

March 28, 2008

Kittitas County Board of Commissioners
205 West 5th Ave, Suite 108
Ellensburg, WA 98926

Dear Chairman McClain and Commissioners Bowen and Crankovich

Enclosed are the recommendations of the Forest Lands Advisory Committee, for designation and de-designation criteria of commercial forestlands of long-term significance in Kittitas County. The committee has re-written the narrative portion of the Commercial Forest lands section of the Comprehensive plan and updated the GPO's for your review.

During the process of developing commercial forest designation, de-designation criteria and policies, we reviewed relevant portions of several county comprehensive plans. This review revealed that we are consistent with other comprehensive plans from other counties as they relate to forest lands designation. Since the concept and process of de-designation criteria has not previously been required by the Growth Management Hearings board from other counties, it is relatively new.

If you have any questions or comments, feel free to contact us.

Sincerely

FOREST LANDS ADVISORY COMMITTEE

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Commercial Forest Land Use

Commercial forestland, approximately 732,000 acres, claims half of the Kittitas county land area. A checkerboard pattern of private, State, and Federal land ownerships characterizes the County forests. Federal and State ownership accounts for approximately eighty two percent of the lands designated commercial forestlands in Kittitas County. Private ownership only accounts for approximately eighteen percent of commercial forestlands.

Traditionally forestlands in the County contributed regional economic value by providing employment and income from resource management, which includes: harvesting, fishing, hunting, mining, grazing and recreation. Even though revenue has diminished from forest products, it is also recognized that forestlands provide other public benefits and values such as; watersheds, wildlife and fish habitat. It is recognized that the designation "Commercial Forest Lands" has been used to encompass all forested lands that do provide a variety of public benefits including non productive and high elevation lands within ownerships.

The original Commercial Forest zone was created in 1993 during an era of strong local and regional markets for traditional solid wood products from forest lands in Kittitas County. There was a large, viable industrial forest land base and an active National Forest timber sale program. Further, many of the Non-Industrial Private Forest ownerships were intact and contributing to the supply side of the log markets.

This created a large annual supply of logs for the wood basket of local and regional manufacturing within a 100 mile radius. The Commercial Forest zone created in 1993 was driven by ownership objectives at that time and historic land use. There have been significant changes in land ownership and manufacturing infrastructure since the Commercial Forest zone was created.

The forest industry in Kittitas County has experienced a substantial economic down turn for the past 15+ years. This occurred primarily due to the Endangered Species Act and its effect on state forest practices, imposing regulations to protect listed species and their habitats on Federal, State and Private forest lands. Backed by the increasing use of citizen suits under the ESA and other federal environmental statutes, these regulations resulted in the removal of most of the federal timber from the market place and placed constraints on state and private forest management for wood products. This in turn increased the demand for logs off of private forest land. Increases in private harvests over the past decade helped to offset some of the decline in federal harvests, but the capacity to maintain higher harvest levels on private forest lands on a sustainable basis peaked, causing local mills to seek logs at greater distances. With the lack of local supply, increased transportation, and manufacturing costs, the mills had no choice but to shut down. The loss of seven mills

since 1990 in Kittitas, Klickitat, Chelan, and Yakima counties has resulted in reduced market competition and increased haul distances for logs.

Unlike the West side of the State, forests in Kittitas County have a significant species mix and size of timber that are generally undesirable to West side mills. In addition, export restrictions on state and federal forest have limited the marketability of timber. The confluence of these factors has devastated the timber industry in Kittitas County. Without the local milling infrastructure, and a short-term and long-term inventory consisting only of low value logs, participants in the commercial timber industry in Kittitas County can no longer compete in the log market when most of the milling capacity is in the Western part of the State, with its own abundant supply of relatively cheap timber and close proximity to a forested land base. Historically, the industry has been able to survive the cyclical downturns in log markets when there is a consistent local infra-structure to keep transportation costs down, but with the loss of the milling and manufacturing infrastructure within the region, this is no longer the case.

This significant change in circumstances within Kittitas County, the collapse of the commercial timber industry, and lack of infra-structure, other incentives and alternatives to keep working forests viable should be considered. There may be emerging markets such as carbon sequestration, Transfer of Development Rights (TDRs), bio-fuel and bio-energy production that offset the loss of the traditional log product markets, but these markets are commercially speculative, predicated upon viable working forests, and are unavailable to landowners in the immediate future. Even when such markets are developed, it is unlikely that they will generate revenue sufficient for managing and sustaining healthy, commercially viable forestlands. Moreover, landowners should not be expected to continue to manage forest lands for public benefits without compensation to offset the costs associated with managing forest lands.

It is clear that the Legislature intended that counties planning under the Growth Management Act (GMA) should consider land characteristics and economic factors when designating commercial forest lands. Under the GMA and its guidelines, lands may not be economically and practically managed for commercial timber production if long-term conditions, such as mill closures, unforeseen regulatory encumbrances, and international competition rendered such production economically unfeasible. As stated by the Washington Supreme Court, "the GMA is not intended to trap anyone in economic failure". *Lewis County v. Western Washington Growth Management Hearings Board*, 157 Wash.2d 488, 505 (2006)

De-designation of lands out of the Commercial Forest Land Use Designation shall occur having a one year review process from June to June, with decision made by December

during the annual comp plan review. All applications must be reviewed by the Forest Lands Advisory Committee prior to review by the Planning Commission and Board of County Commissioners.

The following procedures should be followed for Designation and De-designation:

1. Application submitted to Community Development Services (CDS).
2. Application referred to Forest Lands Advisory Committee for review and recommendations.
3. Planning Commission conducts public hearings with Forest Lands Advisory Committee recommendations.
4. Planning Commission makes recommendations to BOCC.
5. BOCC makes final decision as part of the annual Comp Plan Amendment Process.

De-Designation criteria for Commercial Forest Lands:

- Long Term Economic Conditions
- Compatible Land Use Alternatives
- Ownership Goals and Objectives
- Availability of Public Services
- Site Productivity
- Change in Circumstances

The purpose of these Criteria is a tool to be used by the proponent and Kittitas County Community Development Services and their designated advisory committee to evaluate parcels within the commercial forest zone proposed for de-designation.

De-designation should not only recognize changes in circumstances since the original Commercial Forest zone created in 1993, but also continuing changes. GMA anticipates that the needs of landowners and local communities will change, and will require amendments to land designations. Land use planning is a dynamic process. Procedures for designation should provide a rational and predictable basis for accommodating change.” WAC 365-190-040(h)

The following criteria are not ranked in order of importance or value, and an application for a de-designation of commercial forestlands may proceed on one or more of the criteria. The proponent and Community Development Services should address each criteria item on a case by case basis in as much detail as possible while considering the cumulative influences of all criteria.

CRITERION NO. 1: LONG TERM ECONOMIC CONDITIONS

The original Commercial Forest zone was created during an era of strong local and regional markets for traditional solid wood products from forest lands Kittitas County. There was a large, viable industrial forest land base and an active National Forest timber sale program. Further, many of the Non-Industrial Private Forest ownerships were intact and contributing to the supply side of the log markets. This created a large annual supply of logs for the wood basket of local and regional manufacturing.

The Commercial Forest zone created in 1993 was driven by ownership objectives at that time and historic land use. There have been significant changes in land ownership and manufacturing infrastructure since the CF-80 zone was created. The de-designation discussion should evaluate the following inter-related factors:

- The current log market situation and how it has impacted the industry in Kittitas County :
 - Milling Facilities
 - Transportation
 - Log Values
 - Species Mix and log size
 - Land holding and administrative costs
 - The needs of the local forest products industry, and the availability of long-term sources of timber

For example, the reduced supply of timber reflects the current State regulatory environment for state and private lands, changes in State policies on the management and harvest of State timberlands, changes in Federal management objectives on Federal lands in response to the Endangered Species Act, Clean Water Act and National Environmental Policy Act, and changes in goals and objectives with new ownership of private lands.

CRITERION NO. 2: COMPATIBLE LAND USE ALTERNATIVES

Rural land values including rural forested land values have increased dramatically since the Commercial Forest zone was created in 1993. These value increases have been driven by a high market demand for smaller parcels for use as rural residential, 2nd home site, or simply as an investment. In economic terms, the 'highest and best use' of these lands in the current market far exceeds traditional resource land values.

The de-designation discussion should evaluate the following:

- Land Use Plan consistent with requested de-designation, including operational impacts on adjacent commercial forest land.

Applications for de-designation from Commercial Forest should demonstrate compatible use with adjoining rural and commercial forest land use parcels. Innovative land use planning that allows for development while preserving open space should be considered favorably.

CRITERION NO. 3: OWNERSHIP GOALS AND OBJECTIVES

The Commercial Forest ownership pattern should be evaluated on a County wide basis. Recognition should also be given to the percentage of Commercial Forestlands in Kittitas County under Federal and State ownership. It should be recognized that ownership objectives and goals vary depending on if the lands are managed by the Federal Government, small or large private, or lands administered by the State (i.e. WDNR or WDFW). Public lands are statutorily managed for various competing uses, such as recreation, public access, and timber production. Private lands are managed under the expectations and objectives of the landowner, and largely derive their operating costs from forest products. Unless private timber lands are economically viable, private landowners may be without the financial means to effectively manage their forests.

The de-designation discussion should consider:

- Land owner goals and objectives
- Regional benefits that may result from de-designation, including higher property taxes and economic stimulus

CRITERION NO. 4: AVAILABILITY OF PUBLIC SERVICES

The applicant must demonstrate the availability or potential availability of public services at a level appropriate for a proposed de-designation.

- Examples are:
 - Current and future status of infrastructure.
 - Public roads or potentially public roads.
 - Fire District.
 - Location in relation to Wildland Urban Interface boundary.
 - Within or potentially included in a Community Wildfire Protection Plan.
 - Public schools.
 - Water available or potentially available
 - Waste water treatment

CRITERION NO. 5: SITE PRODUCTIVITY

The applicant for de-designation should demonstrate that the majority (or significant portion) of the property does not meet site class 1-4. This means the land can not produce a marketable stand of timber in at least a 100 year growth period.

CRITERION NO. 6: CHANGE IN CIRCUMSTANCES

Applications for de-designation should demonstrate change in circumstance leading to the requested de-designation of commercial forestland. While it is understood that economic changes within the local timber industry, or for a landowner, may constitute a "change of circumstances" warranting a de-designation of commercial forestlands, those issues are identified as Criterion No. 1 above.

The de-designation discussion should consider:

- Change in circumstance
 - Example changes includes:
 - Kittitas County land use patterns and land use planning;
 - Legislative land use direction (TDR's for example);
 - Changes in GMA: RCW and WAC , and KCC
 - Recognize the evolving regulatory changes affecting the management of State and private forest land:
 - State Forest & Fish Law, 1999
 - State Hydraulics Code
 - Clean Water Act: State & Federal
 - Endangered Species Act: Federal and State
 - Shoreline Management Act: State

The following policies will guide the county in land use decisions affecting lands designated as Commercial Forest Lands:

GPO 2.130A To conserve forest lands for productive economic use by identifying and designating forestlands where the principal and preferred land use is resource management and meets the economic needs of the industry and County. The boundaries and lot size remain as designated in 1993, with modifications occurring on a case by case basis as applications for de-designation are submitted.

GPO 2.130B Maintain a growth management Forest Lands Advisory committee comprised of persons with forest land management backgrounds in order to:

- a. assess and review applications for designation and de-designation of forestlands in Kittitas County
- b. make recommendations to the Planning Commission and Board of County Commissioners on all applications for designation and de-designation.

GPO 2.131 Forest resource lands should be classified and designated based on the criteria and procedures established in WAC 365-190-040, and 060 with special consideration given to the determination of whether forest resource lands considered for designation are viable as long term commercial significant forest resource lands.

Designation Considerations:

1. Define the current status of the industry
2. Define the needs of the industry within Kittitas County
3. Define the Region and the Regional needs as it relates to the industry within Kittitas County
4. Define viability within local and regional circles (i.e. 100 miles, 200 miles, 300 miles)
5. How much Commercial Forest Lands are needed to support local and regional needs of the industry.

GPO 2.132 The primary land use activities in commercial forest areas are commercial forest management, forest recreation, agriculture, mineral extraction, sand and gravel operations and those uses that maintain and/or enhance the long-term management of designated commercial forest lands.

GPO 2.133 Any proposal for de-designation of commercial forestlands shall be subject to a cumulative impacts analysis, including the size and ownership of the commercial forestlands remaining in the county, the needs of the local forest products industry and impacts to those needs by the proposed de-designation, and the potential benefits that may result from the proposed de-designation including higher property taxes and economic stimulus.

GPO 2.134 To encourage incentives and alternatives to keep working forests viable by considering when feasible emerging markets such as carbon sequestration, Transfer of Development Rights, Bio-fuel and bio-energy production that offset the loss of the traditional log and special forest product markets.

GPO 2.135 Resource activities performed in accordance with county, state and federal laws should not be subject to legal actions as public nuisances.

GPO 2.136 To support and encourage the maintenance of commercial forest lands in timber and current use property tax classifications consistent with RCW 84.28, 84.33 and 84.34.

GPO 2.137 Kittitas County recognizes Engrossed Substitute House Bill (ESHB) 2091 also known as the Forest and Fish Law. Kittitas County will support local forest landowner's seeking regulatory relief in order to help them remain economically viable.

GPO 2.138 Land use activities within or adjacent to commercial forest land should be sited and designed to minimize conflicts with forest management and other activities on commercial forestlands.

GPO 2.139 Kittitas County will encourage rural developments in the Wildland Urban Interface (WUI) and the owners of adjacent commercial forest lands to develop Community Wildfire Protection Plans (CWPPs)

GPO 2.140 Encourage clustered residential developments on adjacent non-commercial forestlands. The open space in clustered development should buffer adjacent forestland from development.

GPO 2.141 Kittitas County will advocate active management of Federal and State forest lands to create and maintain health, firesafe forests.

GPO 2.142 It is the policy of the county to encourage the continuation of commercial forest management by:

- a. supporting land exchanges that result in consolidated forest ownerships.; and,
- b. working with forest managers to identify and develop other incentives for continued forestry (Ord. 93-42).
- c. To encourage and support a local and regional infrastructure of manufacturing facilities that use wood products within an economically viable 100 mile circle.