





# Charting a Course *for the* Future

## Trust Land Performance Initiative Update



## A Presentation to the Board of Natural Resources

Kristen Ohlson-Kiehn

October 5, 2021

# Agenda

- Review from July TLPI work plan
- Recap of Trust Land Performance Initiative framework
- Update on projects to improve trust lands portfolio performance





# 2021 Work Plan



Quarter 1:  
January - March



Quarter 2:  
April - June



Quarter 3:  
July - September

Quarter 4:  
October - December

- Share Key Findings
- Collect input on:
  - Project scope
  - Ideas for change

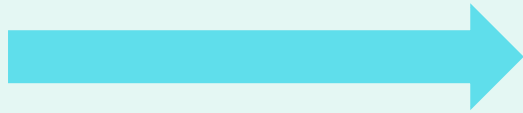
- Continue to collect input on:
  - Project scope
  - Ideas for change
- Host Public Webinar

- Seek BNR support for project scope
- Continue to collect input
- Develop potential proposals (e.g.):
  - Form Advisory Committee(s) and/or Work Group(s)

- Continue to develop proposals
- Collect input on proposals

Review

# Trust Land Performance Initiative Framework



<https://www.dnr.wa.gov/trust-land-performance-initiative>

## INITIATIVE SCOPE

VISION

GOAL

GUIDING PRINCIPLES

STRATEGIES

- Internal business practices
- Legislative proposals
- Board policies



## Legislative Strategy

### Board Policies

Trust Land  
Performance

**FOCUS  
AREAS**

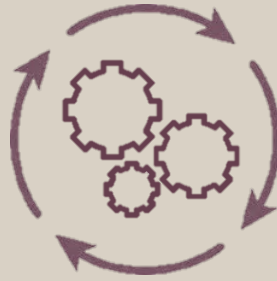
Research and Utilize  
New Markets and  
Opportunities

Optimize  
Portfolio  
Performance

Develop and Revitalize  
Tools to Address  
Underperforming Lands

Generate and  
Distribute  
Revenue Reliably





# DNR Operational Business Practices Strategy - Update

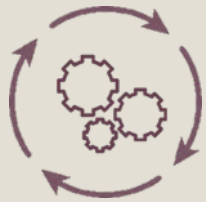
**Generate and  
Distribute  
Revenue Reliably**

**Optimize  
Portfolio  
Performance**

**Research and Utilize  
New Markets and  
Opportunities**







# Modernized Financial Statements, Cost Accounting, Chart of Accounts, Data Management, & Land Management Assessment

*Deloitte  
Recommendations  
GI-1,2,4,7 & T-1*

Generate and Distribute Revenue Reliably

Optimize Portfolio Performance

Portfolio-wide

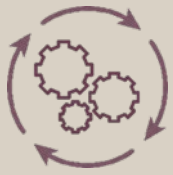
## Deloitte's Recommendations:

- Chart-of-Accounts, cost accounting, and Financial Statements need improvements - similar to for-profit enterprises
- Assess management effectiveness of income versus non-income producing lands
- Enhance data systems for integration and operational effectiveness

## DNR Update:

- Updated chart of accounts
- Contracting for improved financial statements
- Revamp Trust Lands Transfer Program
- Improving GIS data systems for multiple asset classes





# Peer Assessments and Improve Business Practices

Deloitte  
Recommendation  
GI-6

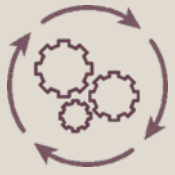
Optimize  
Portfolio  
Performance

## DNR Update:

- Joined NCREIF (*National Council of Real Estate Investment Fiduciaries*)
- Business plans for asset classes
- LEAN principles applied to asset management
- Standardizing business practices

Portfolio-wide





# Timing Timber Sales for Favorable Markets and Data Extraction System (to Improve Timber Returns)

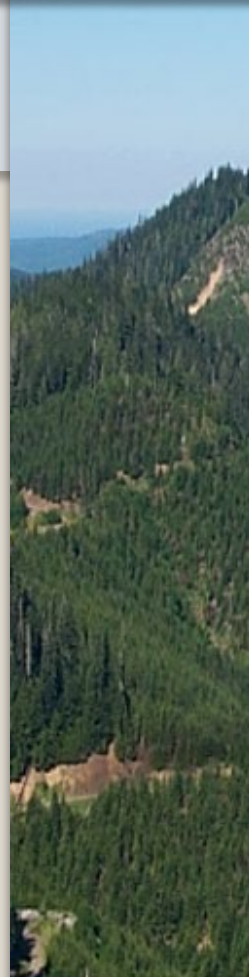
*Deloitte  
Recommendation  
T-2 & T-3*

Optimize  
Portfolio  
Performance

Timber Asset Class

## Deloitte Recommendations:

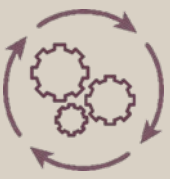
- Utilize one integrated system to track all financial elements of a particular property
- Investigate tools to optimize selling timber during favorable market conditions



## DNR Update:

- Developing a contract for improved business model and net returns on timber
- Includes market analysis, data management, marketing, influencing economic factors





# Commercial Real Estate & Transition Lands Program Improvements

*Deloitte  
Recommendation  
GI-11, CRE 1*

Optimize  
Portfolio  
Performance

Commercial Real Estate

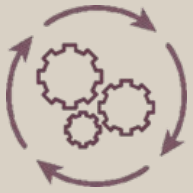
## Deloitte Recommendations:

- Transition Lands as a separate asset class
- Evaluate existing statutes and regulations
- Create advisory council
- Improve management databases
- Proactively manage properties to ensure profitable occupancy

## DNR Update:

- Established Transitions Lands as a separate Asset Class and provide BNR annual updates
- Created Urban and Transition Land GIS database to better track operations
- Improved advertising through Commercial Broker's Association membership
- Contract to evaluate statutes for updates and recommendations
- Commercial Lands Advisory Committee created





# Alternative Funding & New Market Opportunities

## DNR Update:

### Carbon and Climate Resilience Plan

- Exploring traditional and tracking new Carbon markets
- Researching new carbon sequestration approaches

### Clean Energy

- 1,500 acres leased for Solar development
- 20 Wind Power leases
- Updating and standardizing current and future lease data
- Investigating Electric Vehicle charging stations at recreation sites

Research and Utilize  
New Markets and  
Opportunities

Portfolio-wide





# Legislative Strategy - Update

**Develop And Revitalize  
Tools to Address  
Underperforming Lands**





# Legislative Priorities and Projects

Develop And Revitalize  
Tools to Address  
Underperforming Lands

Portfolio-wide

- Improving the Timber and Land Sale Processes
- Modernizing Commercial Real Estate Management
- Trust Land Transfer Legislative Proviso Project





# Board Policies – Current and future work

**Optimize  
Portfolio  
Performance**

**Generate and  
Distribute  
Revenue Reliably**







Generate and Distribute Revenue Reliably

Optimize Portfolio Performance

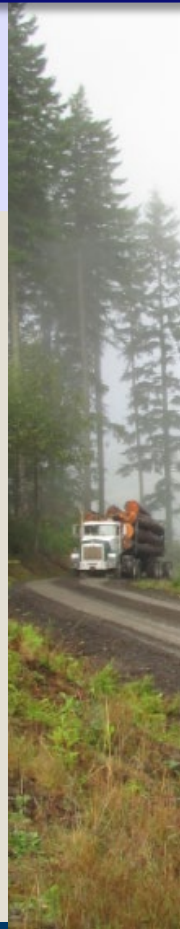
Timber Asset Class

Deloitte Recommendation T-4

# Sustainable harvest levels

## Deloitte Recommendation:

- Evaluate harvest rotations for optimal sustained yield



## DNR Update:

- Eastside and Westside levels
- For Planning Decade 2025-2034
- Separate but concurrent
- Entering Public Scoping phase



# Policy Framework for Managing Portfolio

Generate and  
Distribute Revenue  
Reliably

Optimize  
Portfolio  
Performance

Portfolio-wide

## Board of Natural Resources Opportunities:

- Draw on technical expertise (*Finance and Governance Committee*)
- Comprehensive review of existing portfolio policies
- Research new developments and practices
- Revitalize Asset Stewardship Plan
- Evaluate and monitor portfolio performance
- Adjust as needed



# Questions?



