Optimizing the Land Trust

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IDAHO DEPARTMENT OF LANDS

Endowment Land Ownership

- Granted 3.6 million acres at statehood for 9 beneficiaries
- About 2.5 million acres remain in endowment surface ownership
- About 3.4 million acres of mineral ownership
- About 1.0 million acres of timberland, typically highly productive
- About 1.7 million acres leased for grazing
- Residential real estate (lakefront and adjacent cottage sites) mostly disposed
- Boise commercial real estate portfolio mostly disposed

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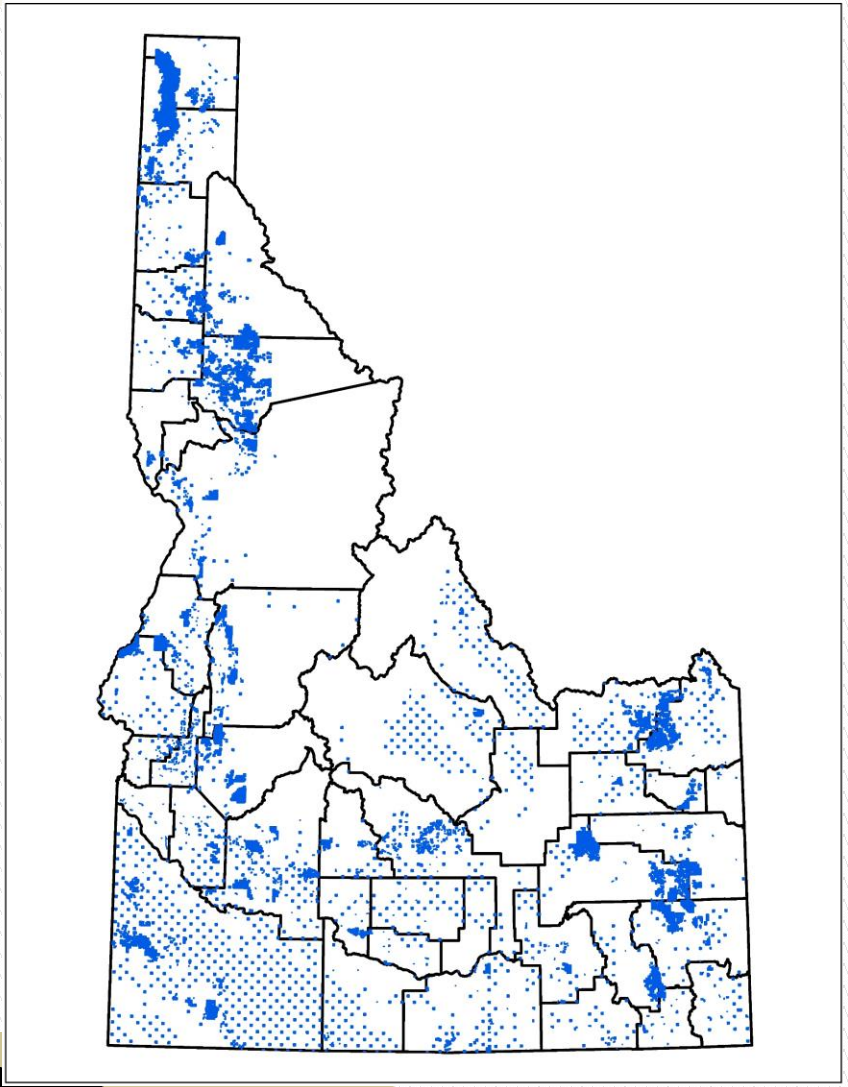
Endowment Land Ownership



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Endowment Land Mandate

- Idaho Constitution – Article IX, Section 8:

"It shall be the duty of the state board of land commissioners to provide for the location, protection, sale or rental of all the lands…granted to or acquired by the state…under such regulations as may be prescribed by law, and ***<u>in such a manner as will secure the maximum long term financial return</u>*** *to the institution to which granted or to the state if not specifically granted."*

- Idaho Code:

Invest and manage assets as a prudent investor would. (*Important)*

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Endowments

1. ***Public School Fund***, K-12 Education
2. ***Agricultural College Fund,*** University of Idaho
3. ***Charitable Institutions Fund,*** Idaho State University, State Juvenile Corrections Center, School for the Deaf and Blind, Idaho Veterans Home, and State Hospital North
4. ***Normal School Fund*** Idaho State University Department of Education and Lewis-Clark State College
5. ***Penitentiary Fund***
6. ***School of Science Fund,*** University of Idaho
7. ***State Hospital South Fund***
8. ***University Fund,*** University of Idaho
9. ***Capitol Permanent Fund***

Real Estate Restrictions

Restrictions on Dispositions

- All disposals (including leases) must occur via public auction
- No more than 100 sections may be sold in any year
- A maximum of 320 acres may be sold to any one individual, company, corp. (ever)
  (160 acres for University endowment)
- "All state-owned lands classified as chiefly valuable for forestry, reforestation, recreation, and watershed protection are reserved from sale and set aside as state forests."
- But…??

Opportunities Available

- Timberland acquisition using land bank funds (from sale of residential/commercial)
- Reclassifying lands as development approaches – transition lands
- Land exchanges
- Commercial leasing

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Revenue and Trends

- Timber has driven revenue, even when residential and commercial revenue was more significant
- FY 24 Income: Gross $89.97 million, Net $59.1 million
- Timber is 92% of gross, 95% of Net
- Growth of timber revenue, beyond this level, is limited
- Acres, tree growth, supply/demand, stumpage price trends, national and global economics….etc
- Now what?

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High Value Parcels

- The endowments own many urban and rural high value parcels
- They are often underperforming assets
- Annual revenue is not aligned with the parcel value
- Statewide – around lakes, resort communities, Boise metro area, Tetons/Greater Yellowstone, etc.
- Focus for today is one area – endowment land within and near the city of McCall

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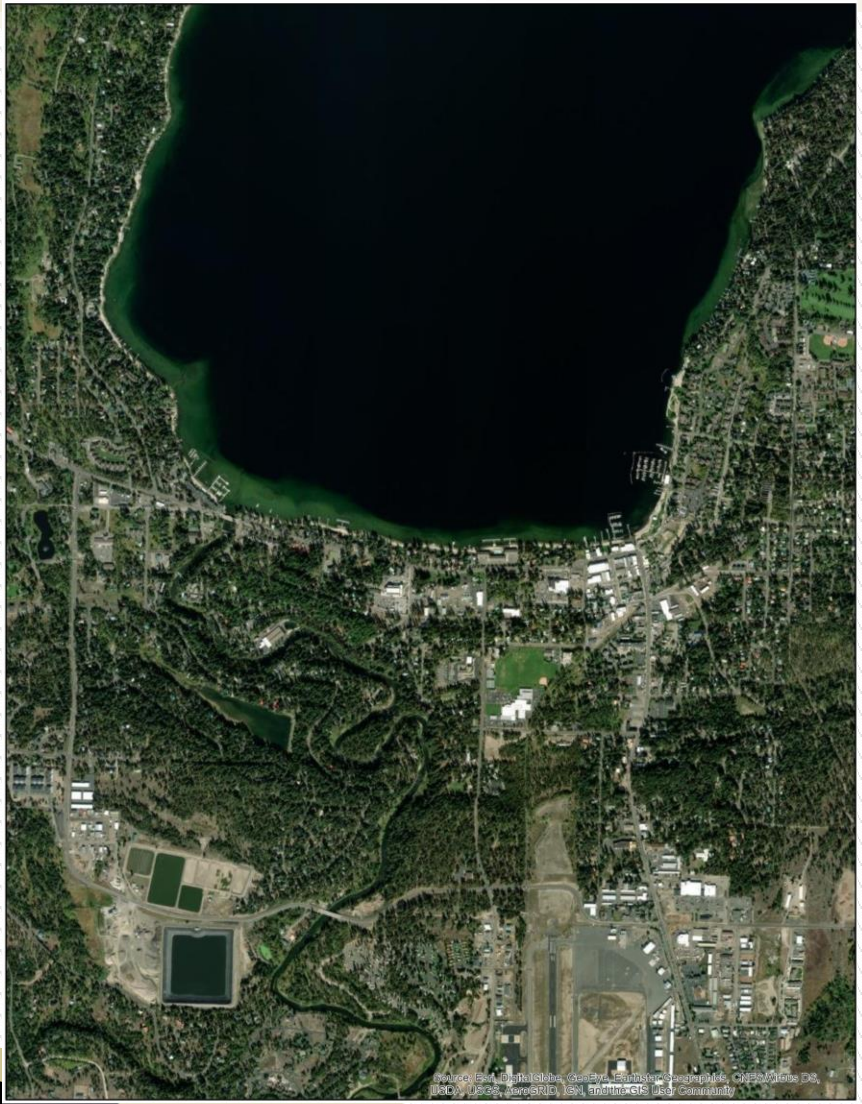
McCall Vicinity



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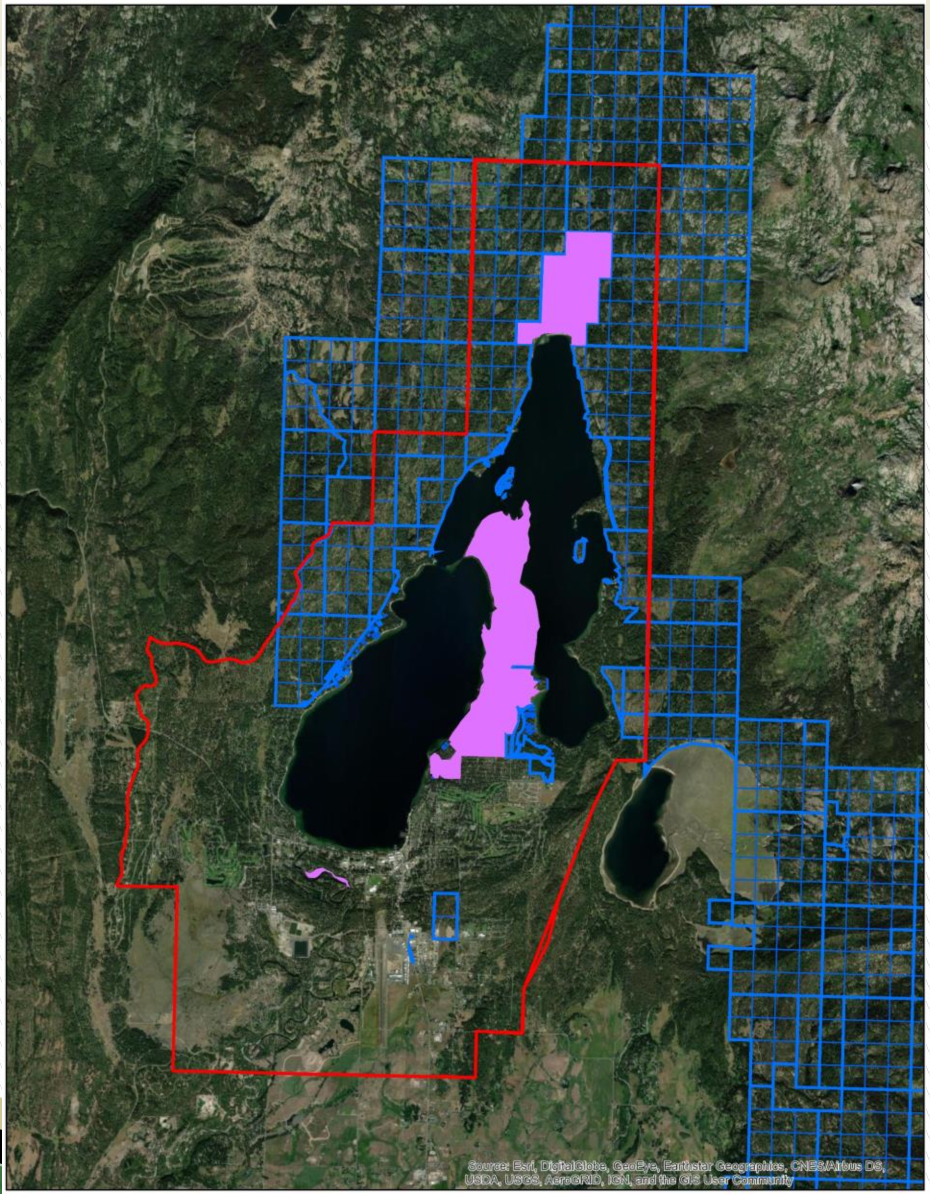
McCall Impact Area



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McCall Impact Area

- Nearly 5,500 acres of endowment land within the impact area
- Mostly classified as timberland
- Mostly zoned residential, low to medium density
- Timber is still a primary activity
- Other revenue from various leases on nearly 3,700 acres
- Communications sites, grazing, minerals, residential and other
- Past strategy has been to “stack” leases on parcels wherever possible to improve revenue

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Financial Situation

- Data from 2020
- About $475,000 in annual gross revenue from timber and various leases on land within the impact area
- Estimated land value then: $53.08 million
- ROI: 0.89 % gross
- At 6% return, that land value would produce $3.18 million annually
- Prudent investor?
- Land appreciation?

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Problems With Leasing

- "Wedding Site" lease – stacking a low impact use to increase revenue
- Neighbors were <u>concerned</u>
- Land Board meeting testimony – IDL is not meeting its fiduciary mandate
- Not because they wanted us to do more, but because they didn't want this particular lease/activity to happen
- Lease canceled, damages paid
- IDL can't kick the can down the road anymore

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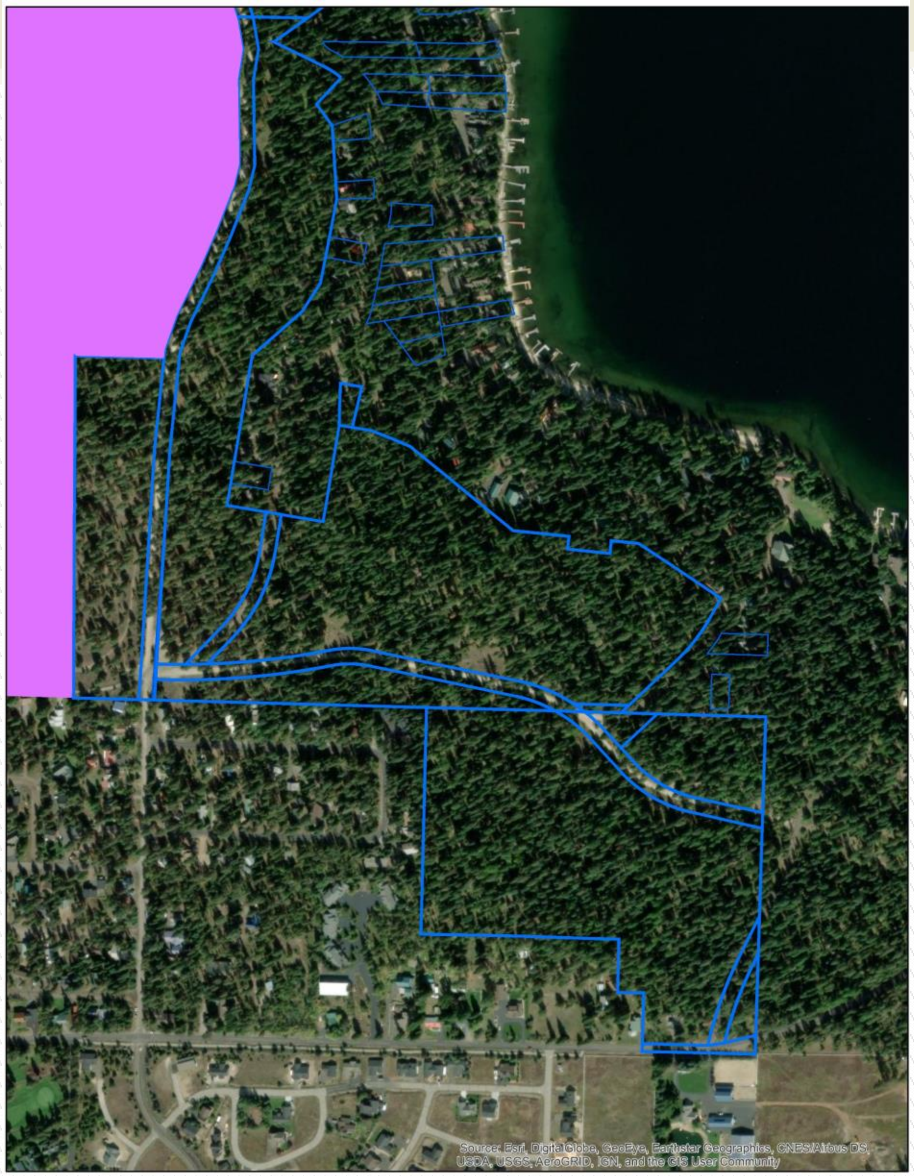
High Value Parcels Example

- White Pine Heights & Lick Creek
- Classified as timberland
- Zoned residential, surrounded by residential and state park
- 85 acres
- Estimated 2020 value: $27.75 mm
- 2020 revenue: $10,850
- ROI: 0%
- Lease?
- Reclassify and sell?
- Land exchange? USFS?



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Questions/Discussion

- Questions or ideas?
- Thank you

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