
Minutes
Board of Natural Resources Meeting
February 6, 2024
Webinar, Natural Resources Building, Olympia, Washington

BOARD MEMBERS PRESENT

Dan Brown, Director, School of Environmental and Forest Sciences, University of Washington

The Honorable Chris Reykdal, Superintendent of Public Instruction

The Honorable Lisa Janicki, Commissioner, Skagit County

Jim Cahill, Designee for the Honorable Jay Inslee, Washington State Governor

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

BOARD MEMBERS ABSENT

The Honorable Hilary Franz, Washington State Commissioner of Public Lands

CALL TO ORDER

Vice Chair Dan Brown called the meeting to order at 9:04 a.m.

Board members provided self-introduction. A meeting quorum was confirmed.

WEBINAR/SAFETY BRIEFING

Kelli Pinchak, Board Coordinator, outlined how to view and participate in the combined webinar and in-person meeting.

APPROVAL OF MINUTES – January 3, 2024 - Action

MOTION: Commissioner Janicki moved to approve the minutes as presented.

SECOND: Dean Powers seconded the motion.

ACTION: The motion carried unanimously.

PUBLIC COMMENTS

Kyle Krakow referred to the January meeting and the outrageous action to include and approve the Cabbage Patch, Carrot, and Deep Dive timber sales. The action, despite Thurston

1 County's clear request and public comments in opposition, highlight what a sham these public
2 meetings can be. He thanked Commissioner Janicki and Superintendent Reykdal for pushing
3 back last month. At one point, Duane Emmons characterized legacy forests in the Black Hills
4 as small, scattered, and patchy. Superintendent Reykdal then pointed how the patchwork of
5 legacy forests are the reason to preserve them rather than log them. He could not agree more.
6 He challenged other Board members to apply the logic more broadly and consistently across
7 the dwindling remains of Washington's oldest forests. The Stairway to Hemlock and
8 Freedom timber sales under consideration contain over 150 and 130 acres of mature,
9 structurally complex forests, respectively. Those forests have already been classified as
10 protected marbled murrelet habitat. He urged the board to reject both sales. The state
11 urgently needs a moratorium on logging legacy forests.
12

13 **Lee First** spoke on behalf of Depot Stove, Unit 2, and Misty timber sales in Grays Harbor
14 County. She is particularly concerned about Unit 2 of Depot Stove because Sullivan Creek
15 runs through the middle of the unit, which will be clear-cut. The native forest is at least 80
16 years old and some trees in the stand are more than 100 years old. It is one of largest
17 remaining blocks of legacy forests in southwest Washington. She asked Superintendent
18 Reykdal to propose removing Depot Stove, Unit 2 from the sale. The Board should cancel the
19 sale of Misty and stop prioritizing the oldest and most diverse forests for clear-cut logging in
20 Grays Harbor County, the most cut over region in the state. Through a federal grant to teach
21 high school students about the Chehalis watershed, she recently spoke to 25 high school
22 students at Oakville High School and not one of the students had seen a tree over 100 years
23 old. Preservation of trees is owed to the students who deserve a learning forest. The Board
24 should save the two units. She submitted a SEPA comment for Depot Stove and received a
25 reply from the Pacific Cascade Region Manager. Among other points, he wrote that the
26 harvest of legacy trees is not part of the sale nor does DNR pursue clear-cut harvesting. She
27 recently visited the Star Wagon timber sale with eight Evergreen students and observed
28 several windblown standing and straggling trees on recently harvested units. Those students
29 were astounded to learn that those units were not clear-cut.
30

31 **Julie Puhich** echoed the comments of previous speakers. The state urgently needs a
32 moratorium on logging legacy forests.
33

34 **Paul Butler, resident of Thurston County**, said he attended the January meeting to hear the
35 timber sales presentation and despite overwhelming public support and requests from the
36 Thurston County Commissioners to remove two Thurston County timber sales from auction,
37 the Board approved all sales including Carrot and Cabbage Patch. Those two units should not
38 have been included in the proposal. Instead of asking why the units were included, the
39 discussion immediately focused on where funds from the sales would be distributed. No
40 policy or state law requires DNR to log those particular stands today especially since
41 Thurston County Commissioners unanimously requested a pause on the sale to determine a
42 way to save those structurally complex forests, which are in short supply in Thurston County.
43 Although both sales have Forest Board repayment obligations, those payments are not due
44 until trees are harvested or no earlier than 2030 according to DNR staff. The issue does not
45 pertain to ripe watermelons with a short shelf life, as older forests will continue to thrive and
46 sequester carbon for decades and centuries. Revenue from those sales do not support a

1 widows and orphans fund rather it is deposited to the Forest Development Account, which
2 contains millions of dollars. He urged the Board to reconsider and pull back Carrot and
3 Cabbage Patch timber sales. Thurston County should have been notified when the sales were
4 first under consideration and not after thousands of dollars were expended setting up the sales.
5 Plenty of plantation acreage is available until DNR develops a workable older forest policy
6 with advance notice to the counties and the public when older forests are first proposed for
7 sale. The Board should not be forced to make yes or no decisions following public comment.
8

9 **Donna Albert, resident of Montesano**, referred to her quote from the SEPA RCW in
10 response to the MM MM Good Determination of Non-Significance (DNS) last month in
11 which DNR replied that it was NEPA and that SEPA does not require DNR to fulfill the
12 responsibilities of each generation as trustee of the environment for succeeding generations.
13 A Jefferson County judge found that DNR is not complying with its Habitat Conservation
14 Plan (HCP) and is cutting down forests with the best chance of becoming old growth. It is a
15 failure to manage the one thing the Department can control, which is most important to
16 succeeding generations. She learned that forests in the Willapa Hills must be sacrificed to
17 save larger forests elsewhere. She questioned whether salamanders and unique invertebrates
18 would survive in the streams and headwaters of the North River in the Chehalis watershed.
19 None survived in the About Time timber sale because she witnessed how it has become a
20 wasteland. About Time and MM MM Good timber sales clearly belong in the 15% of mature
21 forests to be conserved under the HCP. A lawsuit to stop the About Time timber sale is
22 similar to the one under the Jefferson County injunction. The case was dismissed because
23 DNR logged the site rendering the issue moot. She asked whether it is DNR's goal to cut
24 down forests before courts can rule or a new Lands Commissioner can be elected. The
25 Willapa Hills once held a variety of ecosystems and creatures. Sadly, nearly all the area has
26 been converted to plantation forests, a biodiversity dead zone. The removal of the last
27 fragment of those ecosystems removes any hope of recovery improvising the county of Grays
28 Harbor. Save Depot Stove, Misty, and the legacy forests in the Willapa Hills and pause all
29 sales of legacy forests not in alignment with the HCP and SEPA for the children's sake.
30

31 **Lynn Fitz-Hugh** said the Board came close to different motions last month to stop the sale of
32 Carrot and Cabbage Patch timber sales, for which she thanks the Board. In the meantime, a
33 Jefferson County judge ruled DNR is not fulfilling its own sustainable forests policy to
34 identify where 15% of the state's holdings could be preserved as older forests by 2090. The
35 judge ordered an injunction because there was no evidence the Department is working on the
36 policy. With only 3% of state lands as legacy forests, there is no way for DNR to meet the
37 goal unless it stops cutting legacy forests. For that reason, the Legacy Forest Defense
38 Coalition has filed suit against the Department in Thurston County over the Carrot timber
39 sale. A Board member should offer a motion to remove both Carrot and Cabbage Patch from
40 the February 27, 2024 auction list to allow the courts time to rule on the matter. The Board
41 should also remove Depot Stove Unit 2 in Grays Harbor County as the forests are some of the
42 only remaining legacy forests. Last month, Duane Emmons repeatedly cited multiple
43 discussions with Thurston County Commissioners about options and implied that they
44 somehow had not done anything. In the last two years, Mr. Emmons has met twice with the
45 Thurston County Commission about Capitol Forests plats and each time they were talked at or
46 given a 55-minute PowerPoint presentation. They are still waiting to have an actual

1 discussion. Plan A for a year was to receive protected parcels under the Climate Commitment
2 Act. The Legislature was asked to provide additional Climate Commitment Act funds
3 dedicated to the three passed over counties. More time is needed to develop plans.
4

5 **Brel Froebe, Center for Responsible Forestry**, conveyed gratitude to Commissioner Janicki
6 and Superintendent Reykdal for standing up for Thurston County and in solidarity with the
7 Board of County Commissioners. He thanked Mr. Cahill for voting for the sales. There is an
8 opportunity to fix what happened as he senses there was no support to cancel Carrot but there
9 was support to cancel Cabbage Patch as moved by Commissioner Janicki. It is possible to
10 remedy the situation under Robert's Rules by introducing a motion to reconsider. Governing
11 bodies in the state are able to offer motions of reconsideration at the next regularly scheduled
12 meeting. He implored Commissioner Janicki to continue to fulfill her promise to represent all
13 counties on the Board and offer a motion of reconsideration. A new motion could be
14 amended to exclude Units 4 and 5 from Cabbage Patch from the prior action.
15

16 **Ed Bowen, Clallam County**, commented on his disappointment that the full Board was not
17 in attendance. He continued to pose the question of when junior taxing districts and Clallam
18 County would be made whole because of the cancellation of the Power Plant timber sale.
19 That question has not been solved by DNR other than staff indicating they are working on it.
20 The Board should intervene, as he would like an answer. During the Chair Report, the Board
21 should pay attention to page 7 and the interesting concept within the graphic whereby the
22 Department has awarded but not finalized sales back to 2018. He questioned the status of the
23 statement as it reflects poor representation of successful sales remaining on the books that
24 predate the Board's Sustainable Harvest Calculation. On page 9, it is obvious that Clallam
25 County is experiencing a 93% miss in achieving harvest volume forecast. Additionally, it
26 does not represent the fact that a vast majority of Clallam County trust lands are located in the
27 Olympic Experimental State Forest (OESF), which missed the forecast by 85%. He is
28 disappointed in the legislation that the Agency or the Board presented to the Legislature
29 during the short session. Nothing was mentioned addressing the arrearage and inventory or
30 where DNR has made any headway in the \$5 million Jefferson and Clallam Counties were
31 supposed to put to practice.
32

33 **Sally Keely** echoed previous comments regarding Cabbage Patch and Carrot. The last
34 meeting ended so controversially that it shows the two units should be reconsidered from sale.
35 The planet is in a climate emergency with less than 5.5 years to limit global warming to 2.7° F
36 above pre-industrial levels. Solving the crisis is by keeping carbon in the ground and
37 removing excess carbon in the air. Forests are the best natural climate defense and all
38 remaining older carbon dense, structurally complex mature forests must be protected by
39 declaring a complete moratorium on logging. The moratorium should be enacted immediately
40 for the remainder of the year to allow the Carbon and the Forest Management Work Group to
41 do its work and render recommendations. The Washington State Legislature directed the
42 DNR Work Group to examine the relationship between forest management and atmospheric
43 carbon sequestration and storage in DNR-managed forests. She urged the Board to enable the
44 work to move forward and not sell or log DNR state forestlands currently under study.
45

46 **Martin McCallum** said he has been a longtime South Sound resident and salmon steward

1 volunteer. He does not object to timber sales on public lands when the pursuit of monetary
2 resources demand it. He does object to timber sales of older and regenerated legacy parcels
3 within public forests. He has hiked the Misty legacy forest grove in Grays Harbor County and
4 does not want it removed or Depot Stove in the headwaters of North River or the Star Wagon
5 grove at Summit Lake. He thanked the Legislature for establishing the Carbon and Forest
6 Management Work Group. He is convinced the work group will conclude legacy forests need
7 to be preserved as they offer critical genomic DNA resources that are vital in sustaining the
8 state's biodiversity. It is important to consider the findings of the work group as well as abide
9 by its findings. The Board should stop any current and future timber sales of legacy forests
10 until informed by the results of the study. There is much to be said for the ancient principle
11 passed down by the Iroquois that the decisions made today should result in a sustainable
12 world seven generations in the future. He can imagine future generations walking under a
13 legacy canopy and offering their thanks to the 2024 leaders who had the foresight to spare the
14 forests.

15
16 **Ed Chadd, Clallam County**, expressed appreciation for the comments offered by Mr.
17 Bowen. Others have requested more coherent policies that address Mr. Bowen's questions.
18 He suggested interacting with the Legislature to continue funding of natural climate solutions
19 funds to preserve older forests. The current proposal promoted within the Legislature would
20 allocate half of the funds to replace encumbered lands, many of which are located in Clallam
21 County. As previously pointed out, DNR has established a committee working on a policy for
22 mature forests and carbon; however, a policy is still lacking. It is time for a moratorium on
23 any workups of sales until there is a coherent policy on mature forests. Members of the
24 public attending meetings who are not representing the timber industry have a clear voice
25 against logging carbon workhorse forests.

26
27 **Robert Mitchell** thanked the Board for the "no" votes at the last meeting. He spoke to the
28 report on the Idaho Land Endowment Fund website announcing \$276 million from investment
29 income for fiscal year 2023. The amount is more than grossed by DNR without logging trees.
30 He thanked Conservation Northwest as he learned U.S. Fish and Wildlife Service is proposing
31 to update the Habitat Conservation Plan, which poses an excellent opportunity for DNR to
32 conserve more while replacing or exceeding lost revenue through dynamic investments.
33 Conservation should not exclude recreation. The Recreation Plan speaks to the need for more
34 law enforcement. He questioned the effectiveness of more enforcement as more DNR lands
35 will be gated from the public resulting in more garbage dumped on national forests and
36 county lands. Rather than spend more on law enforcement, the Department should consider
37 the cost of dumpsters and explore more creative solutions for recreational uses.

38
39 **Matt Comisky, American Forest Resource Council**, reported on his attendance to a public
40 meeting in Thurston County. The meeting reflected a dynamic interaction between the three
41 County Commissioners and DNR staff to include Dr. Dan Donato during a conversation of
42 what constitutes older forests and stand structure. A preliminary injunction was imposed by
43 Jefferson County but there has been no hearing on the merits of the case, which leads to
44 uncertainty as to the outcome of the case. The "plenty of plantations" is a fallacy. Part of the
45 reason for many of the public comments is the 22 years it took to adopt a marbled murrelet
46 long-term conservation plan. Those stands mostly comprise acres that were withheld during

1 the 22 years in which logging shifted to plantations. To be sustainable, it is necessary to
2 manage the available land base. When it comes to Stairway to Hemlock, he spent many days
3 in the stand and although it was part of reclassified habitat pending the marbled murrelet plan,
4 it was eventually released. The U.S. Fish and Wildlife Service deemed it not necessary for
5 the survival of marble murrelet. While important to leave a legacy for descendants, working
6 forests should be managed in a manner that provides wood products and other socioeconomic
7 benefits for today and for future generations. Preserving forests and walking away is not the
8 common sense answer.
9

10 **Erin Greenlee** acknowledged members who voted against the Carrot and Cabbage Patch
11 timber sales. It has been estimated that trillions of dollars will be required over the years to
12 stave off and fight climate change. So many climate solutions-based obstacles have negative
13 impacts and may not be effective or safe. Yet, in the state's mature forests, one powerful,
14 effective climate solution exists. The solution is safe and has multiple additional important
15 environmental benefits. The climate solution is home to countless species and is loved and
16 enjoyed by multitudes of people. If a technology had been developed similar to the benefits
17 of state forests, she questioned whether it would be torn down to sell parts. It appears to be
18 the scenario for the state's mature forests. Today, DNR is cutting down mature forests, which
19 are providing crucial climate work and releasing massive amounts of stored carbon into the
20 environment in the process. It will be necessary to spend billions more to develop and build
21 new climate solutions. The planet is in process of a climate catastrophe. The Board should
22 halt the sale of all legacy forests.
23

24 **Heather Pens** asked for the stoppage of Carrot, Cabbage Patch, and Depot Stove timber sales
25 as they are maturing forests and are irreplaceable. She cited an excerpt from a letter sent to
26 DNR from the Thurston County Board of County Commissioners on June 7, 2023. The letter
27 from Commissioner Franz proposed a set of meetings to "work with me and my team to
28 develop a strategy for how DNR manages the County's forest trust lands in your county. I am
29 seeking your collaboration and input so that together, we can make decisions that reflect our
30 shared values and your vision for your county." The promise of collaboration has never
31 occurred; instead, the county was presented with the details of the Climate Commitment Act
32 proviso option. The county followed through with proposed parcels and learned they were
33 not selected by DNR. On January 3, 2024, two of the most important parcels identified for
34 preservation by Thurston County were approved for auction by BNR over objections.
35 Comments from BNR members on January 3, 2024 indicated they needed to see a plan from
36 Thurston County. Thurston County followed the steps. Today, no one believes any decisions
37 have been made "together" reflective of shared values.
38

39 **Charlotte Persons, resident of Thurston County**, reinforced comments offered by other
40 speakers. She asked the Board to address the four parcels up for sale. Thurston County's
41 parcels were approved last month for auction; however, the Board could take action to save
42 the parcels. Thurston County Commissioners have asked not to log Carrot and Cabbage
43 Patch. She asked for a motion to sever from the sale those two parcels that belong to
44 Thurston County so the county can reconvey them. The Carrot parcel is a subject of a lawsuit
45 joined by Thurston County. A sale in Grays Harbor County would remove the last remaining
46 legacy forests in that county. She asked for a delay of all sales until the larger issue could be

1 resolved in how DNR will honor its policy to preserve older forest.
2

3 **Miguel Perez-Gibson, Washington Conservation Action**, cited the submittal of an email
4 and letter to the Board regarding timber sales in Trust 42. It is hoped the Board reviewed the
5 correspondence and reconsiders the timber sale request by Thurston County Commissioners.
6 With respect to the State of the State Lands Report, a decline is noted in thinning acres versus
7 clear-cut acres within the 2014-2024 decade. Following the settlement with DNR for the
8 previous Sustainable Harvest Calculation 2005-2014, for every acre harvested within the
9 OESF, major thinning would occur. It was hoped DNR would continue thinning as per policy
10 for sustainable forest management that depicts "treatment such as biodiversity pathways can
11 be used to create complex multi-aged forest stand structures that sustain key forest stand
12 elements replicating vital ecological functions at the stand and landscape levels. By
13 developing the stand structures that are typical of older forests, this approach could be used to
14 meet the older forest targets of DNR's HCP." The lack of treatments emphasizing multi-aged
15 partial harvest regimes has led to the current situation where several counties are now asking
16 for timber sales to be halted or preserved. During the solutions table negotiations, more time
17 should have been spent focusing on a maturation harvest silvicultural regime, which would
18 have generated more public support of forest management in the state.
19

20 **Doug Cooper, Hampton Lumber**, reported the company operates three sawmills in the state
21 that are dependent on DNR timber sales program. The mills are part of the critical
22 manufacturing infrastructure needed in Washington to supply carbon-friendly wood products,
23 sustain healthy forests, and support rural and urban economies. The State of the State Lands
24 Report indicates an overall shortfall of timber sales volume for the decadal planning of 129
25 mmbf. That does not tell the real story of the failure of the Department to achieve planned
26 sales volume over the last three years. Fiscal year 2022 sustainability harvest volume plan
27 was 564 mmbf with a total sold of 435 mmbf. The shortfall was 129 mmbf. The average
28 timber price of \$410 per mbf that year was a loss of revenue to the Department and
29 beneficiaries of over \$52 million. Fiscal year 2023, planned sales volume was 564 mmbf with
30 a total sold volume of 466 mmbf resulting in a shortfall of 98 mmbf with an average stumpage
31 price of \$309 per mbf. The revenue loss was \$38 million. The two-year loss totals \$91
32 million. The SHC for fiscal year 2024 sales volume was 562 mmbf. The current planned
33 sales volume is 485 mmbf or a shortfall of 77 mmbf if the Department is able to sell 174
34 mmbf during the fourth quarter, reflecting a three-year loss of \$120 million to the Department
35 and beneficiaries. He asked what action, direction, or support the Board is taking to provide
36 assurance that the Department meets the planned sales volume this year.
37

38 **Carole Wahlers** commented that the decisions by the Board about DNR managed forests are
39 ones that affect all residents today and tomorrow. Citizens testifying for many months have
40 spoken from the heart providing current science and imploring the Board to listen and think
41 about the long-term consequences of logging cleverly named parcels of land. The trees
42 cannot attend DNR meetings, but the trees and the citizens speaking today and yesterday are
43 affected by the Board's decisions. She was an elected official and served a term on a school
44 board. Constituents were the students, their families, and the community. It was the charge
45 of school directors to listen to the evidence and testimony from both staff and the community.
46 The school board's duty was to serve and listen to its constituents. That is often why many

1 people attended a board meeting. The people present today also want to be heard and they
2 care deeply. The school district never saved front row seats for staff, never placed flyers on
3 those chairs so that elected officials could be protected from the community. Barriers were
4 never placed between citizens and decision-makers. The Board's job is to listen to not only
5 staff and those with vested interest, but to constituents. The planet is experiencing a climate
6 crisis and the long-term costs of logging legacy forests is so much more than the dollars
7 gained by the Department.
8

9 **Heath Heikkila** spoke on behalf of local companies that are part of the climate solution
10 recognized by the Intergovernmental Panel on Climate Change (IPCC) and most recently by
11 17 counties including the U.S. He emailed the Board a carbon accounting case study
12 conducted by University of Washington based on a detailed analysis of the completed Penny
13 Alderwood timber sale in Jefferson County and U.S Forest Service FIA data. Researchers
14 had access to detailed information on the timber sale including harvest operations,
15 transportation distance, wood products produced, and the species and ages of tree harvested.
16 This enabled them to conduct a harvest and no-harvest alternative. The study found that for
17 acres harvested of the 80-year old stand, 11.7 metric tons more of carbon was stored or offset
18 over the non-harvest alternative. The analysis accounted for leakage and substitution, which
19 are key factors recognized by the UN IPCC. The disparity grows further extending 40 years
20 as new stands grow. DNR was directed by the budget proviso to conduct a similar analysis.
21 He thanked staff for their work to produce carbon-friendly wood products while also
22 managing forests to provide clean water, wildlife habitat, recreation, and revenue for public
23 services. He reminded the Board that they represent the beneficiaries primarily and while
24 important to receive public comments, the Supreme Court rules that the lands are managed for
25 the benefit of the defined beneficiaries.
26

27 **Gregory Schaefer** said he opposes the sale and harvest of Star Wagon, Carrot, and Cabbage
28 Patch timber sales in Thurston County, as well as the harvesting of legacy and structurally
29 complex forests throughout the state. As the Board is aware, mature forests serve vital
30 ecological functions and provide habitat for species of concern including marbled murrelet
31 and barred owls, as well as for erosion and sedimentation control in watersheds, which are
32 vital for salmon recovery. As the Board is aware of the importance of forests, the Board
33 continues to choose to act in the interest of the timber lobby over the health of ecosystems.
34 The Star Wagon timber sale contains trees over 150 years old and is close to being old growth
35 that was so intensively harvested throughout the state's history. The responsibility does not
36 just lie with modern day constituents, but with future generations whose only hope of
37 experiencing old growth lies in the Board's choice of harvesting mature old growth forests.
38 As mentioned by other speakers, the Thurston County Board of County Commissioners asked
39 to halt the logging of legacy forests while DNR has chosen to ignore the request, which
40 speaks to just how separated DNR is from the people and communities it serves. If the state
41 manages the forests for the interest of the timber industry and not for its citizens, he
42 questioned the point of forest management as it might as well be privatized. In the modern
43 world working with landscapes facing brutal consequences of climate change, protecting old
44 growth forests needs to be the top priority.
45

46 **Joshua Wright** cited the Freedom and Stairway to Hemlock timber sales, which are

1 structurally complex older forests that should be used to meet the old forest targets DNR
2 maintains. The recent lawsuit and decision for a preliminary injunction against the Last
3 Crocker forest timber sale in Jefferson County cited the decision to approve the sales as
4 arbitrary and capricious by the Board. DNR is ignoring its policy to log older forests. The
5 addendums to the SEPA Notice of Final Determination for the Freedom and Stairway to
6 Hemlock timber sales mapped out the areas to meet older forest targets. However, the maps
7 include areas that are currently planned as timber sales and it relies heavily on current riparian
8 management zones, which are narrow and include areas not protected, such as lands in long-
9 term deferral but still subject to commercial logging. There are specific timber sales planned
10 in the areas of the mapped addendums. He encouraged the Board to read the comments
11 submitted by Steven Kropp on both of the subject sales and deny approval of both sales.

12
13 *Vice Chair Brown recessed the meeting from 10:01 a.m. to 10:12 a.m. for a break.*

14
15 **CHAIR REPORT**

16 **State of the State Lands Report – Part 1: FY22 & FY23**

17 **Todd Welker, Deputy Supervisor, State Uplands**

18 **Michael Kearney, Product Sales and Leasing Division Manager**

19
20 Mr. Welker advised that since the Board did not receive the typical State of the State Lands
21 Report for FY22, the presentation would cover both FY22 and FY23 during two
22 presentations. The intent moving forward is to provide the State of the State Lands Report
23 each January.

24
25 Mr. Welker reviewed the organization of State Uplands comprised of Product Sales &
26 Leasing Division, Forest Resources Division, Engineering Division, Recreation and
27 Conservation Division, and six regions. Additionally, Candace Montoya, Budget Manager,
28 oversees the budget for the State Lands Program. Duane Emmons serves as the Assistant
29 Deputy Supervisor overseeing the Strategic Planning Office for transactions involving
30 acquisitions, divestures, appraisals, and projects and planning.

31
32 As manager of state trust lands, DNR has legal fiduciary responsibilities to generate revenue
33 and other benefits for each trust, in perpetuity; preserve the corpus of the trust; exercise
34 reasonable care and skill; act prudently to reduce the risk of loss for the trusts; maintain
35 undivided loyalty to beneficiaries; and act impartially with respect to current and future
36 beneficiaries.

37
38 Business assets for fiscal years 2022 & 2023 included Forestry; Agricultural Leasing;
39 Grazing; Commercial Leasing; Communication Sites; Alternative Energy; Mining/Minerals;
40 and Special Use Leases/Special Forest Products.

41
42 Mr. Welker reviewed timber sales volume and revenue for both FY2022 and FY2023 and
43 cited some changes in definitions. Sold, now considered “awarded” and “finalized” is the
44 completion of a sale and all contract obligations. Timber volume target for the westside in
45 FY22 was 465 mmbf with 364 mmbf awarded creating a shortfall of 104 mmbf. In FY23, the
46 target was 465 mmbf with 406 mmbf awarded creating a shortfall of 60 mmbf. Timber

1 volume target for the eastside in FY22 was 79 mmbf. Since DNR lacks a SHC for the
2 eastside, the targets are goals to achieve. In FY22, the Department awarded 68 mmbf
3 representing a shortage of 11 mmbf. In FY23, the Department awarded 63 mmbf resulting in
4 a loss of 15 mmbf.

5
6 Mr. Welker referred to the projection for FY24 ending June 30, 2024. The SHC ends at the
7 end of FY24 requiring discussions surrounding the arrearage and steps to address the
8 arrearage.

9
10 Vice Chair Brown asked whether the reduction in volume in FY22 was attributed to labor
11 availability. Mr. Welker affirmed that the COVID pandemic created staffing shortages.

12
13 Mr. Kearney added that during COVID, the Department experienced a loss in staffing levels
14 across all regions with some particular regions impacted more because of the difficulty of
15 recruiting staff affecting timber sales planning and layouts between 2020 and 2022.

16
17 Mr. Welker reviewed westside and eastside commercial acres treated through regeneration
18 and thinning. The Department also has a pre-commercial thinning program to increase
19 growth. Those acres are through silvicultural treatments and are not reflected in the figures.

20
21 As an example, the target for Capitol State Forest during the current SHC is 529 mmbf with
22 460 mmbf awarded to date and a planning volume in FY24 of 62 mmbf reflecting a shortage
23 of approximately 7 mmbf over the course of 10 years in the Capitol State Forest. The SHC is
24 calculated on each unit individually despite overcutting another unit in another county.
25 However, statewide, the projection is a shortfall of approximately 197 mmbf or approximately
26 4.2% during the sustainable harvest decade.

27
28 Mr. Cahill asked how the Department plans to account overages of the sustainable harvest in
29 another county. He asked whether the Department prefers a sustainable harvest over time as
30 opposed to more revenue upfront. There have been many discussions on why the Department
31 is not meeting its goals while information reflects that in some areas, the goals are being
32 exceeded dramatically.

33
34 Mr. Kearney responded that the Department operates based on SHC goals as well as a region
35 deliverable goal based on the SHC. For example, if a region is unable to achieve its goal in
36 one particular area, the region strives to make up the difference in another area, which can
37 result in different SHC units in the same region with some areas overcut versus undercut.
38 Staff may need to address whether region deliverables are more specifically based on the SHC
39 goals.

40
41 Mr. Welker added that the Board did not approve the current SHC until 2019, lagging
42 approximately 5 years into the process before solidifying the final target for each region.
43 Once the decision was rendered, some course corrections occurred by staff, which may also
44 speak to the overages occurring halfway through the decade prior to identification of the
45 decadal target.

1 Superintendent Reykdal asked whether the approach for the next SHC for the counties of
2 Thurston, Kitsap, and Clark would be a different approach given the amount of overage. Mr.
3 Welker said it is likely the next SHC would consider options if an area is overcut in one
4 decade. The modeling should reduce the target in the next decade.
5

6 Mr. Welker reviewed the FY22 Profit and Loss Statement for the Department's programs.
7 After all costs, agency overhead, and trust beneficiary distributions, the agency profits for
8 each program were approximately:
9

- 10 • \$12 Million – Forestry (Timber Program)
- 11 • \$8 Million – Management Forestry (mostly westside)
- 12 • \$4 Million – Forest Health (Forest Health Revolving Account for Eastside)
- 13 • \$3.7 Million Agriculture
- 14 • \$3 Million Commercial Leases
- 15 • \$770,491 Communication Sites
- 16 • \$393,941 Other Leasing
- 17 • (\$4 Million) – Property Portfolio (many activities do no generate revenue such as
18 transactions, appraisals, right-of-way, and other activities necessary to generate future
19 revenue generated by the program)
- 20 • \$277,000 Miscellaneous

21 The agency generated \$16,199,000 in revenue for FY22.
22

23 FY23 profit and loss after all costs, agency overhead, and trust beneficiary distributions were
24 approximately:
25

- 26 • \$3.9 Million – Forestry (Timber Program)
- 27 • \$4.4 Million – Management Forestry (mostly westside)
- 28 • (\$555,470) Million – Forest Health (Forest Health Revolving Account for Eastside;
29 timing of a payment to Common School Construction Fund appears to reflect a loss of
30 \$555,000)
- 31 • \$3.5 Million Agriculture
- 32 • \$2.8 Million Commercial Leases
- 33 • \$693,555 Communication Sites
- 34 • (\$106,575) Other Leasing
- 35 • (\$5 Million) – Property Portfolio (many activities do no generate revenue such as
36 transactions, appraisals, right-of-way, and other activities necessary to generate future
37 revenue generated by the program)
- 38 • \$197,178 Miscellaneous
39

40 The agency generated \$6,079,468 in revenue in FY23. Mr. Welker said although timber
41 value remained constant during the pandemic, the agency experienced staffing shortages and
42 vacancies resulting in some savings. A combination of those two situations reflects how the
43 agency was sustained. However, current funding mechanisms and the business model are not
44 sustainable in the future and other options are being explored legally. Mr. Mitchell's
45 comments surrounding the Idaho Endowment Fund is an option staff is exploring in terms of

1 whether the Department has the constitutional or legal authority to pursue a similar option.
2

3 Mr. Kearney reviewed a bar graphic depicting annual gross revenues from timber sales on
4 DNR managed trust lands from FY2014 through FY2023. The Forest Health Revolving
5 Account (21Q) was created in 2018 and pays the costs for establishing sales from the account.
6 When timber is sold, the entire amount is distributed to the Forest Health Revolving Account.
7 DNR maintains a minimum fund balance of \$10 million plus the next year's projected
8 operating costs. Funds in excess of \$10 million plus the operating costs are distributed to
9 trust beneficiaries each year. The account has been used primarily on the eastside where
10 forest health treatments and sale costs often exceeded the percentage of management funds
11 the Department managed. The account enables the Department to be proactive in improving
12 forest health rather than allowing timber to burn.
13

14 Mr. Kearney displayed a graphic of average stumpage prices by fiscal year as awarded.
15 During the early years of the pandemic, the Department experienced a reduction in the
16 volume of timber sold but also experienced high lumber futures and high bid prices for sales
17 resulting in high stumpage prices in FY21 to the present.
18

19 Mr. Kearney reviewed charts depicting FY22 and FY23 Forestry Detail. The charts included
20 columns for expenditures and revenues from the different accounts for both the east and west
21 sides of the state. FY23 experienced higher expenditures and revenues compared to FY22.
22 There was a \$20 million overall increase in revenue distribution to beneficiaries in FY23 than
23 in FY22 but also a drop in the management funds because the agency had increased expenses
24 reflecting a drop of revenue to \$4.5 million from \$8 million in FY22. The Forest Health
25 Account reflects a distribution of \$14 million to beneficiaries in the last two years, which is
26 reflected as a negative on the profit and loss statement. The Agency's fund balance was
27 sufficient to make a distribution at the end of calendar year 2021; however accounting
28 challenges in the revenue distribution system internally created issues in processing the
29 distributions properly, which took some time to resolve to ensure accurate distribution of
30 revenue. The intended time of the distributions was March 2022 but it was delayed until
31 October 2022, which is reflected in the FY23 budget in conjunction with another distribution
32 in March 2023.
33

34 Another graphic reflected gross revenues for the Agricultural Leasing Program for FY22 and
35 FY23 by each category of lease type. The program produces stable revenues. Challenges
36 encountered recently involve the wine industry cancelling a number of contracts with a major
37 producer decreasing wine grape contracts by 40%. Staff is examining the impacts of the
38 reduction to the orchard and vineyard revenue. Market fluctuations can also affect major
39 commodities. In FY22, high potato prices with farmers planting more potatoes led to an
40 oversupply in 2023 driving prices downward while wheat prices continue to remain low.
41

42 Future opportunities in agriculture include increasing high value irrigated agriculture by
43 converting dry land or grazing lands to irrigated crops through strategic use of water rights
44 owned by the Department. The Department also works on increasing efficiencies in leases
45 through purchases and exchanges to secure larger holdings to create economies of size and
46 scale for production. Currently, staff is working on the Plymouth Land Exchange that may

1 increase some opportunities with another lease in process from recent land exchanges
2 resulting in a valuable irrigated agriculture lease opportunity for the Department.
3

4 Mr. Kearney reviewed the gross revenue from the Grazing Program over the last 10 years.
5 Revenue from the program is relatively stable with small periodic changes due to grazing rate
6 changes or the number of leases. DNR offers two types of agreements with leases for
7 exclusive use of DNR managed trust lands and permit ranges that are non-exclusive for larger
8 areas that can include multiple ownerships, such as federal lands.
9

10 Commercial Real Estate revenues for FY22 and 23 are from two types of leases – improved
11 property leases and ground leases. Most of the leases include annual escalators or periodic
12 terms to review rents to capture fair market value. Staff is working on compliance with the
13 Clean Building Act to ensure all owned properties are compliant with state law. The
14 Department has received four commercial ground-leasing applications. Challenges in the
15 program is vacancy of buildings equating to 10% of the property portfolio with the
16 Department nearly at full capacity but recently experiencing a downturn in the commercial
17 market. Staff is exploring ways to address difficult to manage properties. Opportunities
18 include more interest in ground lease transactions on parcels and recent interest in properties
19 for multi-family development for housing. A legislative bill is working through the
20 legislative process for housing. Other increased transactional opportunities are due to higher
21 loan interest rates affecting private sector refinancing. High interest rates often de-incentivize
22 owners from refinancing current holdings for purchasing new property. As Department
23 transactions are cash, the Department purchases properties using Land Bank funds enabling
24 the opportunity to purchase properties.
25

26 Within the Mining and Minerals Program, the Department administers two types of contracts.
27 They include surface mining contracts for rock, sand, and gravel for construction and road
28 building, and subsurface leases for mineral prospecting. Leases enable the leasee to explore
29 trust lands with sensors and limited amount of subsurface drilling to identify opportunities for
30 mineral potential on lands. Prospecting leases are exclusive for a period of seven years. For
31 lands with a high mineral potential, a leasee many have priority to request a mining contract.
32 Most of the mineral prospecting leases are located in northeastern Washington.
33

34 Mr. Kearney reviewed Communications Site leasing revenue by fiscal years. The program is
35 similar to the Commercial Real Estate Program offering both facility and ground leases. DNR
36 owns 22 sites with buildings and towers that are leased to multiple tenants. Tenants own the
37 structures and/or towers on 79 ground lease sites. In FY21, revenue increased because of the
38 backlog of leases due to staffing shortages. A number of the leases with rent due were
39 renewed during the year resulting in an increase in revenue during FY21.
40

41 The Department's Alternative Energy Program includes leases in different types of energy
42 production such as wind, solar, and a potential geothermal lease. Previous interest in wind
43 power resulted in leasing opportunities for the last 20 years. The growth in solar has been
44 recent. DNR established a stand-alone leasing program for solar energy. Currently, 20 wind
45 leases are in production. Recent growth resulted in three signed solar leases with one in
46 production and two in pre-production phases. Many of the projects are large and complex and

1 can require more than five years from initial feasibility to production.

2
3 DNR offers a screening tool for applicants to utilize. Staff continues to refine and update the
4 tool. The update efforts includes outreach to the tribes to receive feedback to assist in refining
5 the tool, as well as increasing outreach to the tribes in the early leasing process for alternative
6 energy projects. The first solar lease initiated production in February 2023. Challenges in the
7 program include permitting requirements and issues with some local jurisdictions with
8 moratoriums or areas with much stakeholder opposition to projects. A backlog of projects are
9 currently in process for permitting at county and municipal levels. Current efforts underway
10 include work in progress with the Department of Ecology and the Department of Commerce
11 to identify lease conflicts for alternative energy siting pathways.

12
13 The Department's Rights-of-Way Program produces some revenue. DNR receives requests to
14 cross DNR-managed trust lands for roads, utilities, or other activities. The programs grant
15 permits or easements. By statute, the full fair market value of the trust land or asset is
16 received. The program enables access to trust lands and supports easement and permit
17 acquisitions to enable access to timber or leased lands or for recreation. In FY21, a large
18 spike in revenue was because of large right-of-way grants for utilities.

19
20 The Special Forests Products Program is relatively small with stable revenue over time with
21 some minor fluctuations. In FY22, revenue totaled \$500,000 with FY23 generating \$472,000.
22 The program offered some opportunities during the pandemic when in-person auctions could
23 no longer be conducted. During that period, staff switched to a mail permit process with
24 some remote auctions conducted.

25
26 Special Use Property Leases Program is considered a miscellaneous category of other leases
27 not falling within other lease programs. They often include government service leases to
28 other state agencies, leases with community colleges, and other types of leases, such as a
29 potato shed placed on DNR land.

30
31 Superintendent Reykdal requested clarification of some of the figures in the *Funds Revenue*
32 column. Mr. Kearney explained that *Funds Revenue* is reflective of the total revenue in the
33 Resource Management Cost Account, Forest Development Account, or the Forest Health
34 Account from the split that is allocated to DNR Management Funds. The amount of \$62
35 million represents the total amount received in Management Funds. That amount is compared
36 against the agency's overall expenditures then deducted to produce the profit and loss amount
37 for Management Funds.

38
39 Mr. Welker said next month's presentation would review Management Fund balances,
40 staffing levels, and supporting programs. He invited questions from the Board.

41
42 Commissioner Janicki commented on the intricacies involved in commercial real estate
43 transactions involving energy code updates or transitional costs of refurbishing buildings for
44 new tenants. She asked about the process DNR employs to calculate those types of costs
45 when developing a lease contract and how those costs are reflected throughout the accounting
46 process to produce a commercial market rate. Her questions speak to information within the

1 Deloitte Report that spoke to DNR's deficiency in cost accounting. Mr. Kearney responded
2 that in response to the Deloitte Report, staff is replacing the agency's major contract
3 management system and exploring opportunities during the process of replacement to
4 improve financial reporting, collection of data on costs to improve planning and management
5 of the agency's programs. Staff is exploring business analysis to address some of the issues
6 identified in the Deloitte Report to improve management of the different business lines.
7 Additionally, the agency established a Commercial Real Estate Advisory Committee to
8 provide different perspectives. A representative assigned to manage the University of
9 Washington's portfolio also provides advice.

10
11 Commissioner Janicki asked whether the information provides details on which counties have
12 vested interest in commercial real estate. Mr. Kearney said it is possible to produce
13 information that identifies the trust and the revenue sources each trust receives. Many of the
14 commercial properties are Common School Trust because traditionally, Forest Board Lands
15 were forestlands. Many of the federally granted trust lands are Common School Trust with
16 many containing commercial real estate properties.

17
18 Mr. Welker said he spoke with Paul Jewell with the Washington State Association of
19 Counties about counties becoming more involved in commercial real estate; however, he is
20 not aware of any county lands that contain commercial properties, as most are Forestry
21 Program properties. Additionally, most lands in Eastern Washington are Common School
22 Trust with very few county lands. He offered to follow-up with more information.

23
24 **LAND TRANSACTIONS - Action**

25 **Cliffside Estates Inter-Trust Land Exchange 1; 86-097744, Resolution 1624**

26 **Bob Winslow, Senior Project Manager, Strategic Planning Office**

27
28 Mr. Winslow reported the proposals are five separate land transactions involving Cliffside
29 Estates in Clark & Klickitat Counties.

30
31 Cliffside Estates Inter-Trust Land Exchange 1 involves DNR managed properties located in
32 Clark and Klickitat Counties to change state ownership designation of the properties. A
33 301.25-acre parcel of the Jones Creek property in Clark County currently designated as Land
34 Bank would be exchanged with 20.25 acres of Common School Trust property located in
35 Klickitat County. The exchange properties are equivalent in value at \$214,000. Common
36 School Trust gains by dramatically increasing the number of operable forest acres. Land
37 Bank conveys good quality replacement land to the Common School Trust and repositions
38 Land Bank ownership to Klickitat County to support the Cliffside Estates Inter-Trust Land
39 Exchange 2, another proposed transaction. DNR conducted a public hearing on October 24,
40 2023 with eight attendees present and one person testifying.

41
42 Vice Chair Brown inquired as to how the two land exchanges inter-relate. Mr. Winslow
43 replied that the proposal is the first step of a multi-step process. Sites containing homes
44 would be converted to Land Bank to enable transactions.

45
46 With respect to Commissioner Janicki's comments regarding commercial development of

1 Common School State forested lands, originally, the lands were considered reforestation lands
2 after they were acquired by some counties in the 1920s and 1930s through tax foreclosures.
3 Those lands are managed in a manner similar to the federally granted trust lands.
4 Development of the properties would require a legislative change.
5

6 Vice Chair Brown asked whether another proposed transaction involving the Jones Creek
7 parcel would be transferred to Land Bank ownership. Mr. Winslow said the goal of Land
8 Bank properties is conversion of those properties to trust lands. Transferring properties is a
9 multi-step process. For example, to sell three lots of less than 19 acres, five transactions are
10 required.
11

12 MOTION: Commissioner Janicki moved to approve Resolution 1624, Cliffside Estates
13 Inter-Trust Land Exchange 1; 86-097744 as presented.
14

15 MOTION: Superintendent Reykdal seconded the motion.
16

17 ACTION: The motion was approved unanimously.
18

19 **Cliffside Estates Inter-Trust Land Exchange 2; 86-103135, Resolution 1625**
20

21 Mr. Winslow reported the proposal would change state ownership designation of DNR
22 managed properties located in Klickitat County. A 20.25-acre parcel in Klickitat County
23 transferred to the Land Bank in the prior action would be exchanged with an 18.96-acre State
24 Forest Land Transfer Trust property located in Klickitat County known as Cliffside Estates
25 comprised of three lots. The proposal supports two direct transfers of property to existing
26 DNR homesite tenants for Lots 1 and 2. The Cliffside Estates property transferred to the
27 Land Bank would also support a proposed public auction of Lot 3. The State Forest Land
28 (SFL) Transfer Trust eliminates home site complications from its ownership and consolidates
29 ownership adjacent to other SFL Trust lands.
30

31 DNR held a public hearing on Oct. 24, 2023 with eight attendees present, and one person
32 testifying.
33

34 MOTION: Commissioner Janicki moved to approve Resolution 1625, Cliffside Estates
35 Inter-Trust Land Exchange 2; 86-103135 as presented.
36

37 MOTION: Dean Powers seconded the motion.
38

39 ACTION: The motion was approved unanimously.
40

41 **Cliffside Estates Direct Transfer Lot 1; 02-106403, Resolution 1626**
42

43 The Cliffside Estates Lot 1 Direct Transfer property is located in Klickitat County west of the
44 Town of Trout Lake. The property is Land Bank ownership as approved in Resolution 1625.
45 Land Bank ownership permits DNR to transfer state property at the appraised value to an
46 existing DNR lessee who owns the home site improvement and lives in the home. Lot 1 is

1 4.31 acres in size and is leased to Mr. Smith, who owns and lives in the home site
2 improvement.
3

4 The annual rent paid to DNR for the home site rental is \$1,098, which includes the payment
5 of leasehold excise tax. The benefit of the direct transfer for DNR eliminates high trust
6 management costs as a landlord and provides funds for future replacement property for the
7 Land Bank suitable for trust management.
8

9 The appraisal of Lot 1 was \$66,500, which would be a direct transfer value for the property to
10 the home site tenant. Funds from the transfer would be allocated to the Land Bank account.
11

12 Mr. Winslow invited questions.
13

14 Superintendent Reykdal inquired as to the amount the homeowner pays DNR each month.
15 Mr. Winslow advised that the site rental of \$1,098 is an annual amount. If the transaction is
16 approved, DNR would no longer receive rental income; however, the homeowner would
17 purchase the land for \$66,500.
18

19 Vice Chair Brown asked whether the zoning of Open Space affects the value of the property.
20 Mr. Winslow said the value is based on a one-lot residence that has been grandfathered in
21 terms of zoning.
22

23 MOTION: Commissioner Janicki moved to approve Cliffside Estates Direct Transfer Lot
24 1; 02-106403, Resolution 1626 as presented.
25

26 MOTION: Superintendent Reykdal seconded the motion.
27

28 ACTION: The motion was approved unanimously.
29

30 **Cliffside Estates Direct Transfer Lot 2; 02-106404, Resolution 1627**
31

32 Cliffside Estates Lot 2 Direct Transfer property is located in Klickitat County west of the
33 Town of Trout Lake. The property is Land Bank ownership based on the approval of
34 Resolution 1625.
35

36 Land Bank ownership permits DNR to transfer state property at the appraised value to an
37 existing DNR lessee who owns the home site improvement and lives in the home.
38

39 Lot 2 is 4.31 acres in size and is leased to Mr. Warren who owns and lives in the home site
40 improvement. The annual rent paid to DNR for the home site rental is \$1,034, which includes
41 the payment of leasehold excise tax. Benefits of the direct transfer would eliminate high trust
42 management costs as a landlord and provide the ability to obtain funds for future replacement
43 property for the Land Bank suitable for trust management.
44

45 The appraisal of Lot 2 was \$63,500, and that is the direct transfer value for the property to the
46 home site tenant. Funds from the transfer will would added to the Land Bank account.

1
2 MOTION: Commissioner Janicki moved to approve Cliffside Estates Direct Transfer Lot
3 2; 02-106404, Resolution 1627 as presented.

4
5 MOTION: Superintendent Reykdal seconded the motion.

6
7 ACTION: The motion was approved unanimously.

8
9 **Cliffside Estates Auction Lot 3; 02-106405, Resolution 1628**

10
11 The Cliffside Estates Lot 3 Public Auction property is located in Klickitat County west of the
12 Town of Trout Lake. The property is Land Bank ownership based on the approval of
13 Resolution 1625. Land Bank ownership permits DNR to auction under-performing trust
14 assets and re-invest in productive replacement lands elsewhere. The Cliffside Estates Lot 3
15 property is not currently leased.

16
17 The appraisal of the state owned land was \$92,500, which is the minimum bid auction value
18 staff recommends for the property during a proposed public auction, with an administrative
19 fee payment of \$3,000 for transaction-related costs. The auction is tentatively planned in
20 spring 2024. DNR will market the property via a web page and other methods prior to the
21 auction.

22
23 MOTION: Superintendent Reykdal moved to approve Cliffside Estates Auction Lot 3; 02-
24 106405, Resolution 1628 as presented.

25
26 MOTION: Commissioner Janicki seconded the motion.

27
28 ACTION: The motion was approved unanimously.

29
30 **Sultan Direct Transfer, 02-102519, Resolution 1629**
31 **Deb Whitney, Project Manager for A&D Section, Strategic Planning Office**

32
33 Ms. Whitney reported the 49.46-acre Sultan Direct Transfer property is located 20 miles east
34 of Everett and north of the City of Sultan's urban growth area in Snohomish County.

35
36 The Common School Trust property is being purchased by Sultan School District #311 to
37 expand facilities and for a proposed new school site. Proceeds from the transfer would be
38 deposited to the Real Property Replacement Account to purchase replacement property for the
39 Common School Trust

40
41 The property is surrounded on three sides by private ownership and zoned R-5 allowing for
42 one dwelling unit per five acres. The property was appraised with the highest and best use as
43 residential 5-acre lots using the current R-5 zoning. The appraised value and purchase price is
44 \$455,000. Sultan School District #311 is paying all administrative costs to complete the
45 transaction.

1 With no questions from the Board, Ms. Whitney requested approval of Resolution 1629 as
2 presented.

3
4 MOTION: Superintendent Reykdal moved to approve Sultan Direct Transfer, 02-102519,
5 Resolution 1629 as presented.

6
7 MOTION: Dean Powers seconded the motion.

8
9 ACTION: The motion was approved unanimously.

10
11 **Kalama Fire Station Acquisition, 08-106383, Resolution 1630**
12 **Martin McElliott, Exchange Project Manager, Strategic Planning Office**

13
14 Mr. McElliott reported the Kalama Fire Station property, DNR file No. 08-106383, is located
15 in Cowlitz County approximately five miles east of Kalama. The transaction is a purchase of
16 an administrative site property with a fire station structure on the property. The purchase
17 funds are from a direct capital budget appropriation from the Legislature tied to HB-1168, the
18 Wildfire Response, Forest Restoration, and Community Resilience Account.

19
20 The property consists of a single 1.03-acre parcel, with a 3-bay fire station and approximately
21 480 square feet of office space. Acquisition of the property primarily supports wildland fire
22 prevention and suppression. The existing 2,800 square foot building was constructed in 2000.
23 Benefits of acquiring the property include improved wildfire response and public safety,
24 centrally located pre-positioning of wildland fire resources, and elimination of currently
25 leased space of the building.

26
27 The appraised value of the property is \$355,000. DNR Engineering staff determined the cost
28 to acquire the site is economically more favorable to the State than the cost of new
29 construction

30
31 Mr. McElliott invited questions.

32
33 Commissioner Janicki asked with the Larch Mountain facility closing would this facility
34 accommodate existing apparatus. Mr. McElliott said fire equipment would continue to be
35 stored during the winter.

36
37 Mr. Cahill questioned the reason for the Department not continuing to lease the facility rather
38 than acquiring the facility. Mr. McElliott explained that the cost to acquire the property is
39 less than the long-term cost of the monthly lease of \$450.

40
41 MOTION: Superintendent Reykdal moved to approve Kalama Fire Station Acquisition,
42 08-106383, Resolution 1630 as presented.

43
44 MOTION: Dean Powers seconded the motion.

45
46 ACTION: The motion was approved unanimously.

1
2 **TIMBER SALES - Action**

3 **Auction Results for January 2024, FY2024 Update & Proposed Timber Sales for March**
4 **2024**

5 **Padraic Callahan, Acting Division Manager, Product Sales and Leasing Division**
6

7 Mr. Callahan presented the results of January timber sales. Eight sales were offered totaling
8 26 mmbf for \$9.7 million for an average of \$372 per mbf with an average of 3.4 bidders per
9 sale.

10
11 Mr. Callahan reviewed the status of third quarter Fiscal Year 24 planned timber volume of the
12 current plan for auction volume, forecasted volume for the remainder of the year, and sold
13 volume. He invited questions from the Board. Board members offered no questions.
14

15 Mr. Callahan presented proposed timber sales for March 2024 totaling six sales of
16 approximately 33.2 mmbf at an appraised minimum value of \$6.3 million or \$189 per mbf.
17

18 Of the five westside sales, 1,310 acres were evaluated for timber harvesting with
19 approximately 585 acres to be set-aside for riparian areas, unstable slopes, and the required
20 leave trees representing a total harvest area of 725 acres or 55% of the total acreage evaluated
21 for the westside harvest.
22

23 Mr. Callahan referred to the Freedom timber sale located in Pacific County within two
24 different HCP planning units. A large portion of the trust distribution is to the University
25 Repayment Account. The design of the timber sale identified 100 acres for conservation and
26 138 acres proposed for harvest. The land was deeded to the state in 1923 from
27 Weyerhaeuser for reforestation. One unit within the Freedom timber sale contains a Douglas
28 fir tree of approximately 160 years old. It is likely the surrounding acreage was blown down
29 during a storm in the mid to late 1800s. Staff identified the layout as a different cohort in the
30 stand and protected the area as a leave tree area. Other species include a dense stand of
31 Western hemlock and Douglas fir. The stand is entering competition mortality that is
32 beginning to wane but it is still the driving force and disturbance in the stand where trees are
33 competing for resources, which explains the high crowns. Trees within the leave tree and
34 riparian management zones will continue to develop and contribute to older forests target over
35 time. An old growth assessment was completed for the sale. The remaining trees within the
36 proposed timber sale unit are not representative of advanced structural development or
37 complexity.
38

39 In terms of the Stairway to Hemlock timber sale, Mr. Callahan said he has spent time in the
40 unit located in Wahkiakum County within the Columbia HCP planning unit. Based on the
41 layout of the acreage evaluated, 149 acres were identified for harvest and 120 acres were set-
42 aside in conservation areas. The unit was evaluated using an individual tree-rating guide for
43 Douglas fir developed through Van Pelt's work with the Department. The guide includes a
44 factor related to bark condition in the lower one-third of a tree. As trees compete, trees often
45 shed lower limbs with crowns increasing and limbs dying in the lower canopy but remaining
46 for long periods. The actual physical condition of the bark helps to determine the age of the

1 tree. He described the various ratings of the trees within the unit. The stand was evaluated to
2 reflect that the unit was not a structurally complex forest.
3

4 The third sale generating public comment is Depot Stove located in Grays Harbor County in
5 the southwest planning unit. Conserved acres total 45% of the total unit. The land was
6 acquired from Weyerhaeuser in 1986. Unit 2 of Depot Stove was harvested in 1951 with no
7 buffers retained because the practice did not exist during that era. Some shading in the middle
8 of the unit was likely caused by a disturbance prior to harvesting with the young growth not
9 harvested at that time. A current map depicts the dominant tree polygon based on Lidar
10 mapping. The remaining unit consists of a homogeneous stand of a single canopy layer with
11 some hemlock regeneration occurring along the edges and in places receiving more sunlight.
12 Mr. Callahan shared a photograph of a forester marking the save tree area that includes the
13 remnant trees identified by the 1951 data. The entire sale map represents an area that has
14 been previously harvested except for the advanced regeneration and several remnants located
15 in leave tree areas.
16

17 Mr. Callahan cited Van Pelt's *Identifying Mature and Old Forests Guide* that includes stand
18 development stages. Various definitions exist of structurally complex in science literature.
19 None of the proposed timber sale units include stands earlier than maturation 2 or meet
20 structurally complex definitions.
21

22 Mr. Callahan addressed prior questions about conservation areas in Grays Harbor County. He
23 displayed an aerial illustration of all areas identified in Grays Harbor in conservation status on
24 DNR-managed lands. Over time, conservation areas will develop into older forests with
25 surrounding forests comprised of different age classes creating landscape diversity.
26

27 Responding a question about the location of Depot Stove in the context of the surrounding
28 landscape, Mr. Callahan said the unit is located in the lower Chehalis watershed. Existing
29 conservation is intertwined throughout the landscape comprised of riparian areas and marbled
30 murrelet habitat. Over 33,000 acres of state forests are in conservation status in Grays Harbor
31 County representing 33% of DNR's ownership.
32

33 Mr. Callahan reviewed the trust beneficiaries for the proposed auction. He requested approval
34 of the proposed March timber sales.
35

36 Vice Chair Brown commented on the helpfulness of the receiving information about the on-
37 the-ground conditions and how leave tree areas are focused around existing larger trees.
38

39 MOTION: Commissioner Janicki moved to approve the proposed March timber sales as
40 proposed.
41

42 MOTION: Dean Powers seconded the motion.
43

44 MOTION: Superintendent Reykdal moved to amend the motion excluding Depot Stove
45 Unit 2 from the proposed March timber sales.
46

1 ACTION: The motion to amend died due to the lack of a second.

2
3 ACTION: Motion carried 4/1.

4
5 MOTION: Mr. Cahill moved to reconsider the motion approved at the January 3, 2024
6 meeting and withdraw Units 4 and 5 of the Cabbage Patch timber sale from
7 auction and hold in abeyance until Thurston County has been able to submit a
8 plan for identifying structurally complex forests in Thurston County by
9 October 1, 2024, at which time, the Board would reconsider auctioning the
10 units if not included in the plan or a decision has not been rendered moving
11 forward concerning the parcels.

12
13 MOTION: Superintendent Reykdal seconded the motion.

14
15 Commissioner Janicki asked whether staff has the authority to change the configuration of a
16 timber sale previously approved by the Board. She cited the example of the Power Plant
17 timber sale that was approved by the Board but changed by the Department prior to auction of
18 the sale.

19
20 Mr. Kearney advised that when the Board approves timber sales, it also establishes the
21 minimum bid value. If two units were removed from the sale, it would affect the minimum
22 bid. Staff will review with legal counsel whether it is possible to move forward with a portion
23 of the sale or whether the sale would be presented to the Board for a new sales appraisal.

24
25 Vice Chair Brown said the question pertained to whether staff could pursue the intent of the
26 motion without the Board's action. Mr. Kearney responded that the Department has the
27 authority to withdraw a timber sale contract by either refunding the contract amount or
28 exchanging acreage of the same value within the same taxing district. The subject sale has
29 not been auctioned. The Department can render a decision to withhold auctioning of a timber
30 sale, which has occurred to take advantage of current market conditions. However, the
31 Department does not regularly execute that authority. If no auction occurs after 180 days,
32 staff is required to bring the timber sale back to the Board for approval.

33
34 Mr. Cahill shared that his proposed motion is based on his agreement with Commissioner
35 Janicki's comment about the desire to work with Thurston County and other counties
36 requesting different actions on timber sales. The two units were identified as including
37 structurally complex characteristics. He supports moving forward with the other units in the
38 auction to benefit other beneficiaries. He cited pending legislation that may provide
39 additional funding for conservation and protection of forest lands and enabling the work
40 group to complete its work by the end of 2024, as well as encouraging Thurston County and
41 the Department to work together to present a plan or a proposal later in the year to consider
42 the best options moving forward.

43
44 Mr. Welker advised that removal of the units might affect the remaining units to the extent of
45 creating an inability to harvest the remaining units leading to a non-viable timber sale.
46

1 Vice Chair Brown acknowledged the possibility of numerous outcomes that are not certain at
2 this point.

3
4 ACTION: Motion carried 4/1.

5
6 **RECESS TO EXECUTIVE SESSION**

7 Vice Chair Brown recessed the meeting at 12:12 p.m. to an executive session to discuss
8 anticipated litigation, pending litigation, or any matter suitable under RCW 42.30.110 for
9 approximately 15 minutes. No action is planned following the executive session.

10
11 **RECONVENE & ADJOURNMENT**

12 Vice Chair Brown reconvened and adjourned the meeting at 12:41 p.m.

Approved this 5th day of March, 2024

Absent

Hilary S. Franz, Washington State Commissioner of Public Lands

James Cahill

Jim Cahill, Designee for Governor Jay Inslee

Chris Reykdal

Chris Reykdal, Superintendent of Public Instruction

Lisa Janicki

Lisa Janicki, Commissioner, Skagit County

Approved via Webinar

Dr. Wendy Powers, Dean, College of Agricultural, Human, and Natural Resource Sciences,
Washington State University

Dan Brown

Dan Brown, Director, School of Environmental and Forest Sciences,
University of Washington

Attest:

Tami Kellogg

Tami Kellogg, Board Coordinator

Prepared by Valerie L. Gow, Recording Secretary/President
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