



Trust Land Transfer Proviso Phase 2 Work Group

Meeting 8.0 | Revitalization Update

November 15, 2022, 1:00 - 2:30 pm



WASHINGTON STATE DEPARTMENT OF
NATURAL RESOURCES

Today's Meeting

Time	Topic	Lead
1:00 – 1:10 p.m.	Welcome <ul style="list-style-type: none">• Introductions• Agenda	Sarah
1:10 – 1:40 p.m.	<ul style="list-style-type: none">• Update on Tax District Focus Group	Sarah
1:40 – 2:15 p.m.	Legislative Requests <ul style="list-style-type: none">• Operational Budget• Capital Budget• Statutory Changes	Duane
2:15 – 2:20 pm	Implementation Phase Overview	Cathy
2:20 – 2:30 p.m.	Wrap-up/Future Updates	Sarah

TLT Revitalization Update

Taxing District Focus Group



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Meetings

- Met remotely four times in September and October, 2022.
- Developed potential solutions and one process improvement. Solutions will be part of a “tool box.” Counties can select the solution from the tool box that works best for them.
- Subcommittee formed to further refine solutions; process improvement will be reviewed separately. First sub-committee meeting was held on November 9.

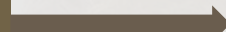
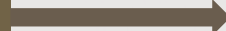




Cash for Timber

Legislative Appropriation

Based on fair market
value



Timber Value:

One-time payment to counties

Remaining Land Value:

Parkland Trust Revolving Fund to purchase replacement lands



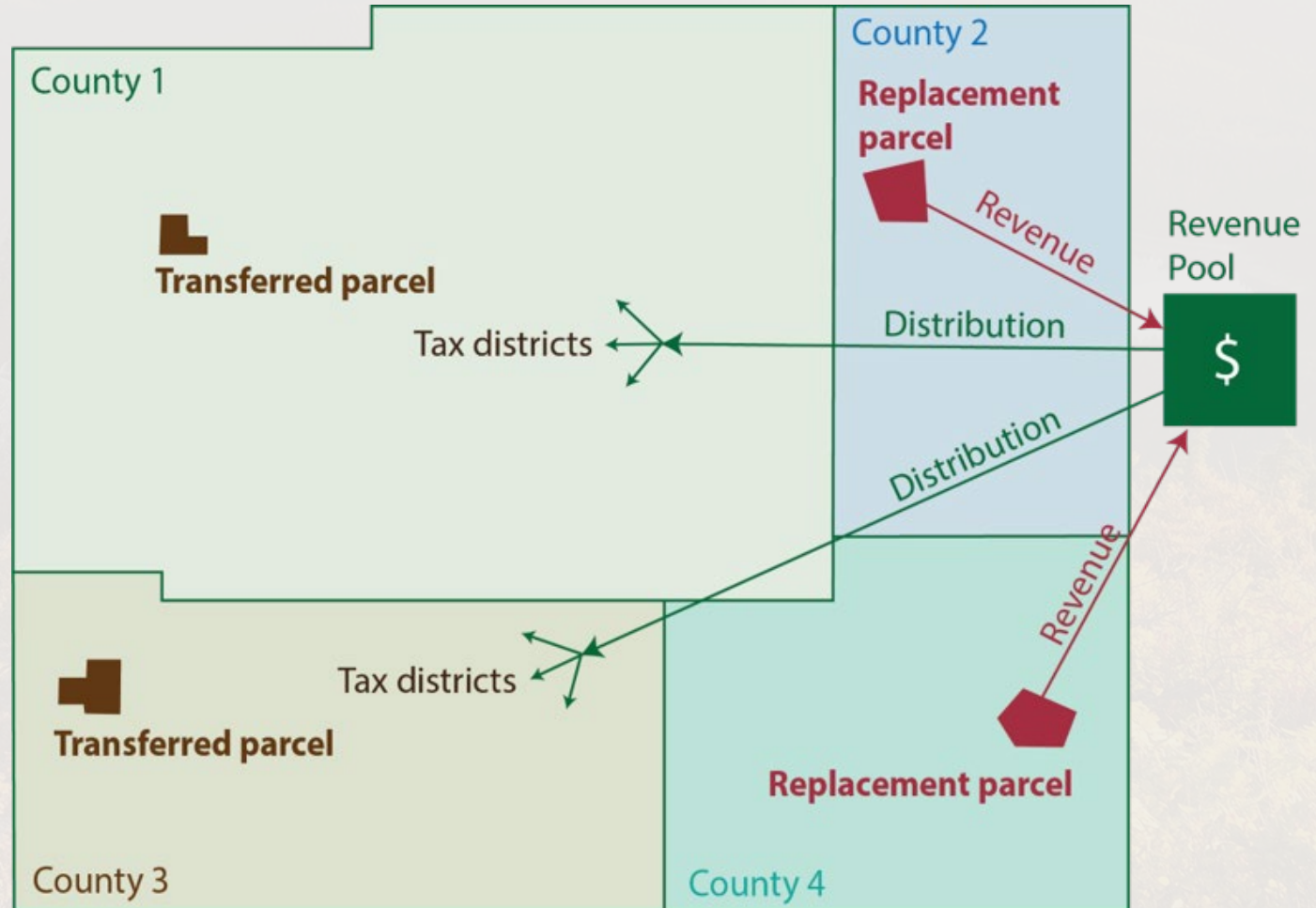
Cash for Timber, Continued

- Small taxing districts may not be able to wait for replacement lands to generate revenue; they need funding now.
- Concern is the potential impact on DNR's ability to purchase replacement land, which could affect inter-generational equity.
- Subcommittee may consider basing the distribution of funds on a percentage rather than timber value.



Cross-County Revenue Pooling and Distribution

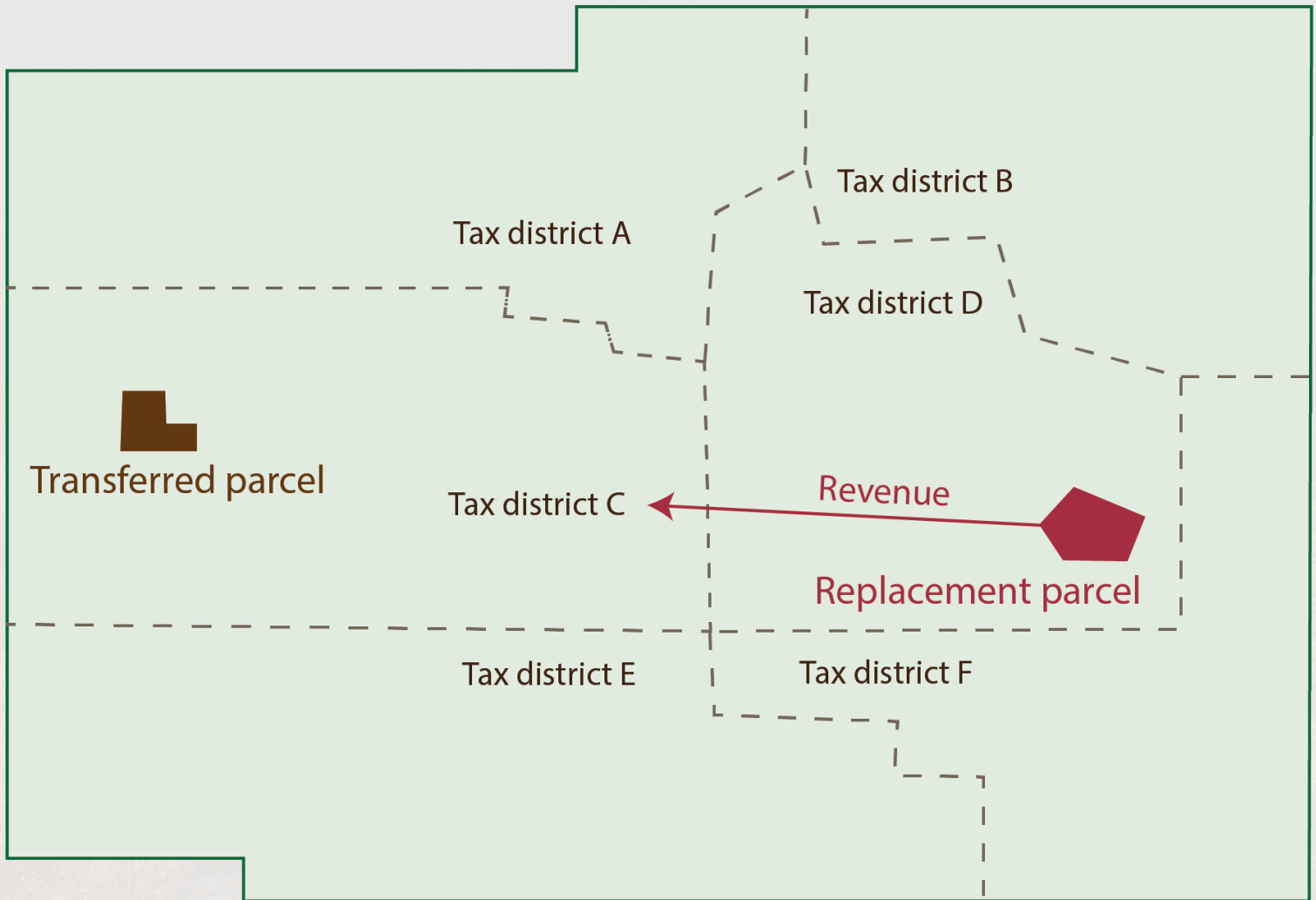
State Forestland Pool. As authorized by RCW 79.22.140 where land can be replaced anywhere and future revenue is credited to its former taxing district according to percent of contribution. Currently only available for counties with population less than 25,000 with lands encumbered by endangered species.





New Tax Code Area

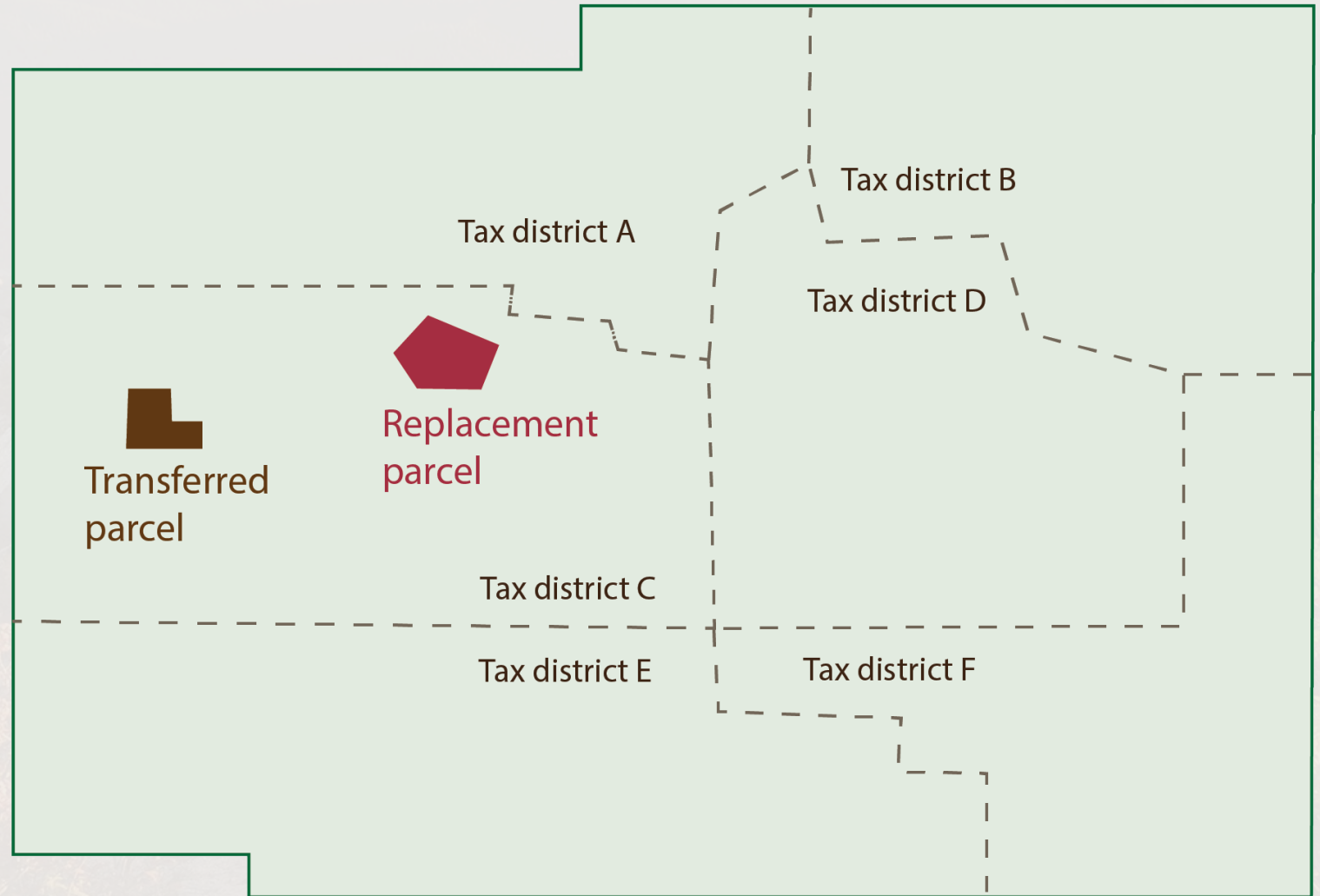
When a replacement parcel is located in a different tax area code than the parcel being transferred, counties could have the flexibility to assign the replacement parcel to the *affected* taxing district.





The Simple Solution

A replacement parcel is found within the same tax area code. The replacement parcel is not an inter-trust exchange parcel using Common School Trust land, but would be newly purchased private timber land.





Process Improvement

≤ 10-20 acre transfers

- Follow the revitalized TLT process.
- Engagement with impacted junior taxing districts should be highlighted.

≤ 80-400 acre transfers

- Formal engagement by DNR with each impacted beneficiary.
- Revenue analysis by DNR.
- Opportunity to request an independent third party review of estimate, higher of two values used for legislative request.
- Consensus of the taxing districts impacted.

> 400 acre transfers

- All work mentioned for smaller parcels AND...
- A more substantial conversation and analysis done as transfer may impact junior taxing district functionality and community sustainability.

Alternative to TLT: Direct Compensation to Counties

The state would compensate the county for the loss of revenue on encumbered or non-operational State Forestlands in both a one-time payment and an annual payment in perpetuity.

One-time payment calculated as follows:

State Forest Transfer Lands

- 75% of the parcel's timber value
- 100% of excise tax

State Forest Purchase Lands

- 26.5% of the parcel's timber value
- 100% of excise tax

Alternative to TLT: Direct Compensation to Counties

- **Other trusts and grants:** Calculate an annual payment in perpetuity to compensate for loss of future revenue for the excise tax.
- A **new account** would be established to fund payments: 50% of revenue from State Forest Purchase Lands would go to the Forest Development Account, 26.5% would go to the affected county, and 23.5% would go to a new “County Compensation Account.”
- Legislature would need to authorize distribution from the County Compensation Account each biennium.

Next Steps

- Subcommittee will continue developing solutions; many questions remain.
- Some solutions are similar to work being done by the Encumbered Lands group; solutions may need to be reconciled.
- Tax District Focus Group will decide whether to place each solution in the tool box.

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Legislative Requests



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Operational Budget Request

- Requesting **\$576,200** to fund additional staff.
- Staff will complete numerous essential tasks:
 - Perform best interests of the trust analysis
 - Maintain quality webpages
 - Answer questions from public, stakeholders, others
 - Collaborate with tribes and other governmental entities
 - Track and report on transfers
 - Support the advisory committee process
 - ...and more!



Capital Budget Request

- Requested **\$25 million** to transfer the 10 prioritized parcels from the pilot project.
- A portion of this amount will be used for appraisal-related expenses.



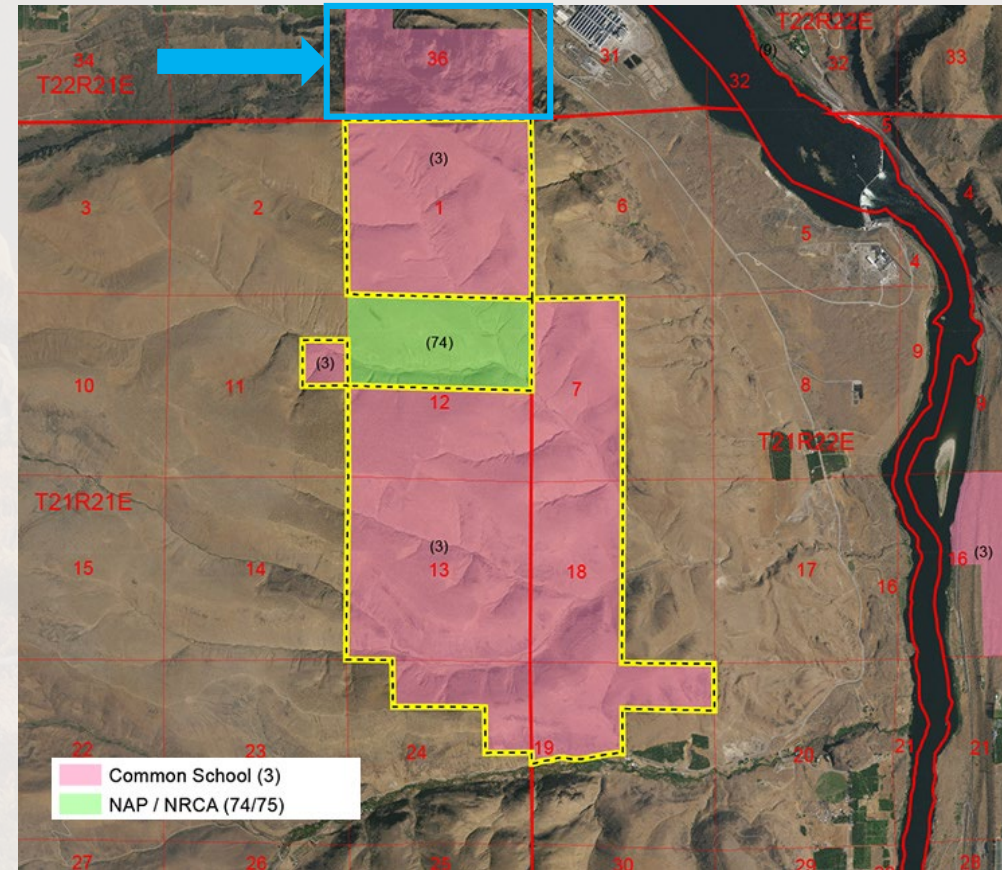
Eglon



Upper Dry Gulch

Acreage Change, Upper Dry Gulch

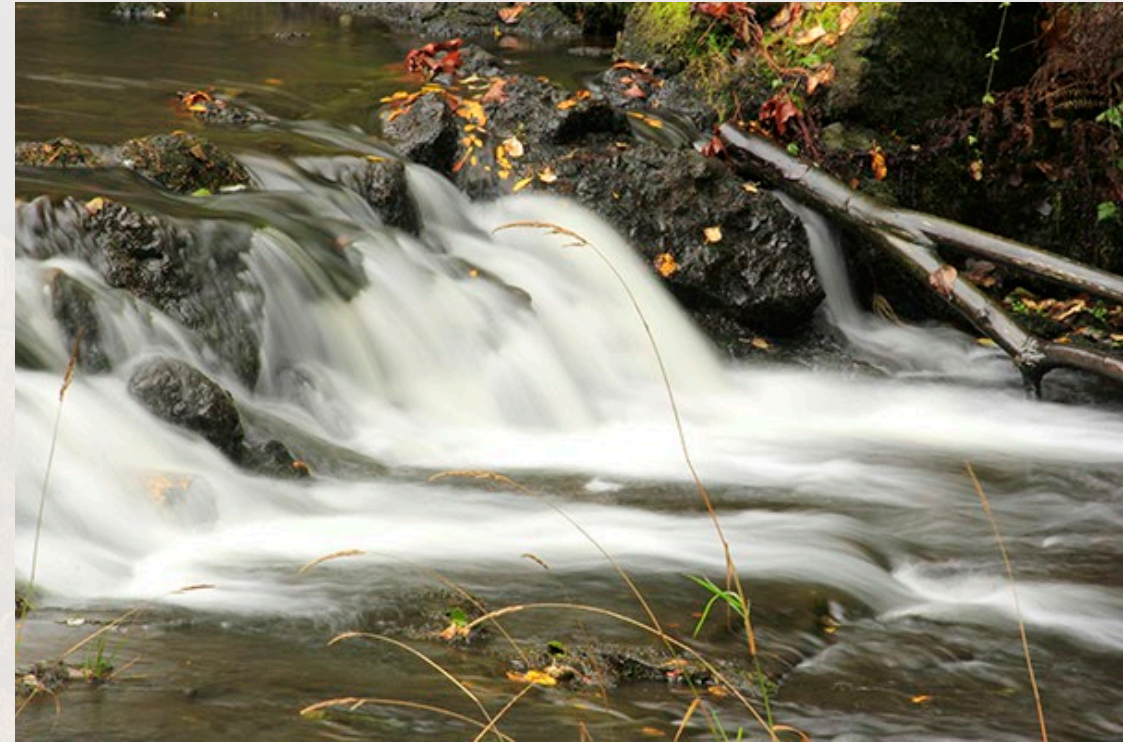
- Removed a 361-acre portion of the transfer that fell outside the approved Natural Area Preserve boundary.
- Corrections reduced transfer from 3,023 to 2,262 acres. Reduction in acres does not affect valuation estimate.
- Acreage of all parcels may be adjusted when DNR performs final appraisals.





Direct Transfer of State Forestland

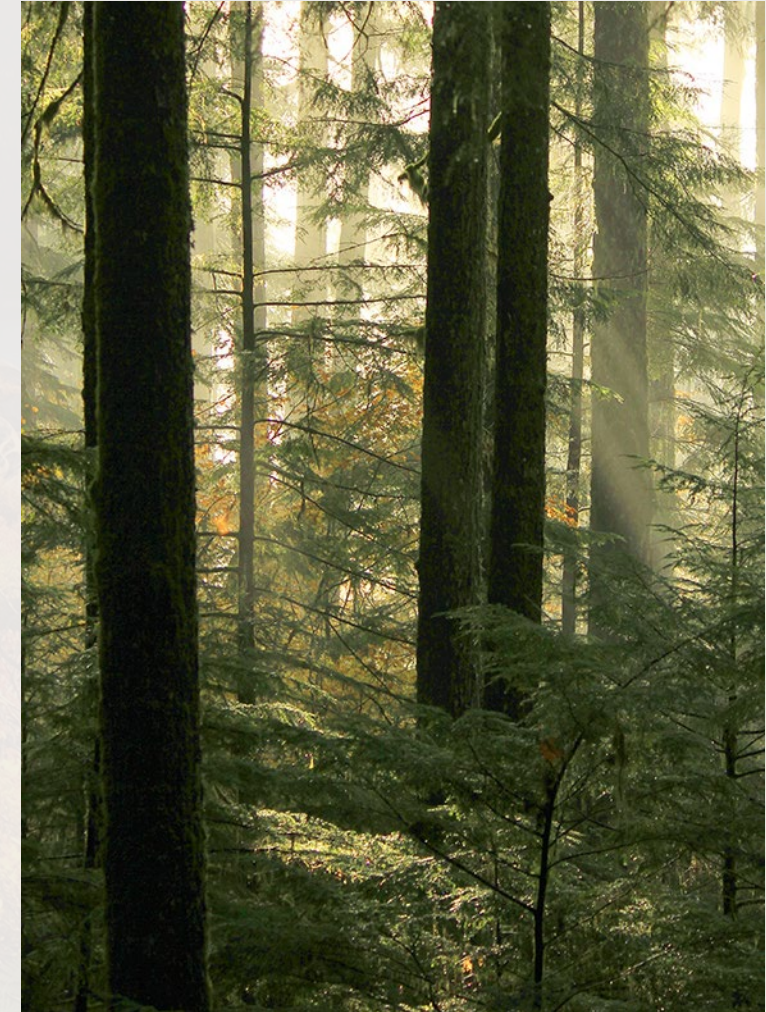
Allow direct transfer of State Forestlands to another public agency, for the purpose of attaining land with greater natural resource or income-producing potential, when in the best interest of the state or affected trust.





Funding Allocation Changes

- Specify that funds in the Real Property Replacement Account (RPRA) include the value of land, timber, other valuable materials, and improvements owned by the state, and that these funds shall be used to acquire replacement property.
- This statute ensures that all of the legislative appropriation for federally granted lands will be used to purchase replacement land.

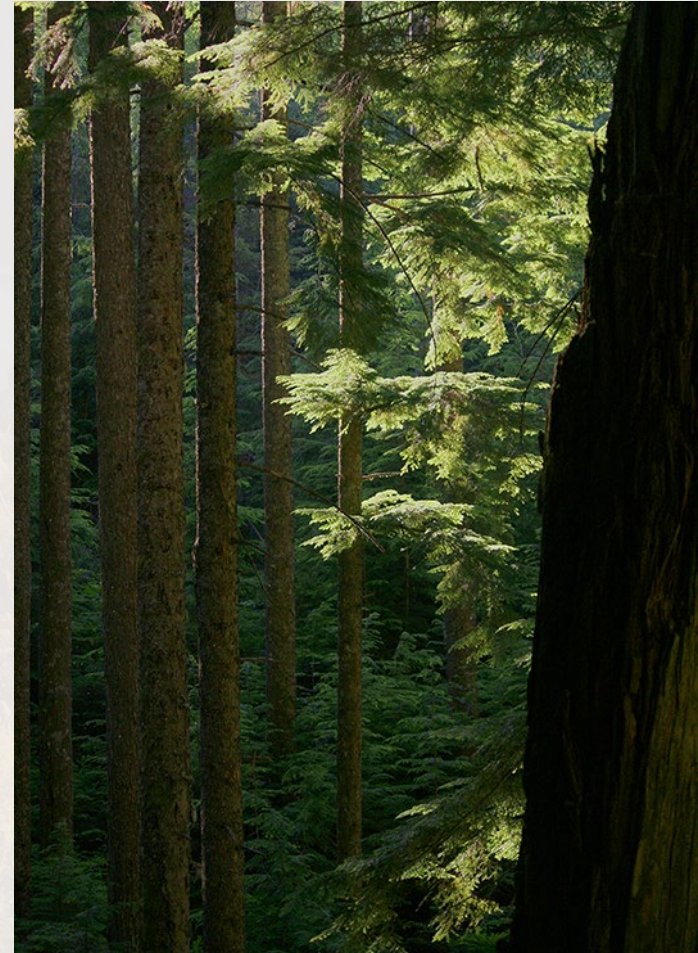




Funding Allocation Changes: State Forestlands

DNR is exploring statutory change options with the attorney general office to:

- Provide adequate funding for purchase of replacement State Forestlands, and
- Provide counties the option to receive a portion of the appropriation as a one-time payment.





Funding Allocation Changes: Summary

Current
(Common
School Trust)



Appropriation



Common School Construction Account
80% Timber Value



School
Construction

Real Property Replacement Account
20% Remaining Land Value



State Trust
Land Purchase

Proposed:
Federally
Granted Lands



Appropriation



Real Property Replacement Account
100% Land Value



State Trust
Land Purchase

Proposed:
State
Forestland



Appropriation



Parkland Trust Revolving Fund
100% Land Value*



State Trust
Land Purchase

* Counties can request a portion of the appropriation as a one-time payment



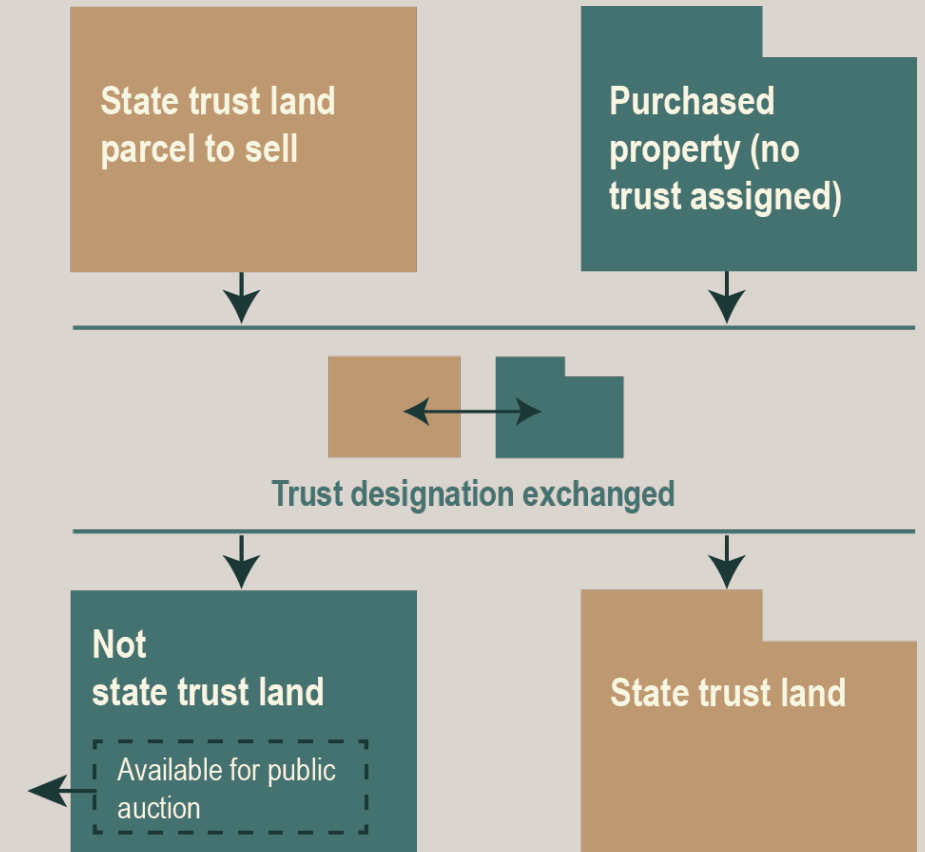
What Happened to the Land Bank Account?

The new Land Bank Account has been **eliminated** from TLT Revitalization. *Why?*

- It cannot be used as envisioned for federally granted lands.

Per the Enabling Act, the full land value, including any improvements on the land, must be used to purchase replacement lands for the affected trust.

- It is not needed for State Forestlands.





Land Replacement in Another County

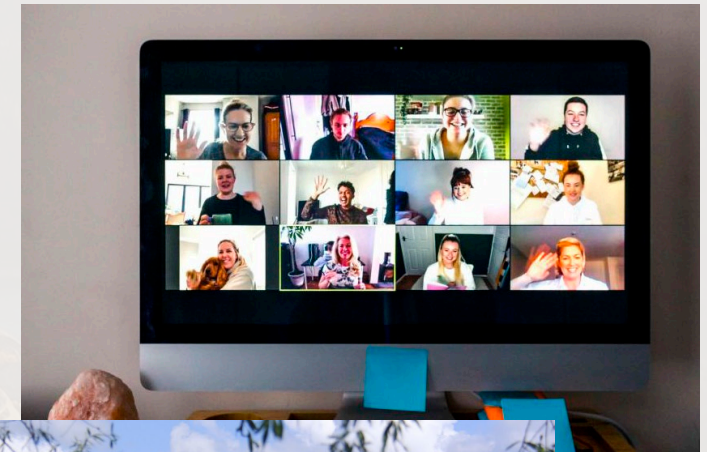
- Make it possible to purchase replacement lands in a different county than the county in which the transfer is located, and direct the revenue from the replacement lands back to the affected county.
- Change provides counties the flexibility to enact solutions proposed by the WSAC Encumbered Lands group and the TLT Tax District Focus Group.





Improved Land Transactions

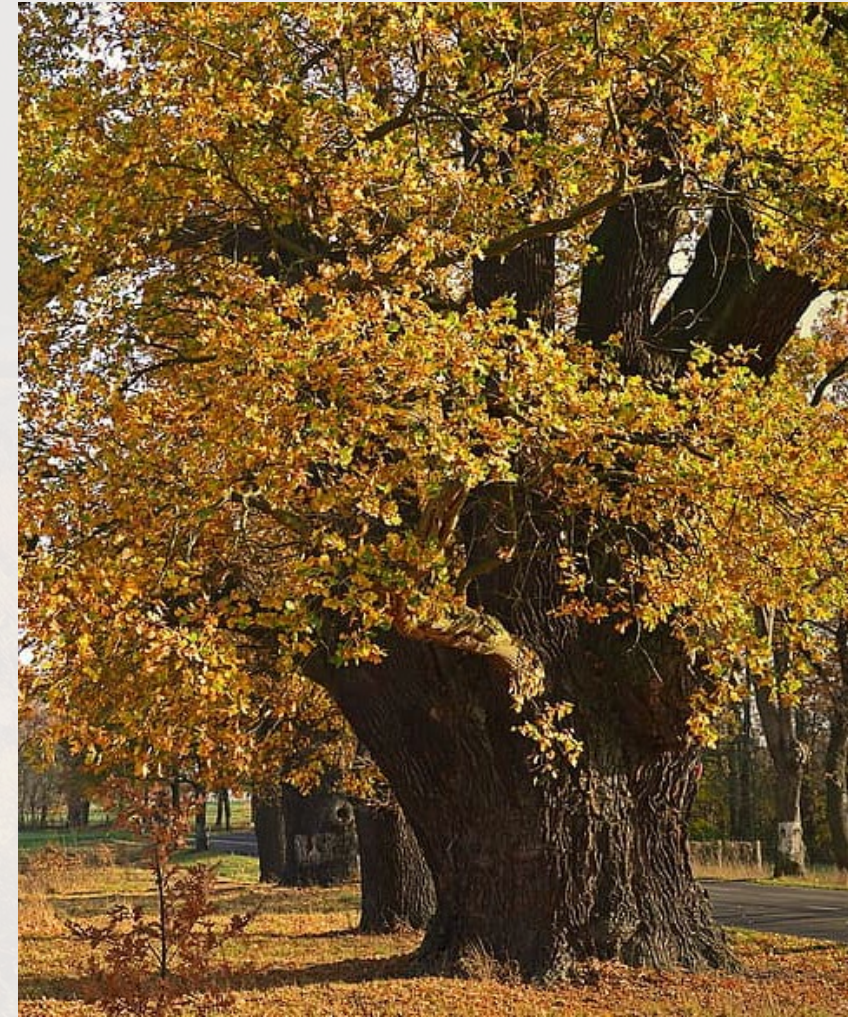
- Allow both public hearings on land exchanges and land sales to be held online, which will enable broader public participation and allow these activities to proceed when buildings are inaccessible to the public.
- Provide DNR the authority to transfer land bank property at fair market value directly to a lessee, when the lessee owns and resides in a house on the property.





Other Changes

- Establish the intent of TLT in statute, for long-term stability.
- Remove the current 1,500-acre limit on the Land Bank.



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Implementation Phase



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Many Tasks Remain

- Website
- Manual
- Procedure
- Fillable PDFs of application, best interests of the trusts template
- Establishment of first advisory committee
- Tracking and reporting improvements
- Signs on NAPs and NRCAs
- ...and more!



Implementation Steps

- Project team has been established.
- Project schedule is being developed.
- Work products will be completed in the order in which they are needed to inform the new TLT process.
- Temporary homepage to be developed this fall/winter, website to be completed in phases.
- First application period tentatively scheduled to begin in late summer/fall of 2023.



Looking Ahead

- Do you wish to stay involved and informed?
- If yes, how?
 - Emails?
 - Informal meetings?
 - Formal meetings?



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Thank you



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