

Agenda Item No.:	3
Work Plan:	State Forests Work Plan
Topic:	Programmatic ESA Compliance on State Forests
Presentation Title:	HCP Phase 1 & Business Case Analysis Results
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## **CONTEXT**

The State Forests Division developed a phased approach to explore the possibility of a Western Oregon Habitat Conservation Plan (HCP). This approach was approved by the Board of Forestry (BOF) in November 2017. Over the past year, the Division focused on completing Phase 1: HCP Initiation and Scoping. Phase 1 evaluates the prospect of developing a multi-species, ecosystem-based plan that will provide for the long-term conservation and recovery of listed and unlisted species, while providing operational certainty. This work is supported by a \$1 million grant from the United States Fish and Wildlife Service.

Western Oregon HCP project phases:

- Phase 1: HCP Initiation/Scoping (*Timeline: Nov.2017-Nov.2018*)
- Phase 2: Strategy Development (*Timeline: Nov. 2018-Nov. 2019*)
- Phase 3: National Environmental Protection Act (NEPA) analysis and Consultation (*Timeline: Nov. 2019-Nov. 2020*)

## **BACKGROUND AND ANALYSIS**

The Division has been working with partner agencies, stakeholders, and consultants to determine if it is in the best interest of the state to continue pursuing an HCP. The components of Phase 1 include stakeholder engagement (agency and public), refining the draft list of HCP species and associated baseline data needs, and evaluating the viability of an HCP from a business perspective.

The Division used grant funding to hire Oregon Consensus to assist with stakeholder engagement and facilitation needs. Oregon Consensus provides a neutral, unbiased forum for collaborative public policy-making in Oregon. Grant funds were also used to hire HCP consultants, EcoNorthwest and ICF, to conduct the HCP Business Case Analysis and provide assistance with refining the list of species to be covered by a potential HCP. Progress towards each of these components is summarized in this staff report.

### **Stakeholder Engagement**

During the HCP initiation phase, emphasis was placed on engaging agency stakeholders who play a key role in the development of an HCP. A multi-agency governance structure has been established to provide a strong foundation for the HCP planning process. The FTLAC, other stakeholders, and interested citizens were provided informational presentations about HCP progress and staff work to be presented at upcoming Board meetings. Phase 2 would include a more robust stakeholder engagement process.

The HCP process is guided by a Steering Committee and a Scoping Team (Table 1). These planning teams have met regularly since April to coordinate technical and policy efforts across agencies. The Steering Committee, comprised of policy-level state agency representatives, has engaged the U.S. Fish and Wildlife Service (USFWS), National Oceanic and Atmospheric Administration Fisheries (NMFS), and Oregon State University (OSU) in scoping the potential of an HCP. Participants will develop the mission, goals, and objectives for a Western Oregon HCP, and provide policy direction to support the Scoping Team throughout HCP development. The Scoping Team, comprised of terrestrial and aquatic biologists and technical specialists, provides the Steering Committee with technical information needed to evaluate potential policy options.

**Table 1. HCP Planning Teams**

<b>Steering Committee</b>	<b>Scoping Team</b>
ODF State Forests Division Chief	ODF State Forests HCP Coordinator
ODFW Wildlife Division Administrator	ODF Aquatic Specialist
DEQ Deputy Director	ODF Biological Specialist
DSL Deputy Director for Operations	ODFW Fisheries Biologist
	ODFW Forest Practices Coordinator
<b>Advisors</b>	
NOAA Fisheries Oregon & Washington Coastal Office, Assistant Regional Administrator	NOAA Fisheries Biologist
USFWS Oregon State Supervisor	USFWS Fish and Wildlife Biologist
OSU Associate Dean College of Agricultural Sciences and Professor of Wildlife	

Establishing a productive atmosphere is critical when embarking on politically and value-based issues such as an HCP. Having a third-party, independent entity involved in any HCP process can help promote a constructive environment, address contentious issues, and advance healthy working relationships between relevant agencies and with stakeholders. It also allows the Division to play a substantive role in HCP development while avoiding perceived issues of bias if the Division was also leading the process-related portion of an effort. To support this approach, the Division entered into an Intergovernmental Agreement with Oregon Consensus to manage any potential HCP effort as an Oregon Consensus project. Oregon Consensus worked with the Division to engage facilitation services through an affiliated private practitioner with Kearns & West.

To date, the Steering Committee and Scoping Team have been engaged in productive discussions, and collectively consider a Western Oregon HCP a priority. Should an HCP effort proceed further, Oregon Consensus would remain engaged in project coordination and related stakeholder work, and Kearns and West would be the primary lead in advancing inter-agency facilitation work and advancing a stakeholder engagement process. To date, Kearns and West has been interviewing the Steering Committee and Scoping Team members, and is working with these planning teams to develop ground rules and operating principles to help facilitate a productive and equitable planning process. If the HCP process moves forward to Phase 2, next steps would involve these planning teams developing the mission and goals for an HCP, a framework for negotiating strategies that includes a process for dispute resolution, and working directly with stakeholders to help design and implement an effective public engagement process throughout the development of an HCP.

## Draft HCP Species List

ICF’s lead biologist provided technical assistance to the Scoping Team to refine the draft listing of species to be covered in a potential HCP and to determine associate baseline data needs. The group identified “driver species” (i.e., those listed species which have a significant range on state forestlands) for which an incidental take permit is most likely needed. To evaluate additional species considered for inclusion, the following agreed-upon species selection criteria were used: listing status, range of species on state forestlands, impacts to the species, and the availability of data to develop effective conservation strategies. Also considered was the degree to which conservation measures for driver-species overlap with additional species that might be covered in the HCP. The proposed species list (Table 2) was used in the business case analysis with the understanding that changes to the list may occur throughout the process.

**Table 2. Proposed List of Covered Species**

Species	Status <sup>a</sup>	
	State	Federal
<b>Fish</b>		
Oregon Coast coho ( <i>Oncorhynchus kisutch</i> )	--	FT
Lower Columbia River coho ( <i>Oncorhynchus kisutch</i> )	SE	FT
Upper Willamette River spring chinook ( <i>Oncorhynchus tshawytscha</i> )	--	FT
Upper Willamette River winter steelhead ( <i>Oncorhynchus mykiss</i> )	--	FT
Lower Columbia chum ( <i>Oncorhynchus keta</i> )	--	FT
South Oregon/Northern California coho ( <i>Oncorhynchus kisutch</i> )	--	FT
Lower Columbia chinook ( <i>Oncorhynchus tshawytscha</i> )	--	FT
Lower Columbia Steehead ( <i>Oncorhynchus mykiss</i> )		FT
Eulachon ( <i>Thaleichthys pacificus</i> )		FT
<b>Amphibians</b>		
Oregon slender salamander ( <i>Batrachoseps wright</i> )	--	--
Columbia torrent salamander ( <i>Rhyacotriton kezeri</i> )	--	--
Cascade torrent salamander ( <i>Rhyacotriton cascadae</i> )	--	--
<b>Birds</b>		
Northern spotted owl ( <i>Strix occidentalis</i> )	ST	FT
Marbled murrelet ( <i>Brachyramphus marmoratus</i> )	ST	FT
<b>Mammals</b>		
Red tree vole ( <i>Arborimus longicaudus</i> )	--	FC
Coastal marten ( <i>Martes caurina caurina</i> )	--	--

<sup>a</sup> Status

**State Status**

SE = state-listed as endangered

ST = state-listed as threatened

**Federal Status**

FT = federally listed as threatened

FC = Federal candidate

## **HCP Business Case Analysis**

Considering the focus on financial viability, an HCP on state forestlands must make sense from a business perspective. Toward this end, the Division worked with EcoNorthwest and ICF to evaluate the estimated costs of developing and implementing an HCP, and the potential effects an HCP may have on management activities, including costs and revenue. The findings of the analysis allow ODF staff and the Board to better understand how revenue would respond over time under two scenarios: adopting and implementing an HCP, versus continuing the current “take avoidance” approach to ESA compliance. The current Forest Management Plan serves as the baseline to evaluate costs for each scenario. The analysis considers a 3-year HCP planning timeframe (2018-2020), followed by a 50-year time horizon (2021-2070). Due to the lack of certainty regarding ODF’s future management of Common School Forest Lands, only Board of Forestry lands were included in the business case results.

The intention of the business case analysis is to provide the Board with enough information to determine if it is in the best interest of the state to move forward to Phase 2: HCP Strategy Development. Because it was completed prior to negotiating landscape strategies with state and federal wildlife agencies, it is a coarse-scale analysis that provides a range of potential outcomes for each management approach. It is based largely on HCP’s covering similar species in the Pacific Northwest and the professional judgment of expert consultants. The results are not intended to be interpreted with fine precision, rather they illustrate the relative difference between the current take avoidance approach and a potential HCP at a high-level. If the Board moves forward to Phase 2, further analyses would include extensive landscape modeling and detailed evaluation of potential management strategies to inform negotiations with state and federal wildlife agencies.

The analysis is based on several assumptions of how administration and execution of timber harvest and related activities would change if an HCP were pursued. Should key assumptions differ from those incorporated into the HCP and No-HCP scenarios, the project team (EcoNorthwest and ICF) conducted a cost-based analysis that included the anticipated “likely scenario” as well as associated upper- and lower-bounds to provide more confidence in the findings. Details regarding the assumptions, modeling approach, and results are included in Attachment 1. HCP Business Case Analysis Executive Summary.

### **Forest Management Actions Considered**

The analysis focuses on those actions that may result in changes in cost and revenue to ODF, if an HCP were pursued. It is based on the expert judgment of the project team and input from ODF staff. These actions include:

- **HCP Preparation:** Upfront costs for developing an HCP, including staff time and professional consultants to assist with landscape modeling, facilitation, and NEPA.
- **Administration of ESA Compliance:** Staff time required to ensure ODF is operating in compliance with the ESA, including internal coordination with harvest planners, and coordination with USFWS, NOAA Fisheries, and ODFW to confirm take avoidance.

- **Pre-Harvest Species Surveys:** Efforts are undertaken to survey for species presence in harvest units prior to offering units for harvest.
- **Species Habitat Management Actions:** Efforts are undertaken to monitor the forest and collect data to determine if species and habitat management activities are achieving their intended objectives. This monitoring is distinct from pre-harvest surveying.
- **Harvest Activities and Inventory Management:** All activities involving planning and design of harvest units, redesign efforts should surveys identify the presence of listed species, and restrictions imposed on harvest to avoid take.
- **Other Activities**—An HCP may affect the planning and implementation of actions affecting other forms of resource planning on ODF lands, including recreation management. The effects of an HCP on these activities are likely indirect and limited. *Changes in these actions primarily affect benefits enjoyed by the public, thus, the analysis addresses these effects qualitatively.*

### **HCP Business Case Analysis Key Findings**

The business case analysis demonstrates that operating under an Incidental Take Permit with an HCP has the potential to provide economic and conservation outcomes with a greater degree of certainty than the current take avoidance approach.

- HCP preparation will cost ODF up to **\$4 million** over three years.
- An HCP will reduce average annual ESA compliance costs by approximately **\$2.2 million**.
- Over a 50-year timeframe, acres available for harvest would likely increase from the current 51 percent of all BOF forest lands to **63 percent** with an HCP. Without an HCP, available acreage is expected to decline to **46 percent**.
- Annual harvest net revenues would likely increase from current \$50 million to **\$53 million** with an HCP while dropping to **\$26 million** by 2070 without an HCP.
- The cumulative Net Present Value of the HCP investment over 50 years of implementation is worth over **\$250 million** relative to without an HCP.

### **RECOMMENDATION**

Direct staff to continue to pursue an HCP by advancing to Phase 2: Strategy Development, including the associated Steering Committee, Scoping Team and public engagement processes.

### **NEXT STEPS**

Subject to approval of the recommendation to move forward with HCP Phase 2: Strategy Development, the Division will:

- Design and implement a facilitated stakeholder engagement process.
- Begin developing and evaluating conservation and management strategies.
- Provide an update on Phase 2 progress to the Board in July 2019.
- Present Phase 2 outcomes to the Board in November 2019.

### **ATTACHMENTS**

1. Western Oregon HCP Business Case Analysis Executive Summary