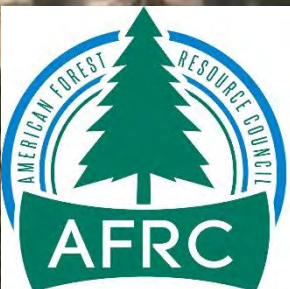


TRUST LAND TRANSFER

AFRC'S PERSPECTIVE

TLT Workgroup
August 6th, 2021



American Forest Resource Council



AFRC's Members

AFRC's primary members are the purchasers and manufacturers of wood products from timber sourced from public lands, including trust lands managed by the Department of Natural Resources.

Additionally, AFRC members include counties who are supportive of active sustainable management of public forest lands.

What are DNR Managed Trust Lands

Publicly owned but NOT
Public Land

An Endowment for past,
present and future
generations of beneficiaries

And a critical source of a
sustainable timber supply
providing jobs in rural
Washington



AFRC's Concerns with TLT

- ▣ Loss of the Corpus of the Trust
 - Perception that \$ for \$ exchange assures maintaining corpus
- ▣ Intergenerational Equities when Inter-trust exchanges occur
- ▣ Questions on how this complies with RCWs regulating land transactions
- ▣ Loss/Conversion of working forest acreage available for management to non-forest/non-managed uses
- ▣ Process sort of creates a “rubber stamp” approval by BNR.
- ▣ Currently funding for TLT could compete with the State Forest Replacement Program (“Encumbered Lands”)



AFRC's Concerns with TLT – Cont.

- ▣ Should be a trustee/trust manager/beneficiary process
 - External parties interested in “free land” who are not beneficiaries should have less influence (i.e. cannot apply to DNR to receive trust lands through TLT)
- ▣ Inappropriate valuation methods used that are inconsistent with land transaction valuations.
- ▣ Loss of revenue to CSCA and the loss of the additionality aspect of trust revenue.
 - Timber and other trust revenue should be additional to funding provided by the legislature for school construction
 - Questions about the source of “cash” for the transaction
- ▣ The ability to address forest health issues after conversion to non-trust lands.



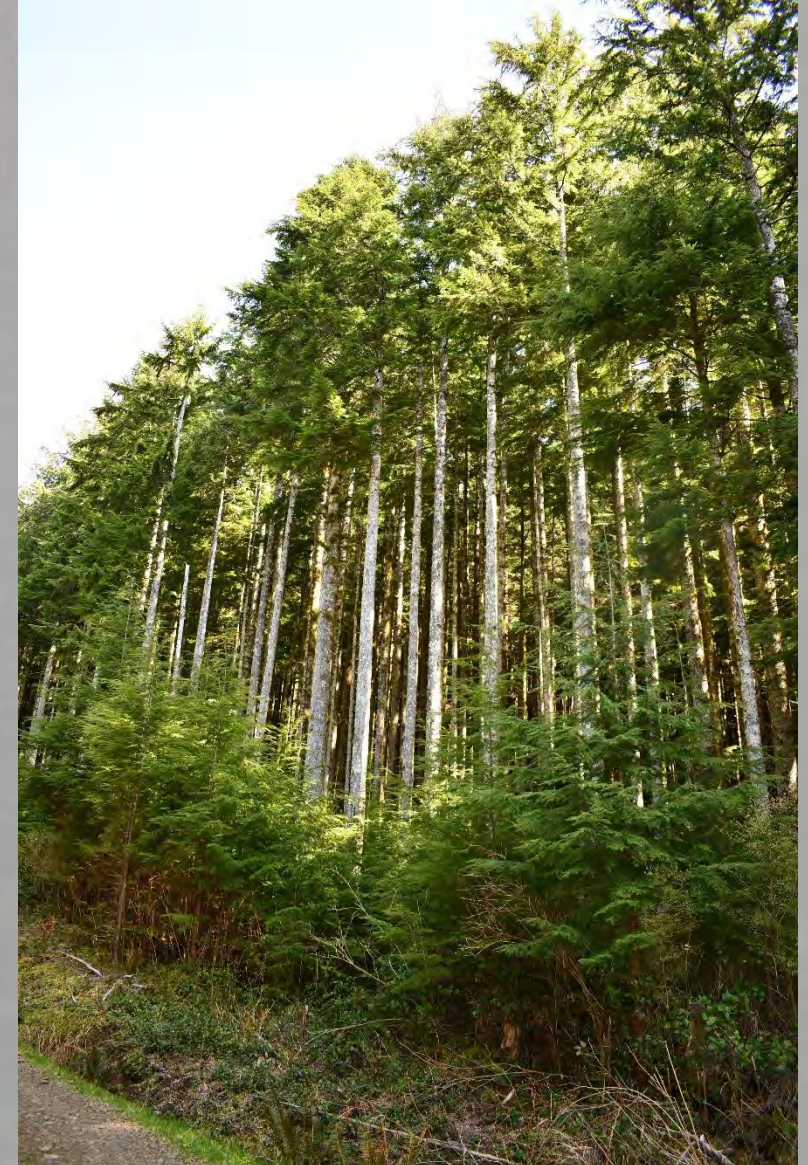
AFRC's Concerns with TLT – Cont.

- ▣ Impacts to JTDs when replacement or exchange parcels are located in different Taxing Districts.
- ▣ Loss of volume from the marketplace and the unintended consequences from this lost volume
 - Unintended consequences include:
 - ▣ Reduction in jobs across the sector and rural communities
 - ▣ Impacts to public services
 - ▣ Loss of logging and milling infrastructure
 - ▣ Increased conversion due to lack of markets due to lost infrastructure
 - ▣ Impacts to HCP obligations
- ▣ Impacts to the Sustainable Harvest Calculation
 - Especially when levels of TLT exceed those anticipated in a plan (i.e. the excess TLT during the FY 2005 to FY 2014 SHC over anticipated levels)
- ▣ Counter to RCWs regarding Carbon and Working Forests



AFRC's Recommendations

- ▣ The creation of a modified “1031 Exchange” model
 - Similar to Land Bank Process but likely different?
- ▣ Value properties for their potential use as if private land. (i.e. HBU value versus Forestland value)
- ▣ Evaluate cash flow of parcels identified for disposition with those proposed for acquisition
- ▣ Assure potential impacts to SHC are accounted for in EIS and Planning Process
- ▣ Revisit the 80/20 split for timber to land value
 - Need to generate revenue to replace trust lands
- ▣ Engage beneficiaries (including Junior Taxing Districts) early on in proposals, especially when “County Trust” lands are being considered



Conclusion

Questions ?

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