
Minutes

Board of Natural Resources Meeting

July 2nd, 2019

Natural Resources Building, Olympia, Washington

BOARD MEMBERS PRESENT

The Honorable Hilary Franz, Washington State Commissioner of Public Lands

The Honorable Bill Peach, Commissioner, Clallam County

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

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

André-Denis Wright, Dean, College of Agricultural, Human, and Natural Resource Sciences,
Washington State University

Absent The Honorable Chris Reykdal, Superintendent of Public Instruction

1 CALL TO ORDER

2 Chair Franz called the meeting to order at 9:00 AM.

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4 All Board members introduced themselves. Chair Franz noted there was a quorum for the
5 meeting.

6 SAFETY REVIEW

7 Safety overview and instruction on evacuating the building in case of an emergency were
8 provided via PowerPoint presentation.

9 APPROVAL OF MINUTES

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11 Chair Franz called for approval of the minutes for the June 4th, 2019 Regular Board of Natural
12 Resources Meeting.

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15 MOTION: Dean Wright moved to approve the minutes.

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17 SECOND: Peach seconded the motion.

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19 ACTION: The motion carried unanimously.

20 PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST

1 **Russ Fifer-Holt, Washington School Director Association, Trust Land Committee**
2 Mr. Fifer-Holt shared his appreciation for the June Board tour in Eastern Washington. He shared
3 his appreciation for the work that Department of Natural Resources (DNR) does to enhance the
4 working relationship between the Trust and state government.
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7 **PUBLIC COMMENTS FOR TIMBER SALE ACTION ITEMS**

8 Doug Cooper, Hampton Limber
9 Mr. Cooper shared his appreciation for the June Board tour in Eastern Washington.
10

11 **TIMBER SALES (Action Item)**

12 **Proposed Timber Sales for August and September 2019 | 3 handouts, including the**
13 **presentation**

14 Koshare Eagle, Assistant Division Manager, Product Sales & Leasing Division
15 June
16

17 The results of the June 2019 auctions were presented to the board by Ms. Eagle. The Department
18 offered 17 sales totaling 96.1 mmbf. The 11 sales sold totaled \$15.8 million for an average of
19 \$243 per mbf with 1.6 bidders per sale on average.

20 Ms. Eagle then presented a final fiscal year 2019 volume graph depicting planned versus sold
21 volumes by quarter. Ms. Eagle presented a similar graph showing total sold volume which
22 included eastern Washington sales contributing revenue to the Forest Health revolving account.
23 Ms. Eagle also noted that 533 mmbf were brought to auction, which exceeded the target of 510
24 mmbf.

25 Director Brown asked for clarification that the sustainable harvest calculation applies to only the
26 west side.

27 Ms. Eagle confirmed that is correct.

28 Ms. Eagle then presented some value statistics for fiscal year 2019 showing the agency estimates
29 a total revenue for non-forest health sales at approximately \$149 million and \$10 million for
30 forest health projects. Ms. Eagle noted that the total final sale values will change based on timber
31 harvests as sales are paid upon delivered logs for both sort and scale sales. The average stumpage
32 over the entire fiscal year was \$325/mbf. Ms. Eagle presented a graph depicting the past 11 years
33 of log price survey data, noting that the drop in average prices over the past year is comparable
34 to the drop in 2008-09.

35 Director Brown asked for DF and RA to be defined.

36 Ms. Eagle clarified that DF stands for Douglas Fir and RA stands for Red Alder.

37 Ms. Eagle presented a graph showing the log survey price of Douglas Fir over the last decade.
38 Ms. Eagle noted that the average price for Doug Fir is on an overall upward trend. Ms. Eagle
39 also noted that there is considerable variability in prices; with a difference of \$137 in 2009 and

1 \$206 in 2019. Ms. Eagle then presented the predicted fiscal year 19 revenue of \$350/mbf in
2 comparison to the actual revenue of \$325/mbf. Ms. Eagle shared a graph of preliminary fiscal
3 year revenue distribution to beneficiaries, noting that the numbers not the final removals.

4 Ms. Eagle asked for questions regarding fiscal year 19.

5 Director Brown asked for clarification that fiscal year 19 unsold sales will not be listed again as
6 planned, but will be shown later when sold over the next year.

7 Ms. Eagle confirmed that is correct and added that, in the future, fiscal year 19 sales will be
8 separated to show planned and delivered for fiscal year 19 versus planned for fiscal year 20 .

9 Commissioner Franz asked what numbers are expected for fiscal year 20.

10 Ms. Eagle responded that she did not have numbers for fiscal year 20 with her, but will share
11 them at a later time. Ms. Eagle added that fiscal year 20 will be moving toward a more even
12 distribution of sales with 20% of volume in the 1st and 4th quarters and 30% of volume in the 2nd
13 and 3rd quarters.

14 Commissioner Peach asked for an estimate on fiscal year 20 planned volume.

15 Ms. Eagle shared that a decision from the Board regarding Marbled Murrelet strategy and
16 sustainable harvest calculations is expected mid-fiscal year, which will determine what the final
17 volume numbers will be. Preliminary numbers for the previously selected preferred alternative is
18 460 mmbf on the west side.

19 Commissioner Peach asked for the variance of '19 west side volume of 431 mmbf sold with the
20 target.

21 Ms. Eagle confirmed that 431 mmbf were sold with a target of 500 mmbf, noting that the target
22 is not final until the Board reaches a decision.

23 Commissioner Peach asked if the target volume for fiscal year 20 is variance plus 500 mmbf.

24 Ms. Eagle explained that this planning decade is 2015-2024, with fiscal year 19 being the
25 midpoint. The numbers have been estimated for the first half of the decade, and will be final after
26 Board decision on sustainable harvest.

27 Director Brown asked for clarification that 475 mmbf were offered rather than 500 mmbf.

28 Ms. Eagle offered to look at that, as her numbers were different. Ms. Eagle noted that there are
29 multiple ways to break out the sales, and the manner presented today may not fit what Director
30 Brown was looking for. Ms. Eagle added that 27 mmbf in the Olympic region were delayed due
31 to changes in Forest Service road use permit policies.

1 Commissioner Peach asked if the variance from fiscal year 19 will be absorbed making the fiscal
2 year 2019 arrearage zero.

3 Ms. Eagle clarified that unsold sales will carry over as well and that a decision must first be
4 made on the sustainable harvest calculation before knowing how to adjust to meet the final
5 target.

6 Mr. Cahill asked what the forecast might be for delivered log prices.

7 Ms. Eagle shared that the latest forecast from last week anticipates flat prices, and noted that one
8 report described market predictions as walking on eggshells.

9 Commissioner Peach noted that with the volatility of prices, the strategy is providing an even
10 flow of sales.

11 Ms. Eagle shared that Division is working toward getting a more even flow than previous years.

12 Director Brown commented that with seasonality in the market, it may make sense to be more
13 seasonal with sales.

14 Ms. Eagle explained that Division is keeping up with log and timber market and communicating
15 with customers. Ms. Eagle added that the past has shown seasonality in the market, but there is
16 more uncertainty at this time.

17 Commissioner Franz asked the Board for further questions or comments.

18 There were no more question regarding June auctions or fiscal year 2019 results.

19 Ms. Eagle then presented proposed sales to be offered in August and September 2019 to the
20 Board. Ms. Eagle noted that one contract harvest sale is being offered to allow for pre-roading
21 before the fall, with the sorts being auctioned at a later date.

22
23 Ms. Eagle asked for approval of the proposed sales as presented.

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25 MOTION: Commissioner Peach moved to approve the proposed sales.

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27 SECOND: Dean Wright seconded the motion.

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29 ACTION: The motion carried unanimously.

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31 **PUBLIC COMMENTS FOR LAND TRANSACTION ACTION ITEMS**

32 **None**

33
34 **LAND TRANSACTION (Action Items)**

35 **North Green Land Exchange, No.86-097749; Resolution 1543**

36 Robert Winslow, Recreation, and Transactions Division

1
2 Mr. Winslow presented North Green Land Exchange. The North Green Land Exchange is
3 located in Kitsap County with the 10 acre state trust property located in southern Kitsap County.
4 The 33.21 acre private property located in central Kitsap County. The isolated state 10 acre
5 property is escheat trust located in an area of rural residential home sites with zoning permitting
6 up to two home sites with a short plat.

7
8 The 33.21 acre private property is located adjacent to state managed trust land at the north end of
9 the Green Mountain State Forest. The vegetation is primarily an 18 year old mixed species stand
10 with residual merchantable trees.

11
12 One of the primary motivations for the state to acquire this property is enhanced access into the
13 Green Mountain State Forest for timber and rock hauling and potential commercial leases.
14 Public testimony consisted of one person speaking in favor of the land exchange.

15
16 DNR would convey the 10 acre Escheat Trust property valued at \$180,000 plus \$65,000 cash
17 from the Land Bank in order to obtain the 33.21 acre private property valued at \$245,000. The
18 transaction should be exempt from compensating tax.

19
20 Mr. Winslow concluded by asking the Board to approve Resolution 1543.

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22 MOTION: Commissioner Peach moved to approve Resolution 1543.

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24 SECOND: Dean Wright seconded the motion.

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26 ACTION: The motion carried unanimously.

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29 **West Cavanaugh Acquisition, No. 08-096020; Resolution 1544**

30 Bob Winslow, Recreation, and Transactions Division

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32 Mr. Winslow presented The West Cavanaugh Acquisition. The property is located in Skagit
33 County about 16 miles southeast of Mount Vernon off of the Lake Cavanaugh County Road.
34 This property is 630.65 acres in size and has site class 2 and 3 soils with almost all of the
35 property being a ground lead logging system and a 12-month timber marketing window. This
36 property is an edge holding that is adjacent to DNR managed trust land and provides enhanced
37 access into a large block of trust land.

38
39 The trees are primarily conifer species and a variety of age classes are present with the 20-30
40 year old age class having the most acreage. The property has existing forest roads throughout the
41 property that also assist with access to adjacent trust land. The existing zoning is Industrial
42 Forest (1du/80acres) and Secondary Forest (1du/20 acre) with a total of up to 12 potential home
43 sites. DNR anticipates this area is likely to continue to have a moderate land appreciation rate.

44
45 The negotiated acquisition price is \$1,645,000 with \$1,158,000 of the allocated value applied to
46 the timber and forest growth and \$487,000 allocated to the land value. The funding used for the
47 acquisition comes from the Land Bank. The Seller is paying the compensating tax.

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3 Mr. Winslow recommended approval of Resolution 1544.

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5 MOTION: Dan Brown moved to approve Resolution 1544.

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7 SECOND: Commissioner Peach seconded the motion.

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9 ACTION: The motion carried unanimously.

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13 **Dry Hill Exchange, No. 86-097444; Resolution 1545**

14 Bob Winslow, Recreation, and Transactions Division

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16 The Dry Hill Exchange properties are located in Clallam and Grays Harbor Counties. 311 acres
17 of isolated common school trust property northeast of Hoquiam were proposed to exchange for
18 61 acres located just west of Port Angeles owned by the Anderson & Middleton Company
19 (A&M).

20
21 The A&M property is an edge holding that is adjacent to DNR managed trust land and provides
22 enhanced all-purpose access into a 3000+ acre block of trust land. Ownership of the property
23 will protect DNR from operational restrictions if developed for housing by another landowner in
24 the future. Ownership will avoid potential investment necessary for developing alternative
25 access to the Dry Hill block.

26
27 The Clallam County property will also likely appreciate in land value faster and greater than the
28 Grays Harbor County parcel in the future.

29
30 A public hearing was held November 1, 2018. No testimony was received.

31
32 The appraised value of the State parcel in Grays Harbor County is \$575,000. The appraised
33 value of the Clallam County parcel is \$490,000. Equal balance for an equitable exchange is
34 achieved by crediting \$85,000 of additional benefit associated with securing access to the Dry
35 Hill block and the cost avoidance for investment in alternative access if the property were
36 allowed to convert to housing by another landowner.

37
38
39 **Correction:** There was an error on the slide used during the board presentation. The \$85,000
40 balance was incorrectly listed as a cash payment. No cash payment will be utilized to achieve an
41 equitable balance. In fact, the exchange balance is achieved with the additional non-cash benefit
42 value gained by DNR through enhanced access security and investment cost avoidance.

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45 Mr. Winslow recommended approval of Resolution 1545.

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47 MOTION: Jim Cahill moved to approve Resolution 1545.

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2 SECOND: André-Denis Wright seconded the motion.

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4 ACTION: The motion carried unanimously

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6 **PUBLIC COMMENTS FOR CHAIR REPORT**

7 Rob Fleck, City of Forks, WA

8 Long term conservation Marbled Murrelet strategy. Mr. Fleck shared his concerns about long
9 term planning for future harvest levels of Trust Lands. Mr. Fleck wants to be sure that economic
10 impacts are being discussed.

11
12 Miquel Perez-Gibson, Washington Environmental Council

13 Mr. Perez-Gibson would like the Board to consider the petition on the Climate Change Policy.

14
15 Matt Comisky, American Forrester Resource Council

16 Mr. Comisky commented on the 2018-2019 legislative session. DNR and AFRC were able work
17 together for funding.

18 Marbled Murrelet conference call with DNR staff. Mr. Comisky has some concerns that the
19 financial impact was not address.

20 Mr. Comisky shared that the demanding timeline for the next three Board meeting might be to
21 overwhelming for staff. He shared his concerns that this will take away from the daily needs to
22 be done.

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25 **CHAIR REPORT**

26 **2019 Legislative Report**

27 Joanna Eide, Legislative Director for Department of Natural Resources

28 Ms. Eide presented the Board the 2019-2021 Capital Budget Requests and the final budget.

29 Ms. Eide shared that the legislative session was fast, with new members to bring up to speed.

30 DNR requested seed money to begin projects that will diversify the book of business for DNR.

31
32 **Board of Natural Resources Tour Feedback**

33 David Bergvall, Senior Policy and Project Advisor, Washington State Department of Natural
34 Resources

35 Mr. Bergvall recapped the BNR field tour in Eastern Washington in June. Mr. Bergvall thanked
36 the Board for being active members and taking in all the tasks that are ahead of them.

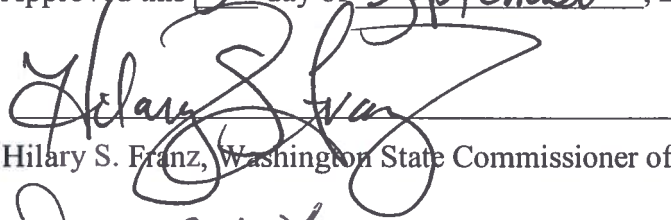
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38 **Fall Board of Natural Resources Fall Schedule**

39 Andrew Hayes, Division Manager, Forest Resources

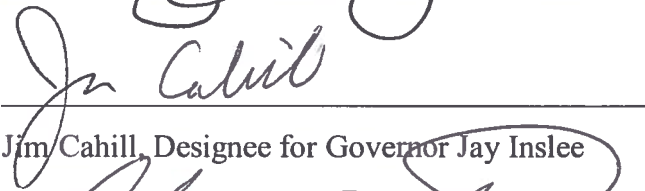
40 Mr. Hayes presented the 2019 Fall BNR schedule. The schedule will include extended meeting
41 times to drive deeper into the Marble Marrelet. The extended meeting will also be for discussing
42 the Environmental Impact Statement.

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44 Meeting adjourned at 11 AM.

Approved this 3rd day of September, 2019



Hilary S. Franz, Washington State Commissioner of Public Lands



Jim Cahill, Designee for Governor Jay Inslee



Chris Reykdal, Superintendent of Public Instruction



Bill Peach, Commissioner, Clallam County



André-Denis Wright, Dean, College of Agricultural, Human, and Natural Resource Sciences,
Washington State University

Absent

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

Attest:



Theresa McGuire, Board Coordinator