



*Trusted Stewards of Idaho's Resources,  
From Main Street to Mountaintop*

## A New Era for Cottage Sites

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The State of Idaho owns thousands of acres of state endowment trust land on the shores and upland of two of Idaho's most beautiful lakes - Priest Lake in northern Idaho and Payette Lake in west-central Idaho.

The lots are known as cottage sites. They are managed by the Idaho Department of Lands (IDL) and the Land Board under a constitutional mandate to maximize long-term financial returns to public schools and other trust beneficiaries.

More than 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. In many instances, the lots have been leased by the same families for many generations.

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.

**This 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:

- Significantly increase cash returns**
- Provide needed diversification in the overall trust land portfolio**
- And **lessen the tax burden** on the people of Idaho to fund public schools and other 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, roads, and greater management of common areas.

Read a [detailed summary of the cottage site issue](#).

## Transactions Long-Term

The IDL has been working hard for the past two and a half years to prepare the cottage site lots for sale or exchange in a twenty-first century real estate market through a platting process.

The IDL is done with platting at Priest Lake and expects to finalize platting at Payette Lake this summer.

**The IDL expects most of the transactions will be achieved through land exchanges and already has accepted three land exchange applications involving properties with a total estimated value of \$35 million.** Details about the deals are still confidential.

Direct sale auctions for certain lots likely will occur at both lakes in late summer 2013. Anyone can participate in a direct sale auction after going through the application process. Information about how to apply to participate in the sale auctions will be made available in May or June 2013.

Information for current lessees interested in acquiring their cottage site lot through sale or exchange is available on the IDL Web site [HERE](#).

## Leasing Opportunities

"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 closed auction process (not public) available only to the conflicting applicants.

Up until recently, the only way an individual could lease a cottage site lot is if the current lessee chose not to renew their lease, defaulted on the lease, or assigned it to the individual.

However, the July 2012 Idaho Supreme Court decision *Wasden v. Land Board* has created **an opportunity for non-lessees to conflict (apply for) an expiring cottage site lease.**

**All cottage site leases expire on December 31, 2013. The deadline to submit an application for expiring cottage site lease is April 30, 2013.**

**Why does leasing matter?** For the most part, the direct sale (by public auction) or exchange of a currently leased cottage site lot is voluntary so **current lessees decide whether the lots they lease are put up for sale or included in a proposed exchange.** The exceptions are cottage site lots that are un-leased or leased lots that are cancelled for non-payment; the IDL can put these up for sale at the Land Board's discretion any time.

A [list of expiring cottage site leases](#) and [instructions for applying to conflict a lease](#) are available on the IDL Web site.

## Changes in 2014 values and rents

The 500+ cottage site lessees will receive information next week updating them on their 2014 lease amounts.

The IDL recently completed new appraisals for all lots at both lakes to establish fee-simple market value in anticipation of carrying out transactions that transition the lots into private ownership. The appraisals also are the basis on which the 2014 lease payments were determined.

For lessees at Payette Lake, there is little change in land values between 2013 and 2014. In fact, the **change in overall values of the lots at Payette Lake will go down by 2.6 percent.**

**At Priest Lake, however, the change in values will increase by more than 80 percent.** Many factors contributed to this considerable increase in land value. The **Land Board voted 4-1 Thursday** to approve the department's recommendation to introduce a **deferral option for lessees who may need a short-term bridge to be able to meet their financial contract obligations.**

Read the [full Land Board memo](#) for more information about the factors that contributed to the change in land value and about the deferral option for lessees.

**IDL Director Tom Schultz and staff will meet with lessees at both lakes in the coming weeks to address questions about the change in 2014 land values and rents.** A meeting will be held in **Boise** on Tuesday, April 9 in the Senate Auditorium (Room WW02) of the Idaho Capitol from 5:00-7:00 p.m. Director Schultz and staff will join a meeting of the Priest Lake State Lessees Association on April 10, 2013, at 6:00 p.m. at the Mirabeau Center in **Spokane Valley.**



### Idaho Department of Lands

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