Minutes
Board of Natural Resources Meeting

July 3, 2012
Natural Resources Building, Olympia, Washington

BOARD MEMBERS PRESENT

The Honorable Peter Goldmark, Washington State Commissioner of Public Lands

Daniel J. Bernardo, Dean, College of Agricultural, Human, and Natural Resource Sciences, Washington State University

The Honorable F. Lee Grose, Commissioner, Lewis County

Bob Nichols, for the Honorable Christine Gregoire, Washington State Governor

Stephen D. West, Interim Director and Professor of Wildlife Ecology, School of Environmental and Forest Sciences, University of Washington

BOARD MEMBERS ABSENT

The Honorable Randy Dorn, Superintendent of Public Instruction

CALL TO ORDER

Chair Goldmark called the meeting to order at 9:00 AM., welcoming our newest member; Professor Stephen D. West, representing the University of Washington. All board members introduced themselves. Chair Goldmark noted there is a quorum for this meeting.

SAFETY REVIEW

Ms. Ishler gave a safety overview and instruction on evacuating the building in case of an emergency for the audience and board members.

APPROVAL OF MINUTES

Chair Goldmark called for approval of the minutes for the June 5, 2012 Board of Natural Resources meeting.

MOTION: Mr. Nichols moved for approval of the June 5, 2012 regular meeting minutes

SECOND: Commissioner Grose seconded the motion

ACTION: The motion was approved unanimously

PUBLIC COMMENTS FOR TIMBER SALE ACTION ITEMS

No comments

TIMBER SALES (Action Item)
Sales Results, Market Update and Proposed Timber Sales for August and September 2012|
4 Handouts
Paul Bialkowsky, Assistant Division Manager, Forest Resources and Conservation Division

The results of the June auctions were presented to the board by Mr. Bialkowsky. The Department offered 15 sales totaling 66.2 mmbf in June. 14 sales were sold totaling $13.3 million for an average of $211 per mbf. There was an average of 2.1 bidders per sale. Mr. Bialkowsky remarked that bidder interest remains high and is expected to continue. Markets are relatively strong, with some seasonal downturn.

Commissioner Goldmark asked for more information regarding the no-bid sale and Mr. Bialkowsky replied that one sort sale had two log sorts that did not sell and that the department would be reoffering those log sorts on July 11th so that the sale could move forward. The proposed August sales were then presented to the board.

Commissioner Goldmark asked whether all of the no bid sales that had been experienced by the department over the past few months had been re-offered and Mr. Bialkowsky remarked that the majority of those sales have been re-offered and have sold.

Dean Bernardo remarked that the sale volume being offered in August and September seems very low and asked whether or not the department should be offering more volume if markets are relatively strong. Mr. Bialkowsky replied that although markets are strong there is still a seasonal downturn in prices so it is prudent to offer less volume in the summer months. He also remarked that the department is increasing staffing in order to build our capacity to offer sales in the near future.

Commissioner Grose asked if the department was on track to deliver its volume for the year and Mr. Bialkowsky replied that the department reports on a fiscal year rather than calendar year so the volume offered in July, August and September would be a bit behind the 50 mmbf even flow average but that the department would offer increased volume later in the fiscal year when prices are typically higher.

Mr. Bialkowsky asked for approval of the proposed August sales.

MOTION: Mr. Nichols moved to approved the proposed August 2012 sales

SECOND: Commissioner Grose seconded the motion

ACTION: The motion was approved unanimously

The proposed September sales were then presented to the board. Mr. Bialkowsky stated that the September sale average is lower due to the larger percentage of sales from Northeast region, which typically see lower values per mbf due to the species mix and greater haul distances.

Mr. Bialkowsky asked for approval of the proposed September sales.

MOTION: Commissioner Grose moved to approve the proposed September 2012 sales

SECOND: Mr. Nichols seconded the motion

ACTION: The motion was approved unanimously

DIRECT SALES RESOLUTION (Action Item) | 1 Handout
Paul Bialkowsky, Assistant Division Manager, Forest Resources and Conservation

Mr. Bialkowsky presented to the board Resolution 1382, a resolution to authorize the Department to allow for the direct sale of biomass in the same manner as other valuable materials.

Commissioner Grose asked whether this type of sale could be used to sell biomass throughout the forest. Mr. Bialkowsky replied that this resolution would allow the department to sell direct sales of biomass in any area where there is an emergent need to sell a small volume of biomass quickly without the need for public auction. By way of illustration Mr. Bialkowsky explained that in the last year the department sold three direct sales of valuable materials for a total of $8000.

Mr. Nichols asked under what situations the department might sell biomass as a direct sale. Mr. Bialkowsky replied that areas such as landings that have a component of logging slash that may be at risk of fire, or other emergent issue, would be able to be quickly sold on a direct sale basis at the discretion of the Region Manager if the appraised value were less than $25,000.

Dean Bernardo asked whether this biomass would be able to be used as biofuel. Mr. Bialkowsky replied that the material could be used for biofuel but typically the volumes needed to supply a biofuel facility would be much larger and would be sold at public auction.

Mr. Bialkowsky asked for approval of Resolution 1382

MOTION: Dean Bernardo moved to approve Resolution 1382

SECOND: Commissioner Grose seconded the motion

ACTION: The motion was approved unanimously

EXECUTIVE SESSION
Chair Goldmark adjourned the regular meeting to Executive Session at 9:18AM
Chair Goldmark ended Executive Session and adjourned for a break.
Chair Goldmark reconvened the regular meeting at 9:35AM

PUBLIC COMMENTS FOR LAND TRANSACTION ACTION ITEMS

Clayton Petree: Mr. Petree thanked the board for hearing public comment. He stated that the land for the reconveyance can't be approved for a park because that area is not currently zoned for this type of use. A separate process is needed for rezoning, which requires a public hearing and there has not been a public hearing. Additionally, the county did not address issues of financial impact to junior taxing districts and the proposed reconveyance is not in accordance with current park plan. The MOA between the county and DNR requires documentation for the need of a public park; since there is currently a surplus of park land in the county; the need can't be documented at this time.

Chair Goldmark reminded the public that the decision before the board today is the inter-trust exchange. He asked that comments be focused on the inter-trust exchange and not on the reconveyance.

Greg Brown: Mr. Brown stated this is the first time to comment since the May 22, 2012 Whatcom County Council meeting. He stated there has been a lack of public hearings in the county and feels misinformation has been provided to Mt. Baker school board, in addition to poor legal advice to the school board. He stated there is lack of a park plan and that other action will be taken should this move through. He asked that the board send this request back to county for public process.

Karen Brown: Ms. Brown showed the board the signatures of those against the transaction. Ms. Brown provided a copy of the Mt. Baker School District/Whatcom Land Trust agreement for the board. She stated there has been poor planning in circulating information and pushing this transaction through under the pretense of poor water quality; it is not about water quality. The loss of revenue for school districts is the issue.

Tom Hinckley, former board member; public citizen: Mr. Hinckley made three points for consideration; 1) working forests are critical pillars to maintain forest lands in Washington State; 2) DNRs special legislative mandate to generate revenue as a trust manager is critical to the land base and should not be eroded; 3) forest lands must be managed as we have removed historical and genetic disturbances and substituted an entire suite of new disturbances to this land.

Barbara Brenner, Councilwoman, Whatcom County Council: Councilwoman Brenner stated there was no public hearing for this decision and that she hadn't heard of this request until she started receiving emails. The topic was brought up as discussion at a council meeting and then immediately moved forward for decision. She asked the board to send this request back to the county for the proper public process. She stated there is a need for more public outreach

Tom Westergreen, Resource Manager for Great Western Lumber: This transaction is not in the best interest of the trust and there is no reason, except political, for this transfer to happen. The board's responsibility is to be the check and balance of the trust mandate. Finding a donor to satisfy Mt Baker School District does not help the other school districts. This is further erosion of your trust mandate and fiduciary responsibilities. Mr. Westergreen questioned why a school district would give away all that revenue and requests that the board postpone the decision.

Ward Nelson, former Whatcom County Councilmember: Mr. Nelson stated forest lands are valuable assets and that the board is required to protect and preserve resources. There is no need for more park land and Whatcom County needs to address this issue in public hearing. He asks the board to refer the matter back to Whatcom County for the public process

Heather Gorum: Ms. Gorum stated the board should hold the county accountable according to the MOA. The park can only occur if in concurrence with the park plan and there is a surplus of park land. She stated Whatcom County is not following the county park plan. The tax payers will be paying for these parks reminding the board there are other entities to consider not just Mt. Baker School District.

Ellen Baker, Whatcom Heartland Civil Liberty: Ms. Baker referenced a letter sent with signatures to the board. She acknowledged the transfer is the first step in the reconveyance and that the county already applied for SEPA/DNS as if the process already went through. She does not feel the board has been fully informed of the issues at hand.

Jack Petree: Mr. Petree explained that the reason why this board is hearing about the reconveyance is that the county asked for both the inter-trust exchange and the reconveyance. The MOA is a contract and will guide and govern all transactions. Mr. Petree referenced page 4 of the MOA where the county lists the steps for the inter-trust exchange, one of the items listed is to conduct a public hearing, which was never done. The county did not hold a meeting and that is required before the inter-trust exchange. The financial burden is on state of Washington; please consider the impact to other taxing districts.

Aubrey Stargell: Mr. Stargell voiced his support of other comments made adding that forestry needs a minimum land base in order to be viable. The inter-trust exchange will erode the minimum land base. He stated this isn't the first time that has happened in NW Washington.

Peggy Uppiano: Declared her opposition to the transaction and shared her concern about the lack of transparency, citing the anonymous donation to Mt. Baker School District as an example. She stated that if you look at park acres we are in excess of park acres and do not need more park land.

Lisa McShane: Ms. McShane shared a letter of support from Kelli Linville, Mayor of Bellingham. She mentioned letters from Senator Ranker and Representatives Morris and Litton in support of the land swap and hundreds of emails in support of this transaction. The inter-trust exchange is to block unstable slopes and block up logging lands where no logging is currently available. She stated that a public hearing did occur approximately a year ago.

Carl Weimer, Whatcom County Council Member: Councilman Weimer stated that a majority of the council voted in support of inter-trust exchange, this is a political issue; only 2 members were against it. The vote was 5-2 in favor of this transaction.

Stan Snapp: This is a huge opportunity to protect these lands. The City of Bellingham is very much in support of this transaction.

Dan McShane: Mr. McShane his involvement with this process since 2004. BNR struggled with the landscape plan for Lake Whatcom. The county should take charge of a portion of the watershed if they could and consider an exchange in order to create opportunity of fairness for the trusts.

David Wallin: Mr. Wallin asked the board to please approve the inter-trust exchange. Timber harvesting creates elevated risk of landslides, especially in the watersheds. This inter-trust exchange includes land with high risk of landslides. Transfer of these lands will reduce risk as they will be used for park purposes.

Mike McFarland, Director of Park and Recreation for Whatcom County: Mr. McFarland provided a historical briefing on the process to date and stated the county saw that need for inter-trust exchange of these lands in an effort to preserve lands at risk.

Russ Pfieffer-Hoyt, member of and representing the Mt. Baker School Board: Mr. Pfieffer-Hoyt indicated that as a beneficiary of trust lands under consideration for an inter-trust transfer, and receiving compensation is in the form of an endowment to replace generational trust revenue. The school district now supports this transfer.

Rand Jack, Whatcom Land Trust member: Mr. Jack stated the donor prefers their privacy to avoid others contacting them to request other types of donations. Mr. Jack listed the importance of the reconveyance. He also addressed the claims of people not being informed; there have been announcements in the paper and this was listed on the agenda for council meetings.

Jacob Groves, AFRC: Mr. Groves asked the board to postpone adoption of resolution 1364 stating concerns on the reduction of a manageable land base of timber lands, adding more time is needed to review the economic impacts that have not yet been disclosed.

Bill Knutzen: Mr. Knutzen declared this is one of the largest transactions in Whatcom County and is not widely supported. The landscape plan is environmentally stringent. He was surprised when this came up for a vote. The issues with other junior taxing districts have not been addressed, with the exception of Mt. Baker. He asked the board to please table this decision.

Dick Whitmore: Mr. Whitmore stated the forest industry was excluded in participating in the landscape plan process and all questions have not been addressed that were posed last fall at the board meeting, adding that we shouldn't to lose working forests, please don't fail the trusts.

John LaMonte: resident of the Mt. Baker School District. Mr. LaMonte claimed the donation is a bribe and there is currently a recall petition being circulated for the Mt. Baker School Board.

Theresa Sygitowicz: Ms. Sygitowicz said her father was a well-respected logger; she is a private citizen and a former timber representative for the Washington State Senate. She stated the erosion of manageable land base is a concern; please send this proposal back to Whatcom County.

Glen Morgan, School Director for the Rochester School District; and the Property Rights Director for Freedom Foundation: Mr. Morgan stated he is speaking for the Freedom Foundation

and voiced his concern that long-term school funding will be negatively impacted stating this is not good policy; you should not be able to bribe a school district and questioned the integrity of the process.

Scott Roberts, citizen of the Action Network with the Freedom Foundation: Mr. Roberts shared his disturbance by what was going on. He offered assistance to help get the word out on this transaction.

LAND TRANSACTIONS (Action Item)
Lake Whatcom Inter-Trust Exchange | 2 handouts
Julie Sandberg, Assistant Division Manager, Asset and Property Management

Ms. Sandberg presented the Lake Whatcom Inter-trust Exchange to the Board of Natural Resources. She reminded the board members the transaction has been before the BNR previously and provided a brief history of the transaction and the objectives for the inter-trust exchange. Ms. Sandberg stated that 4,711 acres of various trusts had been appraised in the Lake Whatcom watershed at the request of Whatcom County to better position state forest transfer lands for an anticipated reconveyance request. A chart was shared displaying the total acreage and market value of the five trusts before and after the inter-trust showing a balanced exchange.

The inter-trust exchange of Common School, Scientific School, and State Forest Purchase and Capitol Grant Trust properties for the State Forest Transfer Trust property will result in the consolidation and blocking up of State lands and State Forest land to facilitate the management and marketing of forest products. Whatcom County had responded to questions raised by the BNR at their October 2011 meeting. The county sent a letter to the BNR May 24, 2012 requesting approval of the inter-trust exchange and reconveyance, affirming the HCP designation for the land would continue and stating that the Mt. Baker School District now supports the reconveyance due to compensation for lost timber revenue.

Mr. Nichols asked to what extent are the lands that are being blocked up; is more timber available to be harvested. Ms. Sandberg replied that there will be more timber will be available to harvest. Mr. Nichols then asked if the appraisal was accurate. Ms. Sandberg said the appraisal and was reviewed and approved by a third party appraiser.

Dean Bernardo asked about the issue of a joint public hearing? Ms. Sandberg stated that DNR conducted public hearing in May of 2011. Commissioner Grose asked if that meeting was publicized as a joint public meeting. Ms. Sandberg informed the board that the statute requires DNR to conduct a public hearing only. Commissioner Grose asked if the reconveyance would require a joint public hearing. Ms. Sandberg stated there is no requirement for that in the statute.

Dean Bernardo voiced his concern over the junior taxing district issue asking how the other taxing districts would be compensated. Ms. Sandberg stated she is not aware of information for the other taxing districts, adding that Mt. Baker School District receives 60-70 percent of revenues distributed.

Ms. Sandberg asked for approval of resolution 1364.

MOTION: Mr. Nichols moved for approval of resolution 1364

SECOND: Dean Bernardo seconded the motion

Commissioner Grose stated his concern by the fact the Forest and Fish laws are not recognized as sufficient protection for the watershed in Whatcom County. He made note there is also a landscape plan for the area, which is also very stringent and is offended by the fact there is still the need to convert the land to a park for protection. He finds the implication of impropriety in the process disturbing and feels an obligation to go along with board based on who he is representing, which is all counties. He doesn't have faith in the poll that shows approval by 74 percent of the voters and requests one more month to consider this issue. Chair Goldmark reminded the members that this issue has been going on over a year and most of the comments made today are not germane to this body and should be stated before the Whatcom County Council.

Commissioner Grose confirmed the board is voting on the inter-trust exchange only and not the reconveyance. Chair Goldmark assured the board the vote is for the inter-trust exchange only and the reconveyance will be considered if and when requested by Whatcom County. Ms. Sandberg stated the statute requires a formal application for the reconveyance. Dean Bernardo stated his concern of the erosion of the land base and loss of a competitive market. Commissioner Grose added that trust lands should be viewed as a savings account; if you continue to deplete the savings account there will be nothing left.

Chair Goldmark called for a vote of approval by show of hands.

ACTION: The motion was approved unanimously by show of hands of the five board members present.

Okanogan Auction 2012 | 7 handouts
Bob Winslow, Program Manager, Asset and Property Management Division

Mr. Winslow presented the Okanogan 2012 project, which involves the public auction of five small unconsolidated DNR trust properties located in Okanogan County. Appraisals were conducted to establish market value for the properties. The Board was asked to approve the values to be used as the minimum bids for the properties. The Chiliwist 40 property (DNR file #02-088174) is 40.13 acres and the minimum property bid is $63,500. The Lemanasky 40 property (DNR file #02-088184) is 40 acres and the minimum property bid is $115,000. The Methow 30 property (DNR file #02-088175) is 30.25 acres and the minimum property bid is $200,000. The Methow 31 property (DNR file #02-088176) is 30 acres and the minimum property bid is $231,000. The Winthrop 40 property (DNR file #02-088177) is 40.02 acres and the minimum property bid is $380,000. The auction is scheduled for August 22, 2012. The funds received at auction for sold properties will be held in the land bank for the future purchase of replacement trust properties.

Chair Goldmark noted that state trust lands include a wide number of parcels that are isolated with either no or little revenue to trust beneficiaries, adding that we are testing the market to see about repositioning of the trust assets including that there is between 50 and 100 parcels of this land type. Commissioner Grose confirmed the lands will be sold at fair market value. Mr.

Nichols confirmed this is a similar process to a transfer but instead of a transfer this is an auction.

Mr. Winslow requested approval of resolution numbers #1383 (Chiliwist 40), #1384 (Lemanasky 40), #1385 (Methow 30), #1386 (Methow 31), and #1387 (Winthrop 40).

MOTION: Dean Bernardo moved for approval of resolutions 1383-1387

SECOND: Commissioner Grose seconded the motion

ACTION The motion was approved unanimously

RMCA MANAGEMENT FEE

Lenny Young, Department Supervisor, Commissioner of Public Lands Office

Mr. Young presents to the board an amended resolution for the RMCA Management Fee Adjustment. He stated that the proposed resolution is to extend the current management fee rate of 27% through the end of Fiscal Year 2013. Dean Bernardo confirmed the department was still operating at the current rate and stated his expectation of an update later in the year on the status of the management funds.

Mr. Young asked for approval of resolution 1388.

MOTION: Mr. Nichols moved to approve resolution 1388

SECOND: Dean Bernardo seconded the motion

ACTION The motion was approved unanimously

PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST

No comments.

Meeting adjourned at 11:00 AM.

Approved this 7TH day of August, 2012

Peter Goldmark, Washington State Commissioner of Public Lands

Bob Nichols for Governor Christine Gregoire

Randy Dorn, Superintendent of Public Instruction

F. Lee Grose, Commissioner, Lewis County

approved via phone

Daniel J. Bernardo, Dean,

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

Stephen D. West, Interim Director and Professor of Wildlife Ecology,

School of Environmental and Forest Sciences, University of Washington,

Attest:

Tami Ishler, Board Coordinator