

Trust Land Transfer Proviso Work Group

Meeting 2



July 28, 2021, 8 a.m. - 12 p.m.



WASHINGTON STATE DEPARTMENT OF
NATURAL RESOURCES

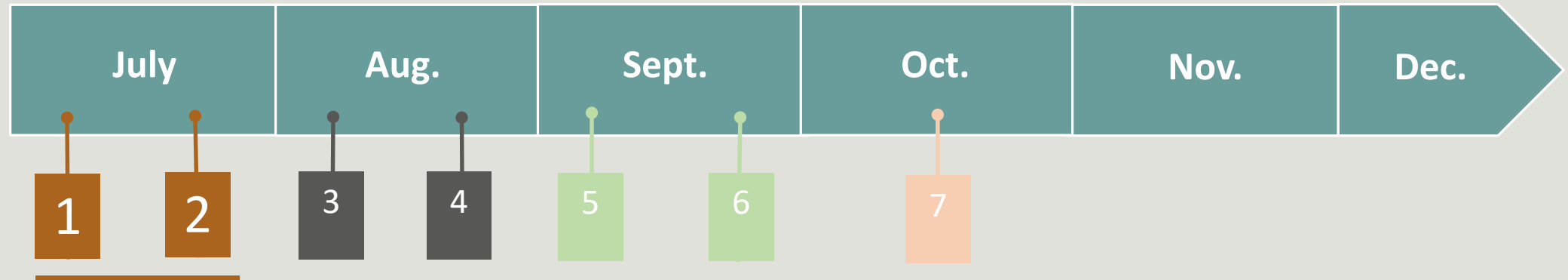
Agenda

8:00 – 8:20	Welcome and Introductions	All
8:20 – 9:00	Work Group Business	
	Timeline Review and Notes Charter and Proviso DNR-Managed Lands	Lisa Angus Kristen
9:00 – 9:10	Break	
9:10 - 10:15	Land Transactions Overview	
	Tools and Programs Q & A	Laurie All
10:15 – 10:30	Break	
10:30 – 10:45	Round Robin	All
10:45 – 11:20	Trust Land Transfer – Additional Information	
	Case Study #1 Inter-Trust Exchange Case Study #2 Q & A	Laurie Lisa Lisa All
11:20 – 11:50	Summary and Next Steps	
	Follow up from Meeting #1	Laurie
11:50- 12:00	Upcoming Meeting #3 Presentations Reminder / Wrap Up	Lisa

Work Group Business

Project Timeline

Review



Meetings 1 and 2: Background and Context

- Review trust land transfer (TLT) background information, existing processes, and regulatory framework
- Provide overview of programs and tools related to TLT such as transition lands, State Forest Land Replacement Program (encumbered lands), Community Forest Program, and the land bank

Meeting Notes

Charter

Review revised language

Adoption

Legislative Proviso Language

Correction

As part of the 2021-23 Capital Budget, the Washington State Legislature passed a budget proviso specific to trust land transfer (SHB 1080 Sec. 3333).

Work Group

“(1)The department of natural resources shall convene a work group of trust land beneficiaries and stakeholders to develop a recommended process for the way trust land transfer proposals are developed and implemented.

Considerations

Consideration should be made for increasing the income value of the trusts, limiting impacts to trust lands not being considered for transfer, conservation value of lands that are a potential candidate for transfer, and use of the land bank for securing repositioned land that would result from any transferred projects, and any other items necessary for a well-supported program.

DNR Tasks

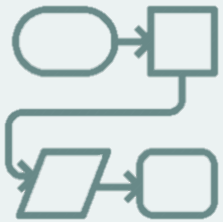
The department of natural resources must report and make recommendations for the establishment of a new trust land transfer program, ~~in the form of proposed legislation,~~ to the fiscal committees of the legislature, by December 1, 2021.

(2) For the 2021-2023 fiscal biennium, the department of natural resources may not trade, transfer, or sell any valuable material from the four parcels that comprised the proposed trust land transfer parcels in the 2019-2021 fiscal biennium, known as Blakely Island, Devils Lake, Eglon, and Morning Star.



2021 Capital Budget Proviso – Summary

SHB 1080, Sec. 3333



- Work Group’s role is to develop a recommended process for the development and implementation of TLT proposals



- DNR’s role is to report and make recommendations for establishment of a new TLT Program

DNR-Managed Lands Overview

Department of Natural Resources

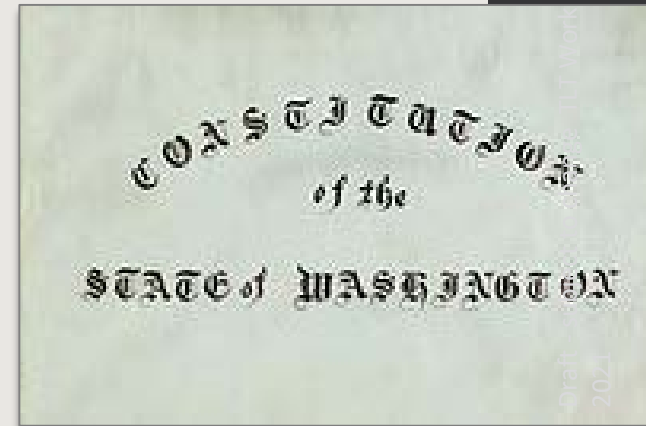
Trust Manager
~2.9 million acres
of
State Trust Lands
in Washington



Trust Responsibilities

As manager of state trust lands, DNR has legal fiduciary responsibilities to:

- Generate revenue and other benefits for each trust, in perpetuity
- Preserve the corpus of the trust
- Exercise reasonable care and skill
- Act prudently to reduce the risk of loss for the trusts
- Maintain undivided loyalty to beneficiaries
- Act impartially with respect to current and future beneficiaries



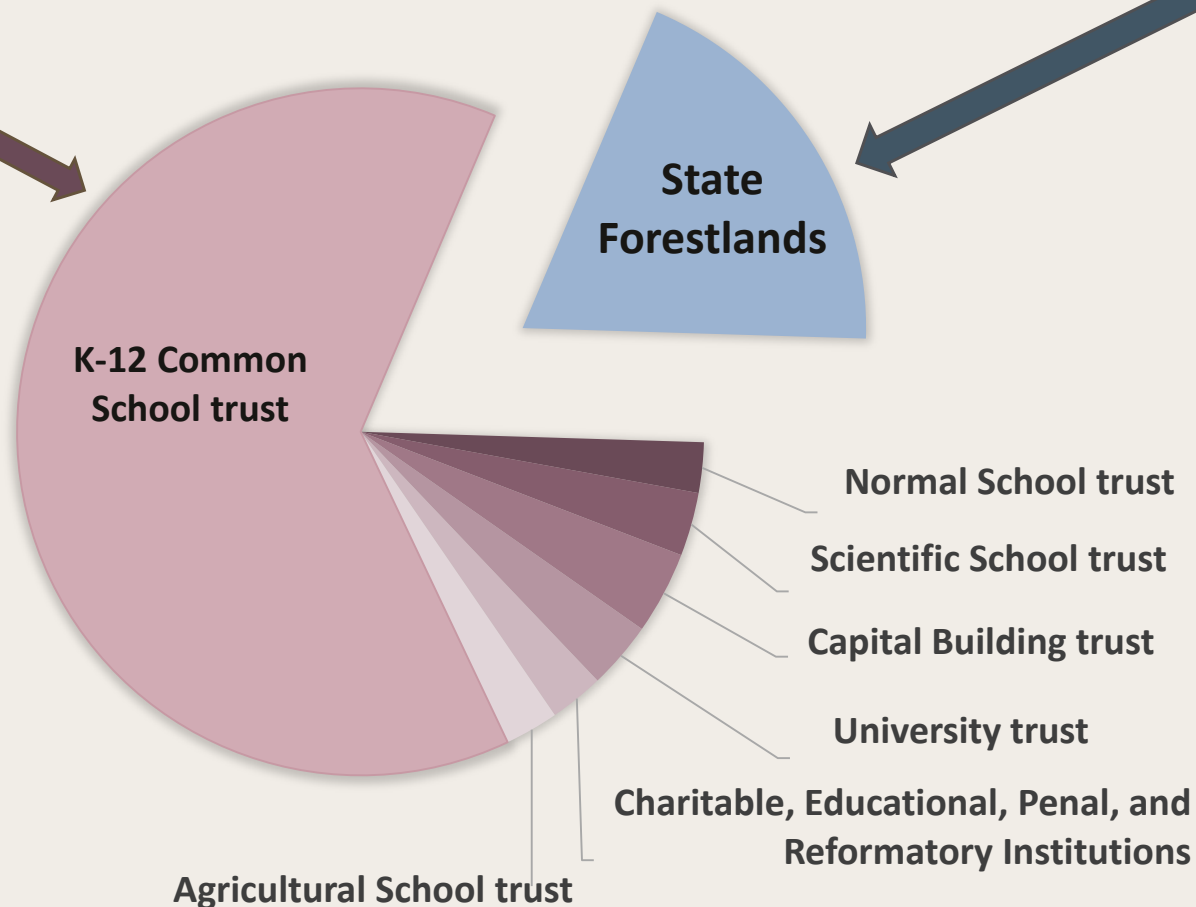
State Trust Lands

~2.9 Million Acres of State Trust Lands

State Lands

Federally granted lands

- Enabling Act (25 U.S. Statutes at Large, c 180 p. 676)
- State Constitution
- Revenue is generated from a variety of sources
- Source of financial support, primarily for public schools and colleges



State Forestlands

- Two types: Transfer and Purchase
- > 617,000 acres*
- Transfer lands acquired by counties through tax foreclosures.
- Statutory Trusts
- Revenue helps fund county services, state schools, and junior taxing districts
- 21 counties

* Source : Deloitte Report 2020, Appendix D

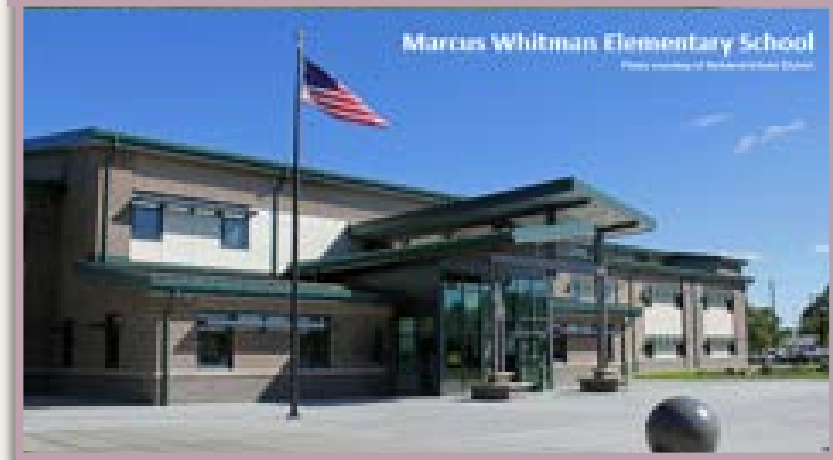
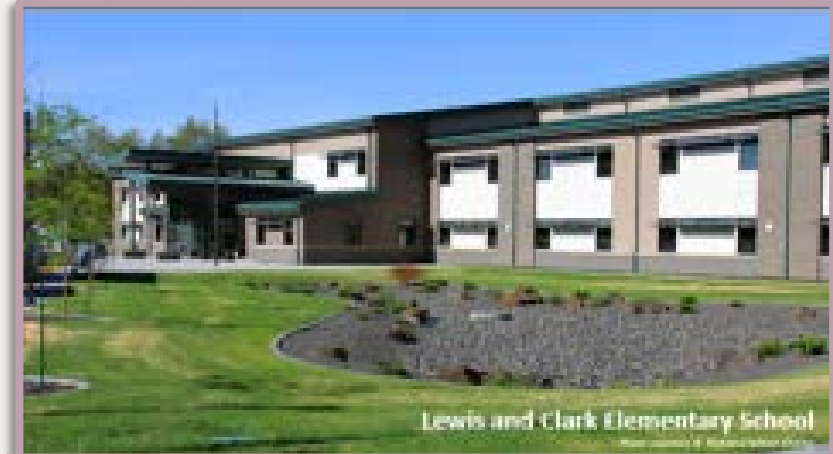


Common School Granted Trust Lands

(K-12 Common School)

- Present in all counties
- Revenue is generated from a variety of sources
- Revenue distribution is not linked with location generated
- ~1.79 million acres statewide

Income from these state grant lands supports construction of state public kindergarten through 12th grade schools



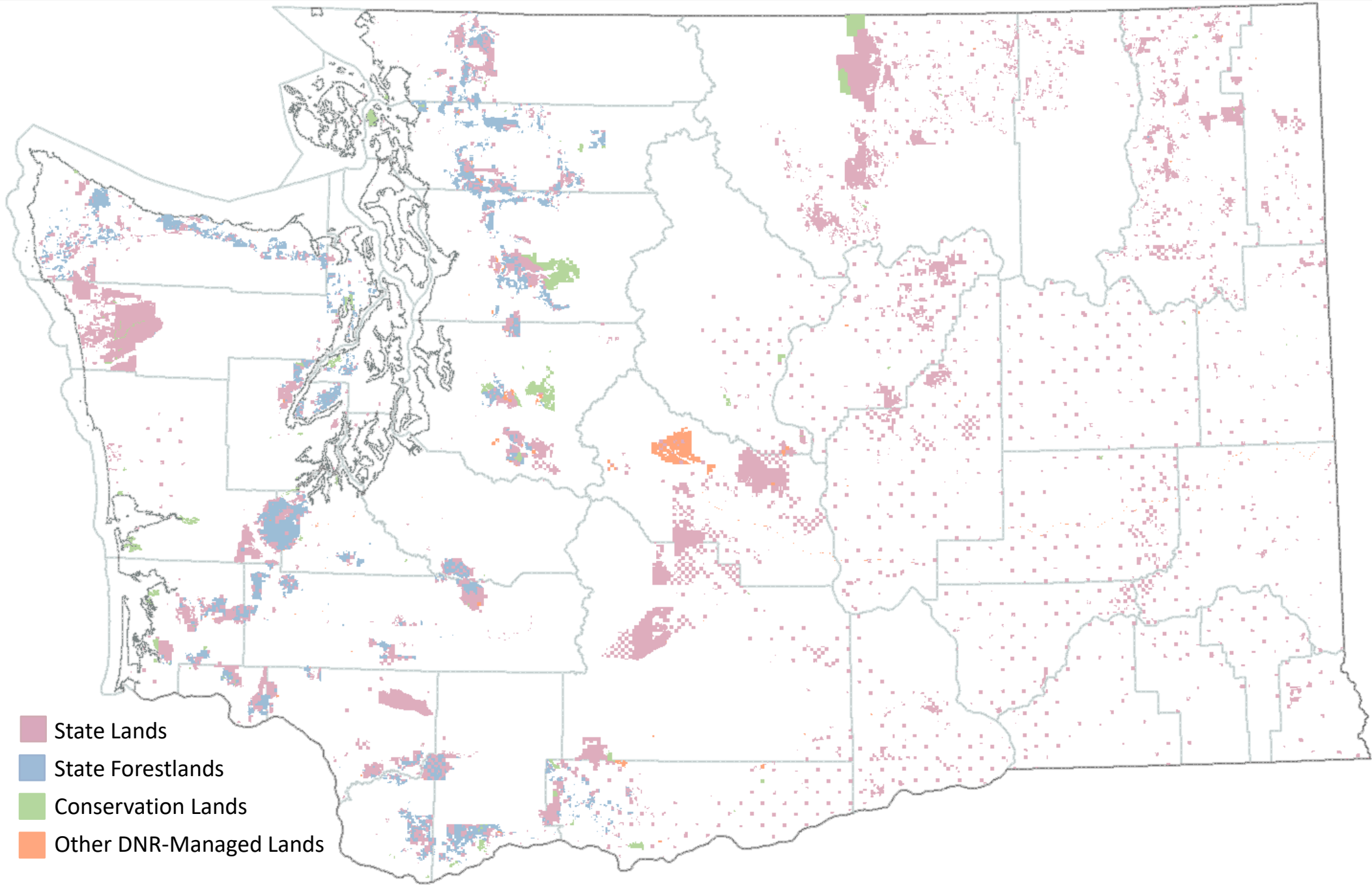
State Forestlands

Typical Recipients of Funding



- County Services
- School Districts
- County Roads
- Ports

- Library Districts
- Fire Districts
- Hospitals
- EMS



- State Lands
- State Forestlands
- Conservation Lands
- Other DNR-Managed Lands

Conservation Lands

Natural Area Preserves

- Protects the best remaining examples of ecological communities, including rare plant and animal habitat
- Currently includes 57 sites | ~40,730 acres

Natural Resources Conservation Areas

- Protect outstanding examples of native ecosystems, habitat for endangered, threatened, and sensitive plants and animals, and scenic landscapes
- Also protect geologic, cultural, historic, and archeological sites.
- Currently includes 39 sites | ~125,263 acres



Community Forest

- Non-fiduciary community forest trust
- Purpose is to protect working forests and natural resource lands at risk of conversion to non-forest uses
- Intended to support values such as recreation, fish and wildlife habitat, local jobs, clean water and air, public access, education, and carbon storage
- Must have a community working forest management plan



Land Transactions Overview

Purpose of the Transactions Program overview



- Understand the context of how Trust Land Transfer fits within the Transactions program
- Summary of relevant laws, programs, tools
- Programs and processes have evolved over time to meet specific needs
- Can be complicated or cumbersome at times



Land Transactions

Disposals

- Direct Transfer
- Reconveyance
- Public Auction
- Trust Land Transfer

• State Forestland Replacement Program

• Land Bank

Acquisitions

- Purchase

Exchanges

- DNR & another land owner
- Within DNR
 - Inter-Trust:
Trust A ↔ Trust B*
- Trust ↔ Non-Trust*

Direct Transfers

RCW 79.17.200



Which Trusts?

Common School Trust
Other Federally Granted Trusts

What is Direct Transfer used for?

Method of land transfer or disposal without public auction

To whom?

- Public Agencies and Tribes
- Private entities in cases of property disputes and condemnation

How does it work?

- Identify and appraise the land
- Obtain Board approval
- Transfer deed

Why?

In the best interest of the state or the trust

- In lieu of condemnation
- To resolve trespass or property ownership disputes
- Reason to transfer to another public agency

Constraint:

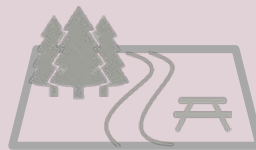
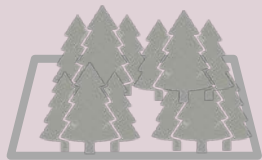
Land must be appraised at Fair Market Value

Where does the money go?

Real Property Replacement Account

Reconveyance

(RCW 79.22.300-310)



Which Trust?

State Forestlands

What is Reconveyance use for?

Counties to use state forestland for public park purposes

Why?

The county wants a public park

By Whom?

The county must request

How does it work?

- County requests a reconveyance
- Board of Natural Resources approves
- Land is reconveyed to county
- If land ceases to be used for park purposes, it is conveyed back to DNR

Constraints:

- Land must be used as a public park
- Must be in accordance with a county or state outdoor recreation plan

DISPOSAL

Public Auction

RCW 79.11



Which Trusts? Common School Trust
Other Federally Granted Trusts

What is Public Auction used for?

To sell real property

Why?

The land has been deemed no longer or not necessary for public use

To whom?

Anyone – the highest bidder

Constraints:

- 160 acre parcel maximum, platting
- Not less than appraised value

How does it work?

- Identify and appraise the land
- Provide public notice
- Hold public auction

Where does the money go?

Permanent Fund of the Federally Granted Trust
(managed by the Washington State Investment Board)

Purchase



Which Trusts?

Common School Trust
Other Federally Granted Trusts
State Forestlands

Why does DNR Purchase land?

- Better position DNR's assets
- Block up DNR's lands
- Revenue potential
- Key access points
- Replacement lands

How does it work?

- Identify desirable property that is for sale
- Obtain Board approval
- Purchase land from correct funding source

Constraints:

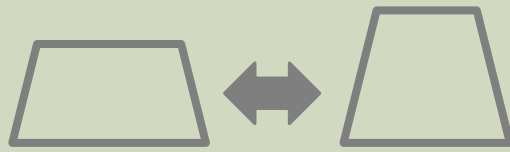
- Can be a complicated process
- Funding
- Natural resource or income producing potential

Where does the money come from?

- Real Property Replacement Account
- Parkland Trust Revolving Account
- Resource Management Cost Account
- Forest Development Account

Exchanges

RCW 79.17



Which Trusts?

Common School Trust
Other Federally Granted Trusts
State Forestlands

What are Exchanges?

Exchanging of any state land for any other land

Why?

- Meet trust management goals (*DNR and other landowner*)
- Change land designations (*Trust and Non-Trust*)
- Change trust designations (*Inter-Trust*)

Who?

- Another landowner outside DNR
- Within DNR

Constraints:

- Must be in best interest of trust(s) involved
- Must be of equal value

How does it work?

- Identify land to be exchanged
- Perform appraisals – verify equal value
- Public hearing
- Obtain Board approval

The Land Bank



RCW 79.19

What Trusts?

Common School Trust
Other Federally Granted Trusts
State Forestlands

What is the Land Bank used for?

Holding area for desirable properties waiting to become trust land and former trust lands waiting to be sold

To whom can the land be sold?

Anyone – public auction

Why?

- Acquire properties with better income potential
- Dispose of low income properties

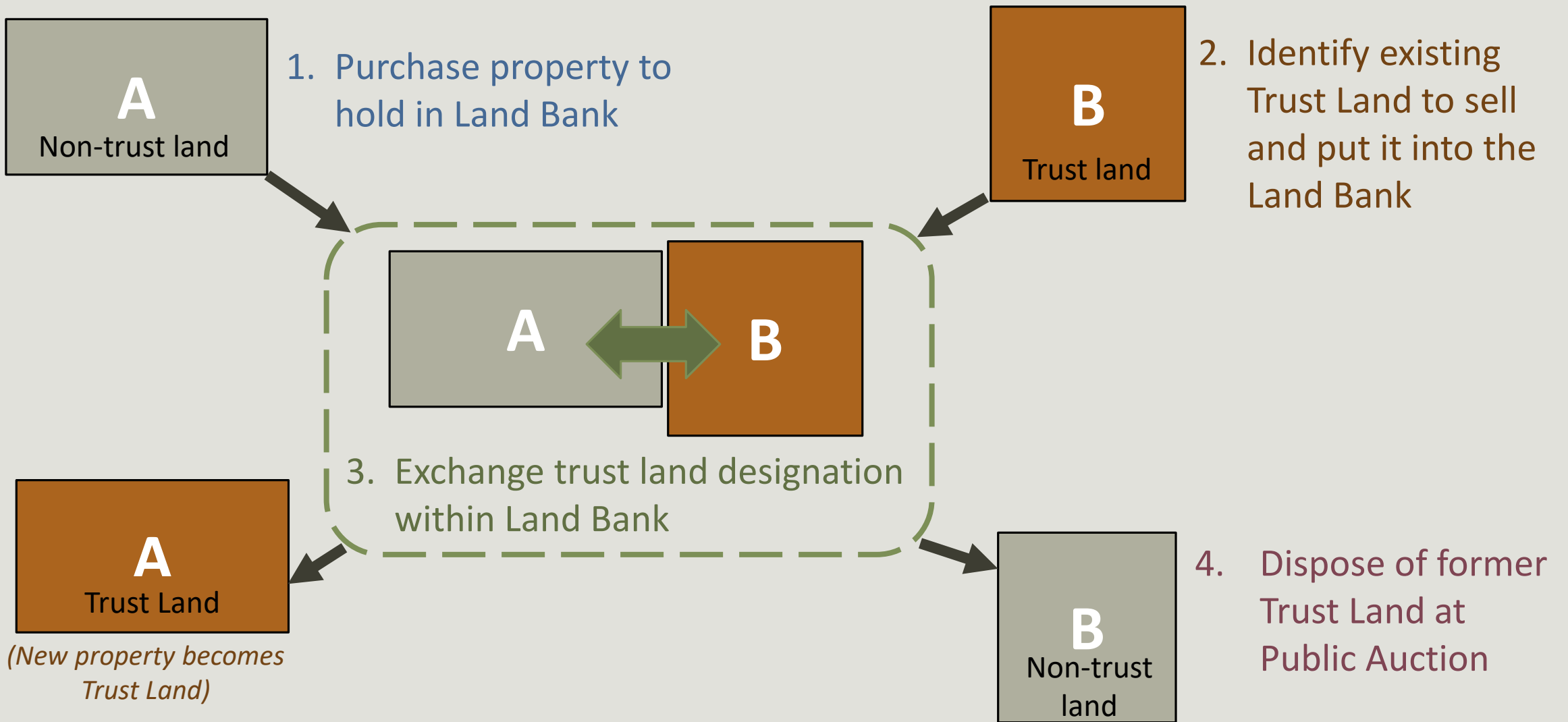
Constraints:

- Must acquire property first
- Total Land Bank acreage not to exceed 1,500 acres
- Exchanges must be of equal value
- Must be sold for at least for fair market value
- For state forestland - must be in same county (ideally in same taxing district(s))

What is the income from public auction used for?

To purchase additional Land Bank Properties

How does the Land Bank work?



State Forestland Replacement Program

RCW 79.22.060



Which Trust? State Forestlands

What is the State Forestland Replacement Program?

It is a legislative tool to replace encumbered state forestlands

Who does it affect?

- Rural counties <25,000 population
- With encumbered State Forestlands

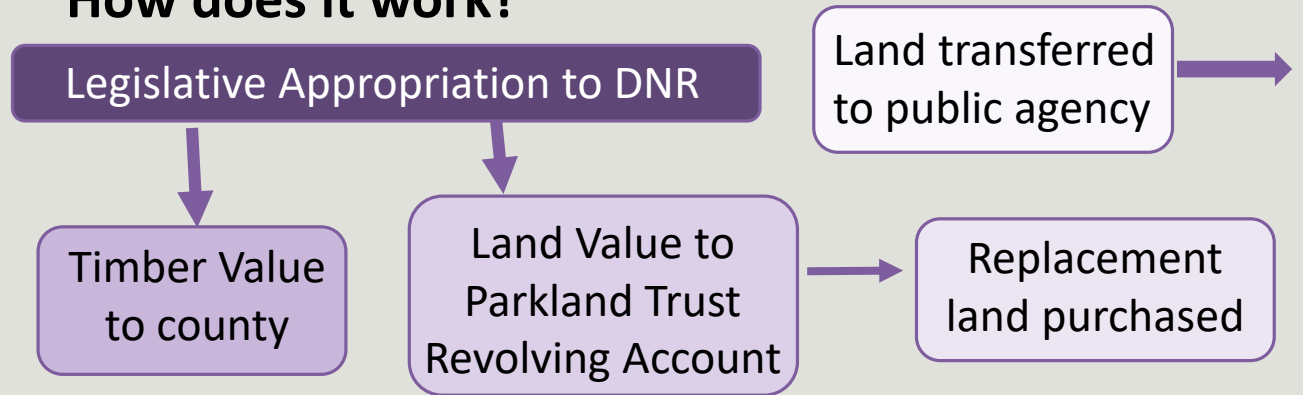
Why would it be used?

- Provide replacement timber revenue
- Replace the encumbered State Forestlands with lands that are not encumbered

What are Encumbered Lands?

Lands with timber harvest deferrals under the ESA (marbled murrelet and northern spotted owl)

How does it work?



Legislative Direction

- 2017-2019 Biennium: DNR convened a committee to develop a long-term solution for the program
- Encumbered Lands Pilot Project

Trust Land Transfer



Which Trust?

Common School Trust

What is Trust Land Transfer?

Tool to address trust management, conservation, and recreation interests

To whom can the land be transferred?

Public agencies

(per RCW 79.11 state lands and RCW 79.22.060 state forestlands)

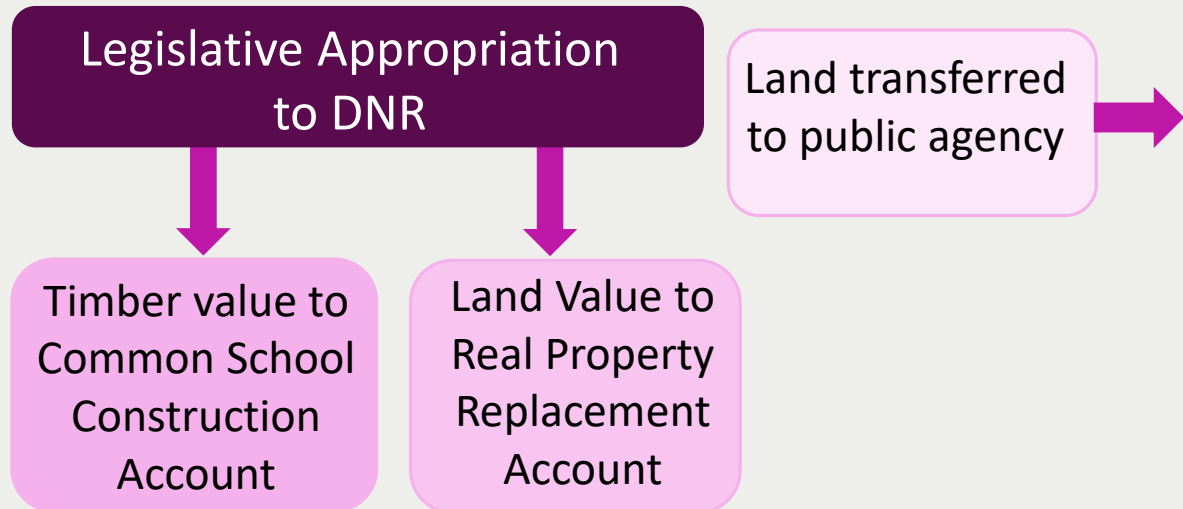
Challenges:

- Generating list of potential properties
- Limiting costs to 1.9% appropriation
- Meeting the 80/20 rule
- Performing inter-trust exchanges

Why?

- Replace under-performing lands for lands with better income producing potential
- Conserve lands with high ecological or social values

How does it work?



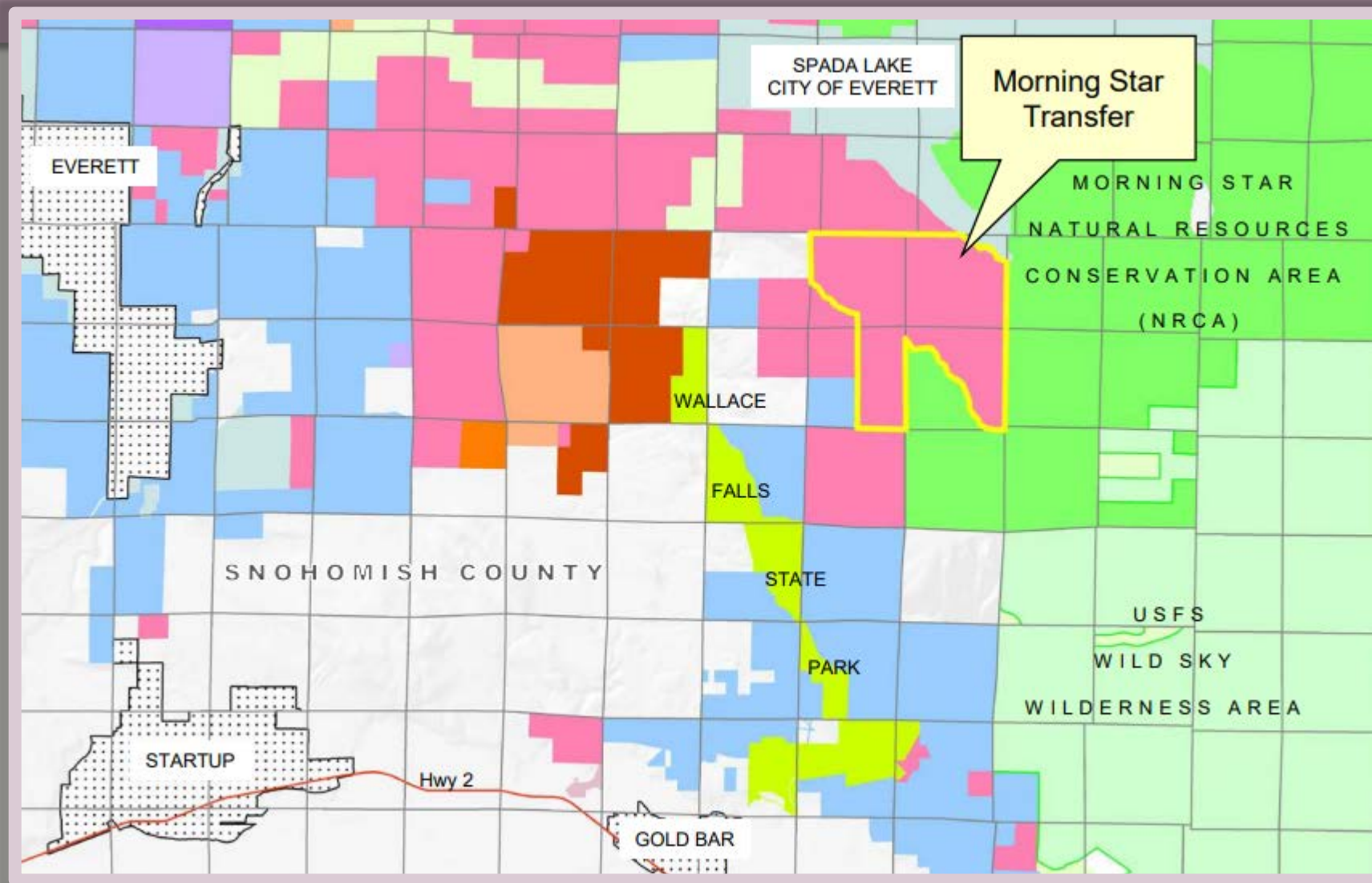
Trust Land Transfer Additional Information

Case Study #1: Morning Star

1. DNR receives the legislative appropriation
2. DNR deposits the estimated timber value into the Common School Construction Account at the beginning of the biennium
3. Property gets appraised for both timber and land values
4. Proposed transaction goes to the Board of Natural Resources
5. Once approved, deeds are executed
6. Land value goes to the Real Property Replacement Account



Morning Star: Common School Trust Land Transfer



Inter-Trust Exchange

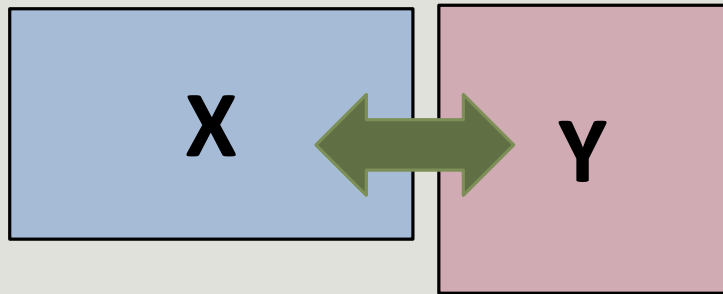
State Forestland
"Parcel X"

1. State Forestlands are identified for potential TLT

Common School Trust land
"Parcel Y"

2. Identify Common School Trust Land to Exchange with State Forestlands Prior to TLT

Ex: State Forestland "Parcel X" generates revenue for Taxing Districts A, B, C, & D



Ex: Common School Trust "Parcel Y" generates revenue for the Common School Trust

3. Perform the Inter-trust Exchange (Based on Value)

Common School
"Parcel X"

"Parcel X" can now undergo a Trust Land Transfer

"Parcel X" becomes Common School Trust

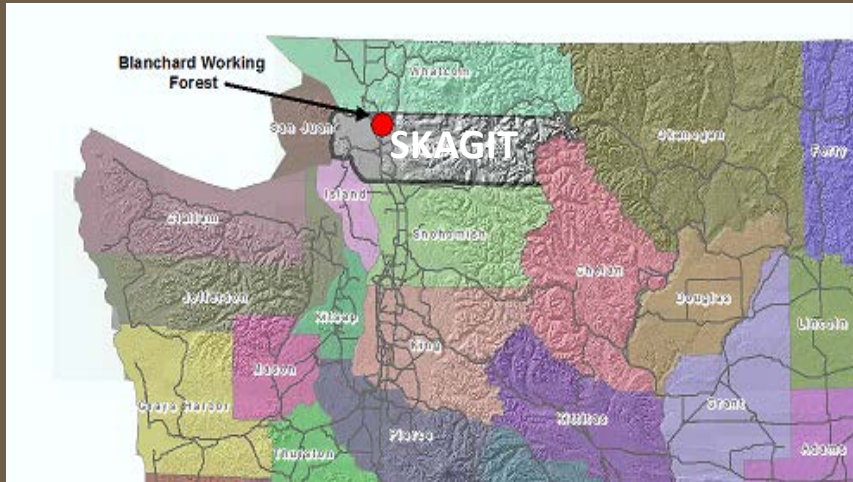
State Forestland
"Parcel Y"

4. "Parcel Y" becomes State Forestland

Ex: New State Forestland "Parcel Y" now generates revenue for Taxing Districts A, B, G, & H (may be different recipients)



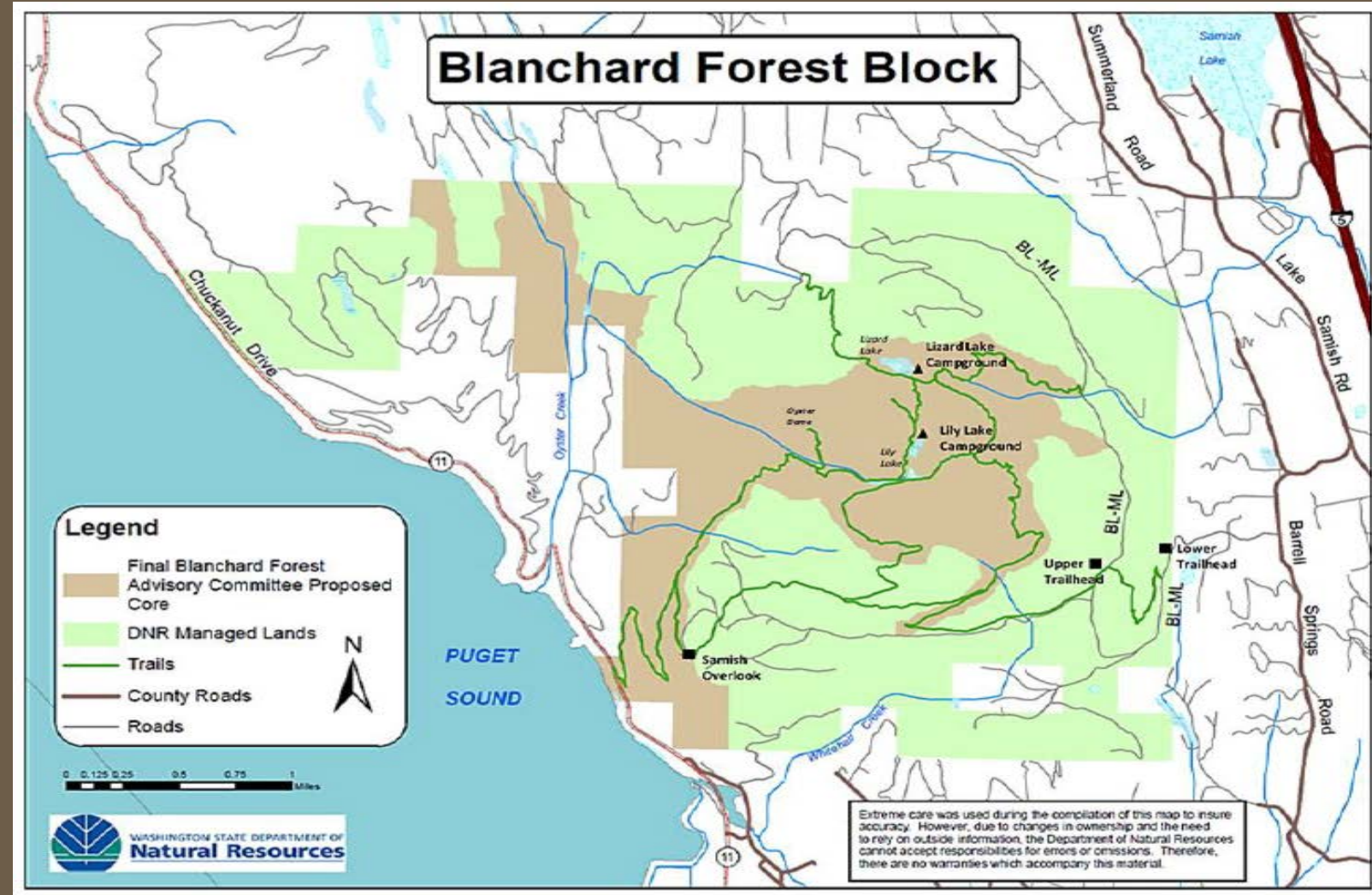
Case Study #2 – Inter-Trust Exchange -Blanchard



Blanchard Working Forest

Located in SKAGIT county

662 acres of State Forestlands within the Blanchard Core Zone were identified for a Trust Land Transfer and went through an Inter-Trust Exchange Process in 2018





Case Study #2

Common School Trust Lands throughout Skagit County were evaluated

1,985 acres of Common School Trust Lands throughout the county

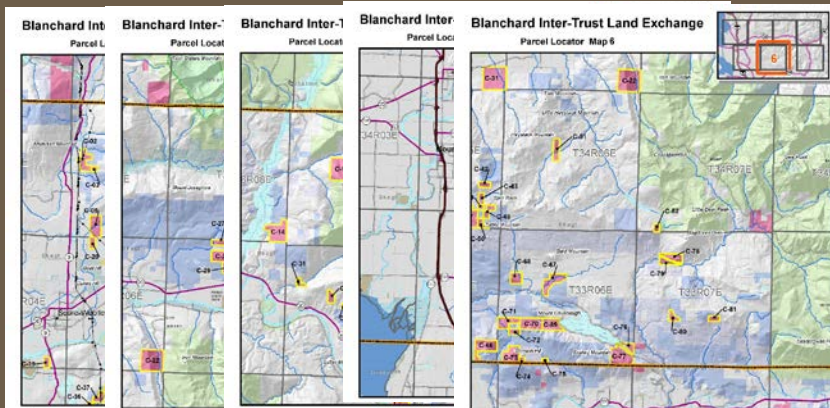
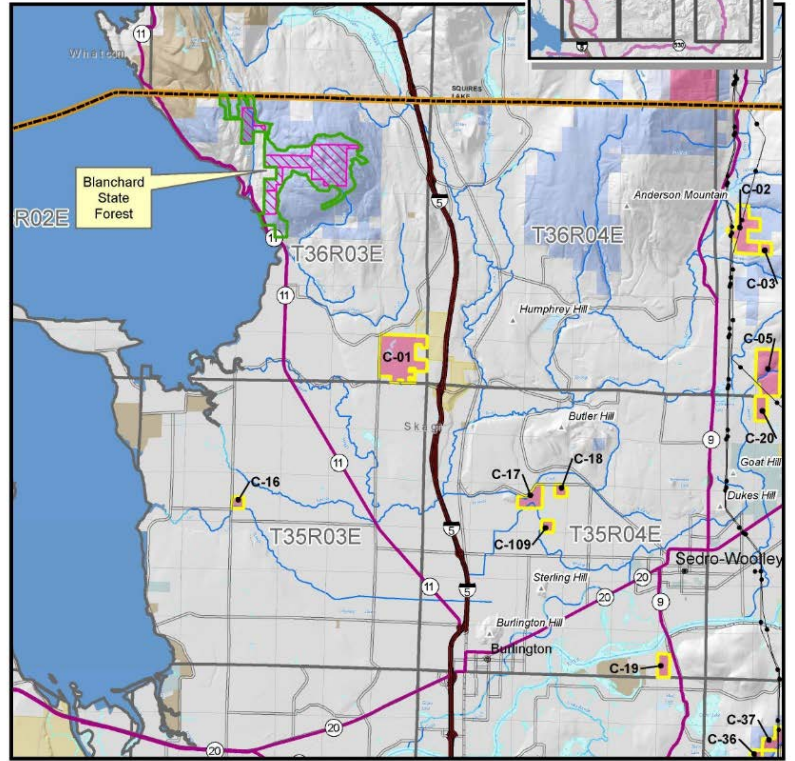
were exchanged with

662 acres of State Forestlands in the Blanchard Core Zone

Value- \$9.8 M

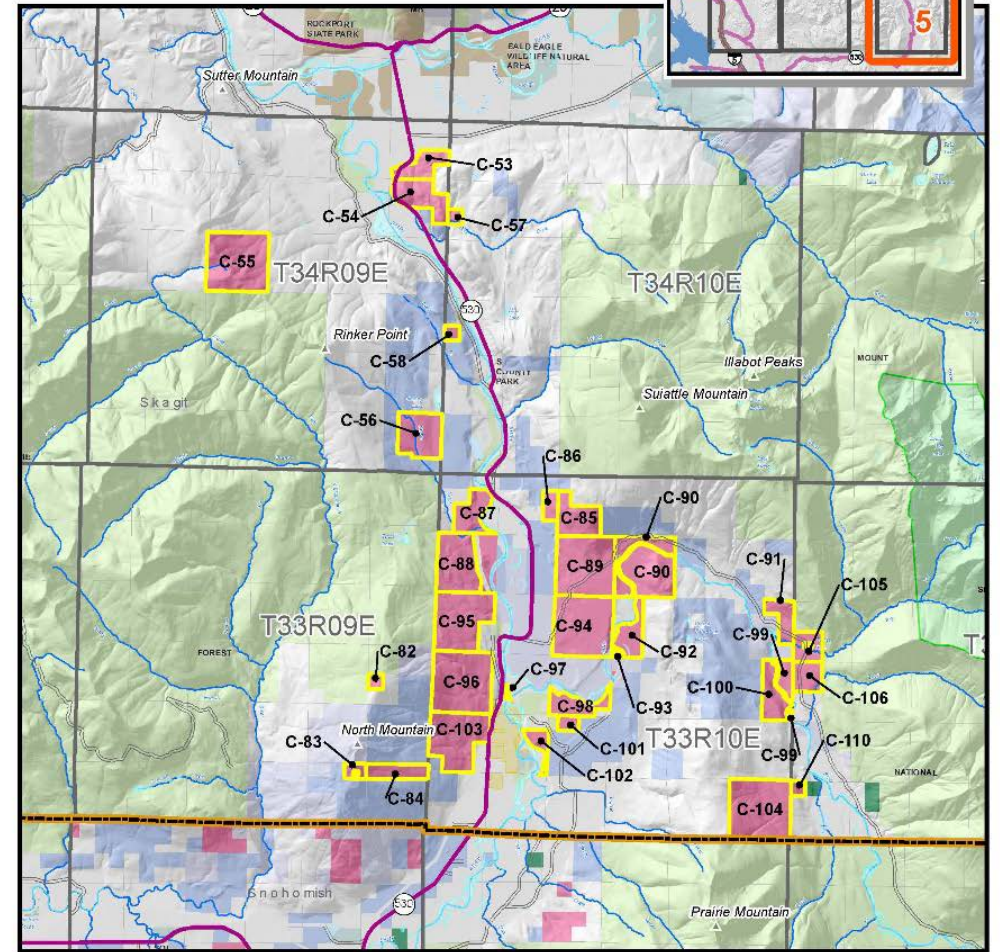
Blanchard Inter-Trust Land Exchange

Parcel Locator Map 1



Blanchard Inter-Trust Land Exchange

Parcel Locator Map 5



Date: 5/21/2016
CS: NW Region

Extreme care was used during the compilation of this map to insure accuracy. However, due to changes in ownership and the need to rely on outside information, the Department of Natural Resources cannot accept responsibilities for errors or omissions. Therefore, there are no warranties which accompany this material.

- Proposed State Forest Land Trust within Blanchard State Forest
- Proposed Common School Trust Lands in Skagit County
- Final Blanchard Core as of 12-13-2016
- State Forest Board Transfer
- Common School
- Other DNR Managed Trusts
- Wilderness Areas
- Other State Lands
- US Forest Service
- National Park Service
- Other Federal Lands
- County, Municipal or Other Lands
- Administrative - Tribal Lands and Reservations





Case Study #2 – Inter-Trust Exchange and TLT



1. Receive legislative appropriation to transfer specific parcels
(State Forestlands)



2. Look for Common School Trust parcels of equal value for an inter- trust exchange (hopefully within the same taxing districts)



3. Public hearing – input on the parcel exchanges

4. Survey, appraise the properties, value-to-value match



5. Obtain Board approval on proposed inter-trust exchange
(State Forestlands ↔ Common School) and Trust Land Transfer



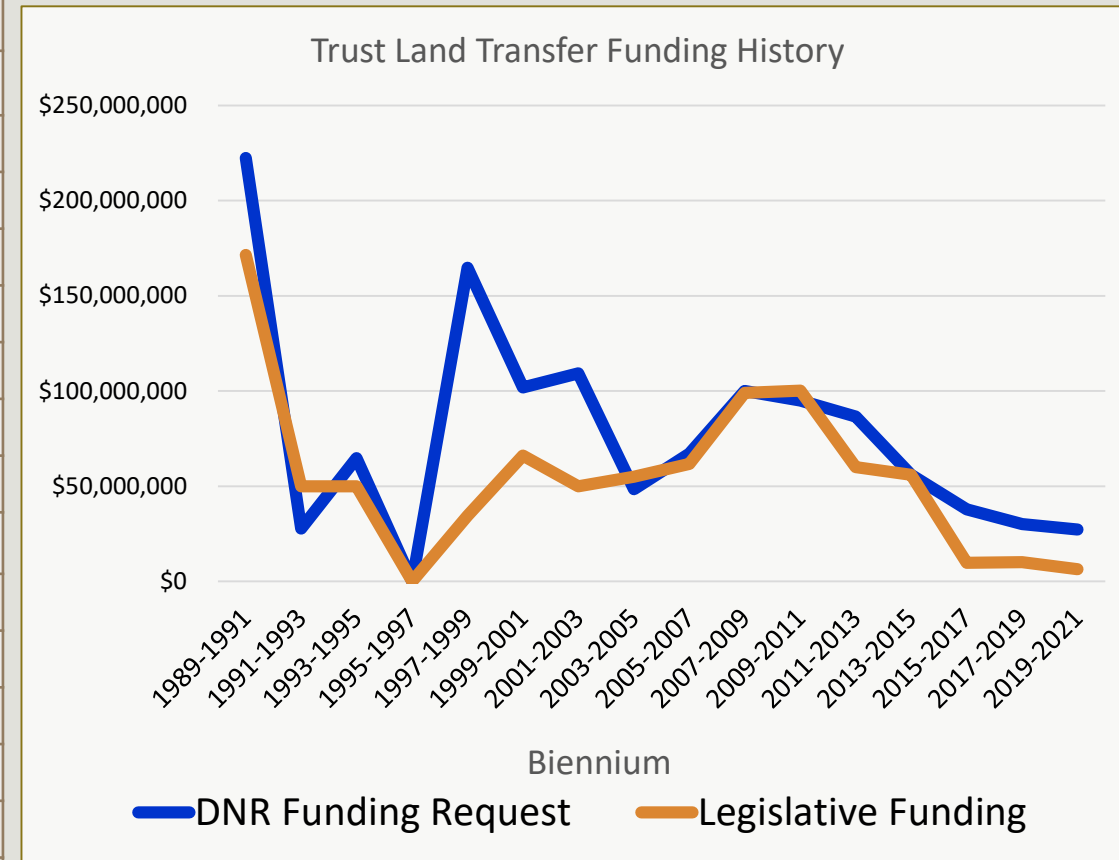
6. Complete a Trust Land Transfer with the New Common School
Trust land parcels



Summary & Next Steps

Funding request follow-up from Meeting #1

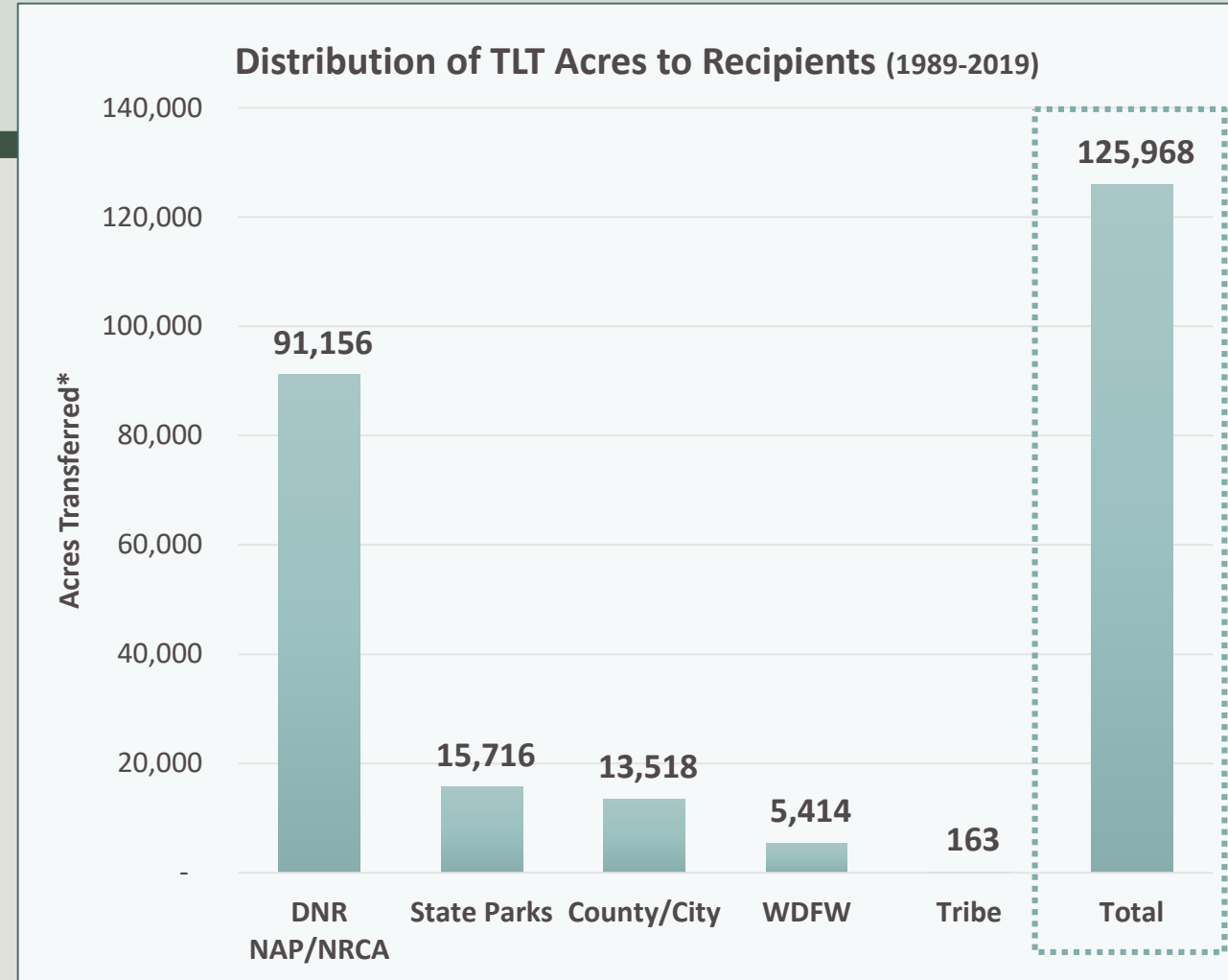
Biennium	Funding Request	Appropriation	Acres
1989-1991	\$ 222,361,750	\$ 171,500,000	44,056
1991-1993	\$ 27,648,000	\$ 57,986,000	7,628
1993-1995	\$ 64,755,000	\$ 50,352,000	7,457
1995-1997	-	no appropriation	
1997-1999	\$ 164,758,400	\$ 34,500,000	4,799
1999-2001	\$ 101,848,501	\$ 66,000,000	6,677
2001-2003	\$ 109,228,000	\$ 50,000,000	4,717
2003-2005	\$ 48,483,450	\$ 55,000,000	3,974
2005-2007	\$ 67,090,000	\$ 61,610,000	8,542
2007-2009	\$ 100,000,000	\$ 98,985,000	8,778
2009-2011	\$ 94,923,000	\$ 100,133,000	16,538
2011-2013	\$ 86,540,000	\$ 60,490,000	3,733
2013-2015	\$ 56,045,000	\$ 56,345,000	6,289
2015-2017	\$ 37,746,000	\$ 9,784,000	2,118
2017-2019	\$ 30,065,000	\$ 10,000,000	662
2019-2021	\$ 27,150,000	\$ 6,400,000	
Total	\$ 1,211,492,101	\$ 889,085,000	125,968



Summary of Funding and Recipient Acres Distribution

Historical Funding Distribution (1989-2019)

Expenditure Type	Amount	% of Total
Funds to Common School Construction Account	\$ 738,787,445	83.7%
Funds to replacement accounts (land value)	\$ 128,228,300	14.5%
TLT Study 11-13; WDFW 09-11	\$ 681,673	0.1%
Program Administration	\$ 14,987,582	1.7%
Total	\$ 882,685,000	100%



*Acres are approximations

Follow-up on Replacement Lands

Replacement property purchased all over the state:

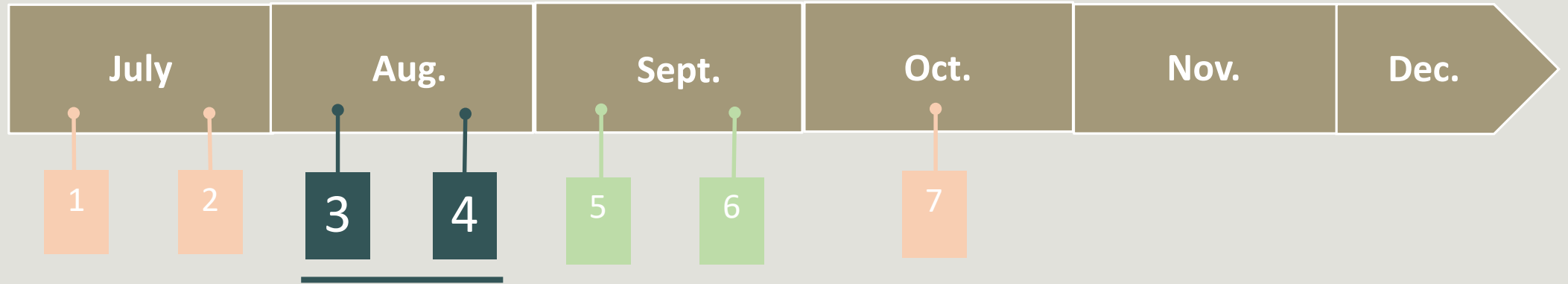
- Clark, King, Whatcom, Franklin, Grays Harbor, Kitsap, Skagit, Snohomish, Jefferson, Clallam, Pacific, Benton, Mason, Cowlitz, Pierce, Thurston, Wahkiakum, Lewis, Grant, Okanogan, Garfield, Whitman, Asotin

Replacement Lands (1989-2019)		
Land Cover	Cost	Acres
Agriculture	\$ 33,878,606	9,328
Commercial	\$ 17,137,505	10
Forest	\$ 80,930,260	46,205
Urban/Rural	\$ 20,000	4
Grand Total	\$ *131,966,371	55,546
Number of Replacement Parcel Transactions		125

**Includes interest earned on balance*



Project Timeline



Meetings 3 and 4: Issues and Opportunities

- Work group members present various perspectives related to TLT
- Present and explore examples of other process options
- Group discussion and brainstorming of issues and opportunities for a new TLT process

Upcoming Meetings

Meeting #3: Friday, August 6, 2021 | 12:00 pm to 4:00 pm

Work Group member presentations

- 10-15 minute presentation (any preferred format)
- Your perspective on Trust Land Transfer
- Your values and organizational values related to TLT – Why is it important to you?
- What issues do you have?
- What opportunities do you see?

Meeting #4: Monday, August 16, 2021 | 9:00 am to 1:00 pm

Wrap-Up