July 22, 2013

TO: Forest Practices Board

FROM: Andrew Hayes and Lauren Burnes, DNR on behalf of the Northern Spotted Owl Implementation Team

SUBJECT: Update on Activities of the Northern Spotted Owl Implementation Team (NSOIT)

Since our last meeting to the Board, the NSOIT has met three times (May 31st, June 25th and July 8th), will meet jointly with the technical team on July 26th, and has an additional meeting scheduled in August.

Last November, the Board directed the NSOIT to, "in addition to its duties assigned in February, 2010 and in accordance with its approved Charter…, Investigate and make recommendations to the Board not later than the August, 2013 Board meeting, as to whether the State should consider seeking: Voluntary "opt-in" federal assurances for forest landowners, designed to promote the establishment, use and operation of a Northern Spotted Owl conservation bank or other voluntary conservation incentive planning tools; or, a programmatic Habitat Conservation Plan, Safe Harbor Agreement or other federal assurance mechanisms…" Addressing this directive has been the primary focus of the NSOIT over the last 8 months; however, maintaining momentum on ongoing priority work plan tasks such as the work of the Technical Team, the investigation of voluntary incentives, and Eastside Pilot Project has also been a priority. As of the date of this memo, agreement on recommendations has not yet been achieved, but the team continues to work diligently to reach consensus in anticipation of the August deadline.

Technical Team: Since our last update to the Board, the Technical Team has met eight times, and has additional meetings scheduled on July 24th and 26th. The technical team continues to make steady process on model development and is interacting regularly with the NSOIT for guidance. Progress has been significant now with the assistance of two contracted modelers to provide technical expertise and model development. DNR made funding available from year-end balances to initiate the technical work and US Fish & Wildlife Service grant funds will provide the rest of the funding. The team is nearly one third of the way through their analysis and is beginning phase two of their work. On July 26th, the technical team is scheduled to present their baseline modeling results to the NSOIT. We greatly appreciate the commitment the technical team and contracted modelers have made to complete this analysis on a demanding timeline. Though final modeling results will not be available in time for the August Board meeting, it is anticipated that the technical team analysis can be completed by the fall.

Voluntary Incentives: Last December, the NSOIT held a panel of large landowners to explore the factors a landowner considers when determining whether or not to voluntarily engage in northern spotted owl conservation actions. As reported verbally at the May 2013 Forest Practices Board meeting, the NSOIT held a panel of conservation funding specialists to help better understand the factors a conservation funder may consider when determining whether or not to voluntarily engage in northern spotted owl conservation actions. Panelists discussed spotted owl conservation projects their organizations have participated in, and addressed relevant questions posed by the NSOIT. In addition, the NSOIT met with a conservation banking expert from California to discuss the viability of conservation banking for the northern spotted owl. Currently no spotted owl banks exist, and Washington has limited conservation banks established to date. The NSOIT greatly appreciated the panelists and conservation banker for taking time out of their schedules to have robust discussions with our team about successful voluntary conservation projects, therefore helping the NSOIT focus their inquiry to ideas having the greatest potential to contribute to owl conservation. Panelist information will be incorporated with the NSOIT's final recommendations to the Board.

Eastside Pilot Project: The goal of the eastside pilot project is to explore whether prescriptions for thinning overstocked stands on the eastside could be both economically and operationally feasible. This project is significant to the NSOIT because it represents an opportunity to explore opportunities to incent landowners to improve eastside spotted owl habitat through treatment of dense, unhealthy stands. The pilot team is currently reviewing a stand analysis conducted by Longview staff to determine the likely outcomes of various treatment options for one forest stand identified by the team. The analysis will characterize several simple stand treatment scenarios and compare the outcomes, both in terms of residual stand conditions and financial viability. Given the unsuccessful attempt by the pilot team to identify stands that clearly meet the original intent of the pilot, the NSOIT is contemplating options for moving forward that acknowledge that the types of stand conditions targeted by the pilot rule on Longview Timber lands do not exist in abundance. The NSOIT is aiming to present results of the pilot to the Board at its November Board meeting.

We will be available during the August Board meeting should you have any questions.

NORTHERN SPOTTED OWL IMPLEMENTATION TEAM
WORK PLAN

On February 10, 2010 the Forest Practices Board (Board) accepted the consensus recommendations of the Northern Spotted Owl Policy Working Group, and directed DNR to form an Implementation Team (NSOIT) of five members: DNR, WDFW, industry, conservation caucus, and a land trust group.

The Board also directed the NSOIT to develop a work plan, including prioritization, and directed the team to coordinate with the federal agencies with regard to the Barred Owl control experiments. In addition, the Board directed the NSOIT to formally convene a technical team to assess spatial and temporal allocation of conservation efforts on nonfederal lands using best available science.

While the Board has been provided regular status updates of the NSOIT's work items, the following represents the group's formal prioritized work plan, and is intended to provide information relative to the status and next steps of each recommendation. Information in the work plan will be modified as progress is made on existing tasks, when new tasks are identified, etc.

On November 13, 2012, the Forest Practices Board expanded the NSOIT membership to consist of nine members: DNR, WDFW, two industry representatives, two conservation caucus representatives, a land trust group, USFWS, and a small forest landowner representative. In addition to the tasks outlined in the work plan below, the NSOIT was further directed by the Board in November 2012 to: "*investigate and make recommendations to the Board not later than the August, 2013 Board meeting, as to whether the State should consider seeking: Voluntary "opt-in" federal assurances for forest landowners, designed to promote the establishment, use and operation of a Northern Spotted Owl conservation bank or other voluntary conservation incentive planning tools; or, a programmatic Habitat Conservation Plan, Safe Harbor Agreement or other federal assurance mechanisms*…" The expanded NSOIT will be convened in early February to discuss how to accomplish the additional Board directive due in August in addition to maintaining momentum on ongoing priority work plan tasks.

Item	Status	Next Steps
Endorse a Voluntary Incentives Program For Landowners to Achieve Conservation Goals	Last May, the NSOIT held a panel of conservation funding specialists to help better understand the factors a conservation funder may consider when determining whether or not to voluntarily engage in northern spotted owl conservation actions. Panelists discussed spotted owl conservation projects their organizations have participated in, and addressed relevant questions posed by the NSOIT. Among the many factors discussed related to the success of conservation proposals, a few takeaways proved to be most significant. First, large scale conservation projects generally have multi-million dollar price tags, which require a combination of public grant, foundation, and private donor funds to support the project. Thinking more broadly than single-species conservation projects is essential to establishing adequate funding. There is a need for projects to be broad enough to pull from diverse funding sources. Second, obstacles to successful projects often create barriers that project proponents have to work around. For instance, the requirement to pay a compensation tax for lands that lose their forest land status in favor of a conservation status can be a prohibitive barrier to successful transactions. This also results in a higher price tag at the front end of a project and can lower property tax revenue for the county (not the case in King and Pierce Counties). Third, there are three key elements to a successful transaction, which include (1) a willing landowner; (2) a flexible funding source (grant) that allows both for regulatory accountability while remaining flexible enough for negotiation; and (3) clear conservation goals and outcomes to drive the transaction. The NSOIT held an industry incentives panel on December 6th, 2012 to explore what factors a landowner considers when determining whether or not to voluntarily engage in northern spotted owl conservation actions. Participants shared examples of recent conservation transactions in which they participated (such as a Habitat Conservation Plan, a Safe Harbor Agreement, a conservation easement, or other conservation efforts), and addressed a number of factors influencing their company's participation in past, present and future participation in voluntary conservation efforts. Major takeaway messages from the panel include but are not limited to: the need to provide regulatory certainty to landowners engaging in conservation transactions related to the northern spotted owl; the importance of creating incentive tools that are simple and efficient to participate in; there exist a variety financial and regulatory inventive mechanisms available to landowners that each have value, and individual circumstances and landowner goals dictate the appropriate application of each mechanism; and federal assurances can be an effective tool for creating certainty, but are not desired by all landowners in all	1. Have a discussion on which market(s) and/or framework would work best for NSO habitat in WA 2. Develop a list of questions relative to NSO habitat markets possibilities for future conference calls w/ experts. 3. Pending NSOIT follow-up: recommend to FPB inclusion of NSO habitat outside of SOSEAs for RHOSP. 4. The NSOIT Technical Team process includes developing incentive-based recommendations to best achieve desired conservation outcomes from biological recommendations; their work will help inform the NSOIT of voluntary incentives programs for landowners to achieve conservation goals.

	circumstances. The NSOIT greatly appreciates the information provided by panelists, and looks forward to continued engagement with the participants as the NSOIT moves forward with its exploration of conservation banking and federal assurances mechanisms. Bettina Von Hagan (EcoTrust) & Cindy Mitchell (WFPA) interviewed an expert in the field of forest incentives (Becca Madsen, Biodiversity Program Manager at Ecosystem Marketplace, Washington, D.C.) and have provided background material to the NSOIT on various ecosystem service markets around the world. They also included links to suggested reading as well as contacts for the various markets. House Bill 2541 was passed in 2010, and will dovetail with efforts of the NSOIT. DNR is required to develop landowner conservation proposals, including both markets and conservation easements, which support forest landowners by December 31, 2011. In the development of the proposals, the DNR must consult with the Board, Indian tribes, small forest landowners, conservation groups, industrial foresters, and state, federal, and local government. The proposed initiatives, if any, must be presented to the Governor, the Legislature, the Commissioner of Public Lands, and the Board. The DNR must also offer to present its findings to the Washington congressional delegation, local governments, and appropriate agencies of the federal government. Paula Swedeen attended the World Resources Institute/American Forest Foundation Conference in Madison, WI at the end of June and led a discussion session on incentives for owl conservation. Participants gave the following recommendations: 1) Develop a state-level "Conservation Stamp" program similar to the federal Duck Stamp program that is used for wetlands conservation. Commission artists to design stamps, sell them with hunting licenses and at recreational good stores, legislatively protect the proceeds so they are used for buying easements on owl habitat/restoration areas; 2) Raise funds from development impact fees; 3)Take advantage of overlap of funds from other ecosystem service priorities such as source drinking water protection areas and watersheds important for salmon; 4) prioritize funds in next Farm Bill (all acknowledged challenges in current federal budget climate). Mark Nechodem, Special Assistant to Secretary Vilsack agreed that targeting funds from the Farm Bill like the Healthy Forest Reserve Program, was a good idea, and he would help us advocate for it. The Encumbered State Forest Land Transfer program, enabled in 2009, provides	

	the necessary tools for the state to maintain long-term working forests and trust revenue to small rural counties. It does so by acquiring productive working forest lands to replace State Forest lands encumbered by harvest restrictions due to Endangered Species Act-listed species, thereby maintaining the corpus of the State Forest trusts. Encumbered habitat lands have to meet two requirements. They have to (a) be located in counties with a population less than 25,000, and (b) be encumbered with timber harvest deferrals that are associated with federal ESA-listed wildlife species and greater than 30 years in length. Lastly, when transferred, lands that meet these criteria must be appraised at fair market value without consideration of management or regulatory encumbrances associated with the listed species' habitat. Once transferred using the Trust Land Transfer program, lands are placed in Natural Resources Conservation Areas.	
Support an Action Program: Outreach to Owners Of Specific Lands Inside And Outside Of SOSEAs	The NSOIT has disused this item, which is intended to conduct outreach to specific landowners who may wish to secure important NSO habitat that is currently not protected. Work on this will be enhanced after the team convenes and obtains results from the Board-mandated Technical Team, which will assess the spatial and temporal strategic allocation of conservation efforts on nonfederal lands. (See the last item on this work plan).	Develop communication strategy, including possible outreach materials for distribution once mechanisms are in place. Cindy (WFPA) has expressed interest in assisting the NSOIT with the outreach program once this component is ready to be addressed.
Promote Barred Owl Control Experiments and Research	The U.S. Fish and Wildlife Service is the lead agency on Barred Owl control experiments, and the NSOIT is coordinating with the Service on the progress of these experiments, through the Barred Owl Working Group operating within the context of the Northern Spotted Owl Recovery Planning process.	There is not a lot of activity on this issue outside of the Barred Owl EIS process. The NSOIT has requested an update from USFWS once the Barred Owl EIS is finalized in early 2013. The NSOIT continues to track the progress of the Barred Owl EIS process and to-be-rechartered Barred Owl Working Group.
Continue the Current Decertification Process for owls Sites During a Transition Period	The Forest Practices Board adopted a permanent rule in May 2010 which establishes a three-member, multi-stakeholder Spotted Owl Conservation Advisory Group that makes a determination on whether owl site centers and surrounding habitat is important to the Northern Spotted Owl while the Forest Practices Board determines a long-term strategy for spotted owl habitat conservation. The Advisory Group makes their determination after the Department of Fish and Wildlife determines that surveys for Northern Spotted Owls have met survey protocols that indicate the absence of spotted owls.	**This item has been accomplished.**

	Membership was updated at the November 13th, 2012 Forest Practices Board meeting and consists of: Aaron Everett, Kara Whittaker, and Marty Vaughn. To date, the Conservation Advisory Group has not been convened.	
Initiate Two Washington Pilot Projects for Thinning and Habitat	**Eastside Pilot:** A FPB Pilot Rule was adopted to allow one pilot project with Longview Timber in the Entiat SOSEA. The project would explore whether thinning in highly stocked suitable owl habitat will improve habitat quality and is operationally and economically feasible. Efforts to secure funding to conduct the thinning project have been unsuccessful. In multiple field visits and over six months of work, the pilot team only found one stand that even marginally meets the requirements established in the Board's 2010 pilot rule. The team, in partnership with Longview Timber, is currently conducting a stand analysis to determine the likely outcomes of various treatment options for treatment of that stand under the pilot rule. In discussions with staff and Longview Timber, however, the NSOIT is contemplating options for moving forward that acknowledge that the types of stand conditions targeted by the pilot rule on Longview Timber lands do not exist in abundance. **Westside Pilot:** A Section 6 grant application was submitted to thin and defer Westside forest with the goal of accelerating NSO habitat development. This application was not funded. Non-profits (Pacific Forest Trust and Seattle Audubon) worked to advance owl-related Section 6 projects with landowners for the 2012 funding cycle. Due to lack of financial support for the pilot, initial attempts at initiating the project have been unsuccessful.	**Eastside Pilot:** The NSOIT is aiming to present results of the pilot to the Board at its November Board meeting. **Westside Pilot:** The NSOIT is investigating whether, and how, this project, or a similar project, could be reinitiated.
Support Identification and Design of a Flagship Incentive Project	The concept is to test incentives options on a landscape scale, possibly w/ multiple landowners, in order to achieve significant conservation value and competitive, economically sustainable forest management.	Investigate and possibly find areas of opportunity to learn from or collaborate with other efforts, i.e., Tapash Collaborative, Oregon Safe Harbor Agreement, etc. Further efforts are contingent on information obtained from incentive pilots, funding, etc. A pilot under the auspices of ESHB 2541 in the Nisqually River Basin is in early planning stages. Landowners and other participants in the pilot are interested in having a component focusing on owls, in addition to murrelets, water, and possibly carbon.

Approve Measures of Success	"Measures of Success" were recommended to the FPB, which accepted the final report of the Northern Spotted Owl Policy Working Group.	Re-assess previously proposed "Measures of Success," determine if they provide the proper metrics. Consider updating and reporting the FPB.
Convene a Technical Team to Assess Spatial and Temporal Allocation of Conservation Efforts on Nonfederal Lands Using Best Available Science	**This is the current focus of the NSOIT.** The technical team component of our work plan began following the release of the 2011 Revised Final Northern Spotted Owl Recovery Plan and draft Critical Habitat rule, which contains critical modeling tools intended to assess the importance of different scenarios of blocks of land to be managed for the Northern Spotted Owl. The NSOIT and technical team have received briefings from the USFWS regarding the critical habitat modeling tool and draft critical habitat rule. The technical team continues to make steady process on model development and is interacting regularly with the NSOIT for guidance. Progress has been significant now with the assistance of two contracted modelers to provide technical expertise and model development. DNR made funding available from year-end balances to initiate the technical work and US Fish & Wildlife Service grant funds will provide the rest of the funding. The team is nearly one third of the way through their analysis and is beginning phase two of their work. On July 26th, the technical team is scheduled to present their baseline modeling results to the NSOIT. We greatly appreciate the commitment the technical team and contracted modelers have made to complete this analysis on a demanding timeline. Though final modeling results will not be available in time for the August Board meeting, it is anticipated that the technical team analysis can be completed by the fall.	The team has completed baseline model runs and will share results with the NSOIT in late July. The team is currently reaching consensus on assumptions for the conservation scenarios. Once modeling assumptions are agreed upon, the team will be able to map and deliver their draft scenarios to be run by the technical experts who worked on the designation of Critical Habitat project.

Other Processes the NSOIT is tracking that might be relevant and fruitful:
WWRP appraisal process
Funding