



Source: WA STATE DNR

Chapter 1 Introduction

Introduction

The Trust Land Performance Assessment (“TLPA”) is a study that seeks to (a) estimate the value of the trust land holdings of the State of Washington, (b) report the return on investment provided by income from the land, and (c) provide recommendations on ways to improve or enhance operations and returns.

ENABLING LEGISLATION

In March 2018, the Washington State legislature adopted ESSB 6095, a supplemental capital budget. In Section 7015, this bill mandated the preparation of a study that became known as the Trust Land Performance Assessment. The specific language of the bill is as follows:

“(1) The Department of Natural Resources must conduct an asset valuation of state lands and state forestlands held in trust and managed by the department. The analysis required in subsections (3) and (4) of this section may be provided through contracted services.

(2) The department must describe all trust lands, by trust, including timber lands, agricultural lands, commercial lands, and other lands, and identify revenues from leases or other sources for those lands. The department must briefly describe the income from these trust lands, and potential enhancements to income, including intergenerational income, from the asset bases of these trusts.

(3) The analysis must estimate the current fair market value of these lands for each trust beneficiary, including the separate beneficiaries of state lands as defined in 79.02.010 RCW, and the beneficiaries of state forestlands as specified in chapter 79.22 RCW. The estimation of current fair market values must specify the values by the various asset classes including, but not limited to, the following asset classes: Timberlands; irrigated agriculture; dryland agriculture, including grazing lands; commercial real estate; mining; and other income production. The analysis must also estimate the value of ecosystem services and recreation benefits for asset classes that produce these benefits. The legislature encourages the department and its contractors to develop methods and tools to allow tracking of the estimated fair market values over time.

(4) For each of the different asset classes and for each of the various trusts, the analysis must calculate the average annual gross and net income as a percentage of estimated current asset value.

(5) The department must provide a progress report to the legislature by December 1, 2018. A follow up progress report is expected to be provided by December 1, 2019 and may include any initial recommendations. The final report is expected to be submitted by June 30, 2020, and must include options to: (a) Improve the net rates of return on different classes of assets; (b) Increase the reliability of, and enhance if possible, revenue for trust beneficiaries; and (c) Present and explain factors that either (i) define, (ii) constrict, or (iii) define and constrict the department’s management practices and revenue production. The

Covid-19 Disclosure

This Trust Land Performance Assessment has an effective date of December 31, 2018. The analyses and report writing occurred in 2019 and 2020, including the initial period of the Covid-19 pandemic beginning in March 2020 and continuing through 2020 until publication of this draft report.

In this analyses and report, no specific effort has been made to quantify or measure the financial impact of the Covid-19 pandemic upon the trust land assets evaluated, nor has any effort been made to evaluate present or future revenues, operating expenses, net incomes or rates of return of the trust land assets evaluated.

The impact of COVID 19 is creating tremendous amounts of uncertainty in the marketplace. Uncertainty and real estate investments increases risk and tends to have a negative impact on real

factors to be considered include, but are not limited to, statutory, constitutional, operational, and social factors.”

In December 2018, as required by the bill, the Department of Natural Resources (DNR) (the “Trust Manager”), provided its Legislative Update. The introduction to this update states:

“DNR values the opportunity to complete this analysis and to develop recommendations for further enhancement of the trust portfolio. Similar reviews (1996 Deloitte and Touche Review, 2004 Evaluation of Effectiveness and Efficiency, 2006 Commercial Lands Program review) over the years have provided great benefit to DNR by identifying opportunities and challenges to create actionable recommendations toward improving the reliability and maximization of trust revenue through sustainable land management.

The trust portfolio is diverse in both land and revenue source. At more than three million acres, the portfolio extends from sustainable forest products (~2.1 million acres), commercial property leasing (39 properties), communication sites (~380 leases), irrigated agriculture (~50,000 acres), wheat and grains (~136,000 acres), grazing and range land (~800,000 acres), and green energy development (solar and wind). These assets hold tremendous value, providing intergenerational trust revenue, ecosystem services, sustaining jobs, and supplying sustainable food and timber for the state, region, and world.

The recommendations from the Trust Land Performance Assessment will help guide DNR for many years to come. We are continuously assessing and reassessing the performance of our programs and this undertaking will further enhance those efforts. We look forward to working with the Legislature on a commercial lands funding request that will assist in program improvements to increase near term monetary returns for the trusts while we continue this forward-looking assessment.”

The Legislative Update reported the steps that are planned and underway for the Trust Land Performance Assessment, including scoping of the study, project outreach, contracting with specialized firms for the preparation of the study, business opportunity research, and the anticipated final report. The Legislative Update also contained Appendix B, *Background Information*, which was a concise description of the history of the state trust lands to be evaluated in the Trust Land Performance Assessment, including some statistical information about the trust land portfolio.

Subsequent to the release of the Legislative Update, the contracting process for the study was concluded and Deloitte was selected as the contractor. Deloitte had, in fact, prepared the June 1996 “Review” noted in the Legislative Update, which elsewhere has been noted as the “only one report (that has) analyze (d) the asset value, income and returns for all DNR assets.”¹¹ Among the members of the 2020 Deloitte team were some of the original 1996 study team members, which provided some measure of continuity as to study methodology and analytical approach.

estate values and potentially performance. At this point in time, the biggest negative impacts on real estate have been to the hospitality industry and certain types of retail properties. However, to some degree the negative impacts on retail may be an acceleration of trends prior to COVID 19. The industrial real estate market tied to the distribution of goods has experienced stronger demand as customers have increased online shopping during this time of isolation and social distancing. Office usage is very uncertain as employers weigh the strengths and weaknesses of working remotely, but demand for space has generally softened.

So far, the housing market, which is dependent on timber, has been moving forward at a steady pace even though it did pump the brakes during the initial stages of the COVID 19 lockdown. Grazing and Agriculture is tied to the food production, which has been generally strong, but demand from the restaurant industry has been dealt with severe blows leading to distress including bankruptcies and closures.

¹¹ *Future of Washington’s Forest and Forest Industries Study*, 2007, Study 5, Department of Natural Resources Granted Lands, page 306.

This Trust Land Performance Assessment is only the second effort by the Trust Manager to undertake a comprehensive evaluation of the value of the trust land portfolio, the annual incomes that result from each of the types of land within the trust land portfolio, and the returns on investment that can be estimated from the comparison of asset value and asset income.

That it took almost 24 years and an act of the legislature to commence this study is a testament to the cost and complexity of the task. The objectives of this summary report are to describe the study process and the trust land portfolio, including its estimated value, operating income, and returns in as concise a manner as possible to fulfill the requirements of the authorizing legislation. Also as required, this study effort provides evaluation and commentary on ways to improve the net rates of return; increase the reliability of, and/or enhance revenue for trust beneficiaries; and identify and explain factors that define and/or constrict the Trust Manager's practices and revenue production.

THE ESSENTIAL CHALLENGE OF TRUST LAND MANAGEMENT FOR THE TRUST MANAGER

As will be described in more detail in this report, the Trust Manager administers the trust land portfolio and, as such, must manage the trust land assets (i.e., forest, agricultural, and other lands) consistent with its fiduciary duties to the defined beneficiaries of the trust land portfolio. These duties are separate from other responsibilities that the Department of Natural Resources has as a regulator, service provider, and state agency.

The Trust Manager seeks to maintain intergenerational equity between current and future generations of trust beneficiaries. Producing revenue for trust beneficiaries in a manner consistent with applicable legal obligations, particularly endangered species and environmental laws, can at times involve a complex decision-making process. In addition, members of the public may express an interest in

the management of state trust land, industries that rely upon the trust land for inventory (e.g., logging, construction) may have demands, and local communities may be concerned about economic and fiscal impacts.

Responding to competing and sometimes conflicting interests is not a new challenge. Prior studies, reports, and policy analyses published by the Trust Manager over the past several decades wrestle with these competing interests.

Notwithstanding efforts by the Trust Manager, including the Board of Natural Resources, to manage the trust land portfolio consistent with its fiduciary duties while considering competing interests, litigation against the Trust Manager has occurred in the past and continues to this writing.

TRUST LAND LITIGATION

In 1984, the Washington State Supreme Court ruled in *County of Skamania v. State of Washington* (102 Wn.2d 127, 685 P.2d 576) that the state had both an undivided loyalty to the trust beneficiaries as well as a duty to act prudently with respect to the trust land assets. This ruling and responsibility is often cited in policy and administrative materials as one of the Trust Manager's primary responsibilities.

In December 2019, the Board of Natural Resources adopted the Marbled Murrelet Long-Term Conservation Strategy for the State Trust Lands Habitat Conservation Plan (marbled murrelet is a bird species protected under the Endangered Species Act) and a Sustainable Harvest Level, which establishes a decadal sustainable harvest level for DNR managed forest lands in Western Washington.

Three lawsuits² quickly followed, challenging these decisions and the supporting environmental impact analyses. These lawsuits graphically illustrate the competing interests that the Trust Manager must manage. In *Conservation Northwest*, the plaintiff conservation groups and members of the public allege the Trust Manager prioritized the interests of the trust beneficiaries over other stakeholders. In the consolidated *Skagit County and Concrete School District* case, beneficiaries and other interested parties allege that precisely the same trust management actions failed to prioritize the interests of trust beneficiaries over other stakeholders.

The Trust Manager's challenge to manage trust land assets consistent with its fiduciary duties to trust beneficiaries while considering the interests of other stakeholders is not new. At the time of Deloitte's preparation of the 1996 Economic Analysis, the Trust Manager's State Trust Lands Habitat Conservation Plan was under review. The plan was controversial with trust beneficiaries and stakeholders because it restricted harvest in certain areas. Not much has changed in the 24 years since Deloitte's 1996 Economic Analysis and this Trust Land Performance Assessment.

These controversies are not unique to the State of Washington. Recently, several Oregon counties sued the State of Oregon over allegations of mismanagement of forest lands and a failure to act in the best interests of the counties that contributed land to the state-led forest land management program. In that litigation, plaintiffs sought economic damages of \$1.4 billion. The trial resulted in a November 2019 jury verdict in favor of the plaintiffs (i.e., counties), and the jury awarded the plaintiffs a reported \$1.1 billion. The case is under appeal. Litigation in other western states with educational trust lands has

also directed and/or influenced state trust land practices across the western United States.

Understanding the continuing challenges of managing the trust land portfolio for the benefit of defined trust beneficiaries as well as all residents of Washington State, and the context in which such lands are managed (i.e., statute, regulation, policy, practice, and occasionally judicial decisions) are important starting points for the Trust Land Performance Assessment's valuation, income and return analyses, observations, and recommendations. The background and context of these issues and challenges has informed our inquiry, our analytical decisions, and the information and recommendations that we present.

PREDECESSOR STUDIES AND REPORTS OF NOTE

While completing our investigation and analysis, several of the Trust Manager's prior studies and reports have informed our work. We have relied in whole or in part on this prior work, which is listed below in reverse chronological order:

² *Skagit County, et al., v. State of Washington, et al. and Concrete School District, et al., v. State, et al.* (Skagit County Superior Court No. 19-2-01469-29, Consolidated); *Conservation NW, et al., v. Franz, et al.* (Thurston County Superior Court No. 20-2-01051-34).

DNR Strategic Plan 2018-2021 – The current agency strategic plan.

2018 Trust Land Performance Assessment Legislative Update — As required by the enabling legislation, this report outlines the completed and pending steps needed to fulfill the requirements of ESSB 6095, Section 7015.

2017 Forest Action Plan — The subject of this action plan are all forest lands in the state versus state trust lands. Topics include forest land conversion, biodiversity, upland water quality, forest health and restoration, wildfire reduction, and urban and community forestry.

2014: 2014-2017 Strategic Plan; Update to the Goldmark Agenda — An update to the earlier 2010 strategy document (see below), including seven primary strategies for the operation of the Department of Natural Resources.

2010: Strategic Plan 2010-2014; The Goldmark Agenda — A five-year strategy presented by then Department of Natural Resources Commissioner Peter Goldmark that contains six primary strategies, as well as numerous tasks and sub-tasks to implement the strategies.

2007 Future of Washington’s Forest and Forest Industry Study — Included in this comprehensive analysis of public and private forest and forest industry segments is Study 5: An Assessment of the Expected Rate of Return from State Granted Lands, which is a fairly detailed evaluation of state trust lands, including their asset value and expected returns.

2006 Policy for Sustainable Forests — Sets forth policies for state trust lands with respect to economic performance, forest ecosystem health and productivity, and social and cultural benefits.

2006 Report to the Legislature, A Review of the Department of Natural Resources’ Commercial Lands Program — A description and evaluation of the effectiveness of a specific program within the trust land portfolio for commercial land that comprises approximately 40 parcels worth an estimated \$152 million.

2004 State Trust Land Management: An Evaluation of Effectiveness and Efficiency; A Report from the Independent Review Committee to the Commissioner of Public Lands — The Independent Review Committee examined the Trust Manager’s practices and activities, as well as presented specific recommendations for forest lands and other assets in the trust land portfolio.

2003 Report to the Legislature; Options for Increasing Revenues to the Trusts; Comparison of Returns From Investment in Real Property and in Permanent Funds — Among its topics, this study evaluates, in some depth, returns to the trust land portfolio against other benchmarks.

1996 Deloitte Economic Analysis — A comprehensive review of the economic performance of the state trust lands, including property values, net incomes, imputed return on investment, non-monetary value of forest land assets, economic impact portfolio management issues, and economic trends.

We have, of course, reviewed and relied upon other materials and reports incidental to preparation of this analysis. Our bibliography is located in Appendix E of this report.

THE TRUST LAND PERFORMANCE ASSESSMENT

In essence, the enabling legislation that gave rise to the Trust Land Performance Assessment asks us—the study authors—to do two things: (1) *report* on values, incomes, and returns on investment and (2) *evaluate* the conditions and circumstances surrounding the trust land portfolio in order to offer insights and observations about how operations, incomes, and returns on investment can be improved or enhanced.

With respect to the authorizing legislation and our *reporting* obligations, the specific requirements of the legislation, the contracting requirements, and the methodologies we employed in the 1996 Deloitte Economic Analysis were most influential in the development of our scope of work and analyses for this study.

With respect to our *evaluation* of the conditions and circumstances surrounding the operation and management of the trust land portfolio, the policies, studies, and reports we cited above form, in large part, the basis for our evaluation and the starting point for our assessments and recommendations as to the statutory mandate to:

- (a) Improve the net rates of return on different classes of assets
- (b) Increase the reliability of, and enhance if possible, revenue for trust beneficiaries
- (c) Present and explain factors that either (i) define, (ii) constrict, or (iii) define and constrict the department's management practices and revenue production. The factors to be considered include, but are not limited to, statutory, constitutional, operational, and social factors.

THE TRUST LAND PERFORMANCE ASSESSMENT AND ITS STANDARD OF VALUE

As discussed at greater length in the *Valuation Methodology* section, specific terminology used throughout this report clearly differentiates the valuation methods used in this study from those completed in a usual and customary real estate appraisal analysis and report. For instance, this Trust Land Performance Assessment uses the term “**Trust Value**” rather than “market value” or “fair market value” to describe the value of the trust land inventory, both in the aggregate and for each asset class.

Our decision to adopt the term **Trust Value** is primarily based on the belief that such a specialized term will clearly differentiate the dollar amounts specified in this Trust Land Performance Assessment from the market value estimates determined by real estate appraisers during typical real estate appraisals. Three additional reasons for adopting the term **Trust Value** are outlined below.

1. The term **Trust Value** makes it clear that the *trust land asset is different from most real estate assets insofar as the sale of land is subject to statutory limitations placed on the Trust Manager's ability to sell, exchange, or transfer trust lands across the portfolio* at any point in time. Given this limitation, **Trust Value** is not a value-in-exchange definition, which is different from and in direct contrast to a market value or fair market value definition.

Accordingly, users of this information must understand that the value estimates presented herein are different from conventional real estate property value estimates that are based on market value or a market value appraisal process. This difference is due to the statutory restrictions upon sale of trust lands, whereas a typical real estate property can be sold, which is presumed in the traditional definition of fair market value. See Appendix A in the Addenda of this report for a more detailed discussion of relevant restrictions upon sale.

2. The productivity and utilization of the state trust lands is different from physically similar, privately owned real estate property—whether forest land or land in some other category (i.e., asset class)—because state trust lands are subject to (i) statutes, (ii) regulations, (iii) policies, and (iv) management practices. These four levels of control and influence mean that, in the aggregate, the productivity and utilization of the state trust lands are materially different from privately owned land that is similarly situated.
3. The Trust Land Performance Assessment covers approximately 2.9 million acres of land, and the application of customary real estate appraisal techniques to the valuation of an inventory of land this large is beyond the scope and budget of this study. In the interest of efficiency and cost effectiveness, abbreviated appraisal methods were used to reduce the work effort and cost of preparation. When valuations are done on large property portfolios such as the state trust lands, it is common to use specialized appraisal methods to reduce preparation time and cost.³

In the preceding discussion, we explained why we chose to use a specific term—**Trust Value**—to describe the results of our investigation and analysis. Below we provide a definition for “Trust Value” and contrast that with two well-established value definitions.

TRUST VALUE DEFINED

Trust Value. The value of a specified portfolio of lands comprising approximately 2.9 million acres, under the ownership and control of the State of Washington, acting as a trustee on behalf of defined beneficiaries. Inherent in these lands are a variety of use and control limitations, including significant limitations upon sale of the trust lands, as well as other Washington State statutes, regulations, policies and management practices which are or may be different than otherwise similar, privately-owned lands.

The traditional market value or fair market value definition has a specific context, a specific assumption about use of the property or asset valued, and a number of conditions that further clarify the term and its appropriate application. The context of the market value definition is that it contemplates an exchange between two willing and able parties of a real property interest for money or its cash equivalent. The use assumption implicit in the market value definition is that the property exchange can be put to its highest and best use by the buyer (if not already put to its highest and best use). The additional conditions clarify that buyer and seller are acting knowledgeably and freely, that the price paid is a cash equivalent, and that there is not any undue stimulus to complete the exchange on either or both parties or in the marketplace.

³ One good example of the use of abbreviated methods is the property tax assessment because there are so many properties in a typical county, the County Assessor uses abbreviated methods of property valuation.

Commonly juxtaposed against market value or fair market value is the concept of “value in use.” Value in use addresses the worth or value of a *specific use* of real property or a tangible asset to a *specific user*, without regard to the presence of or need for an exchange of property for money, and without regard to the highest and best use or the property. There is no presumption of a prohibition of sale of the property to the specific user, but a contemporaneous exchange of property is not automatically presumed in the definition of value in use.

It is immediately apparent that the restrictions upon sale of state trust lands makes the use of the concepts and terms “market value” or “fair market value” problematic for the Trust Land Performance Assessment. It is also apparent that—in the presence of the restriction upon sale—that the concepts of value-in-use are helpful and provide some additional guidance.

In the following table, we summarize the attributes of the value concepts we discuss herein. The table indicates how restrictions upon state trust lands makes application of the market value standard problematic and potentially misleading to the users of this Trust Land Performance Assessment. Thus, because state trust lands (i) effectively cannot be sold; (ii) may have unique statutory, regulatory, or operating limitations; and (iii) because we are using abbreviated appraisal methods to value the portfolio, we have concluded that it is most appropriate to use the term **Trust Value** to describe the dollar amounts we attribute to each asset class and the total portfolio. Use of this specialized term reduces the potential for confusion, conflict, or misuse of the information presented in this report.

	Fair Market Value	Value in Use	Trust Value
Basis Of Value Estimate	value in exchange. A type of value that reflects the amount that can be obtained for an asset if exchanged between parties. Examples include market value, fair value, liquidation value, and disposition value.	value in use. The value of a property assuming a specific use, which may or may not be the property’s highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually.	Because of the restrictions upon sale of trust lands... value in use. The value of a property to a specific ownership interest assuming a specific use and specific third-party management, which may or may not be the property’s highest and best use on the effective date of the appraisal.
Highest and Best Use May be Achieved	Yes	NA Existing use is evaluated	NA Existing use is evaluated
Exposure to the Open Market	Yes	No	No
Willing Buyer & Seller	Yes	No	No
Most Probable Price Estimated	Yes	Yes	Yes
Prudently Managed	Yes	Yes	Yes Managed in accordance with statutory mandate; cash may not be retained.
Buyer/Seller/Owner Well Advised	Yes	Yes	Yes
Market Exposure	Yes	No	No
No creative financing/ cash equivalent	Yes	Yes	Yes
No undue stimulus	Yes	Yes	No Stakeholder and public policy inputs.
Consummation of a sale as of a date specific	Yes	Yes No sale, but valued as of date certain	Yes No sale, but valued as of date certain

VALUATION METHODS EMPLOYED

Our valuation analysis incorporates the use of an income approach methodology and, to a lesser extent, other analytical methods. Our Trust Value analysis also considers and reports information about forest land portfolio sales that have occurred among large forest landowners and timber companies. Pursuant to the legislative mandate, our valuation analysis includes the segregation of Trust Value and trust land income, as well as delivers return information by asset class and trust.

THE STRUCTURE OF THIS REPORT

Our report contains the following sections:

- **Executive Summary** — An overview of our findings and recommendations.
- **Valuation Methodology** — A detailed discussion of how each asset class is valued.
- **Statutory, Regulatory, and Policy Requirements** — In this section we discuss the requirements and obligations that have a financially material effect on the value, income, or return on investment of the state trust lands.
- **Financial Rates of Return** — Because our valuation includes an income approach analysis, this section provides a detailed discussion of how we evaluate the rate indications, as well as a discussion of the conceptual underpinning of our rate selection. This section concludes with a discussion of rate selection for each of the asset classes.

- **Asset Class Descriptions and Valuations** — There are seven asset classes in the trust land portfolio: (1) timber, (2) commercial real estate, (3) agricultural resources, (4) grazing resources, (5) communication resources, (6) mining resources, and (7) other resources such as wind energy and sources of miscellaneous revenue. This section describes the state trust lands within each asset class, followed by a valuation analysis and discussion of return on investment.
- **Operational Assessments and Recommendations** — In this chapter, we present our operational assessments and fulfill our obligation to make recommendations to (a) improve the net rate of return on different classes of assets; (b) increase the reliability of, and enhance, if possible, revenue for trust beneficiaries; and (c) explain factors that either define or constrict the Trust Manager's management and revenue production practices.

OVERALL FINDINGS

Our valuation analysis includes the segregation of Trust Value and trust land income, as well as delivers return information by asset class and trust. The analysis also includes a list of observations and recommendations as detailed in Chapter 12 of the report.

The following table summarizes the overall findings of this report inclusive of Trust Value and rates of return for each asset class.

Asset Class	Stabilized Gross Income	NOI	Trust Value	NOI/Trust Value	Gross Income/Trust Value
Timber	\$171,700,000	\$123,624,000	\$2,136,000,000	5.79%	8.04%
Agricultural Resources	\$23,500,000	\$16,685,000	\$238,300,000	7.00%	9.86%
Commercial Real Estate	\$10,300,000	\$7,210,000	\$95,700,000	7.53%	10.76%
Communication Resources	\$4,800,000	\$3,360,000	\$41,200,000	8.16%	11.65%
Other Resources	\$3,200,000	\$2,240,000	\$20,300,000	11.03%	15.76%
Mining Resources	\$1,900,000	\$1,330,000	\$16,640,000	7.99%	11.42%
Grazing Resources	\$1,050,000	\$735,000	\$10,500,000	7.00%	10.00%
Total	\$216,450,000	\$155,184,000	\$2,558,640,000	6.07%	8.46%

LIMITING CONDITIONS AND ASSUMPTIONS

Our investigation, analyses, and report are subject to the following limiting conditions and assumptions:

1. The analyses, advice, recommendations, opinions, or conclusions contained herein are valid only as of the indicated date and only for the indicated purpose.
2. The analyses, advice, recommendations, opinions, or conclusions contained herein are for the exclusive use of AGENCY for the sole and specific purposes noted herein and may not be used for any other purpose by AGENCY or any other party. Furthermore, the analyses, advice, recommendations, opinions, or conclusions are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The analyses, advice, recommendations, opinions, or conclusions represent the considered opinion of CONTRACTOR based on information furnished to it by AGENCY, its representatives, and other sources.
3. No item in this report shall be changed by anyone other than CONTRACTOR, and CONTRACTOR shall have no responsibility for unauthorized changes.
4. Neither CONTRACTOR nor its personnel, by reason of this engagement, is required to furnish a complete valuation report, or to give testimony, or to be in attendance in court with reference to the subject assets, properties, or business interests unless arrangements have been previously made in writing.
5. CONTRACTOR conducted interviews with AGENCY or its representatives regarding past, present, and prospective operating results and has assumed that the information gathered in such interviews is accurate and complete.
6. Financial statements and related information provided to us in the course of this engagement by AGENCY or its representatives have been accepted without any verification as fully and correctly reflecting the business conditions and operating results of the relevant assets, properties, or businesses for the respective periods, except as specifically noted herein. CONTRACTOR has not audited, reviewed, or compiled any financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance regarding such information.
7. If prospective financial information provided by AGENCY or its representatives has been used in this analysis, we have not examined or compiled the prospective financial information and, therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected, and there will usually be differences between prospective financial information and actual results, and those differences may be material.
8. CONTRACTOR does not provide assurance on the achievability of any forecasted results contained herein because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on the actions, plans, and assumptions of management.
9. CONTRACTOR has relied on the representations of AGENCY or its representatives concerning the usefulness and condition of all real and personal property, intangible assets, or investments used or held in any subject business, as well as the amounts and settlement dates of its liabilities, except as specifically stated to the contrary in this report. CONTRACTOR has not attempted to confirm whether all assets of any subject business are free and clear of liens and encumbrances or that the entity has good and marketable title to any assets.
10. CONTRACTOR assumes that subject assets, properties, or business interests are free and clear of any or all liens or encumbrances unless otherwise stated herein.
11. CONTRACTOR believes the information obtained from public sources or furnished to us by other sources is reliable.

However, we issue no warranty or other form of assurance regarding the accuracy of such information.

12. CONTRACTOR assumes that the current level of management expertise and effectiveness will continue to be maintained and that the character and integrity of any subject asset, property, or business interest through any sale, reorganization, exchange, or diminution of the owners' participation will not be materially or significantly changed.
13. CONTRACTOR is not an environmental consultant or auditor and takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report wishing to know whether such liabilities exist, or their scope and effect on the value of any subject asset, property, or business interest, is encouraged to obtain a professional environmental assessment. CONTRACTOR does not conduct or provide environmental assessments and has not performed one in the course of this engagement.
14. CONTRACTOR has not determined independently whether any subject asset, property, or business interest is subject to (a) any present or future liabilities relating to environmental matters (including, but not limited to, CERCLA/Superfund liability) or (b) the scope of any such liabilities. The analyses, advice, recommendations, opinions, or conclusions contained herein take no such liabilities into account, except as have been reported to us by AGENCY or its representatives or by an environmental consultant working for AGENCY, and then only to the extent that the liability was reported to us in an actual or estimated dollar amount. Such matters, if any, are noted in the analyses, advice, recommendations, opinions, or conclusions contained herein. To the extent such information has been reported to us, we have relied on that information without verification and offer no warranty or representation as to its accuracy or completeness.
15. CONTRACTOR has not made a specific compliance survey or analysis of any subject asset, property, or business interest to determine whether it is subject to, or in compliance with, the Americans with Disabilities Act of 1990, and the analyses, advice, recommendations, opinions, or conclusions contained herein do not consider the effect, if any, of noncompliance with such law.
16. CONTRACTOR assumes no responsibility for the legal description or matters, including legal or title considerations. Title to the subject assets, properties, or business interests is assumed to be good and marketable unless otherwise stated herein.
17. CONTRACTOR assumes that the subject assets, properties, or business interests are responsibly owned and competently managed.
18. CONTRACTOR assumes that AGENCY is in full compliance with all applicable federal, state, and local regulations and laws, unless noncompliance is stated, defined, and considered in this report.
19. Unless otherwise stated, no effort has been made to determine the possible effect, if any, on any subject asset, property, or business interest due to future federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.
20. CONTRACTOR assumes that all required licenses, certificates of occupancy, consents, or legislative or administrative authority from any federal, state, or local government; private entity; or organization have been or can be obtained or renewed for any use on which the analyses, advice, recommendations, opinions, or conclusions contained herein are based upon.
21. CONTRACTOR assumes no responsibility for any financial or tax reporting requirements; such reporting requirements are the responsibility of AGENCY for whom this analysis was prepared.

CERTIFICATION OF THE ANALYSTS

I, Matthew Kimmel, hereby certify to the best of my knowledge and belief the following statements with respect to the real properties included in this report:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the assumptions and limiting conditions of this Trust Land Performance Assessment and include my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, as well as no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this report.
7. The reported analyses, opinions, and conclusions were developed in conformity with the requirements of the Appraisal Institute's *Code of Professional Ethics, Standards of Professional Appraisal Practice*, and *Uniform Standards of Professional Appraisal Practice*.

8. I have satisfied the continuing professional education requirements necessary to maintain my professional designations.
9. Because of my background, experience, education, and membership in professional associations, I am qualified to make appraisals of the type of property that is the subject of this report.
10. The following persons provided me with significant real property appraisal assistance with respect to the properties in this report:
 - Daniel Provencio, MAI, CRE, MRICS
 - Eric Dicus, MAI, CFA
 - Jake Kumferman
 - Casey Nishizu

The persons listed above aided in the financial modeling, report writing, market research, highest and best use analysis, sales comparison approach, income approach, and value estimate and reconciliation, if applicable.

11. I have not inspected the portions of the state trust lands that are the subject of this report.
12. As indicated below, I am certified and licensed to perform the appraisal of the real property described in this certification:

Individual	State	Certification of License Number	Expiration Date
Matthew Kimmel	WA	1100303	8/3/2021

13. Use of this report is subject to the Appraisal Institute's requirement for review by duly authorized representatives.
14. As of the date of this report, I have completed the Appraisal Institute's continuing education program.
15. I have not provided services related to the property that are the subject of this report, particularly within the three years immediately preceding acceptance of this assignment.



Mr. Matthew Kimmel
Certified General

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- Timothy Lowe MAI, CRE, FRICS
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TLPA Contract Negotiator,
Project Manager and Subject
Matter Expert Coordinator
(Initial 12 months)