CERTIFICATION OF ENROLLMENT

ENGROSSED SUBSTITUTE HOUSE BILL 1421

Chapter 216, Laws of 2011

62nd Legislature 2011 Regular Session

COMMUNITY FOREST TRUSTS

EFFECTIVE DATE: 07/22/11

Passed by the House March 5, 2011 Yeas 55 Nays 43

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate April 9, 2011 Yeas 39 Nays 10

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL** 1421 as passed by the House of Representatives and the Senate on the dates hereon set forth.

BARBARA BAKER

BRAD OWEN

Chief Clerk

President of the Senate

Approved April 29, 2011, 4:19 p.m.

FILED

April 29, 2011

CHRISTINE GREGOIRE

Governor of the State of Washington

Secretary of State State of Washington

ENGROSSED SUBSTITUTE HOUSE BILL 1421

Passed Legislature - 2011 Regular Session

State of Washington

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62nd Legislature

2011 Regular Session

By House Agriculture & Natural Resources (originally sponsored by Representatives Rolfes, Lytton, Moscoso, Van De Wege, Green, Sells, Blake, Sullivan, Eddy, Fitzgibbon, Frockt, Dunshee, Ryu, Upthegrove, Kenney, Reykdal, and Tharinger; by request of Commissioner of Public Lands)

READ FIRST TIME 02/16/11.

- 1 AN ACT Relating to providing the authority to create a community
- 2 forest trust to be managed by the department of natural resources;
- 3 amending RCW 79.17.210, 43.30.385, 79.64.020, and 79.64.040; reenacting
- 4 and amending RCW 79.02.010; and adding a new chapter to Title 79 RCW.
- 5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- NEW SECTION. Sec. 1. (1) The legislature finds that since the 1980s, about seventeen percent of Washington's commercial forests have been converted to other land uses.
 - (2) The legislature further finds that as these forests vanish, so do the multiple benefits they provide to our communities such as local timber jobs, clean air and water, carbon storage, fish and wildlife habitat, recreation areas, and open space.
- 13 (3) The legislature further finds that it has provided policy
 14 direction to the department of natural resources to protect working
 15 forest and natural resource lands at risk of conversion, while
 16 maintaining the department's obligation to manage the state's fiduciary
 17 trust lands and financial assets in the interest of the beneficiaries
 18 of the respective trust lands and assets.

p. 1

- 1 (4) The legislature further finds that there are numerous tools 2 available to acquire open space and recreation lands, but limited tools 3 to protect working forest lands.
 - (5) The legislature further finds that currently the department of natural resources lacks a full complement of policy and management tools necessary to protect or manage working forest lands at high risk of conversion.
 - (6) The legislature further finds that through modest enhancements to existing department of natural resources' programs and authorities, the legislature can expand Washington's ability to protect communities' working forest lands, while simultaneously improving the revenue generating performance of fiduciary trust lands managed by the department of natural resources.
 - (7) The legislature further finds that there has been past and present legislative intent to ensure continued public access for recreation compatible with the purposes of the lands involved.
- 17 (8) The legislature further finds that there exists an interest by 18 local communities, governments, and conservation organizations in 19 cooperating in the establishment of working community forests.
- 20 NEW _ SECTION. Sec. 2. (1) If deemed practicable by the 21 commissioner, the department is authorized to create and manage, consistent with the provisions of this chapter, a discrete category of 22 natural resource lands in a nonfiduciary community forest land trust. 23 24 The department is authorized to assemble, hold title to, and manage directly or through mutual agreement with other landowners land 25 26 suitable for sustainable forest management, to be held in the community 27 forest trust.
 - (2) All land held in the community forest trust must be held by the department and actively managed, consistent with a community working forest management plan developed under section 8 of this act, to generate financial support for the management of the community forest trust and to advance and sustain the working forest conservation objectives established in the management plan.
- NEW SECTION. **sec. 3.** (1) The department must identify lands for inclusion into the community forest trust, and manage the resulting

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community forest trust lands, in furtherance of goals that must be identified by the department prior to the creation of a community forest.

- (2) In addition to any goals for a community forest identified by the department, the community forest trust program must satisfy the following minimum program management principles:
- (a) Protecting in perpetuity working forest lands that are at a significant risk of conversion to another land use;
- (b) Securing financial and social viability through sound management plans and objectives that are consistent with the values of the local community;
- (c) Maintaining the land in a working status, through traditional forestry, management of specialized forest products harvest consistent with chapter 76.48 RCW, land leases, renewable energy opportunities, ecosystem services such as clean water protection or carbon storage, and other sources of revenue appropriate for the community forest to generate;
- (d) Generating revenue at levels that are, at a minimum, capable of reimbursing the department for management costs and providing for some reinvestment into the management objectives of the community forest;
- (e) Providing for ongoing, sustainable public recreational access, local timber jobs, clean air and water, carbon storage, fish and wildlife habitat, and open space in a manner that is compatible with management plans and objectives adopted for the community forest; and
- (f) Providing educational opportunities for local communities regarding the benefits that working forests provide to Washington's economy, communities, environment, and quality of life.
- NEW SECTION. Sec. 4. (1)(a) Except as limited by section 7 of this act, the department is authorized to acquire by purchase, gift, donation, grant, transfer, or other means other than eminent domain fee interest or a partial interest, including conservation easements, in lands or other real property suitable for management as part of the community forest trust and that are appropriate to further the goals of the community forest trust.
- 35 (b) The fair market value of any real property, and the associated 36 valuable materials, of any land transferred into the community forest

- trust from state lands must be provided to the beneficiaries of the transferee trust or used for the furtherance of the transferee trust.
 - (2) The department is authorized to receive funds for purposes of establishing the community forest trust from grants, gifts, bequests, or loans, whether public or private, as well as from legislative appropriation.
- 7 (3) All acquisitions of real property for the community forest 8 trust must be approved by the board.
- 9 <u>NEW SECTION.</u> **Sec. 5.** (1) The department shall, if it establishes 10 a community forest trust program, develop criteria to be used for the 11 identification and prioritization of forest land that is suitable for 12 potential inclusion in the community forest trust due to its ability to 13 most closely satisfy the goals of the community forest trust outlined 14 in section 3 of this act.
- 15 (2) In prioritizing forest land for inclusion in the community 16 forest trust, the department shall give priority consideration to lands 17 that are:
- 18 (a) The subject of established management and revenue production 19 objectives of potential local community partners;
 - (b) At greatest risk of conversion;
- 21 (c) Helping buffer commercial public or private forest lands from 22 encroaching development;
 - (d) Helping to block up other community forest assets to be managed consistently with the community forest trust acquisition;
 - (e) Able to be managed, considering surrounding current or expected future land use, as economically sustainable working forest land either alone or in combination with adjacent and nearby working forest land, including other lands incorporated into a community forest by the department, a local governmental entity, or a not-for-profit conservation organization managing forest lands;
 - (f) Eliqible for trust land transfer capital appropriations;
- 32 (g) Available for acquisition through existing or new programs or 33 funding;
- (h) Supporting existing or expanded forest product manufacturing infrastructure;
- 36 (i) Useful in leveraging funds to match available acquisition 37 moneys;

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1 (j) Positioned to have their development rights extinguished 2 through transfer, purchase, conservation easement, lease, or by some 3 other comparable mechanism; or

- (k) Enhancing state fiduciary trust land revenues by repositioning underperforming state trust lands to provide short and long-term revenues to that trust.
- NEW SECTION. Sec. 6. (1) The department shall, if it establishes a community forest trust program, submit biennially to the office of financial management and the appropriate committees of the legislature a prioritized list that identifies nominated parcels of state land or state forest land that are suitable for transfer into the community forest trust, where such a transfer is also in the best interest of the respective trust. The department shall solicit and consider input from the board on a draft list before submitting a final prioritized list.
- (2) The list of nominated parcels must reflect consideration of local nominations and the priorities outlined in section 5 of this act and be delivered to the required recipients by November 1st of each even-numbered year.
- NEW SECTION. Sec. 7. (1) The department must, prior to using the authority provided in section 4 of this act to acquire land for inclusion in a community forest, obtain from the local community a commitment to preserving the land as a working forest.
 - (2) Following initial agreement between potential local community partners and the department regarding management and revenue production objectives for the lands in question, the local commitment to preserving the land as a working forest must be demonstrated by the county, city, or other local entity providing a financial contribution to the specific community forest of at least fifty percent of the difference between the parcel's appraised fair market value and the parcel's timber and forest land value. The local community contribution may be provided through any means deemed acceptable by the department and the local contributor, including:
 - (a) Traditional financing or bonding;
 - (b) The purchase of conservation easements; or
- 35 (c) The purchase or transfer of development rights.

- 1 (3) The local financial contribution must be deposited into the 2 park land trust revolving fund created in RCW 43.30.385 and used solely 3 for acquisition of the community forest trust land parcel or parcels 4 for which it is intended.
- NEW SECTION. Sec. 8. (1) All lands transferred into community forest trust status must be managed in accordance with a postacquisition management plan developed by the department consistent with this section.
 - (2) After exercising the authority provided in section 4 of this act to acquire land for inclusion in a community forest, the department must establish a local advisory committee in cooperation with any interested and affected local government.
 - (3) The department must use the local advisory committee as a source of advice and comment on a postacquisition management plan. Comments and advice should, at a minimum, include plans for how the department will maintain the land's working status and economic viability objectives through revenue-generating activities that are sufficient to generate ongoing revenue at a level that reimburses administrative costs, while satisfying, or contributing to, identified community conservation and recreation objectives.
 - (4)(a) If, after a good faith effort by all parties, the department and the local advisory committee fail to reach a consensus on a conceptual postacquisition management plan for the parcel in question, the department may either adopt a management plan informed by the community or recommend to the board that the parcel be divested through the existing authority of the department and the board. If the parcel is divested, then, except as otherwise provided in this subsection, proceeds must return to the park land trust revolving fund created in RCW 43.30.385.
 - (b) Prior to depositing the proceeds of a land divestiture under this subsection to the park land trust revolving fund, the department must first reimburse local entities that have made financial contributions to the parcel's acquisition as provided in section 7(2) of this act. However, local entities are only eligible for reimbursement upon divestiture under this subsection if the board determines that:

- (i) The subsequent parcel use is likely to remain a working forest, the department secures full fair market value for the parcel, and the local entity's contribution was not provided by a state or federal grant; or
- 5 (ii) The funds used as part of the local contribution were 6 originally provided through a grant that requires, as a condition of 7 the grant, the repayment of granted dollars if the purposes of the 8 grant are not or cannot be fulfilled and the decision to divest the 9 land creates an inability for the purposes of the grant to be 10 fulfilled.
- NEW SECTION. Sec. 9. (1) Any revenue produced on community forest trust lands must be, consistent with RCW 79.64.040, allocated as follows:
- 14 (a) All costs incurred by the department in managing the parcel 15 must be fully reimbursed; and

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- (b) After the department's management costs are reimbursed, any remaining revenue must then be prioritized to fulfill the management objectives for the specific parcel as identified in the postacquisition management plan developed under section 8 of this act consistent with the management principles outlined in section 3 of this act.
- (2)(a) If, by the determination of the board, there is revenue remaining in any given biennium after fulfilling the requirements of subsection (1) of this section, then the board has the discretion to reimburse any local entities' eligible financial contributions for acquisition of the parcel under section 7(2) of this act and any state contribution to the acquisition of the parcel up to an amount that represents fifty percent of the difference between the parcel's original appraised fair market value and the parcel's timber and forest land value. However, any funds used as part of the local contribution may not be reimbursed if the funds were originally provided through a state or federal grant, provided through a fully compensated transfer of development rights at fair market value, or provided by a donation of funds or property.
- (b) If the board decides to reimburse the state and local contribution, then it must allocate the reimbursement so that fifty percent is provided to the state general fund and fifty percent is provided to any eligible partnering local entities.

1 (c) Nothing in this section creates an expectation, requirement, or 2 fiduciary duty for the board or the associated community forest trust 3 lands to generate revenue in excess of amounts as provided in 4 subsection (1)(a) of this section.

NEW SECTION. Sec. 10. By September 1, 2014, and periodically, but 5 6 at least once every ten years thereafter, the department shall provide 7 to the board a review and update of the community forest trust program. The review must include updates on the performance of the community 8 forest trust statewide and notification of any community forest trust 9 parcels not performing according to their management plan. 10 11 department is authorized to, consistent with this chapter, recommend to the board action to divest itself of nonperforming community forest 12 trust parcels using existing policies and mechanisms available to the 13 department and the board. 14

<u>NEW SECTION.</u> **Sec. 11.** (1) The commissioner may establish and maintain a statewide advisory committee to assist the department in the implementation of this chapter.

- (2) If a statewide advisory committee is established, the commissioner shall appoint a balanced representation of interests on the committee, including representatives of state fiduciary trust land beneficiaries, tribal governments, local governments, relevant state agencies, commercial forest landowners, land trusts, and conservation organizations.
- (3) The statewide advisory committee shall provide consultation on issues and questions presented by the commissioner and may be dissolved by the commissioner at any time.
- 27 (4) Participation on the statewide advisory committee is voluntary 28 and members are not eligible for any form of compensation nor for 29 reimbursement for expenses incurred due to service on the committee.
- NEW SECTION. Sec. 12. (1) The commissioner may, if deemed practicable and beneficial by the commissioner, cooperate with interested local governments in establishing community forest districts or local working forest districts that are compatible with the goals identified in this chapter for the community forest trust. Cooperative districts would attempt to voluntarily synchronize the management of

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- community forest trust lands, other public lands, and private lands located within a certain geographic area to further a common set of community goals. If a working forest district encompasses state lands or state forest lands, then their voluntary management to further a common set of community goals must be consistent with the department's fiduciary and other legal obligations to the trust, including the multiple use act in chapter 79.10 RCW.
 - (2)(a) The department may, in its sole discretion and if it deems sufficient funding to be available, provide technical assistance grants to local communities for the purpose of enabling or furthering the development of community forest management plans consistent with this chapter.
- 13 (b) This subsection does not create a private right of action.

- **Sec. 13.** RCW 79.17.210 and 2003 c 334 s 118 are each amended to read as follows:
 - (1) The legislature finds that the department has a need to maintain the real property asset base it manages and needs an accounting mechanism to complete transactions without reducing the real property asset base.
 - (2) The natural resources real property replacement account is created in the state treasury. This account shall consist of funds transferred or paid for the disposal or transfer of real property by the department under RCW 79.17.200 and the transfer of state lands or state forest lands into community forest trust lands under section 4 of this act. The funds in this account shall be used solely for the acquisition of replacement real property and may be spent only when, and as, authorized by legislative appropriation.
- **Sec. 14.** RCW 43.30.385 and 2009 c 354 s 9 are each amended to read 29 as follows:
 - (1) The park land trust revolving fund is to be utilized by the department for the purpose of acquiring real property, including all reasonable costs associated with these acquisitions, as a replacement for the property transferred to the state parks and recreation commission, as directed by the legislature in order to maintain the land base of the affected trusts or under RCW 79.22.060 and to receive

- voluntary contributions for the purpose of operating and maintaining public use and recreation facilities, including trails, managed by the department.
 - (2) In addition to the other purposes identified in this section, the park land trust revolving fund may be utilized by the department to hold funding for future acquisition of lands for the community forest trust program from willing sellers under section 4 of this act.
 - (3)(a) Proceeds from transfers of real property to the state parks and recreation commission or other proceeds identified from transfers of real property as directed by the legislature shall be deposited in ((this)) the park land trust revolving fund.
 - (b) The proceeds from real property transferred or disposed under RCW 79.22.060 must be used solely to purchase replacement forest land, that must be actively managed as a working forest, within the same county as the property transferred or disposed.
 - (c) Disbursement from the park land trust revolving fund to acquire replacement property and for operating and maintaining public use and recreation facilities shall be on the authorization of the department. ((The-proceeds-from-real-property-transferred-or-disposed-under-RCW 79.22.060 must be solely used to purchase replacement forest land, that must be actively managed as a working forest, within the same county as the property transferred or disposed.))
 - (4) In order to maintain an effective expenditure and revenue control, the park land trust revolving fund is subject in all respects to chapter 43.88 RCW, but no appropriation is required to permit expenditures and payment of obligations from the fund.
 - $((\frac{(2)}{(2)}))$ The department is authorized to solicit and receive voluntary contributions for the purpose of operating and maintaining public use and recreation facilities, including trails, managed by the department. The department may seek voluntary contributions from individuals and organizations for this purpose. Voluntary contributions will be deposited into the park land trust revolving fund and used solely for the purpose of public use and recreation facilities operations and maintenance. Voluntary contributions are not considered a fee for use of these facilities.
- **Sec. 15.** RCW 79.64.020 and 2008 c 328 s 6004 are each amended to read as follows:

A resource management cost account in the state treasury is created to be used solely for the purpose of defraying the costs and expenses necessarily incurred by the department in managing and administering state lands, community forest trust lands, and aquatic lands and the making and administering of leases, sales, contracts, licenses, permits, easements, and rights-of-way as authorized under provisions of this title. Appropriations from the resource management cost account to the department shall be expended for no other purposes. Funds in the resource management cost account may be appropriated or transferred by the legislature for the benefit of all of the trusts from which the funds were derived. ((For-the-2007-2009-biennium, moneys-in-the-account-may-be-used-for-the-purposes-identified-in section 3044, chapter 328, Laws of 2008.))

Sec. 16. RCW 79.64.040 and 2009 c 564 s 957 are each amended to read as follows:

- (1) The board shall determine the amount deemed necessary in order to achieve the purposes of this chapter and shall provide by rule for the deduction of this amount from the moneys received from all leases, sales, contracts, licenses, permits, easements, and rights-of-way issued by the department and affecting state lands, community forest trust lands, and aquatic lands, provided that no deduction shall be made from the proceeds from agricultural college lands.
- (2) Moneys received as deposits from successful bidders, advance payments, and security under RCW 79.15.100, 79.15.080, and 79.11.150 prior to December 1, 1981, which have not been subjected to deduction under this section are not subject to deduction under this section.
- (3) Except as otherwise provided in subsections (((5))) (4) and (6) of this section, the deductions authorized under this section shall not exceed twenty-five percent of the moneys received by the department in connection with any one transaction pertaining to state lands and aquatic lands other than second-class tide and shore lands and the beds of navigable waters, and fifty percent of the moneys received by the department pertaining to second-class tide and shore lands and the beds of navigable waters.
- 35 (4) <u>Deductions authorized under this section for transactions</u>
 36 <u>pertaining to community forest trust lands must be established at a</u>
 37 <u>level sufficient to defray over time the management costs for</u>

- 1 <u>activities prescribed in a parcel's management plan adopted pursuant to</u>
- 2 <u>section 8 of this act, and, if deemed appropriate by the board</u>
- 3 consistent with section 9 of this act, to reimburse the state and any
- 4 local entities' eligible financial contributions for acquisition of the
- 5 parcel.

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- (5) In the event that the department sells logs using the contract harvesting process described in RCW 79.15.500 through 79.15.530, the moneys received subject to this section are the net proceeds from the contract harvesting sale.
- $((\frac{5}{}))$ (6) During the 2009-2011 fiscal biennium, the twenty-five percent limitation on deductions set in subsection (3) of this section may be increased up to thirty percent by the board.
- 13 Sec. 17. RCW 79.02.010 and 2010 c 126 s 6 are each reenacted and amended to read as follows:
- The definitions in this section apply throughout this title unless the context clearly requires otherwise.
 - (1) "Aquatic lands" means all state-owned tidelands, shorelands, harbor areas, and the beds of navigable waters as defined in RCW 79.105.060 that are administered by the department.
 - (2) "Board" means the board of natural resources.
- 21 (3) "Commissioner" means the commissioner of public lands.
- 22 (4) "Community and technical college forest reserve lands" means 23 lands managed under RCW 79.02.420.
 - (5) "Department" means the department of natural resources.
 - (6)(a) "Forest biomass" means the by-products of: Current forest management activities; current forest protection treatments prescribed or permitted under chapter 76.04 RCW; or the by-products of forest health treatment prescribed or permitted under chapter 76.06 RCW.
 - (b) "Forest biomass" does not include wood pieces that have been treated with chemical preservatives such as: Creosote, pentachlorophenol, or copper-chrome-arsenic; wood from existing old growth forests; wood required to be left on-site under chapter 76.09 RCW, the state forest practices act; and implementing rules, and other legal and contractual requirements; or municipal solid waste.
- 35 (7) "Improvements" means anything considered a fixture in law 36 placed upon or attached to lands administered by the department that

- 1 has changed the value of the lands or any changes in the previous 2 condition of the fixtures that changes the value of the lands.
 - (8) "Land bank lands" means lands acquired under RCW 79.19.020.
- (9) "Person" means an individual, partnership, corporation, association, organization, cooperative, public or municipal corporation, or agency of a federal, state, or local governmental unit, however designated.
- 8 (10) "Public lands" means lands of the state of Washington 9 administered by the department including but not limited to state 10 lands, state forest lands, and aquatic lands.
- 11 (11) "State forest lands" means lands acquired under RCW 79.22.010, 79.22.040, and 79.22.020.
 - (12) "State lands" includes:

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- 14 (a) School lands, that is, lands held in trust for the support of the common schools;
- 16 (b) University lands, that is, lands held in trust for university 17 purposes;
- 18 (c) Agricultural college lands, that is, lands held in trust for 19 the use and support of agricultural colleges;
- 20 (d) Scientific school lands, that is, lands held in trust for the 21 establishment and maintenance of a scientific school;
- (e) Normal school lands, that is, lands held in trust for state normal schools;
 - (f) Capitol building lands, that is, lands held in trust for the purpose of erecting public buildings at the state capital for legislative, executive, and judicial purposes;
 - (g) Institutional lands, that is, lands held in trust for state charitable, educational, penal, and reformatory institutions; and
- (h) Land bank, escheat, donations, and all other lands, except aquatic lands, administered by the department that are not devoted to or reserved for a particular use by law.
- 32 (13) "Valuable materials" means any product or material on the 33 lands, such as forest products, forage or agricultural crops, stone, 34 gravel, sand, peat, and all other materials of value except: (a) 35 Mineral, coal, petroleum, and gas as provided for under chapter 79.14 36 RCW; and (b) forest biomass as provided for under chapter 79.150 RCW.
- 37 (14) "Community forest trust lands" means those lands acquired and

- 1 <u>managed under the provisions of chapter 79.--- RCW (the new chapter</u>
- 2 <u>created in section 19 of this act).</u>
- 3 <u>NEW SECTION.</u> **Sec. 18.** The authorities granted under Title 79 RCW
- 4 for the management of state lands apply to the community forest trust
- 5 to the extent consistent with the purposes of this act. The department
- 6 may develop management procedures deemed necessary by the department to
- 7 implement this act.
- 8 NEW SECTION. Sec. 19. Sections 1 through 12 and 18 of this act
- 9 constitute a new chapter in Title 79 RCW.

Passed by the House March 5, 2011.

Passed by the Senate April 9, 2011.

Approved by the Governor April 29, 2011.

Filed in Office of Secretary of State April 29, 2011.