

phase 1 of the conversion request. The director subsequently approved the phase 1 conversion request after determining that the proposal met all of the criteria for remediation of a conversion per state law, administrative code, and board policies. A copy of the director's memo is attached.

Next Steps

WDFW and DNR will present the phase 1 land exchange properties to their respective commission and board in September for final approval and implementation.

WDFW is working to comply with the conversion requirements related to phase 2 of the land exchange including eligibility concerns, cultural resources review, and environmental review. WDFW expects to have a complete phase 2 conversion package for board consideration at the November meeting. If the board approves the conversion at that meeting, RCO will forward the proposal to the National Park Service for final approval.

Attachments

A. Phase 1 Conversion Memo

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STATE OF WASHINGTON

RECREATION AND CONSERVATION OFFICE

August 20, 2009

TO: Kaleen Cottingham, Director

FROM: Leslie Ryan-Connelly, Grants Manager

RE: Phase 1 Conversion Request, Washington Department of Fish and Wildlife
RCO #91-828A and #92-633A

Summary

The Washington Department of Fish and Wildlife (WDFW) is asking the Recreation and Conservation Office (RCO) director to approve the conversion of portions of two projects: Okanogan Sharptailed Grouse (RCO#91-828A) and Eastslope Inholdings (RCO #92-633A). The Recreation and Conservation Funding Board (board) delegated authority to the RCO director to approve this conversion request following consultation with a board subcommittee per resolution #2009-18. This is the first phase of a multiple phased effort to exchange land with the Washington Department of Natural Resources (DNR).

Location of land	Okanogan County and Kittitas County
Description	Conversion of 5,096.03 acres of WDFW-owned lower to mid-elevation eastern Cascade forestland
Replacement Strategy	Transfer of Inholdings owned by DNR that are primarily shrub steppe habitat in the Colockum Wildlife Area in Kittitas County
Full or Partial conversion	Partial conversion in both grant contracts

Staff Recommendation

Recreation and Conservation Office staff has reviewed all of the lands in question and the related grant agreements and recommends that the director approve the proposed conversion per authority delegated by board resolution #2009-18.

Background

The WDFW proposes to convert 5,096.03 acres of property as part of a land exchange with the DNR. The two agencies first proposed an exchange of lands in 2005. Exchanging lands would allow each agency to better address its specific management goals. WDFW previously leased most of the replacement land from WDNR for wildlife and habitat management purposes, but the state legislature dissolved funding for the leasing activities in 2003. The consolidated ownership will assist WDFW in managing its wildlife areas across the landscape, with a reduced threat of development within the managed area.

The land exchange is proposed in phases because of the differing conversion requirements of various funding sources. Phasing will be distinguished by the source of funding that assisted



with the original acquisition of the WDFW land. The first phase, and subject of this memo, is for the lands acquired with funding from the Washington Wildlife and Recreation Program's (WWRP) critical habitat category. A subsequent phase will involve lands acquired with Land and Water Conservation Funds.

Most of the properties proposed for conversion are higher-elevation eastern Cascade slope forest land. The areas provide habitat for threatened and endangered species, as well as species such as elk and deer. Allowed recreational uses of the properties include hunting, fishing, and wildlife viewing. Table 1 provides the proposed list of property to be converted.

Table 1: Property to be Converted in Phase 1

Project Number	Project Name	Fund Source	County	Wildlife Area	Acres	Appraised Value
#91-828A	Okanogan Sharptailed Grouse	WWRP - Critical Habitat	Okanogan	Scotch Creek - Mineral Hill	920.00	\$3,417,656
#92-633A	East Slope Inholding	WWRP - Critical Habitat	Kittitas	L. T. Murray and Wenas	4,176.03	\$1,196,000
Totals					5,096.03	\$4,613,656

The first grant was awarded in March 1990 for the acquisition of habitat for sharptailed grouse recovery in Okanogan County (Okanogan Sharptailed Grouse, RCO #91-828A). Funding from this grant initiated the creation of the Scotch Creek Wildlife Area. The project acquired ten properties totaling 12,627 acres comprising the majority of today's wildlife area. (See Attachment A.) Most of the property was shrub steppe habitat suitable for grouse nesting, brooding, rearing, and wintering. A significant acquisition was the Metcalf property which totaled 9,050 acres in three worksites: Scotch Creek, Pogue Mountain, and Mineral Hill. The entire property was acquired in one transaction that included some forested upland such as the Mineral Hill worksite. The proposed conversion for this project would exchange all of the Mineral Hill worksite of 920 acres or 7% of the original project scope. (See Attachment B.) The appraised value of the Mineral Hill worksite is \$3,417,656.

The second grant was awarded in July 1993 to acquire inholdings within the central eastern slope of the Cascade Mountains in Kittitas County (East Slope Inholdings RCO #92-633A). Funding from this grant acquired properties adjacent to the L. T. Murray and Wenas Wildlife Areas. The project acquired two properties totaling 5,113 acres. The proposed conversion for this project would exchange 4,176 acres or 82% of the original project. (See Attachment C.) The appraised value of the inholdings conversion is \$1,196,000.

The land proposed for replacement land is WDNR trust land that is dominated by lower elevation forest land and shrub steppe habitat. Like the properties proposed for conversion, shrub steppe habitat also is valuable for threatened and endangered species, as well as deer

and elk. WDFW would manage the replacement property with similar species and recreational management goals as exist on the property to be converted. Table 2 summarizes the proposed list of replacement properties.

Table 2: Replacement Properties in Phase 1

County	Wildlife Area Inholding	Acres	Appraised Value
Kittitas	L. T. Murray	2,662.06	\$2,130,974
Kittitas	Colockum	4,356.18	\$1,914,000
Kittitas	Quilomene	1,920.00	\$576,000
Totals		8,938.24	\$4,620,974

Existing program policies, administrative rule, and statutory language state that Board-funded land and facilities must be used only for the purposes for which funding was granted. Manual #7: *Funded Projects: Policies and the Project Agreement* (August 2009) states:

RCFB-SRFB policy, consistent with state law,¹ is that interests in real property, structures, and facilities acquired, developed, enhanced, or restored with RCFB-SRFB funds must not be changed, either in part or in whole, nor converted to uses other than those for which the funds were originally approved. If an RCFB-SRFB funded project is found to be changed or converted (out of compliance with the project agreement or agreement amendments), the project sponsor is responsible for replacing the changed or converted interests in real property, structures, or facilities with interests, structures, or facilities of equivalent size, value, and utility.

Analysis

When reviewing conversion requests, the RCO considers the following factors, in addition to the scope of the original grant and the proposed substitution of land or facilities².

- All practical alternatives to the conversion have been evaluated and rejected on a sound basis.
- The proposed replacement property meets the program eligibility requirements.
- Justification exists to show that the replacement site has reasonably equivalent utility and location.
- The fair market value of the converted property has been established and the proposed replacement land is of at least equal fair market value.
- The public has opportunities for participation in the process.

¹ See specifically RCW 79A.25.100 and RCW 79A.15.030(8).

² Manual #7 - *Funded Projects: Policies and the Project Agreement*

Practical Alternatives Evaluated

As previously mentioned, the impetus for the land exchange was the loss of budgetary funding for WDFW to lease lands from DNR for habitat purposes. The WDFW considered a number of alternatives to address the loss of management control over these lands. Alternatives considered to continue WDFW's habitat management objectives on the DNR land were:

- 1) fee title purchase,
- 2) purchase of deed restrictions or conservation easements,
- 3) changing the RCO grant project sponsor to DNR on lands exchanges with RCO deeds of right on them,
- 4) exchanging WDFW owned land for DNR land previously leased, or
- 5) no action.

The first three alternatives were deemed unviable based on a combination of cost, timing, and trust mandate reasons. WDFW considered the no action alternative in more detail and determined that this alternative could lead to habitat fragmentation in the future making it more difficult to manage for species diversity on a landscape scale.

Eligibility of Proposed Replacement Property

The replacement property proposed for the phase 1 conversion is DNR land previously leased by WDFW for habitat management purposes. Publicly owned lands are eligible for RCFB funding under the following circumstances³:

- State law requires that the agency owning the land must receive compensation, and
- The land was not originally acquired for habitat conservation purposes, and
- The land has never been publicly managed for habitat conservation purposes.

Typically, DNR trust land meets all three of the above criteria and would be eligible as a habitat conservation acquisition project with RCO grant funding. However, in this situation, WDFW had previously leased the DNR land for habitat conservation purposes; therefore, the third criterion is not satisfied. In anticipation of this issue, the board waived the third criteria for this conversion per resolution #2008-046 based upon the transient nature of the previous leases.

Reasonable Equivalent Utility and Location

The original intent of the Okanogan Sharptailed Grouse grant was to acquire property within Okanogan County for sharptailed grouse recovery efforts. Sharptailed grouse require primarily shrub steppe, grassland and riparian draws for its various life stages. The proposed replacement property is mostly shrub steppe habitat with some hilltop forests and riparian draws but located in a different county and south of the management area for sharptailed grouse recovery. The proposed replacement will contribute to consolidating WDFW land ownership and an increase in shrub steppe habitat for other shrub steppe obligate species and big game animals in Kittitas County. While the proposed replacement will not aid in sharptailed grouse recovery efforts, the conversion is not expected to negatively impact recovery efforts either. The Mineral Hill worksite is primarily forestland which is not a significant habitat type utilized by sharptailed grouse. There will be no significant loss in protected sharptailed grouse habitat as a result of the proposed conversion.

³ Manual #3 - *Acquiring Land: Policies*

The original intent of the Eastslope Inholdings grant was to acquire properties within or adjacent to existing wildlife areas in Kittitas County. The proposed replacement properties are inholding properties located in Kittitas County and would be included in the L.T. Murray, Colockum and Quilomene Wildlife Areas if acquired. Therefore, the replacement properties will provide similar habitat utility and location.

Evaluation of Fair Market Value

The properties proposed for conversion and replacement were appraised and reviewed in May 2007. The appraisals were conducted to federal land acquisition standards (i.e., "Yellow Book"). The WDFW and DNR have an agreement to exchange lands based upon the established market values from these appraisals. The property proposed for conversion is valued at \$4,613,656 (Table 1). The proposed replacement property is valued at \$4,620,974 (Table 2). The replacement property is of at least equal market value as the property proposed for conversion.

Public Participation

The WDFW and DNR have conducted significant public outreach as part of the overall land exchange process. Efforts included:

- September 2006 - Letters to county commissioners, state legislators, members of Washington's federal delegation, and tribes, to inform them of potential exchange activities and invite them to open houses and public hearings. DNR staff also made presentations to county commissions.
- November and December 2006 - Open houses were conducted in Clarkston, Pasco, Everett, Hoquiam, Suncrest, Colville, Okanogan, Wenatchee, Ellensburg, Goldendale, and Longview.
- March 2007 and November 2007 - DNR provided newsletter updates on progress of the proposed exchange to parties who had expressed interest.
- April 2008 - DNR held public hearings in Omak, Ellensburg, and Tumwater. The Ellensburg site satisfied DNR's legal requirement to hold a public hearing in the county where the most DNR exchange land is located, in this case Kittitas County. The additional hearing sites were provided for the convenience of the public.
- July 2009 - DNR held a final public meeting in Ellensburg to update the public on the proposed exchange and receive any final comments.

DNR tracked feedback from all workshops and public meetings in spreadsheets. Specific issues raised regarding the WDFW exchange included availability of grazing leases post-exchange, public access to lands exchanged, and WDFW's management of lands formerly held by DNR.

WDFW augmented the DNR lead efforts on public involvement for the land exchange by publishing articles that described the proposed action in several editions (Winter 2004, Summer 2004, Summer 2006, Winter/Spring 2007, Fall 2007, and Spring 2008) of the WDFW Landline Newsletter, which has a statewide mailing list of over 1,400 interested individuals, environmental organizations, and adjacent landowners.

The land exchange proposal was identified in the WDFW, 2006 Draft LT Murray/Whiskey Dick/Quilomene, Wenas, Sinlahekin, Scotch Creek, and Oak Creek Wildlife Area Management Plans, which were made available in 2007 for public review and comment during a 30-day

period. Furthermore, these efforts were supplemented with news releases and other media outreach efforts.

Finally, WDFW issued a Determination of Nonsignificance per the State Environmental Policy Act and provided a 14-day comment period which ended August 18, 2009. No comments were received regarding the WWRP portion of the phase 1 land exchange which is the subject of this memo.

Next Steps

If the RCO director approves the conversion, staff will execute the necessary amendments to amend the project agreement as directed.

Attachments

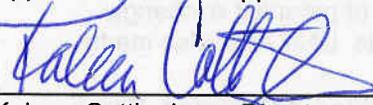
- A. Okanogan Sharptailed Grouse - Worksites, #91-828A
- B. Okanogan Sharptailed Grouse – Mineral Hill Worksite, #91-828A
- C. Eastslope Inholdings – Properties and all replacement land, #92-633A

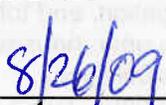
Director Action - Circle One

Approved

Not Approved

Referred to the Board

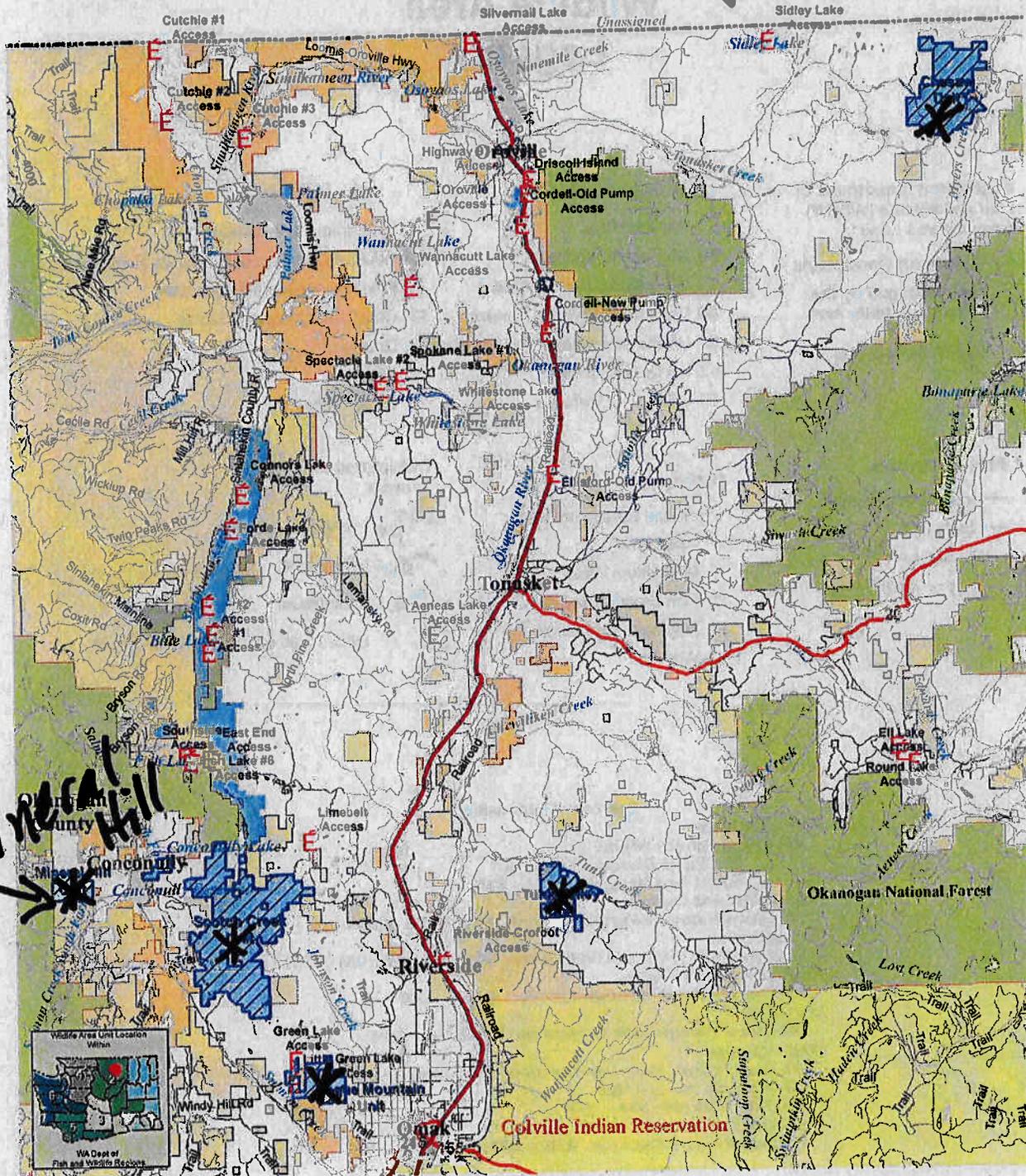

Kaleen Cottingham, Director


Date

Following feedback from the board subcommittee (Drew, Parsons, Brittel)

A.

91-828 Worksites



MINERAL HILL
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Washington Department of Fish and Wildlife (WDFW) Administered Land

- Department Owned Land
- Land Managed under the Featured Wildlife Area
- WDFW Access Site

Scotch Creek Wildlife Area

Map Produced: November, 2006

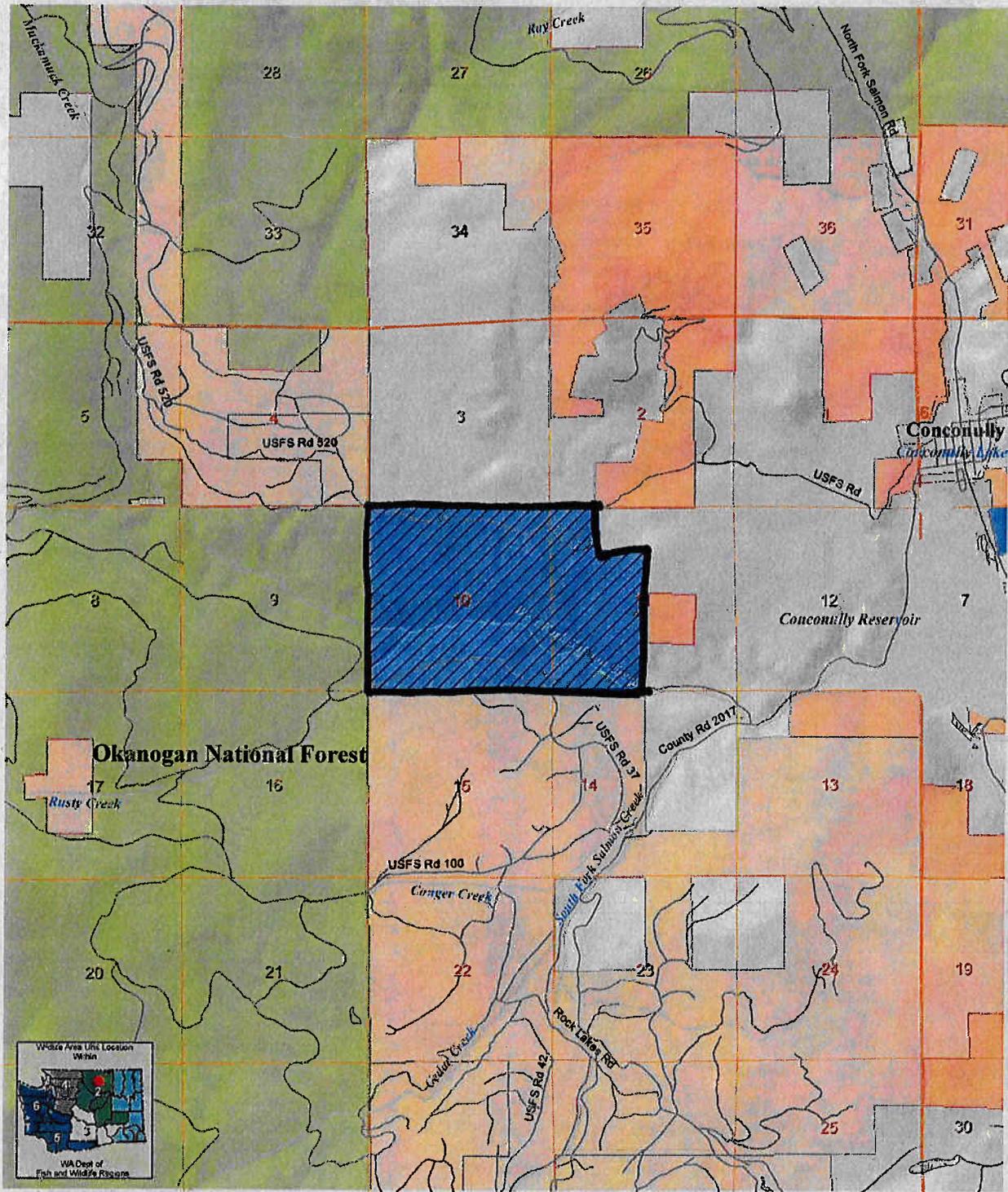


DISCLAIMER

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8-19-09

B. □ - conversion 91-828



Washington Department of Fish and Wildlife (WDFW) Administered Land

- Department Owned Land
- Land Managed under the Featured Wildlife Area Unit
- WDFW Access Site

Scotch Creek Wildlife Area
Mineral Hill
Unit

Map Produced: October, 2006

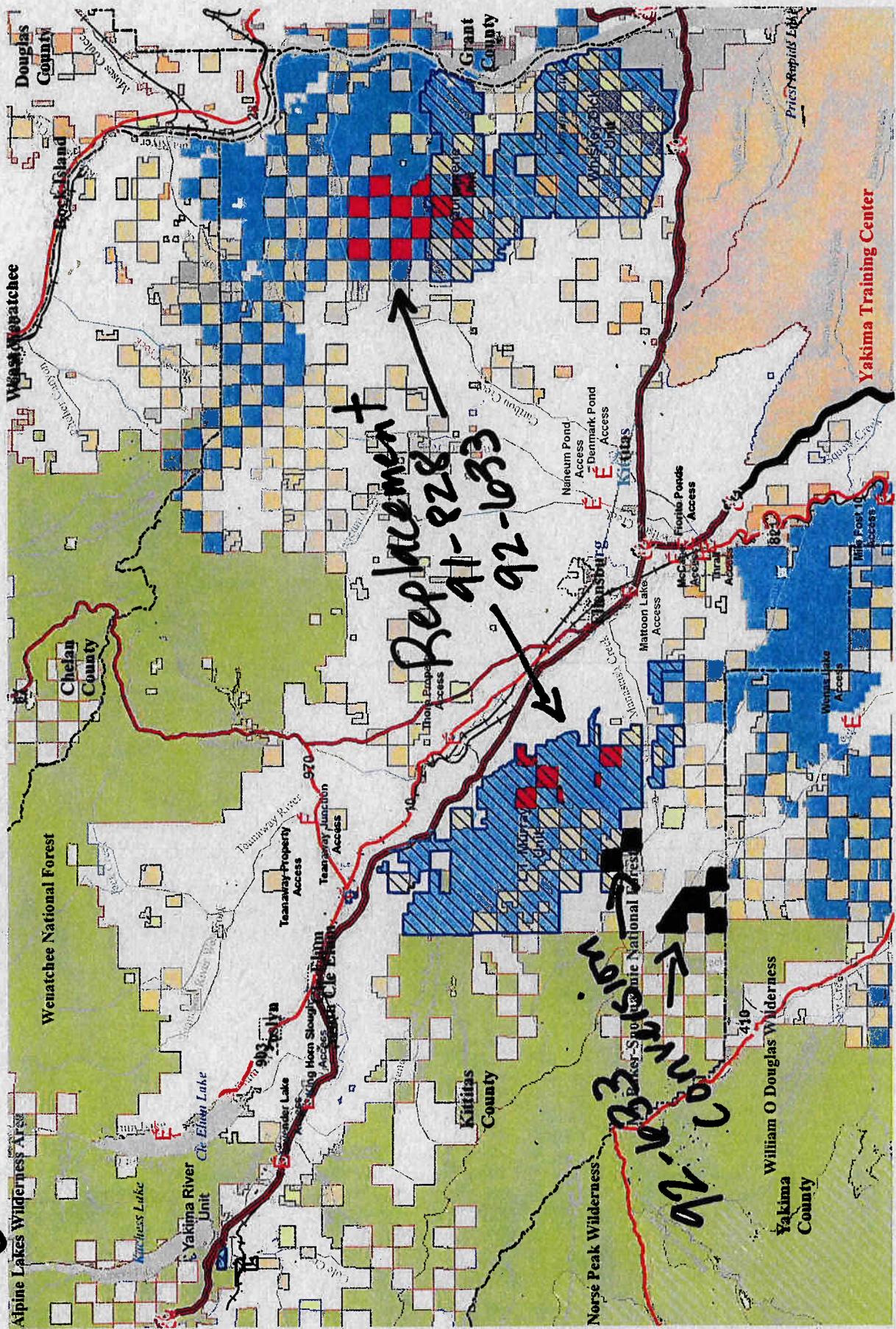


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8-13-09

C.



WMA Dept of Fish and Wildlife (WDFW) Administered Land
 Department Owned Land
 Lands Managed under the Featured Wildlife Area
 WDFW Access Site

Map Produced: November, 2006

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14
 Miles

L.T. Murray
 Wildlife Area

8-20-09