Business Practices Strategy - Update

Generate and Distribute Revenue Reliably

Optimize Portfolio Performance

Research and Utilize New Markets and Opportunities
### Deloitte’s 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
Peer Assessments and Improve Business Practices

DNR Update:

• Joined NCREIF (National Council of Real Estate Investment Fiduciaries)

• Business plans for asset classes

• LEAN principles applied to asset management

• Standardizing business practices
Timing Timber Sales for Favorable Markets and Data Extraction System (to Improve Timber Returns)

**Deloitte Recommendations:**

- Utilize one integrated system to track all financial elements of a particular property
- Investigate tools to optimize selling timber during favorable market conditions

**DNR Update:**

- Developing a contract for improved business model and net returns on timber
- Includes market analysis, data management, marketing, influencing economic factors

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Deloitte Recommendation T-2 & T-3

Deloitte Recommendations:

Timber Asset Class Draft - Subject to Change October 2021 dnr.wa.gov
**Commercial Real Estate & Transition Lands Program Improvements**

### Deloitte Recommendations:

- Transition Lands as a separate asset class
- Evaluate existing statutes and regulations
- Create advisory council
- Improve management databases
- Proactively manage properties to ensure profitable occupancy

### DNR Update:

- Established Transitions Lands as a separate Asset Class and provide BNR annual updates
- Created Urban and Transition Land GIS database to better track operations
- Improved advertising through Commercial Broker's Association membership
- Contract to evaluate statutes for updates and recommendations
- Commercial Lands Advisory Committee created
Alternative Funding & New Market Opportunities

DNR Update:

Carbon and Climate Resilience Plan
- Exploring traditional and tracking new Carbon markets
- 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
- Investigating Electric Vehicle charging stations at recreation sites
Legislative Strategy - Update

Develop And Revitalize Tools to Address Underperforming Lands
Legislative Priorities and Projects

• Improving the Timber and Land Sale Processes

• Modernizing Commercial Real Estate Management

• Trust Land Transfer Legislative Proviso Project
Board Policies – Current and future work

- Optimize Portfolio Performance
- Generate and Distribute Revenue Reliably
Sustainable harvest levels

Deloitte Recommendation:

• Evaluate harvest rotations for optimal sustained yield

DNR Update:

• Eastside and Westside levels
• For Planning Decade 2025-2034
• Separate but concurrent
• Entering Public Scoping phase
Policy Framework for Managing Portfolio

Board of Natural Resources Opportunities:

- Draw on technical expertise *(Finance and Governance Committee)*
- Comprehensive review of existing portfolio policies
- Research new developments and practices
- Revitalize Asset Stewardship Plan
- Evaluate and monitor portfolio performance
- Adjust as needed
Questions?