



FACT SHEET: Auction for Ownership of State Endowment-Owned Payette Lake Cottage Site Lots

Saturday, April 5, 2014 | Hilton Garden Inn in Eagle, Idaho | 1:00 p.m.

Updated March 28, 2014

Background

In 1890, Idaho became the 43rd State of the Union. At that time, Congress granted millions of acres of land to the new State of Idaho for the sole purpose of funding public schools and other State institutions.

Today the Idaho Department of Lands (IDL), under the direction of the State Board of Land Commissioners (Land Board), manages more than 2.4 million acres of state endowment trust land in Idaho under a Constitutional mandate to maximize financial returns to public schools and other State institutions.

Some of that land includes thousands of acres on the shores and upland of Priest Lake in northern Idaho and Payette Lake in McCall. The lots are known as cottage sites. Nearly 500 individuals and families lease the lots from the endowment trust. The endowment trust owns the land and the cabins built on the land are owned by the lessees as personal property.

Over time, the cottage site lots have become more and more challenging to manage because of this split estate scenario in which the State owns the land but the individuals own the cabins and other improvements on the land.

In 2010, the Land Board voted to divest the State's interest in the lots over time and reinvest in land assets that produce higher returns for the trust beneficiaries.

The divestiture will enable the IDL to generate millions of dollars more for public schools and other trust beneficiaries statewide by transitioning from one type of asset to others that:

- ⇒ Increase cash returns
- ⇒ Provide reinvestment through the Permanent Fund or timberland properties
- ⇒ And lessen the tax burden on the people of Idaho to fund public schools and other State institutions

It also means the IDL could transition \$200 million worth of property at these lakes into private ownership over a period of time. This will significantly expand the tax base for Bonner and Valley Counties.

Privatization of the lots also likely would incentivize owners to make more investments, such as upgrades to cabins and roads, and active management of common areas.



Preparing for the Auctions

The IDL has been working hard since 2010 to prepare the cottage site lots for sale or exchange in a twenty-first century real estate market through the *platting process* called the "Lot Solutions Process".

Over a period of several decades the cottage site leases had been offered to potential lessees in an "as is" condition, raw land and nothing more. Access roads, dry utilities (electrical power, cable, telephone), wet utilities (sewer and water) and the roles and responsibilities for the use and care of common areas, like roadways and access ways to the lake front, had not been developed or documented.

The pathway to ownership of these lots is to participate in the auction. Due to legal and policy related concerns, in 2013 IDL suspended the use of the land exchange process as the pathway for current lessees to own the lots.

Twenty-one State endowment-owned cottage site lots at Payette Lake will be auctioned for ownership on **Saturday, April 5, 2014, in Eagle, Idaho.**

The active bidding at the auction is for the **LAND ONLY**. The price for the houses and other improvements on top of the land were set prior to the auction and are not being bid on, only the land.

The appraised value of the land is included in the legal notices and marketing information as the Reserve Price. A successful bid must meet or exceed the published reserve price for the lot to sell. IDL cannot accept anything less than the appraised value of the land. **If the bid for the land is less than the appraised value, then there is no sale.**

IDL hired an Idaho real estate marketing and auctioneer company to coordinate local, regional, and national advertisement lots to be auctioned, and the auction itself will be carried out by these professionals. For auction information go to corbettbottles.com.

Why does the IDL have to auction these lots? Why can't IDL just sell them on the open market?

The Idaho Constitution requires a public auction for the disposal of state endowment trust land by sale.

21 currently leased lots to be auctioned

Twenty-one of the lots to be auctioned are currently leased. These lots were included because the current lessees of the lots (the families that lease the lot from the State but own the cabin on top of the land), approached the IDL and **voluntarily** and **willingly** applied to participate in the auction.

There are no vacant lots for auction on April 5th.

Again, the auction for ownership process for currently leased cottage site lots is **voluntary** and **initiated by the current lessee**, not IDL or a third party. The IDL anticipates conducting a voluntary auction cycle annually at both lakes, subject to market conditions and Land Board approval.

Since the auction is for LAND ONLY, all of the bid, including any "up bid" over the appraised value of the land, will go entirely to the State.

If the successful bidder IS the current lessee (the homeowner), then that person must remit payment to the IDL for:

- ⇒ Winning bid amount
- ⇒ 1 percent auction administration fee
- ⇒ Appraisal fee

If the successful bidder IS NOT the homeowner/current lessee, then that person must remit payment to the IDL for:

- ⇒ Winning bid amount
- ⇒ Appraised value of the home and improvements, which will be given to the homeowner/current lessee who didn't win the auction at the close of escrow (the appraised value is already determined and non negotiable by any party participating the auction)
- ⇒ 1 percent auction administration fee
- ⇒ Appraisal fee

How were the lots selected for April 5th auction?

In October 2013, the Land Board did not approve three land exchange proposals that would have traded these cottage site lots for lands in other parts of Idaho. The Board denied the proposals based on legal and policy related concerns.

The auction opportunity is being offered to participants in the unsuccessful cottage site land exchange proposals.

Where will the money from the auctioned lots go?

The beneficiaries of the Payette Lake cottage site lots are **State Hospital South**, which provides psychiatric treatment and care for Idaho's adult and adolescent citizens with the most serious and persistent mental illnesses, and **teacher education programs at Idaho State University and Lewis Clark State College.**

After the lots are auctioned, the money will go into a land bank and will be attributed to the funds that support these institutions. By law, IDL has five years to reinvest the money into other assets that will produce higher financial returns than the 4 percent cash return the cottage site lots were producing (in keeping with the Constitutional mandate to maximize income on the lands).