GEORGE B. BACON  
Director  
Idaho Department of Lands  
300 N. 6th Street  
P.O. Box 83720  
Boise, Idaho 83720-0050

BEFORE THE STATE BOARD OF LAND COMMISSIONERS  
STATE OF IDAHO

In the Matter of;  

Encroachment Permit No. L-96-S-51F  
Watermill, LLC  
Applicant.

FINAL ORDER

I. NATURE OF PROCEEDINGS/ISSUES

A public hearing was held on October 9, 2008 at 6:00 pm at the Timberlake High School in Spirit Lake, Idaho. Mike Murphy served as Hearing Coordinator. The Hearing Coordinator issued his Recommendation on October 7, 2008.

My responsibility is to render a decision on the behalf of the State Board of Land Commissioners based on the record reviewed in the context of my personal expertise gained through education, training, and experience. In making this determination I have relied on the record provided. Specifically,

- I have read the transcript of the public hearing conducted on October 9, 2008.
- I have reviewed the record including all documents and exhibits.
- I have examined the Hearing Coordinator’s Recommendations in light of the entire record.

Encroachments, including docks, placed on the navigable waters, require a permit issued by the Department of Lands pursuant to the requirements of Title 58, Chapter...
13, Idaho Code and the Rules for the Regulation of Beds, Waters and Airspace over Navigable Lakes in the State of Idaho, IDAPA 20.03.04 as promulgated by the State Board of Land Commissioners.

II. FINDINGS OF FACT

I concur with the Findings of Fact presented by the Hearing Coordinator.

III. CONCLUSIONS OF LAW

I concur with the Conclusions of Law presented by the Hearing Coordinator.

IV. FINAL ORDER

On the basis of the record, it is my order that the Pend Oreille Supervisory Area of IDL should approve Applicant’s request for a navigational encroachment permit for the partial privatization of a commercial marina once the following condition has been met:

- The Area shall approve a final private/public breakout and a final parking plan, which shall meet the standards and requirements of IDAPA 20.03.04 and shall be identified in documents that are signed and dated by the Applicant and submitted to the IDL. The parking plan should allow no more than 18 of the required 44 parking spaces to be dedicated to the private slip users. Modifications to any portion of the application should not be accepted if the modifications alone would trigger a new permitting process for an existing encroachment, based on a consideration of the criteria established in IDAPA 20.03.04.020.05.

In addition, the Director should direct the Supervisory Area to initiate a lease modification process for the existing submerged land lease. The new lease shall include modifications to the annual rent calculations which should reflect the partial
privatization of the marina. These modifications should be consistent with the Land Board's policy on private and public moorage. The new submerged lands lease shall also require the Applicant to provide annually to IDL (upon submittal of the annual gross receipts report) documents which confirm the Applicant remains registered with the Secretary of State. The new lease should also include a term that requires that the balance of size and quality of the public and private docks be maintained.

This is a final order of the agency. Any applicant aggrieved by the director's final decision, or an aggrieved party who appeared at a hearing, shall have the right to have the proceedings and final decision of the director reviewed by the district court in the county in which the encroachment is proposed by filing a notice of appeal within thirty (30) days from the date of the final decision, in accordance with IDAPA 20.03.04.030.09.

DATED this 10th day of November, 2008.

[Signature]

GEORGE B. BACON
Director
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 10th day of November, 2008, I caused to be served a true and correct copy of the foregoing document, by the method indicated:

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IDAHO DEPARTMENT OF LANDS  
300 N. 6TH STREET  
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MARILYn SAUNDERS
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**FINAL ORDER**

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MICHAEL J. MURPHY
IDL Bureau Chief of Surface and Mineral Resources

FINAL ORDER
Page 15 of 15
October 7, 2008

MEMORANDUM

TO: George B. Bacon, Director

FROM: Michael Murphy, Bureau Chief of Surface and Mineral Resources

SUBJECT: Public Hearing – Commercial Marina – Watermill, LLC L-96-S-51F

I. INTRODUCTION

The following document, which includes recommendations for your consideration, was prepared following a public hearing conducted by the Idaho Department of Lands (IDL). The public hearing was conducted in conjunction with the processing of an encroachment permit for a commercial marina on Lake Pend Oreille, a navigable lake in Idaho. Jurisdiction in this matter rests with IDL pursuant to Idaho Code § 58-1303, which empowers the State Board of Land Commissioners to regulate, control, and permit encroachments on, in, or above the beds or waters of the navigable lakes of Idaho.

II. FINDINGS OF FACT

1. On July 14, 2008, Watermill, LLC (Applicant) submitted to IDL an encroachment permit application (L-96-S-51F), in accordance with IDAPA 20.03.04.03, requesting approval to privatize a portion of the Vista Bay marina, an existing commercial marina
on Lake Pend Oreille. Applicant proposes to have 36 of the total 88 slips at the marina made available for sale. The application was signed by Dennis Scott of Watermill, LLC. The application is incorporated into this document by reference.

2. IDL initiated the processing of the encroachment permit application as a navigational encroachment pursuant to the Lake Protection Act (Idaho Code § 58-1306) and the associated Rules (IDAPA 20.03.04.030). On August 2, 2008 and August 9, 2008, IDL published the required Notice of Application in the Coeur d’Alene Press for the encroachment permit application submitted by Applicant. The Notice of Application is incorporated into this document by reference.

3. In a letter dated July 31, 2008, IDL notified the following parties of the encroachment permit application submitted by Applicant and requested that the parties provide comments to IDL:

- Idaho Department of Fish and Game
- Idaho Department of Environmental Quality
- Idaho Department of Water Resources
- U.S. Army Corps of Engineers – CDA
- Kootenai County Parks, Recreation/Waterways
- Kootenai County Marine Division
- Kootenai County Building & Planning & Zoning
- Kootenai Environmental Alliance
- Panhandle Health District
- Lakes Commission
- Tri-State Water Quality Council
- Bayview Chamber of Commerce
• Bayview Water and Sewer
• Bayview Community Council
• MacDonald's Hudson Bay Resort
• Adjacent neighbors

The letter is incorporated into this document by reference.

4. IDL received written responses from the Army Corp of Engineers, Kootenai County Building & Planning and objection letters and e-mail correspondence from the Bayview Chamber of Commerce. These letters and correspondence are incorporated into this document by reference.

a. A letter date August 28, 2008 was submitted to IDL by the Army Corps of Engineers. The letter provided no objections to the proposed encroachment permit.

b. A letter dated August 28, 2008 was submitted to IDL by the Kootenai County Building & Planning Department. The letter provided no objections to the proposed encroachment.

c. Letters dated August 26, 2008 and September 1, 2008 and an e-mail dated September 2, 2008 were submitted to IDL by the Bayview Chamber of Commerce – Development Analysis Committee objecting to the proposed encroachment and requesting a public hearing. The Bayview Chamber of Commerce documents identified concerns related to the following issues:

  • Applicant vs. Waterford Park Homes
• Comparison of private and public slips
• Use of Dock E and side ties
• Concerns with future improvements
• Rates for public slips

5. Based on the request by the Bayview Chamber of Commerce – Development Analysis Committee, and in accordance with IDAPA 20.03.04.030, IDL initiated a public hearing process for the proposed encroachment. On September 10, 2008 and September 17, 2008 IDL published the required Notice of Hearing in the Coeur d’Alene Press. The public hearing was scheduled for October 9, 2008 at 6:00 pm at the Timberlake High School, 5973 West Highway 54, in Spirit Lake, Idaho. This Notice of Hearing is incorporated into this document by reference.

6. On October 9, 2008, IDL held a public hearing at 6:00 pm at the Timberlake High School in Spirit Lake, Idaho. Mike Murphy, Bureau Chief of Surface and Mineral Resources, coordinated the public hearing. In attendance were Ed Robinson, IDL Area Manager; Jim Brady, IDL Navigable Waters Specialist; Dennis Scott (Applicant); Kevin Holt (Attorney for Applicant); Bob Brooke (Objector); and approximately 100 members of the public. The public hearing was recorded on audio tape and was subsequently transcribed. The transcript of the public hearing is incorporated into this document by reference.

a. Dennis Scott (Applicant) provided an overview of the project, indicating the breakout of the public and private slips and the parking plan. Mr. Scott expressed a willingness to make adjustments to the existing application.
b.  Bob Brooke (Objector), most members of the public testifying at the public hearing in opposition to the proposed encroachment application, and most written comments in opposition to the proposed encroachment application identified two substantive objections:

- The application has been modified during the review/hearing process.
- The similar size and quality standard has not been met by the application.

Applicant has submitted revised versions of the parking plan and revised versions of the public/private split and revised gating scenarios since the encroachment applications was submitted.

Several of the other issues identified during the public process related to upland issues (bathrooms, buildings, and condos, etc), which are outside of IDL's jurisdiction and the advisability of allowing any private moorage.

7.  As of November 7, 2008 Watermill, LLC is registered with the Idaho Secretary of State as a business entity.

III. CONCLUSIONS OF LAW

1.  The Idaho Board of Land Commissioners (Board) is designated in Idaho Code § 58-104(9) and § 58-1303 to regulate, control and permit encroachments on, in, or above the beds of navigable lakes in the state of Idaho. IDL is the administrative agency of the Board, as per Idaho Code § 58-119.
2. Lake Pend Oreille is a navigable lake as defined by Idaho Code § 58-1302(a). Therefore encroachments of any kind on, in or above the beds or waters of Lake Pend Oreille require an encroachment permit prior to any encroachment on the lake. The Pend Oreille River was formerly a free flowing river, the bed of which is owned by the State of Idaho. Albeni Falls Dam impounded the Pend Oreille River and raised the level of Lake Pend Oreille creating an AHWM of 2,062.5.

3. IDAPA 20.03.04.011.02 states that encroachments of any kind on, in, or above the beds of a navigable lake require a permit prior to encroaching on the lake.

4. Pursuant to Idaho Code § 58-1301, lake encroachments must be regulated to protect property and the lake value factors of navigation, fish and wildlife habitat, aquatic life, recreation, aesthetic beauty, and water quality. These values must be given due consideration and weighed against the navigational or economic necessity or justification for, or benefit to be derived from, the proposed encroachment.

5. IDL shall make decisions on proposed encroachments in accordance with the Public Trust Doctrine as set forth in Idaho Code § 58-1201 through 1203. This statute protects the property rights of private land owners, including the ability to utilize their riparian rights as a means to access the waters of the navigable lakes of Idaho.

6. Idaho Code § 58-1306(e) requires that in recognition of continuing private property rights in lands lying between the natural or OHWM and the AHWM, IDL shall consider unreasonable adverse effect upon adjacent property and undue interference with navigation the most important factors to be considered in granting or denying an application for either a nonnavigational encroachment or a commercial navigational
encroachment not extending below the natural or OHWM.

7. IDL shall also make decisions on proposed encroachments in accordance with the Public Trust Doctrine as explained by the Idaho Supreme Court in Kootenai Environmental Alliance, Inc. v. Panhandle Yacht Club, Inc., 105 Idaho 622, 671 P.2d 1085 (1983) (KEA) and subsequent cases. The court in KEA stated that encroachment permits and submerged land leases remain subject to the public trust, and are not irretreivable commitments. The court in KEA also stated that mere compliance of IDL with its legislative authority is not sufficient to determine if their actions comport with the requirements of the public trust doctrine.

8. Pursuant to IDAPA 20.03.04.015.03(c), commercial marinas shall provide a minimum of upland vehicle parking equivalent to one (1) parking space per two (2) watercraft moorages. Local city or county ordinances governing parking requirements for marinas will apply if such have been enacted. Unless Kootenai County enforces a specific parking requirement, the Vista Bay marina is required to provide a total of 44 parking spaces (88 slips available). Based on the ratio of private slips (36) to public slips (52) proposed by Applicant, a maximum of 18 parking spaces can be dedicated for the private slip users or a minimum of 26 slips should be available for the public slip users.

9. Pursuant to IDAPA 20.03.04.030(h), when private moorage is permitted, the public moorage must be of similar size and quality as the private moorage.

10. Pursuant to IDAPA 20.03.04.030(i), Commercial marinas with private moorage must form a condominium association, co-op, or other entity that owns and manages the marina, littoral rights, upland property sufficient to maintain and operate a marina, and private submerged land, if present. This entity is responsible for obtaining and
maintaining an encroachment permit under these rules and a submerged lands lease under IDAPA 20.03.17, “Rules Governing Leases on State- Owned Submerged lands and Formerly Submerged Lands.”

11. Pursuant to IDAPA 20.03.04.030(j), existing commercial marinas that desire to change their operations and convert some of their moorage to private use must keep at least fifty percent (50%) of their moorage available for use by the general public. This change in operations must be approved by the department through a new encroachment permit prior to implementation of the change. The permit application shall describe, in text and in drawings, which moorage will be public and which moorage will be private.

12. Pursuant to IDAPA 20.03.04.020.05, rearrangement of a commercial navigational encroachment may not require a new application for an encroachment permit if the changes are only internal. The department shall be consulted prior to modifications being made, and shall use the following criteria to help determine if a new permit must be submitted:

- Overall footprint does not change in dimension or orientation;
- No increase in square footage occurs;
- The entrances and exits of the facility do not change.

13. Idaho Code § 58-1306 identifies the proposed encroachments as encroachments in aid of navigation.

14. Applicant and IDL satisfied all procedural requirements in the processing of the application included in Idaho Code § 58-1306 and IDAPA 20.03.04.
IV. HEARING COORDINATOR CONCLUSIONS AND RECOMMENDATIONS

The following are the two substantive objections articulated by the Objector and by many members of the public during the public comment period and the public hearing process:

- The application has been modified during the review/hearing process.
- The similar size and quality standard set forth in IDAPA 20.03.04.030(h) has not been met by the application.

Modifications to the Application

The processing of the Vista Bay encroachment application has raised the following questions: To what extent does the law allow an application to be modified during a public comment period and during a public hearing process, if one is initiated? Should the Vista Bay encroachment application process be re-started?

IDAPA 20.03.04.020.05 provides helpful criteria in answering both questions. The Rule states that IDL may not require a new application for an encroachment permit if the changes are only internal. IDL shall be consulted prior to modifications being made, and shall use the following criteria to help determine if a new permit must be submitted:

- Overall footprint does not change in dimension or orientation;
- No increase in square footage occurs;
- The entrances and exits of the facility do not change.
The use of these same criteria when applied to encroachment permits that are subject to the comments of the public, governmental agencies, special interest groups, and elected officials seems appropriated. The benefit of the public process and the agency review process is the high level of scrutiny applied to the encroachment applications and the suggested changes that are themselves the desired outgrowth of the process.

Following the logic of IDAPA 20.03.04.020.05, modifications to any portion of the application during the review process should not be accepted if the modifications alone would trigger a new permitting process for an existing encroachment (considering the criteria established in IDAPA 20.03.04.020.05). Modifications not requiring a new permit, however, can be accepted by IDL during the review process so long as the changes are not substantial.

As applied to the Vista Bay encroachment application, I have identified no modifications to the July 14, 2008 application which warrant a re-starting of the permitting process. The modifications proposed by Applicant related to the parking plan, private/public split and gating do not warrant a new application process.

**Similar Size and Quality**

The processing of the Vista Bay encroachment application has raised the following question: Does the application meet the standard of “similar size and quality” as stated in Rule 030(h)?

Identifying the balance of size and quality for public and private docks as required by Rule 030(h) within an existing marina with a checkerboard of slips and docking structures can be difficult. Each existing marina will provide differences which will
require consideration of the site-specific conditions. Applicants still must make a reasonable attempt to achieve the "similar size and quality" standard, but IDL may have to make reasonable accommodations in the approval process in consideration of existing facilities. Use of the word "similar" in Rule 030(h) affords IDL some level of discretion in establishing a private/public split that makes sense for a particular marina from both a logistical and business standpoint.

Upon review of the application, I have concluded that Applicant has submitted an application which meets the requirements of IDAPA 20.03.04.030(h). Upgrades to the public docks may be necessary in the near future to ensure that the standard of quality between the public and private docks is maintained over time. IDL will maintain the ability to cancel the submerged land lease if the quality of the public docks is not maintained at a similar level. Maintaining this balance of quality (and size) should be a requirement of the submerged lands lease.

**Recommendations**

Based upon the information provided to me as the hearing coordinator and based upon the fact that the encroachment permit application for the commercial marina meets all the requirements of Idaho Code § 58-1301 et. seq. (the Lake Protection Act) and IDAPA 20.03.04, I recommend that the Director of IDL issue a Final Order stating that the Pend Oreille Supervisory Area should approve the requested encroachment permit once the following condition has been met:

- The Area shall approve a final private/public breakout and a final parking plan, which shall meet the standards and requirements of IDAPA 20.03.04 and shall be identified in documents that are signed and dated by the Applicant and
submitted to the IDL. The parking plan should allow no more than 18 of the 44 required parking spaces to be dedicated to the private slip users. Modifications to any portion of the application should not be accepted if the modifications alone would trigger a new permitting process for an existing encroachment, based on a consideration of the criteria established in IDAPA 20.03.04.020.05.

In addition, the Director should direct the Supervisory Area to initiate a lease modification process for the existing submerged land lease. The new lease shall include modifications to the annual rent calculations which should reflect the partial privatization of the marina. These modifications should be consistent with the Land Board's policy on private and public moorage. The new submerged lands lease shall also require the Applicant to provide annually to IDL (upon submittal of the annual gross receipts report) documents which confirm the Applicant remains registered with the Secretary of State. The new lease should also include a term that requires that the balance of size and quality of the public and private docks be maintained.

DATED this ___7th____ day of November, 2008.

MICHAEL J. MURPHY
Hearing Coordinator
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this _10_ day of November, 2008, I caused to be served a true and correct copy of the foregoing document, by the method indicated:

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