



Update on Cottage Sites

November 12, 2013

(BOISE) - Cottage site lessees at Priest Lake in northern Idaho and Payette Lake in McCall who opted for a reappraisal of the State endowment-owned lands they lease will be offered a one year extension of their 2013 lease.

The State Board of Land Commissioners (Land Board) voted today during a special meeting to offer an extension of the 2013 lease and values (expiring Dec. 31, 2013).

In early 2013, the Idaho Department of Lands (IDL) released new values for the more than 500 lots at both lakes, based on third party appraisals that were completed in order to establish fee simple market value of the lots for leasing.

At Payette Lake there was little difference in the collective values of the lots between 2013 and 2014, and therefore most lessees accepted the new values as the basis for 2014 lease payments.

At Priest Lake, however, the change in values between 2013 and 2014 increased substantially. A number of factors contributed to the increased values.

In light of the concerns about the increased values, the Land Board offered lessees the option to order a reappraisal of the land beneath their homes.

Nearly all of the Priest Lake lessees opted for reappraisals. The IDL hired a different appraiser to conduct the reappraisals.

The reappraisals are expected to be completed by early spring 2014.

The extension of the existing leases will give IDL the necessary time to advertise the new values to any potential conflictors, or individuals who also may be interested in obtaining the new cottage site leases at the new values.

Status of Land Exchanges

On October 15, 2013, the Land Board voted not to accept the IDL recommendation to exchange cottage site lots in Valley County and Bonner County for privately owned commercial buildings in Canyon County and Bonneville County. The IDL recommended the land exchanges as part of the Land Board's direction to unify title to the cottage site lots.

The Land Board made its decision due to concerns about:

1. Exchanging cottage site lots for other types of lands
2. Sales disguised as land exchanges
3. Whether the exchanges are consistent with the Board's fiduciary duty

Due to the concerns above, IDL has suspended all pending and future land exchange proposals from consideration or further evaluation. The Board is reevaluating how to implement its plan for unification of title in light of the many questions that have been raised about land exchanges.

Director Tom Schultz continues to reach out to lessees, key legislators, beneficiaries, and other stakeholders to identify a path forward that enables the Land Board and IDL to unify cottage site titles consistent with the Board's fiduciary duty and applicable constitutional and statutory requirements.

Status of Conflicted Leases

"Lease conflict" is the term used to describe a condition where two or more applicants are interested in leasing one piece of endowment trust land. Lease conflicts are resolved by IDL through a conflict application process available to anyone, that eventually leads to an auction between the conflicting applicants.

There currently are two cottage site leases conflicted at Priest Lake, and the auction for both conflicted leases is tentatively scheduled for Tuesday, Dec. 3, 2013, at 9 a.m. at the IDL Priest Lake Supervisory Area Office in Coolin.

There is one cottage site lease conflicted at Payette Lake. The auction for that lease is tentatively scheduled for Thursday, Dec. 5, 2013, at 1 p.m. at the IDL Payette Lakes Supervisory Area Office in McCall.

When the new (reappraised) values at Priest Lake are released in early spring 2014, the leases once again will be available for conflict at the new values.

A successful auction for ownership

A successful 2013 voluntary auction for ownership of 13 Payette Lake cottage site lots took place on October 18, 2013, in Eagle. The Idaho Constitution requires a public auction for the sale of endowment lands.

All 13 sites sold for a total of \$5.88 million. The auction was open to the public and more than 100 people attended.

For the 10 currently leased (occupied) lots, there was competitive bidding on one of the lots. The successful bid amount on that lot was \$47,000 or \$11,000 over the appraised value of the lot. All other lots sold for the appraised value of the land. **All leased sites were purchased by the current lessee** (the owners of the cabins and other improvements on top of the lands).

For the 3 vacant (not leased) lots, there was competitive bidding on all three. One lot that was appraised for \$1,066,050 sold for \$1.1 million; one lot that was appraised at \$662,400 sold for \$1 million; and one lot that was appraised at \$585,000 sold for \$620,000.

Background

Congress granted Idaho 3.6 million acres of "state endowment trust land" at statehood, for the sole purpose of generating maximum income in perpetuity for the future of the new State - Idaho's public schools and other important State institutions.

Money was to be generated through management activities that emulate private sector land management, such as selling timber grown on the lands, offering leases for grazing, and a number of other uses.

Since the 1920s or earlier, the portfolio of state endowment trust lands has included lakefront and upland properties known as cottage sites.

The State endowment trust owns the land and the individuals and families that lease the lands own the cabins and other improvements on the lands.

Because of this split ownership scenario, it has become increasingly difficult to manage and obtain market value through leasing. Therefore, the Land Board voted in 2010 to divest State ownership of most of the lots over time and reinvest in other assets that produce higher returns.