
Minutes

Board of Natural Resources Meeting

May 6, 2014

Natural Resources Building, Olympia, Washington

BOARD MEMBERS PRESENT

The Honorable Peter Goldmark, Washington State Commissioner of Public Lands

The Honorable F. Lee Grose, Commissioner, Lewis County

Thomas H. DeLuca, Director, School of Environmental and Forest Sciences, University of Washington

The Honorable Randy Dorn, Superintendent of Public Instruction

Ron C. Mittelhammer, Interim Dean, College of Agricultural, Human, and Natural Resource Sciences,
Washington State University

BOARD MEMBERS ABSENT

JT Austin, Designee for the Honorable Jay Inslee, Washington State Governor

1 **CALL TO ORDER**

2 Chair Goldmark called the meeting to order at 9:00 AM. All board members introduced
3 themselves. Chair Goldmark noted there is a quorum for this meeting.

4
5 **SAFETY REVIEW**

6 Ms. Vansot gave a safety overview and instruction on evacuating the building in case of an
7 emergency.

8
9 **APPROVAL OF MINUTES**

10 Chair Goldmark called for approval of the minutes for the April 1, 2014 Regular Board of
11 Natural Resources Meeting.

12
13 **MOTION:** Director DeLuca moved to approve the minutes.

14
15 **SECOND:** Dean Mittelhammer seconded the motion.

16
17 **ACTION:** The motion was approved unanimously.

18
19 **PUBLIC COMMENTS FOR TIMBER SALE ACTION ITEMS**

20 No comments

21
22 **TIMBER SALES (Action Item)**

1 **Proposed Timber Sales for June 2014| 3 handouts, including the presentation**
2 Paul Bialkowsky, Assistant Division Manager, Product Sales & Leasing Division

3
4 The results of the April auctions were presented to the board by Mr. Bialkowsky. The
5 Department offered 13 sales totaling 54.9 MMBF in April. Of those, 11 sales sold totaling \$17.6
6 million for an average of \$385 per MBF.

7
8 Mr. Bialkowsky noted that the 2 sales that did not sell were contract harvest sales that had minor
9 sorts, but that the majority of the sorts were sold. Those minor sorts will be reoffered in the
10 coming week and are expected to sell.

11
12 Mr. Bialkowsky remarked that bidder interest remains high, but is declining as private timber
13 harvest increases the supply of logs in the marketplace.

14
15 Chair Goldmark asked Mr. Bialkowsky how many sorts were in each of the two pending contract
16 harvest sales and Mr. Bialkowsky replied that one sale had 2 of 13 sorts that did not sell and the
17 other had 1 sort of 13 that did not sell. Mr. Bialkowsky further stated that although the majority
18 of the sorts did sell the program does not award the project until all sorts are sold.

19
20 The proposed June sales were then presented to the Board.

21
22 Director DeLuca noted that the Board had received public comments on the Good Spread timber
23 sale and asked for some clarification as to the objectives of the proposed thinning.

24
25 Mr. Bialkowsky stated that the stands in question are overstocked and will be thinned to reduce
26 the number of trees per acre to improve the productivity of the stands and to improve habitat
27 within small portions of the buffer of the marbled murrelet habitat.

28
29 Mr. Bialkowsky asked for approval of the proposed June sales.

30
31 MOTION: Commissioner Grose moved to approve the proposed June 2014 sales.

32
33 SECOND: Dean Mittelhammer seconded his motion.

34
35 ACTION: The motion was approved unanimously.

36
37 **PUBLIC COMMENTS FOR LAND TRANSACTION ACTION ITEMS**

38 John Austin, Commissioner of Jefferson County, spoke in favor of the land transaction involving
39 regeneration cuts. He stated that during a public hearing the public was strongly in favor of this
40 transaction.

41
42 **LAND TRANSACTIONS (Action Item) | 1 Handout**

43 **Mount Si Trust Land Transfer, File No. 02-090367, Resolution 1422**

44 Bob Winslow, Property and Acquisition Specialist, Conservation, Recreation and Transactions
45 Division.

1 Mr. Winslow gave a brief overview of the 2013-15 Trust Land Transfer (TLT) Program and
2 shared that the Mount Si Trust Land Transfer (02-909367) project is the first TLT project to be
3 presented to the Board during this biennium.

4
5 Mount Si TLT is located in King County near the town of North Bend, Washington. This
6 property is 163.4 acres in size and will be transferred into the Mount Si Natural Resource
7 Conservation Area managed by DNR. The total appraised value of this property is \$1,154,000
8 with the land valued at \$430,000(\$2,632/acre) and the timber valued at \$724,000. Mr.
9 Winslow stated that the timber value will be placed into the Common School Construction
10 Account and the land value will go into the Real Property Replacement Account.

11
12 Mr. Winslow asked for approval of Resolution 1422.

13
14 MOTION: Director DeLuca moved to approve Resolution 1422.

15
16 SECOND: Dean Mittelhammer seconded the motion.

17
18 ACTION: The motion was approved unanimously.

19
20 **Beausite Lake Inter-Trust Exchange, File No. 86-090570; Resolution 1423**

21 **Beausite Lake Trust Land Transfer, File No. 02-090358; Resolution 1424**

22 Bob Winslow, Property and Acquisition Specialist, Conservation, Recreation and Transactions
23 Division

24
25 Mr. Winslow presented the Beausite Lake Inter-Trust Land Exchange (#86-090570) located on
26 the Olympic Peninsula in eastern Jefferson County near the community of Chimacum,
27 Washington. DNR is exchanging 319 acres of Common School Trust for 305 acres of State
28 Forest Land Trust. This exchange is an equal value exchange with each property having an
29 equivalent value of \$1,753,000.

30
31 Mr. Winslow expressed that this exchange will benefit the Common School Trust by making the
32 Beausite Lake Trust Land Transfer parcel become Common School Trust, thus making it eligible
33 for transfer. The State Forest Land Trust will benefit by further consolidating their forest lands
34 in eastern Jefferson County.

35
36 Mr. Winslow also presented the Beausite Lake Trust Land Transfer (02-090358) property
37 located on the Olympic Peninsula in eastern Jefferson County near the community of Chimacum,
38 Washington. DNR is transferring 305 acres to Jefferson County that is located between two
39 current Jefferson County Parks (Gibbs Lake, Beausite Lake). This property became Common
40 School Trust through the Beausite Lake Inter-Trust Land Exchange. This property has a total
41 value of \$1,753,000 with the land valued at \$523,000 (\$1,714/acre) and the timber valued at
42 \$1,230,000. The timber value will be placed into the Common School Construction Account
43 and the land value will go into the Real Property Replacement Account.

44
45 Mr. Winslow asked the Board to approve Resolution 1423 and Resolution 1424.

46
47 MOTION: Commissioner Grose moved to approve Resolution 1423 and Resolution 1424.

1
2 SECOND: Dean Mittelhammer seconded the motion.

3
4 ACTION: The motion was approved unanimously.

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6 **DERELICT VESSEL REMOVAL PROGRAM (Action Item)**

7 Kristin Swenddal, Aquatic Resources Division Manager

8 Lisa Randlette, Environmental Planner

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10 Ms. Swenddal and Ms. Randlette briefed the Board on the final proposed rules necessary to
11 implement ESHB 1245, which was passed during the 2013 legislative session. Ms. Swenddal
12 explained that the legislation requires vessels greater than 40 years of age and longer than 65 feet
13 to obtain a survey before the vessel is sold or transferred, and that DNR must adopt rules to
14 specify what the survey must include.

15
16 Ms. Swenddal noted that the legislation requires the seller to provide the inspection to the buyer
17 and to DNR before sale or transfer, DNR must maintain the records, and DNR may seek cost
18 recovery from the seller if: no inspection survey was provided prior to sale or transfer; if the
19 vessel subsequently becomes derelict DNR must respond; and, the current owner cannot be
20 located or held financially responsible. The statute says the rule will be effective July 1, 2014.

21
22 Ms. Swenddal then summarized the rule making process; she noted that staff began outreach in
23 the summer of 2013, met with affected stakeholders, developed a draft rule and then held public
24 hearings in late March on the draft. Comments from the public hearings were then incorporated
25 into the proposed rule and are reflected in the proposal before the Board.

26
27 Ms. Randlette presented a summary of the proposed rule, which includes a clarification on the
28 administrative appeal process and also adds 3 new sections: when and to whom the rule applies,
29 what inspection information is needed, and how to file the inspection documents. She noted that
30 the term "seaworthy" is defined in the proposed rule as it is used in ESHB 1245 and staff felt it
31 was important to identify what it means for the purposes of implementing the DNR rule.

32
33 Ms. Swenddal then summarized, telling the Board that staff have complied with the APA process
34 in developing the rule, held public hearings, and integrated public comments in the final
35 proposal.

36
37 Ms. Swenddal asked the Board to approve Resolution 1425.

38
39 MOTION: Commissioner Grose moved to approve Resolution 1425.

40
41 SECOND: Dean Mittelhammer seconded the motion.

42
43 ACTION: The motion was approved unanimously.

44
45 **PUBLIC COMMENTS FOR SUSTAINABLE HARVEST CALCULATION CHAIR**
46 **REPORT**

1 Matt Comisky, Washington Manager for American Forest Resource Council, stated that AFRC
2 feels that the statues are pretty clear in the process of dealing with arrearage. First, the
3 Department needs to determine if there is one. Second, the Department needs to do an analysis
4 of the alternatives to deal with the arrearage to determine which provides the greatest return to
5 the trust beneficiaries based on current and future economic conditions as well as environmental
6 impacts. Lastly, if the greatest return is determined to sell the volume, then it should be offered
7 in addition to the sustainable harvest volume for the new decade over a period that is likely to
8 provide the greatest return to the trust. Mr. Comisky added that the assumption that all of the
9 foregone riparian volume lied in the under harvested trusts is not sound. Mr. Comisky urged the
10 Board to move forward in the process to ask staff for the detailed analysis and information
11 needed to make a sound and defensible decision.

12
13 Mark Bosetti, Log Resources Manager for Sierra Pacific Industries (SPI), conveyed that SPI
14 relies on timber sold from the trust lands managed by DNR. SPI depends on a sustainable and
15 dependable level of timber harvest. Any disruption to the sale of timber from trust lands will
16 have a significant adverse effect on their operations. Mr. Bosetti urged the Board to carefully
17 consider the information provided by the Department to date on the sustainable harvest
18 calculation. It should then chart a course that is transparent and engages all parties with an
19 interest in the outcome, to insure DNR has all the information needed to arrive to a decision that
20 fulfills its obligation to the trust beneficiaries.

21
22 Dave Ivanoff, Vice President of Resources for Hampton Lumber, stated that their company is
23 heavily dependent on all sources of raw materials, especially on DNR timber sale outputs. As the
24 Board makes decisions around the sustainable harvest calculation it should note that many in the
25 Washington family-owned forest products manufacturing sector are struggling with inadequate
26 availability of raw materials. DNR purchasers need a steady and consistent flow of timber. Mr.
27 Ivanoff stated that maintaining a strong customer base is important to DNR and its trust
28 beneficiaries in order to maximize revenue flow not only now, but into the future.

29
30 Russ Pfeiffer-Hoyt, Chair of the Washington State School Directors Association Trust Land
31 Task Force, urged the Board to take sufficient time to understand what the actual arrearage
32 amount is and what option we need to go forward. Mr. Pfeiffer-Hoyt again urged the Board to
33 do that in conjunction with the sustainable harvest calculation, therefore part of the same process.

34
35 **CHAIR REPORT | 1 Handout**
36 **Western Washington Sustainable Harvest Calculation**
37 Kyle Blum, Deputy Supervisor for State Uplands
38 Angus Brodie, Forest Resources Division Manager

39
40 Mr. Blum introduced the chair report, stating that the purpose of the report was to discuss and
41 focus on an arrearage number and transactions. Mr. Blum began the presentation by recapping
42 the discussion from the previous meetings and introduced the topic of the May meeting of
43 choices around an arrearage number decision and reviewing information around land
44 transactions.

45
46 The Board was presented with the statue, definitions, and Board policies that explain the options
47 of how the Department is directed to proceed when an arrearage exists. The Board is directed to

1 select an option of how to proceed with the arrearage analysis that is in the best interest of the
2 trusts.

3
4 Mr. Blum explained the two options presented to the Board regarding the arrearage number. The
5 first option outlined is based on the RCW Definitions and a Board adopted resolution. This
6 option takes the total expected harvest volume for the decade and subtracts what the Department
7 actually sold over the decade. This results in an arrearage number of 454 MMBF.

8
9 The second option incorporates Policy for Sustainable Forests into the arrearage number by
10 looking at performance of each sustainable harvest unit. The sustainable harvest units that were
11 under the expected target resulted in an arrearage number of 736 MMBF.

12
13 Commissioner Grose asked how the arrearage number influences the next decades harvest
14 volume number. Mr. Blum replied that our land base is a certain amount inventory available, and
15 that includes acres that were not harvested as part of the arrearage. When you make a decision
16 around an arrearage number, that decision will influence the amount of inventory that is
17 available for the upcoming decadal harvest volume level.

18
19 Director DeLuca asked for an explanation of why sustainable harvest units are under or over
20 their previous decades expected harvest levels. Mr. Blum replied that one of major drivers that
21 contributed to this arrearage were related to the economic conditions in 2009-2011, which led the
22 Department to harvest stands in areas that were close to markets that would produce revenue for
23 the Department in poor market conditions.

24
25 Dean Mittelhammer asked if the Department is expecting that conditions are now in a place so
26 that it won't be in a situation of an arrearage in the future. Mr. Blum replied that markets are in a
27 much better place than they were in the past.

28
29 Commissioner Goldmark asked how the Board has handled an arrearage decision in the past. Mr.
30 Brodie explained that there was an arrearage present in 2004. In the past, the Board has
31 incorporated the arrearage number into the next decadal harvest volume number.

32 Mr. Brodie explained that when making a decision on the arrearage number, the Board has a
33 series of options to consider about when to sell the arrearage. Mr. Brodie presented three options
34 for the arrearage analysis. The first option is to consider a virtual harvest of land transactions and
35 offer the remaining volume for sale in the next five years. The second is to sell the arrearage in
36 the next decade. The third option is to keep the arrearage in the inventory for the next decadal
37 harvest volume level.

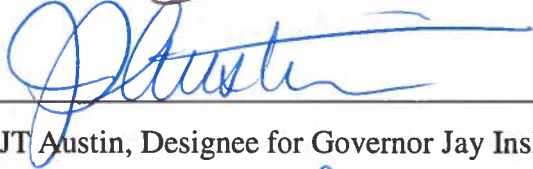
38
39 Mr. Brodie explained how the trust land transfer program can influence the harvest volume level.
40 In the 2004 Sustainable Harvest Calculation, the Department placed 353 MMBF in a harvest
41 deferral status in anticipation of transferring them. Over the past decade the Department actually
42 transferred approximately 656 MMBF. The Department didn't anticipate transferring 300
43 MMBF; land that would have been harvested in the past decade. Essentially this was a virtual
44 harvest of timber value, as the value of the transfer volume was compensated to common school
45 trusts. Another transfer of land that occurs is reconveyances. A large reconveyance, the Lake
46 Whatcom reconveyance, occurred in the past decade that would have contributed 145 MMBF to
47 the past decades sustainable harvest volume level. The first option in the arrearage analysis

1 would consider exploring transactions that occurred in the past decade as a virtual harvest,
2 ranging between 300-450 MMBF.
3
4 Commissioner Grose stated he would proceed with the 454 MMBF in arrearage, and try to get
5 that number harvested in the first five years of the next decade.
6
7 Director DeLuca stated that he would like to follow how the RCW Definitions define the
8 arrearage.
9
10 Superintendent Dorn stated that he would like to ensure that we are getting the most revenue
11 possible for the common school trust.
12
13 Dean Mittelhammer stated he would like more analysis and information before making a
14 decision around the arrearage number.
15
16 Chair Goldmark stated that he would favor the 454 MMBF number, as the larger number is not
17 realistic as the events from 2004 to today have significantly impaired our ability to harvest and
18 process that volume and contributed to this arrearage.
19
20 Mr. Blum explained that we would be presenting key modeling assumptions and policy decisions
21 for the Board to discuss at the June meeting. Subsequent to that discussion we will bring more
22 arrearage analysis.
23
24 **PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST**
25 No comments
26
27 Meeting adjourned at 10:44 AM

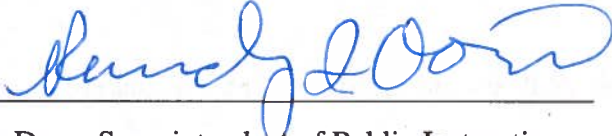
Approved this 3rd day of June, 2014



Peter Goldmark, Washington State Commissioner of Public Lands



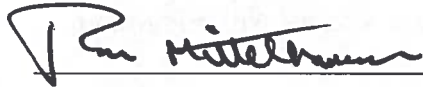
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F. Lee Grose, Commissioner, Lewis County

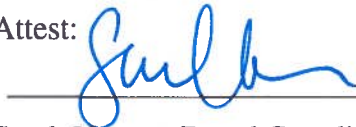


Ron Mittelhammer, Interim Dean, College of Agricultural, Human, and Natural Resource Sciences,
Washington State University

via conference call

Thomas H. DeLuca, Director, School of Environmental and Forest Sciences,
University of Washington

Attest:



Sarah Vansot, Board Coordinator