

Trust Land Transfer Proviso
Phase 2 Work Group

Meeting 1

Friday, January 28, 2022, 8:30-10:30 a.m.



WASHINGTON STATE DEPARTMENT OF
NATURAL RESOURCES

Agenda

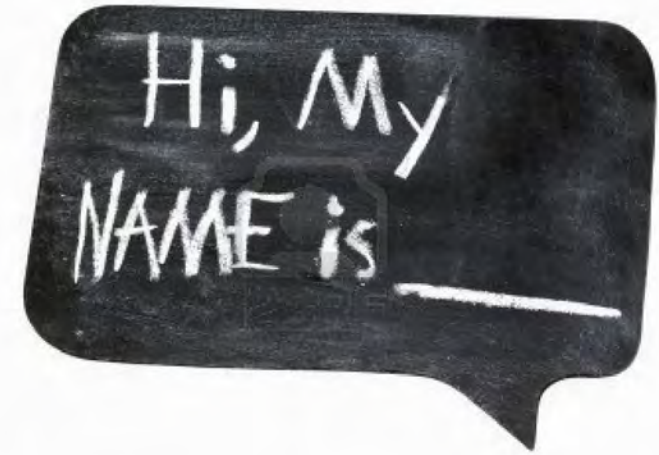


Time	Topic	Lead
8:30 - 9:00 a.m.	Welcome, Introductions, and Background	Laurie Benson, DNR
9:00 – 9:50 a.m.	Trust Land Transfer Phases 1 and 2	
9:50 – 10:10 a.m.	Charter Review and Group Business	Kristen Ohlson-Kiehn, DNR
10:10 – 10:20 a.m.	Draft TLT Proviso for 2022	Angus Brodie, DNR
10:20 – 10:30 a.m.	Wrap up/Next Meeting	Laurie Benson, DNR

Welcome and Introductions



- Name
- Affiliation



Background



Who is DNR?



- Trust Manager tasked with managing ~3 million acres of state trust lands in Washington
- State trust lands are lands held in trust and managed to generate revenue for specific trust beneficiaries
- Revenue is generated through seven asset classes:

Timber | Agriculture | Grazing | Mining | Commercial Real Estate | Communications | Other



Trust Responsibilities



- 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



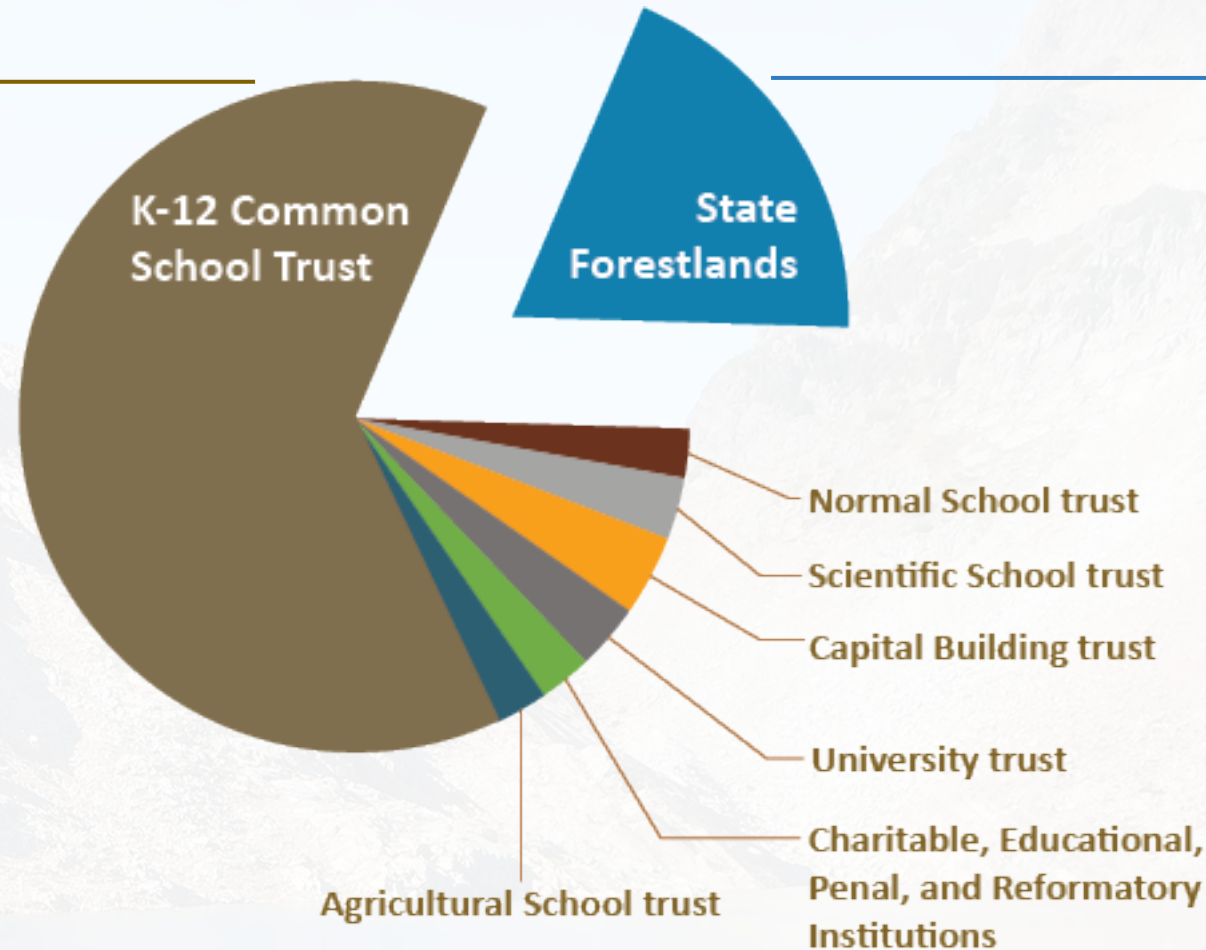
Types of State Trust Lands



State Lands

Federally granted lands

- Enabling Act (25 U.S. Statutes at Large, c 180 p. 676)
- State Constitution
- Revenue 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

Natural Areas Program



Natural Area Preserves*

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



* Chapter 79.70 RCW

Natural Resources Conservation Areas*

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



* Chapter 79.71 RCW

Community Forest Trust*



- Non-fiduciary community forest trust
- Protects working forests and natural resource lands at risk of conversion to non-forest uses
- Supports 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
- Currently includes 2 sites/52,646 acres (Teaway and Klickitat Canyon)



* Chapter 79.155 RCW

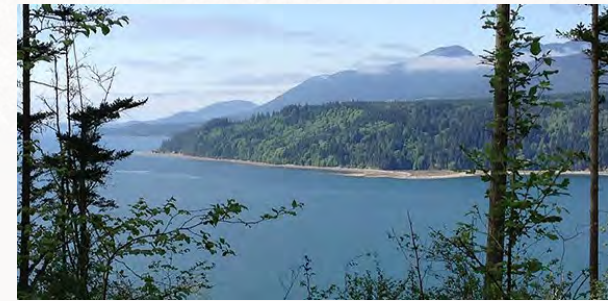
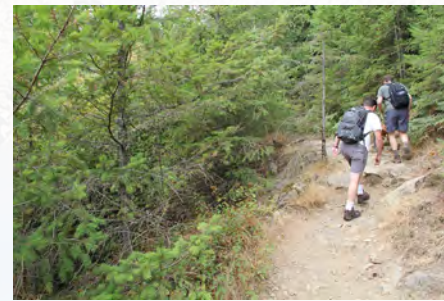
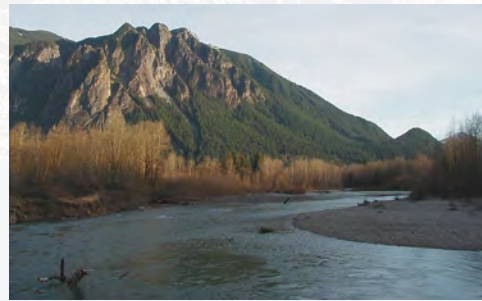
Trust Land Transfer Phase 1



What is Trust Land Transfer *Currently*?

An innovative tool for the Washington State Legislature, through an appropriation to DNR, to address several trust land management needs of the Common School trust:

- Transfer out of economically under-performing state trust lands;
- Acquire funds to purchase replacement lands with higher long-term income producing potential;
- Direct funds to the K-12 Common School Construction Account; and
- Conserve lands that have high ecological or social values.



How Does it Work *Currently*?



TRUST LAND TRANSFER

Legislative funds:

- ▶ Provide revenue for school construction,
- ▶ Acquire special properties for public benefit.

Property ownership is transferred to:

- ▶ DNR (NRCA/NAP)
- ▶ State Parks
- ▶ WDFW
- ▶ Counties/Cities
- ▶ Tribes



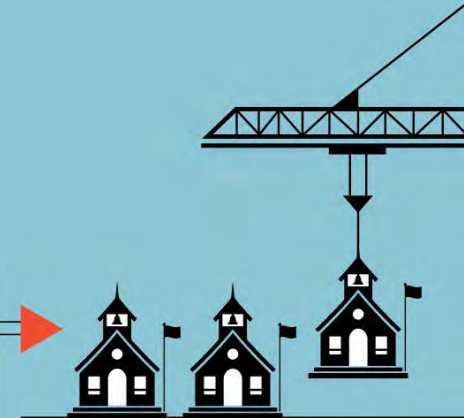
Legislative money buys original trust land.



80% The timber value is used **directly** to fund school construction.



The bare-land value goes toward buying replacement lands. Future revenue from replacement lands also funds school construction.



Common School Construction Account

How did This Project Begin?



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.

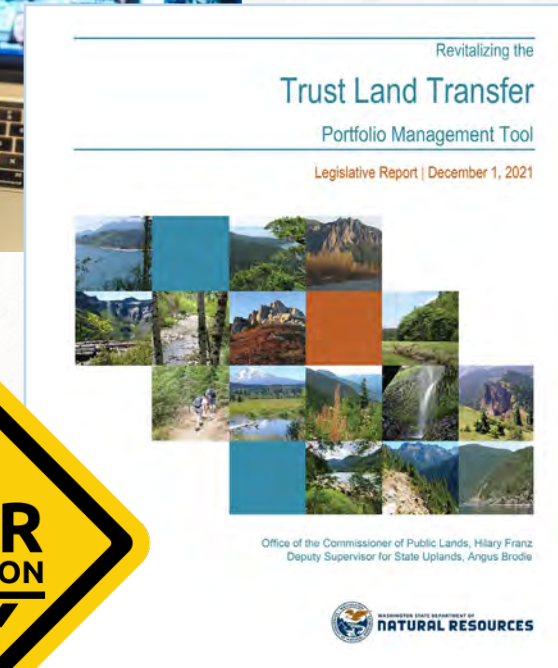
DNR Tasks

The department of natural resources must report and make recommendations for the establishment of a new trust land transfer program 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.

What Happened During Phase 1?

- The Phase 1 work group met remotely nine times between July and October, 2021
- The work group made several major changes that will affect the tool going forward
- The draft framework was summarized in a report to the Legislature in December, 2021
- The work group identified topics for further discussion and questions to be answered in Phase 2



Major Changes: Eligibility



All state trust lands potentially are eligible for transfer

- Any size of parcel
- Any trust designation
- Any land use type

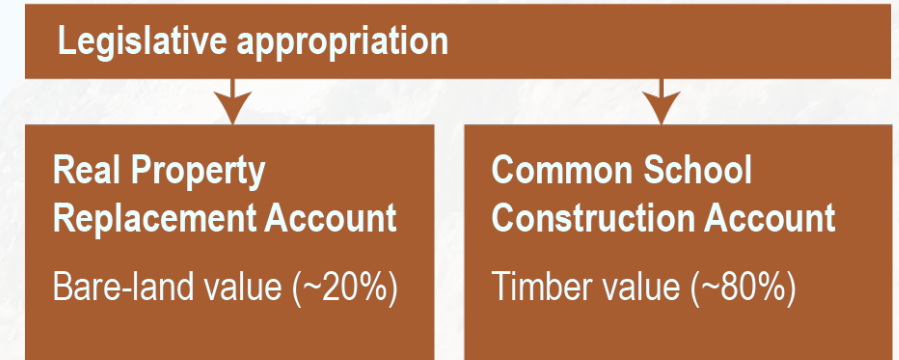


Major Changes: Funding Allocation

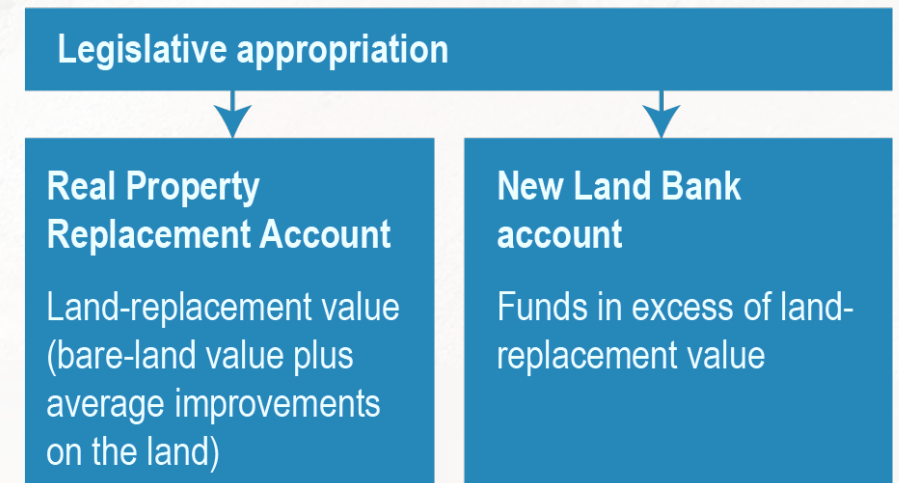


- **All** of the TLT legislative appropriation will be reinvested in the state trust lands portfolio
- Funding will be apportioned between the Real Property Replacement Account and a new Land Bank account, both of which are to be used to purchase replacement lands

Current TLT tool



New TLT tool



Major Changes: Transparency and Repeatability



3-step Approval Process

- DNR eligibility determination, based on the best interests of the trust; tribal consultation on all eligible parcels
- Advisory committee evaluation using standardized criteria
- Board of Natural Resources approval of prioritized list

New Web Pages

- Background
- Eligibility criteria
- Application and application process
- Prioritization criteria
- Other information to be decided by this work group



Reports to the Board of Natural Resources

- Properties transferred and acquired, by county
- Other information to be decided by this work group

Trust Land Transfer Proviso: Phase 2





What Does Phase 2 Involve?

- Address topics and questions identified in the December 2021 legislative report
- Collect information from the work group for design of the pilot project
- Implement the pilot project and collect feedback from the work group on the implementation of the pilot project
- Submit a prioritized list of parcels to the legislature in September 2022
- Submit proposals for legislative changes to the legislature in December 2022
- Conduct outreach on legislative proposals

Paths to Full Implementation: 3 Options Considered



Option 1 (slow)

2022

Jan. to June
Phase 2 work tasks

July to December
Finalize legislative proposals for statutory change and do outreach

2023

Jan. to May:
Submit proposals for statutory changes to legislature

July to Dec:
Accept applications and complete first eligibility, prioritization, and approval process

Option 2 (accelerated)

2022

Jan. to May
Phase 2 work tasks

June to September
Accept applications and complete first eligibility, prioritization, and approval process; finalize legislative proposals for statutory change and do outreach; and submit prioritized, approved list of parcels to legislature

2023

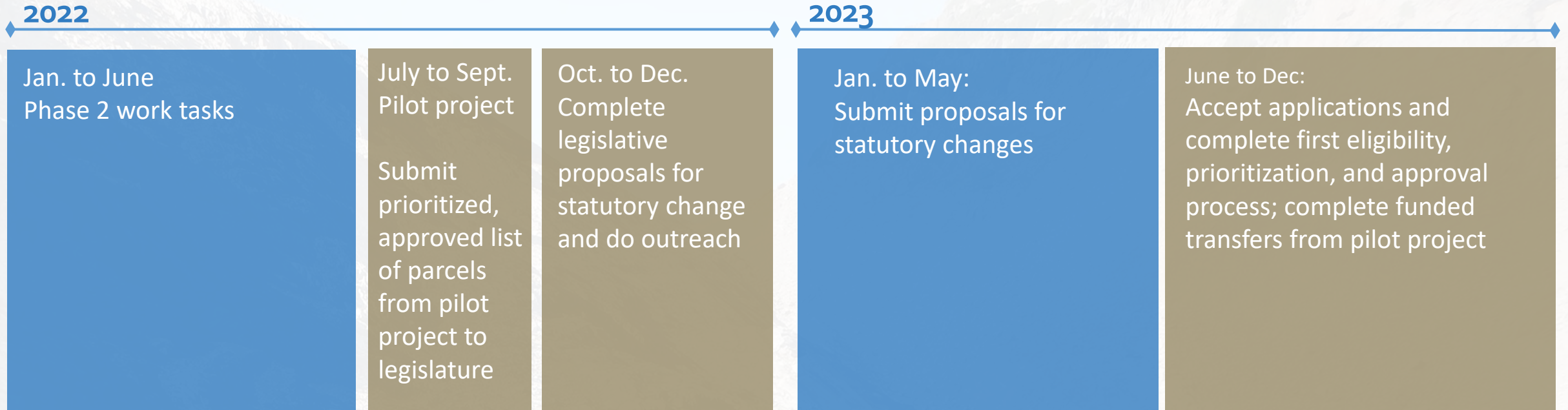
Jan. to May:
Submit proposals for statutory changes

July to Dec:
Complete funded transfers from first application process, complete next eligibility, prioritization, and approval process

Paths to Full Implementation: 3 Options Considered



Option 3 (selected)



What is the Pilot Project?

- **Who:** Work group
- **Why:** Test and validate TLT process with a limited number of parcels before full implementation
- **What:** DNR to provide a limited list of eligible parcels based in part on previous list of nominated parcels; work group members to prioritize them using the process and criteria identified by this work group
- **When:** July to September 2022

Goal: Submit a prioritized, approved list of parcels to the legislature by September, 2022



Your Role: Overview



- Address remaining topics in the TLT process described in DNR's 2021 TLT legislative report, such as finalizing the best interests of the trust and prioritization criteria for nominated parcels and developing solutions for impacts to county taxing districts; and
- Identify legislative, policy, and/or procedural changes needed to complete DNR's revitalization of the TLT tool.

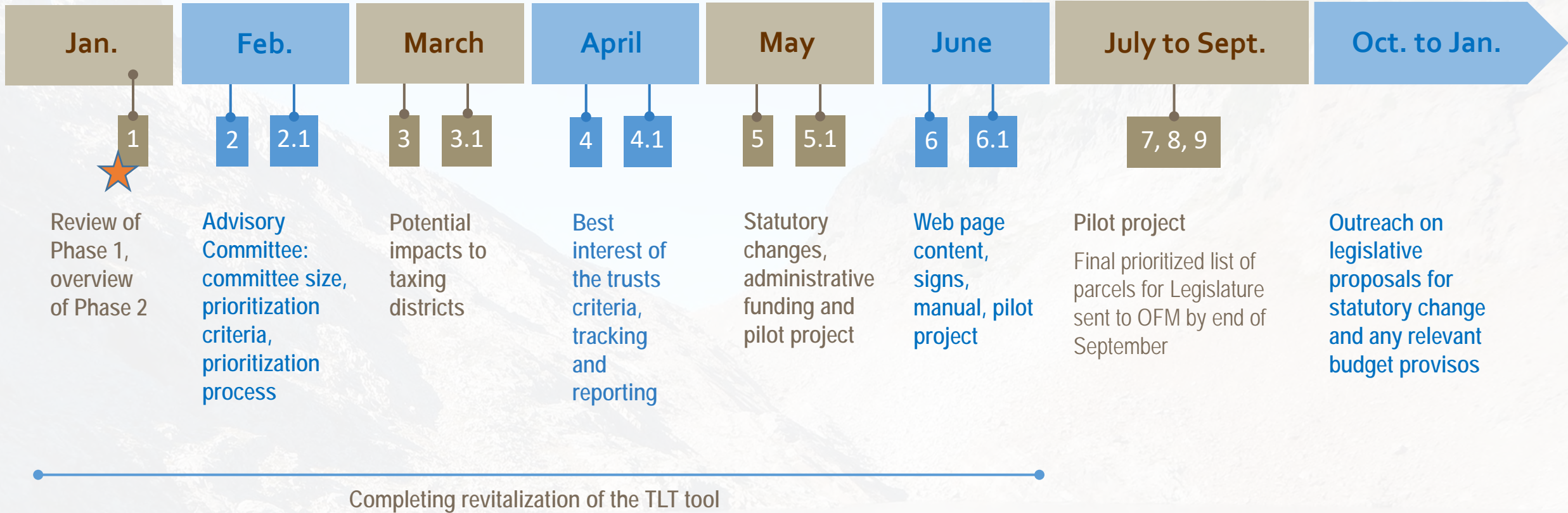


Your Role: Tasks

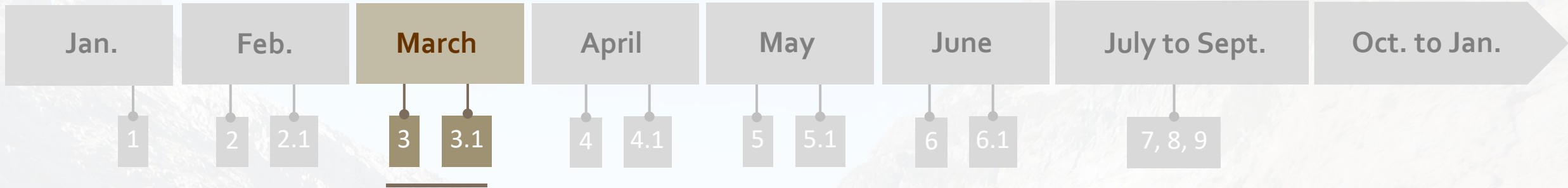


- Attend and actively participate in the first meeting of each month from February through May and both meetings in June, for a total of 7 meetings. Members are strongly encouraged to also attend the second meeting of the month from February through May (5 additional meetings). Meetings are 2-4 hours each.
 - First meeting of the month: DNR will introduce and lead a discussion on that month's topic
 - Second meeting: DNR will facilitate a deeper dive into the topic and request feedback on DNR's draft recommendation for that topic.
- Participate in the pilot project during the summer of 2022, two or three meetings.
- Meet and have conversations with others about this project outside of the meetings, and compile and relay information from these conversations to the work group.
- Share lessons learned from the pilot project with DNR so they can be incorporated into the final TLT tool.

Phase 2 Timeline Overview



Phase 2 Timeline Overview



Potential impacts of State Forestland transfers on county taxing districts

3.0 Recap of the legislative report and Phase 1 work group discussion and brainstorming, including the three preliminary ideas in the legislative report (full work group).

3.1 Work group discussion and brainstorming of draft recommendations, potentially with options (interested work group members)

DNR staff will incorporate 3.1 discussion into the recommendation to present to the full work group in Meeting 4.0.

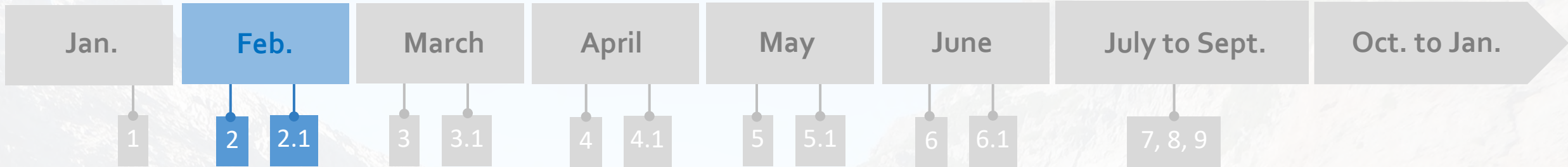
Questions or Comments



Charter Review and Group Business



Phase 2 Timeline Overview

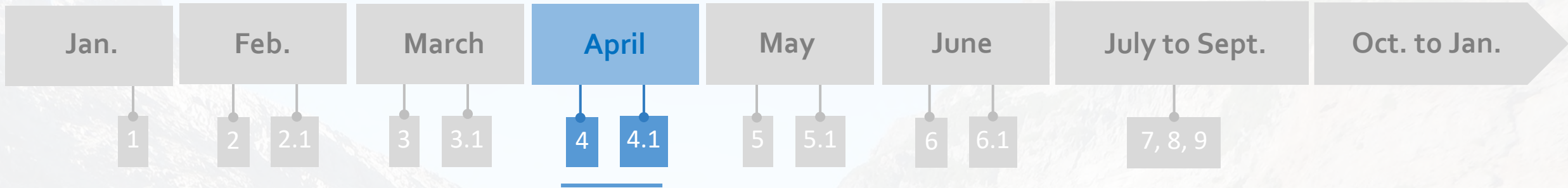


Advisory committee: committee size/membership, prioritization criteria and weighting, prioritization process

- 2.0 Recap of the legislative report and Phase 1 work group discussion and brainstorming on each topic (full work group)
- 2.1 Work group discussion and brainstorming of draft recommendations, potentially with options (interested work group members)

DNR staff will incorporate 2.1 discussion into the recommendation to present to the full work group in Meeting 3.0.

Phase 2 Timeline Overview



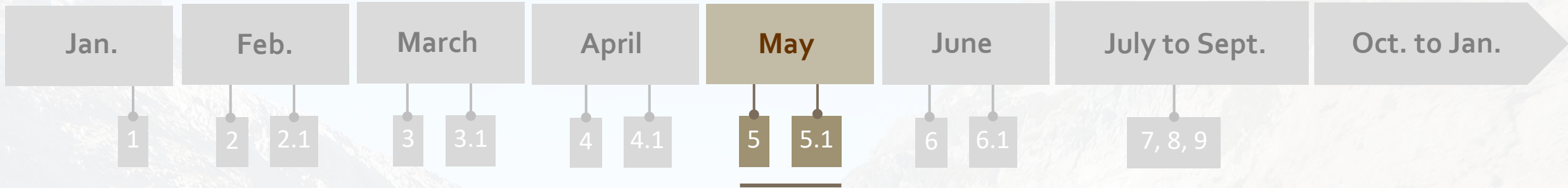
Best interest of the trusts criteria (for determining eligibility), tracking and reporting

4.0 Recap of the legislative report and Phase 1 work group discussion and brainstorming on the criteria for determining whether a transfer is in the best interests of the trust; discussion and brainstorming on tracking and reporting (full work group)

4.1 Work group discussion and brainstorming of draft recommendations, potentially with options (interested work group members)

DNR staff will incorporate 4.1 discussion into the recommendation to present to the full work group at a later meeting.

Phase 2 Timeline Overview



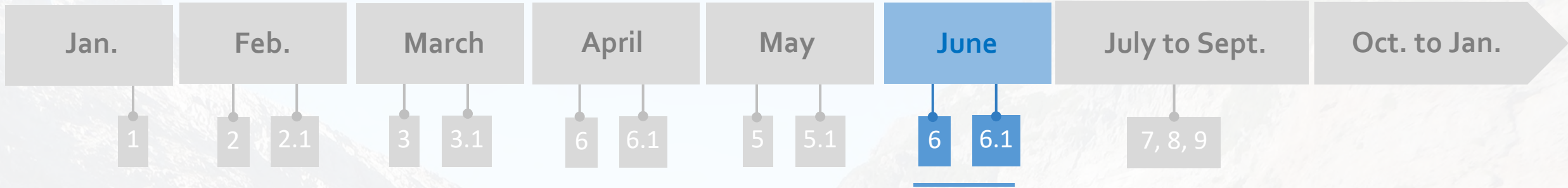
Statutory Changes, Administrative Costs, and Pilot Project

5.0 Recap of the legislative report and Phase 1 work group discussion and brainstorming on the allocation of the appropriation, including the land bank; and funding of administrative costs. DNR to present draft framework for the pilot project and lead discussion and brainstorming on whether the pilot project adequately incorporates the revitalized TLT tool (as feasible at this point in the project) (full work group).

5.1 Work group discussion and brainstorming of draft recommendations, potentially with options (interested work group members)

DNR staff will incorporate 5.1 discussion into the recommendation to present to the full work group at a later meeting.

Phase 2 Timeline Overview



Web page content, signs, manual, pilot project

6.0 Recap of the legislative report and Phase 1 work group discussion and brainstorming on these topics. DNR staff will also bring back the pilot project proposal for further discussion and coordination with the work group (full work group).

6.1 Work group discussion and brainstorming of draft recommendations, potentially with options (full work group)

Phase 2 Timeline Overview

