

>> FROM FRONT PAGE

Continuous improvement then...

The trust lands granted to Washington came into state ownership “where is, as is” and varied widely from productive forests to arid rangelands. From statehood onward, the state worked to assemble the land into larger blocks that were more efficient to manage and to more effectively provide a range of public benefits, including recreation.

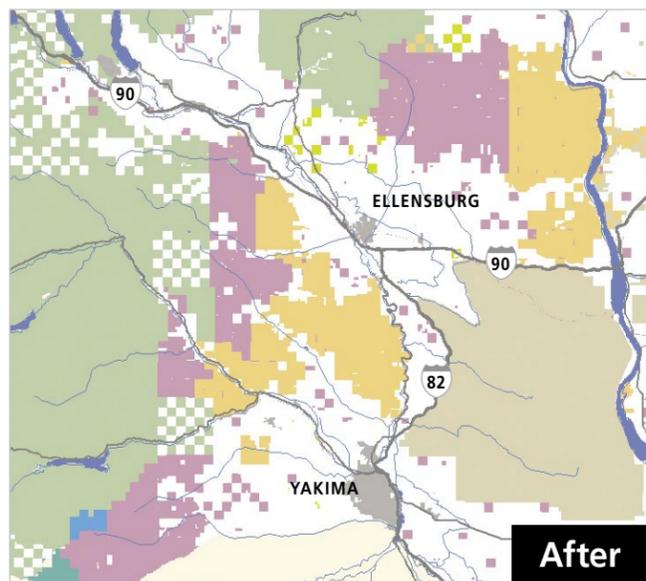
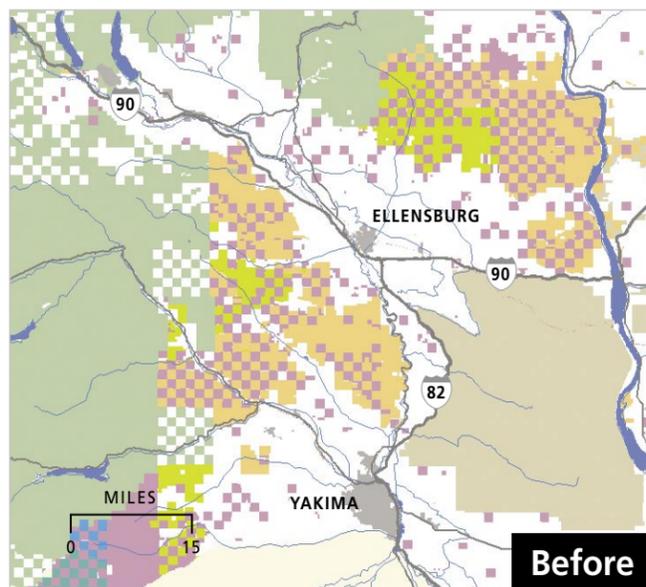
Consolidating land ownership into blocks benefit the trusts and the public.

This repositioning has consolidated ownership into blocks that benefit the trusts and the public. The resulting state forests—Tiger Mountain, Capitol, Yacolt Burn, Tahuya, and the newly-created Ahtanum State Forest, to name a few—have provided stable returns, cost-effective management, and landscape-based forest habitat. These working landscapes offer countless opportunities for recreation, clean water, and education. High-value, irrigated agricultural and commercial properties also have been purchased to diversify trust assets, to stabilize revenue flow for schools, universities, and other trust beneficiaries.

And now...

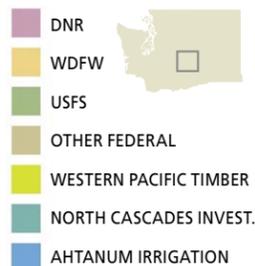
Today, the location of the federally granted lands presents new challenges as well as opportunities to shape the future. Rapid population growth, coupled with global competition, has changed the financial structure of the forest and agriculture industries and the value of land. Capitalizing on land value is leading to conversion and fragmentation of productive natural resource lands. These trends threaten the wealth and health of this state’s natural resources, the very things that make Washington an outstanding place to live, work and play.

Fortunately, these ownership changes can also present an opportunity to establish blocks of trust land through exchanges that are large enough to maintain their economic viability, while they protect natural heritage and habitat values, and supply diverse opportunities for recreation.



Proposed Eastern Washington Transactions

Ownership patterns (checkerboard) can be adjusted through land exchanges. Consolidated ownerships can improve financial returns, provide more efficient land management, and establish public ownership areas large enough for sustaining multiple values such as fish and wildlife habitat, unique plants, water quality, recreation and forest resources.



Sustaining Washington's Endowment of Trust Lands

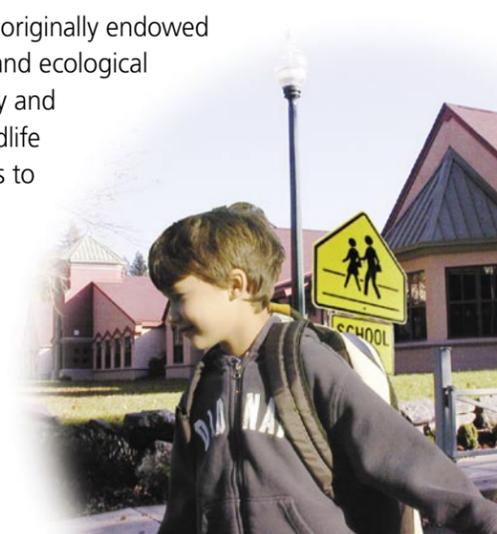
► By consolidating state trust lands, DNR improves productivity and revenue and provides better wildlife habitat.

Lands managed by DNR provide revenue for public school construction.

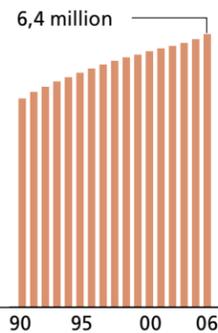
More than 100 years ago, our nation’s leaders endowed Washington’s citizens with a lasting legacy. They gave the new state sections of land to help create and maintain schools, universities, a state capitol, and other public buildings. Today, these lands are sustainably managed by the state Department of Natural Resources (DNR) to continue supporting public needs. They also are managed to provide important public benefits such as clean air and water, wildlife habitat, and places for people to play.

DNR is entrusted with caring for these lands for the specific institutions—such as public schools—forever. This means the agency must manage the land to sustain the quality of the resources and to provide revenue for today’s generation without shortchanging opportunities for future generations.

The scattered pattern of the lands originally endowed to the state creates management and ecological challenges. To improve productivity and revenue returns and to protect wildlife habitat, DNR uses a variety of tools to consolidate these lands into larger and more manageable landscapes. Inside, you’ll learn more about how these tools are used to protect and improve the endowment from the past for generations of the future.



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As population growth surged at the end of the 20th century, urban development spread toward formerly remote trust land parcels, in many cases making them impractical to manage as trust land. At the same time, trust beneficiaries wanted more protection from up-and-down revenue cycles, particularly in the timber market. Prudent diversification of the "portfolio" of trust lands was called for and ratified by the legislature, which authorized DNR to sell isolated, difficult-to-manage parcels and acquire replacement lands, including agricultural land and land zoned for commercial real estate development.



Wheat farm in Southeast Washington



Jansport warehouse in Snohomish County



Soos Creek Transfer

Exchanges

To enhance the value of state trust lands or to manage the lands more efficiently, DNR occasionally enters into land exchanges with other public agencies or private landowners. Repositioning state trust lands through exchanges can increase long-term trust revenue production that helps build public schools and universities or helps earn funding for local services—revenue that doesn't come from taxes.

EXCHANGE CRITERIA

- Exchange value for value
- Exchange acre for acre, as much as possible
- Anticipate increased financial returns to the trust
- Maintain public forestland base over time
- Consolidate trust ownership into contiguous blocks
- Reduce DNR management costs
- Enhance the public's recreational opportunities, whenever possible.

Purchases

DNR sometimes transfers or sells property in order to diversify trust assets, to consolidate lands, or to improve access to other trust lands. DNR is authorized by the legislature to purchase replacement property with appropriations from replacement accounts.

REAL PROPERTY REPLACEMENT ACCOUNT

The Real Property Replacement Account accrues funds from lands transferred from trust status to other public ownership. Although this account holds the funds, the legislature approves a biennial spending level and appropriates the funding available for reinvestment.

LAND BANK

When DNR auctions trust lands to private parties, funds are placed in the land bank. The legislature appropriates the funding level from this account for acquisition of replacement properties.

Direct Transfers

Any public entity or tribe can request transfer of trust lands for its use, such as for schools, parks, or open space (school districts have the first right of refusal). The public entities pay the appraised, fair market value and transaction costs. DNR can directly transfer property to public entities without going to public auction. Direct transfers can also be used to resolve trespasses. Proceeds from these transfers go to the Real Property Replacement Account and are used to purchase replacement trust property.

Above: The Soos Creek parcel was proposed for disposal. Upon learning that the parcel was being considered for a transaction, the Auburn School District requested that it be conveyed to it for a future school site. The school district paid the appraised value of \$775,000 and the costs of completing the transaction.

Existing Legal Direction and Policy

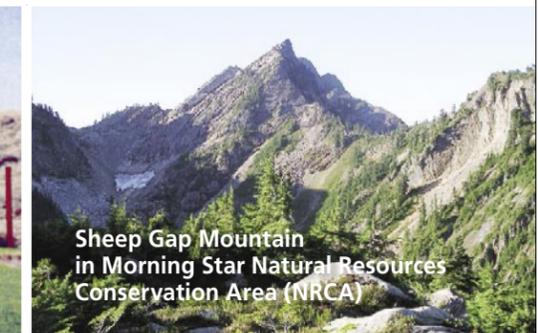
Since statehood, the Washington State Constitution and a variety of legislative acts have reinforced the intent of the Legislature to maintain the trust land base forever, and use land sales, purchases and exchanges to improve the trust land base's ability to provide economic, environmental and social benefits for the trust beneficiaries and the residents of Washington. In October 2003, DNR developed the Asset Allocation Strategy for Washington's trust lands to inform agency decision-making on transaction opportunities within established legal direction and policy frameworks. In addition, the Strategy provides guidance in addressing allowable risk and on working with beneficiaries in making decisions.

The Strategy brings together existing direction to DNR from various laws, policies and plans regarding land transactions, including the following:
Legal Direction: The Federal Enabling Act for Washington State, the Washington State Constitution, and applicable case law.
Washington State Statutes, including: Overall policy direction (RCW 43.30.215), Economic analysis and generation of revenue (RCW 79.10.090), Repositioning trust land assets through transactions (RCW 79.17.010; RCW 79.19.010; RCW 79.22.050), Reconveying state forest lands (RCW 79.22.300), Multiple Use (RCW 79.10.100), and Recurring budgetary language concerning the Trust Land Transfer program.

► DNR is authorized to use a variety of tools to provide contiguous, best-quality habitat; to enhance short and long-term revenue; and to more efficiently manage trust lands.



Kennewick 16C Auction Sale



Sheep Gap Mountain in Morning Star Natural Resources Conservation Area (NRCA)

Auctions

Auctions are the only way DNR can sell property to a private party. An independent appraiser is used to help DNR establish fair market value; the appraised price sets the minimum acceptable bid at auction. Parcels taken to auction can be no bigger than 160 acres in size. Auction proceeds are placed in the land bank and are used to purchase replacement property for trust management.

Above: The Kennewick 16C public auction was held May 24, 2006 with four bidders actively bidding on the property. Appraised value and minimum acceptable bid was \$375,000. The parcel sold at auction for \$612,000.

Trust Land Transfers

When Common School Trust lands are identified as having outstanding habitat values or unique natural features, or would be desirable as parks or open space, DNR can transfer those lands out of trust status, provided there is an appropriation from the Legislature. The lands are appraised and the value of the timber goes to the school construction account. The value of the land goes into the real property replacement account to purchase replacement property. Properties can be transferred to DNR's Natural Area Program, to State Parks or the Washington Department of Fish and Wildlife, or to local governments for recreation or open space.

Above: The Morning Star NRCA was established through a Trust Land Transfer.



DNR acquired this 350 acres of dryland agricultural property in 2005 located near Tekoa, part of a 2,775 acre acquisition.